



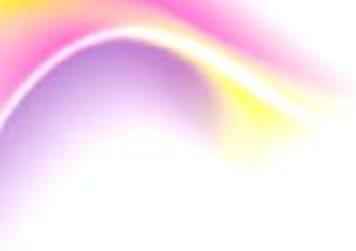
Q4 - 2017 Financial Results Presentation

Investor Relations



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Business Overview

Vision of STC



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

Aligning STC priorities to Saudi Arabia's National Transformation Program (NTP) 2020



- 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
- Drive efficiencies through digital transformation
- Lead market in digital services
- Digitalise processes, internal operations, delivery engine and commercial approach
- Instill culture change
- Grow B2G and B2B SME segments

Strategic and Business highlights

- ✓ Our success is based on the "Customer" who serves as the compass that guides us
- ✓ We work in alignment with the Saudi Vision 2030 and NTP 2020 at the strategic partner of the government of Saudi Arabia.
- ✓ Continuing to adopt initiatives to develop unconventional telecommunication infrastructure by investing in the enhancement of the network and associated systems.
- ✓ Promising growth opportunities - STC has a clear growth strategy, with a leading position both nationally and internationally.

Economy

- The government of Saudi Arabia is committed to fulfill its Vision 2030 by effectively managing the economy despite difficult international circumstances
- Expansionary stance to help revive real GDP growth rate as policy maker seems to be directing savings to capex and Investment schemes .
- Oil price has also increased that supports kingdom's growth plans.
- Saudi Arabia announced 2018 budget at SAR 978 billion, the country's largest ever.
- The allocation of SAR 72 billion will stimulate and boost the private sector growth.
- New monthly payment of SAR 1,000 cost of living allowances is expected to inject SAR 50 billion into the economy.

Telecom Sector

- Although the Telecom Sector is anticipated to face challenges in the near future in terms of growth, however, it is expected to at least maintain its current standing.
- Recent data pricing rationalization provides hope that the market can go back to levels that will allow for sustainable investments into future technologies, products and services.
- The new government initiatives are expected to reduce the impact on the economy and ultimately the telecom sector
- The Saudi Government 2030 vision is paying attention to bridge the digital gap and increase the IT industry's contribution in the non-oil GDP

Saudi Telecom Company

- The company continues to invest in its digital platforms to provide unique and innovative services to individual and business customers
- Continuing to focus on improving the efficiency of operations through the (Operational Excellence Programs).
- As government's strategic partner, STC signed an agreement to deploy fiber optic broadband services with the (MCIT) with a total value of SAR 7.2 billion in 4 years
- STC has won the auction of mobile phone licenses in the frequency bands 700 MHz and 1800 MHz.

Financial Highlights

- STC seeks to improve its financial performance, enhance the margins and its position to deliver value to its shareholders.
- STC maintains healthy financial position with stable credit rating and strong debt capacity.
- 2017 Q4 revenue from service decreased by 4.0%* mainly due to the decline in Consumer segment performance for challenging economic conditions and regulatory environment. Enterprise & wholesale segments' performance was strong.
- 2017 Q4 EBITDA increased by 28.7%*
- 2017 Q4 Net income increased by 27.2%*
- International operations mainly the controlled international subsidiaries also contributed positively.

* Compared to the same quarter last year

Initiative highlights

Customer

- We facilitate data traffic of 14,000 terabytes daily, which is one of the largest volumes in the world
- We meet 90% of KSA customer needs through our digital self-service channels
- This year, we have processed 550 million of KSA customer requests through our interactive messaging system 900
- We have reduced the number of KSA customer complaints regarding mobile and landlines by 50%
- We have provided more than 3 million homes with internet, approaching our goal of serving 5 million subscribers by the year 2020
- FTTH customer base in Q4 2017 increased by 5.1% and 20% as compared to Q3 2017 and Q4 2016 respectively.

STC Channel

- STC acquired the remaining stake in STC Channels (previously known as Sale Advanced Co.). Rebranding and re-strategizing the retail operations will help STC to achieve better customer focus and experience.

STV

- A technology venture capital fund that aims to achieve its strategic growth aspirations and to help realize Vision 2030's technological ambitions by investing in new digital areas and by growing the digital innovation ecosystem in the region.

