

Q4 - 2018 Financial Results Presentation

2018

Disclaimer

Saudi Telecom Company (STC) has prepared this presentation to the best of its abilities, however, no warranty or representation, express or implied is made as to the adequacy, correctness, completeness or accuracy of any numbers, statements, opinions, estimates, or other information contained in this presentation.

This presentation has been prepared as an informative guide that might assist interested parties in gaining an insight into the history and background of telecommunications within Saudi Arabia, as they relate to STC. Furthermore, it does not constitute an invitation or inducement to purchase or dispose of any securities, either in STC, or any companies in which STC has a financial interest.

The information contained in this presentation is subject to change and we disclaim any obligation to update you of any such changes, particularly those pertaining to the forward-looking statements.

In addition, there may also be 'forward looking' statements included within the meaning of current securities laws and regulations. In this context, any opinions expressed within this document, regarding the company's potential future performance, should be viewed as being accurate at the time of preparation. However, cognizance should be taken of the fact that uncertainty may dictate that actual performance differs substantially from any views articulated herein.

For further information about Saudi Telecom Company, or the materials contained within this presentation, please direct your enquiries to our Investor Relations team via email at **IRU@STC.com.sa**

Strategy Overview



“

We are a world-class digital leader providing innovative services and platforms to our customers in the MENA region

”

STC Values:



**Customer
First**



Innovation



**Lead with
Agility**



**Building
Trust**



One STC

Digitize STC

Digitally transform STC's operational capabilities

Accelerate Core Asset Performance

Extract more value from our core assets and traditional segments



Reinvent Customer Experience At World-class Standards

Redefine customer experience through personalization of every interaction

Expand Aggressively Scale And Scope

Pursue concrete opportunities for growth



- To raise our ranking on the E-Government Survey Index from our current position of 36 to be among the top five nations.
- To increase the private sector's contribution from 40% to 65% of GDP.
- To increase women's participation in the workforce from 22% to 30%.
- To move from our current position as the 19th largest economy in the world into the top 15.
- To lower the rate of unemployment from 11.6% to 7%.
- To increase SME contribution to GDP from 20% to 35%.
- To increase our capacity to welcome Umrah visitors from 8 million to 30 million every year

- Provide broadband services to all KSA regions by stimulating investment in infrastructure and regulatory frameworks.
- Support e commerce.
- Bridge the digital gap in the skills of ICT users.
- Increase the IT industry's contribution in the non-oil GDP.
- Rehabilitation of specialized Saudi human capital and employment in CITC sector.
- Develop and activate smart government transactions based on a common infrastructure

Elements from STC strategy:

- Lead market in digital services and creative solutions
- Drive efficiencies through digital transformation
- Digitalise processes, internal operations, delivery engine and commercial approach
- Instill culture change
- Grow B2G and B2B SME segments
- Lead technological advancement and provide best in class connectivity platform



Business Overview



Expanding macro economy & liquidity

- ✓ The Saudi Ministry of Finance published 2019 budget, which showed that total revenues reached SR895 billion in 2018, an increase of 32% year-on-year.
- ✓ 2018 non-oil revenues reached SR287 billion, an increase of 12% year-on-year
- ✓ As recently announced, the International Monetary Fund (IMF) has revised its growth expectation for the kingdom's economy 5 times this year from 1.9% to 2.2%.
- ✓ Telecommunication Sector contribution in GDP is 3.6%.
- ✓ Saudi joined FTSE emerging index, market may attract over \$30 billion in next two years.
- ✓ Saudi joined MSCI , this could lead to passive and active inflows of between \$30 billion and \$45 billion.

Regulatory Environment

- ✓ CITC expands scope of unified license services for Saudi operators.
- ✓ STC, Mobily and Zain signs deals with Saudi telecom authorities for financial settlements.
- ✓ CITC confirms that it allows telecom operators to sell their towers or separate them in independent entities.
- ✓ CITC Announces the issuance of temporary licenses for telecom companies to conduct the 5G technology experiments in the Kingdom.
- ✓ VOIP ban has been lifted by CITC.
- ✓ Expat fees impacted the number of Expats in Saudi Arabia.
- ✓ VAT implantation, the increase of electricity and water tariff have influenced the consumer spending. However, the impact of consumer spending is expected to be slightly offset by the decline of real-estate prices including rent, Citizen account and cost of living allowance.