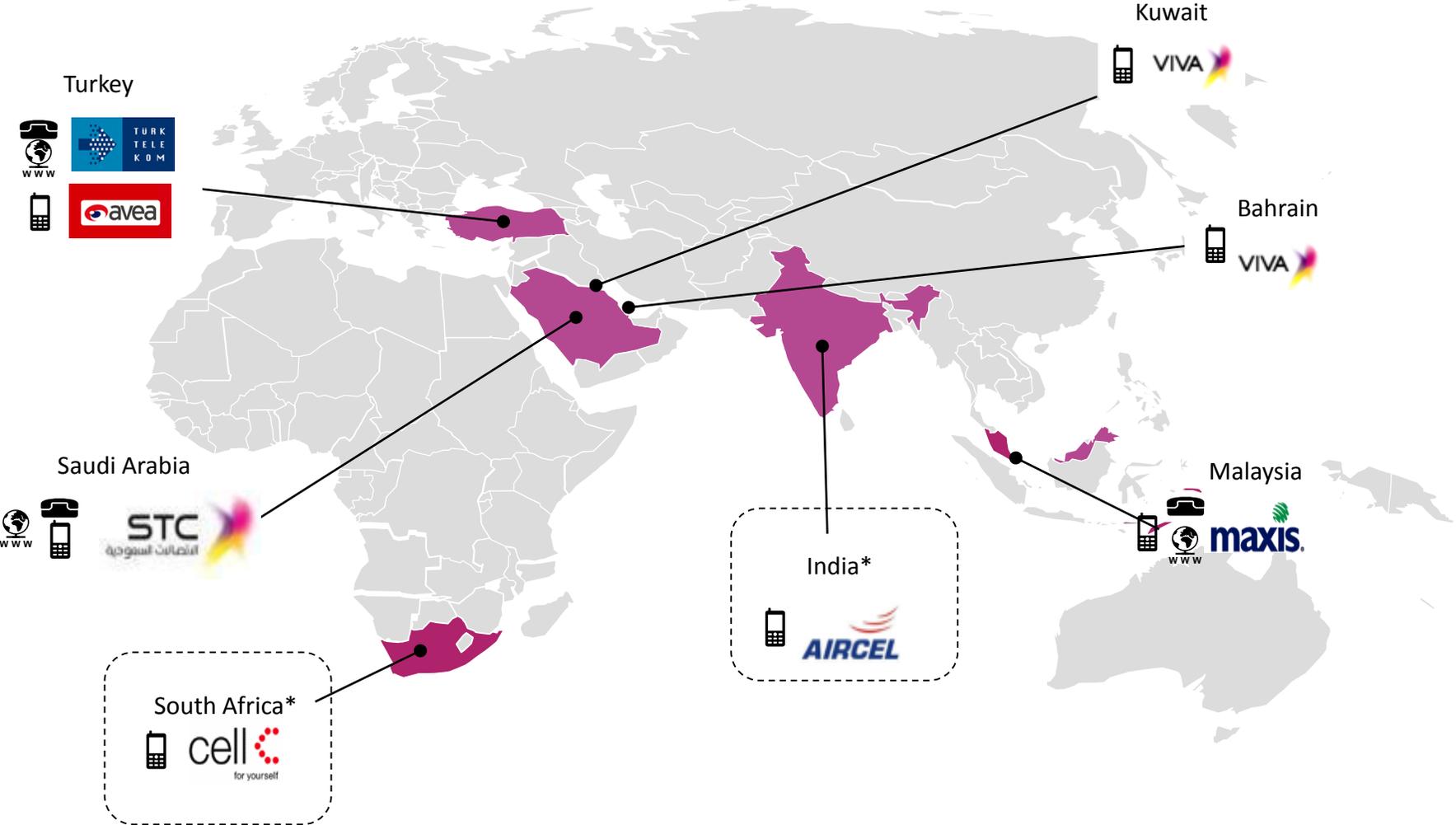
STC Specialized

- STC has also launched the new identity of for its specialized communication services under the name of STC Specialized (STCS), formerly called "Bravo". This is an important step towards achieving STC's goals and future vision of building a unified national network for specialized communications, emergency and crisis management (Mission -Critical network).