Telecom Industry

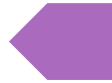
- ✓ Number of mobile subscribers decreased, reached to 42.5m as of Sep. 2018 (vs. 43m as of June 2018) with a penetration rate of 130.5% .
- ✓ Number of fixed Telephony subscribers decreased, reached to 3.29m as of Sep. 2018 (vs. 3.34m as of June 2018) with a penetration rate of 31.9% .
- ✓ Number of mobile broadband subscribers increased, reached to 29.9m as of Sep. 2018 (vs. 29.1m as of June 2018) with a penetration rate of 91.8%.
- ✓ Number of fixed broadband subscribers increased, reached to 2.07m as of Sep. 2018 (vs. 2m as of June 2018) with a penetration rate of 36.2%.

Business highlights

- ✓ STC announces that there are negotiations under way with the General Sport Authority and Saudi Arabian Football Federation regarding the terms of the agreement signed with the General Sport Authority and Saudi Arabian Football Federation.
- ✓ STC announces 1SR dividend for Q4 2018 and additional 2SR dividend for year 2018.
- ✓ STC announces its new dividends policy starting from Q4 2018.
- ✓ STC signed an agreement with MCIT to implement the 3rd phase of the Wireless Service Network deployment in Remote Areas.
- ✓ STC signed an Agreement with MCIT to Implement the Third Phases of the Wireless Services Network Deployment in Remote Areas to provide more than 444,000 homes in KSA with required telecommunications and broadband services.
- ✓ STC is the most valuable brand in Saudi Arabia. Retaining an AA+ brand strength rating (Brand Finance).
- ✓ STC announced a record for the 2018 fiber optic network connection, which comes as part of the National Broadband Deployment Initiative (NBB). With its outstanding capabilities and capabilities, the company has successfully completed and connected a total of 600,000 units. With an increase of more than 7% of 2018 target work.
- ✓ STC receives the Golden King Abdulaziz Quality Award.
- ✓ STC announced the launch of STC Pay, an investment arm specialized in digital payments and the provision of financial technology (FINTECH) services for individuals and institutes.
- ✓ STC wins a contract for Riyadh bus interconnection.
- ✓ STC recorded the highest peak hours in the history of the holy places, with more than 7.2 terabytes (MB) per day during the rush hour of the day, a 34% increase over the same period last year. The transfer of data through the 4G network has gone to the highest in history with more than 160% compared to the last year record on the day of Arafa.
- ✓ Call Center Company (CCC) achieved the largest acquisition in the outsourcing sector and the customer experience in the Kingdom.
- ✓ STC inaugurates a modern data center with global standards STC will have the largest capacity for data centers in the Middle East. In addition to, hosting the biggest ICloud Service in the region, supporting key global platforms that makes the base of infrastructure to comply with the requirements of launching modern technologies such as IOT, Smart Cities, and Cybersecurity.
- ✓ STC being the fastest internet provider of 4G, 3G, and Fiber-Optics across the Kingdom, according to (Meqyas) index by CITC.
- ✓ STC is the 20th in the world among 100 international companies in the field of Communications and Information Technology, according to "Global".
- ✓ STC launches the first live 5G network in MENA.
- ✓ Continuing to focus on improving the efficiency of operations through the (Operational Excellence Programs).

This is STC

We achieved 90% Saudization, and 97% of our executives are Saudis which is considered one of the highest rates in KSA.



We are proud to serve more than 200,000 SME clients through My business application.



STC is Saudi Arabia's Speedtest Awards Winner for mobile network speed for the past 3 years.



Our clients redeem 1.5 billion Qitaf points with an amount of 306 million SAR in 2017.



We established 22 Health centers which benefited more than a 3 million client.



More than 2200 students joined our COOP program in 2016 & 2017.



We have established IGate Family application to serve the employees Families.



In the field of sports investment STC established Dawri Plus with more than 2 million subscribers and 64 million views monthly.



We have supported 18 new projects within our business incubators (InspireU).



We have contributed in establishing more than 9044 projects through the Institute of Entrepreneurship.