HR

- STC achieved a score of 71% in Organizational Health Index (OHI), which focuses on measuring change in corporate culture. STC moved from quartile three to quartile two within the OHI scale.
- We continue to focus on developing the employee as an embodiment of our expressed value. The company launched a new program to leverage its investment in HR and career development. This program is comprised of three main sub-programs:
 - Tamooh: Targets recent university graduates
 - Waad: Aims at preparing managers and future leaders (high potential)
 - Khabeer: Dedicated to developing and improving professional and specialized experiences
- STC has established STC Academy, which will start its activities this year as a training incubator to enable digital transformation. It will support STC direction toward the investment in cloud computing, information security, IoT, financial services, and digital media.

STC – Global Footprint



* Ring-fenced, will be removed in due course from STC's investment portfolio



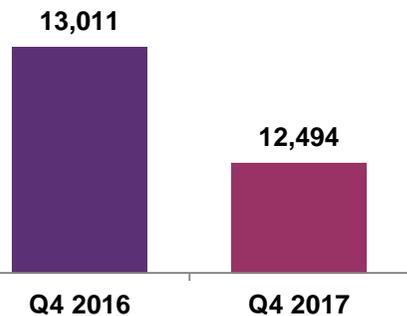
Financial Highlights

STC - Q4 2017 Financial Highlights

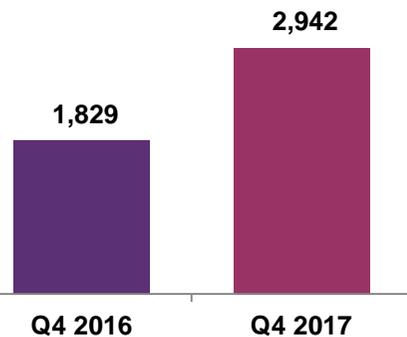
| SAR mn | Q4 2016 | Q4 2017 |
|-------------------|---------|---------|
| Revenue | 13,011 | 12,494 |
| Operating Profit | 1,829 | 2,942 |
| EBITDA | 3,950 | 5,083 |
| EBITDA Margin | 30% | 41% |
| Net Profit | 2,083 | 2,649 |
| Net Profit Margin | 16% | 21% |

- Revenue declined by 4.0%
- Operating Profit increased by 61%
- EBITDA increased by 29%
- Net Profit increased by 27%