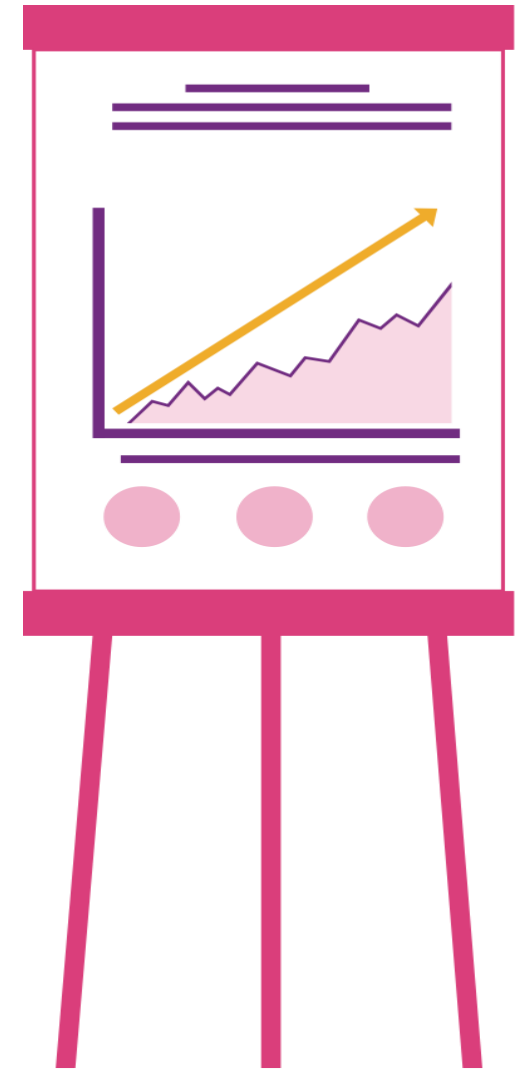
We Hosted 300 Students from MISK's Fellowship & Traineeship.



We received an award for Talent Management Program at ASHRM.



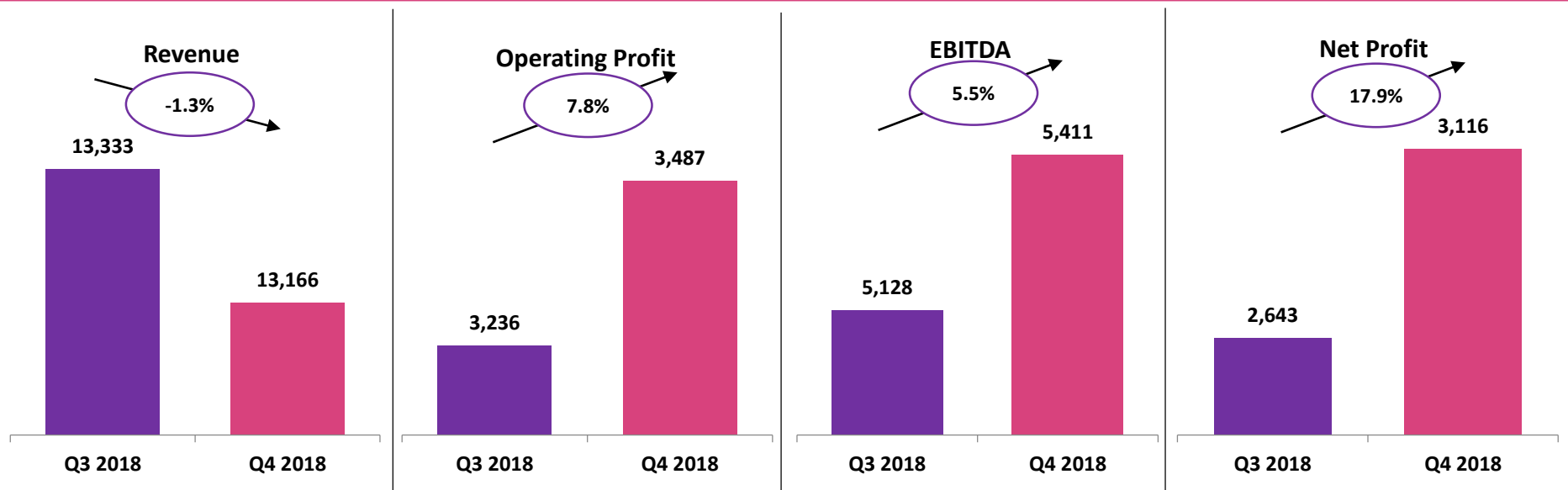
Financial Highlights



STC - 2018 Financial Highlights

SAR mn	Q4 2017	Q4 2018	Change	SAR mn	12M 2017	12M 2018	Change
Revenue	12,503	13,166	5.3%	Revenue	50,689	52,068	2.7%
Operating Profit	2,880	3,487	21.1%	Operating Profit	10,986	12,256	11.6%
EBITDA	4,831	5,411	12.0%	EBITDA	18,431	19,857	7.7%
<i>EBITDA Margin</i>	38.6%	41.1%	6.4%	<i>EBITDA Margin</i>	36.4%	38.1%	4.9%
Net Profit	2,555	3,116	22.0%	Net Profit	10,016	10,790	7.7%
<i>Net Profit Margin</i>	20.4%	23.7%	15.8%	<i>Net Profit Margin</i>	19.8%	20.7%	4.9%

QoQ 2018



Thank you