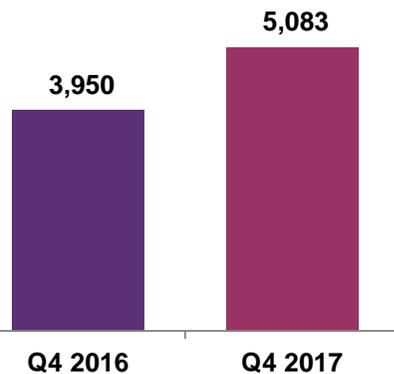
Revenue



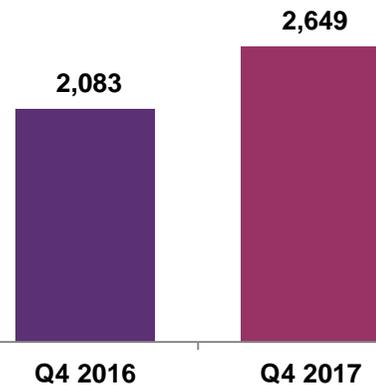
Operating Profit



EBITDA



Net Profit

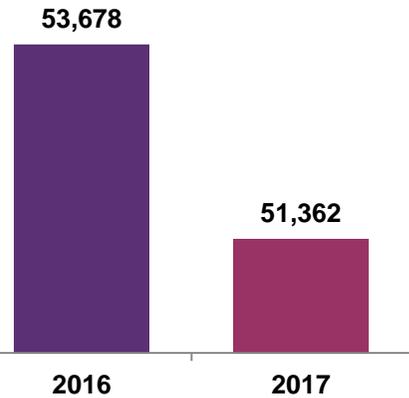


STC - FY 2017 Financial Highlights

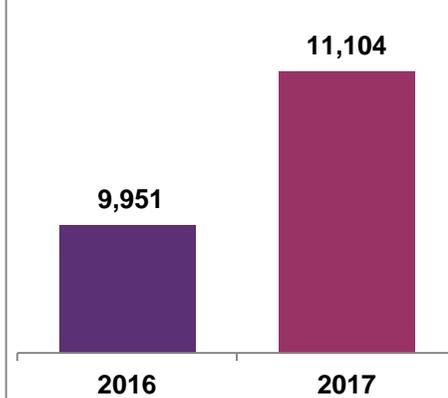
| SAR mn | 2016 | 2017 |
|-------------------|--------|--------|
| Revenue | 53,678 | 51,362 |
| Operating Profit | 9,951 | 11,104 |
| EBITDA | 18,029 | 19,311 |
| EBITDA Margin | 34% | 38% |
| Net Profit | 8,899 | 10,174 |
| Net Profit Margin | 17% | 20% |

- Revenue declined by 4.3%
- Operating Profit increased by 12%
- EBITDA increased by 7%
- Net Profit decreased by 14%

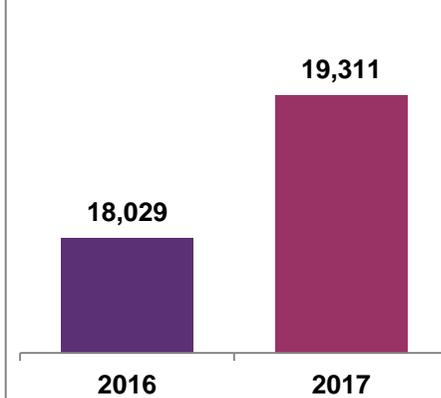
Revenue



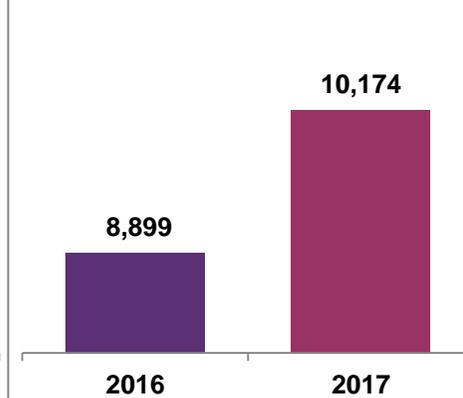
Operating Profit



EBITDA

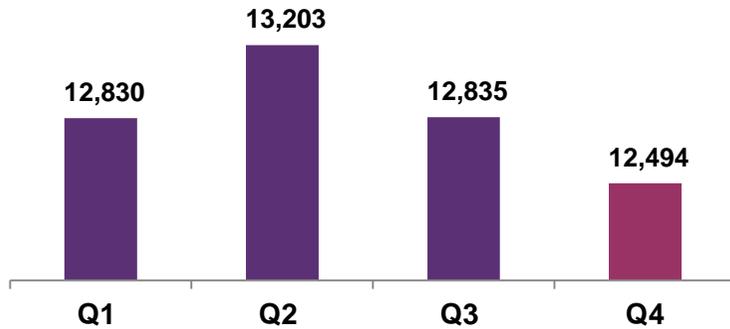


Net Profit

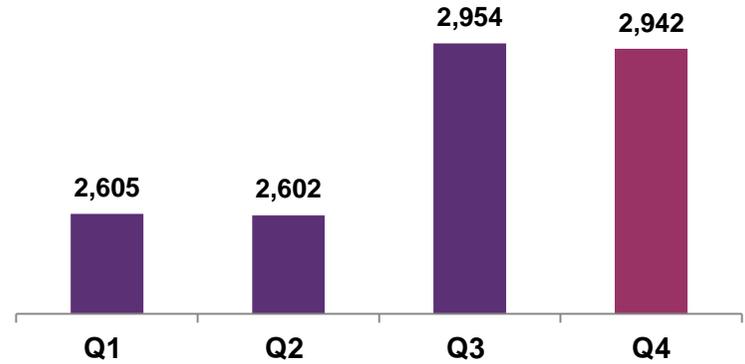


STC - 2017 Financial Highlights

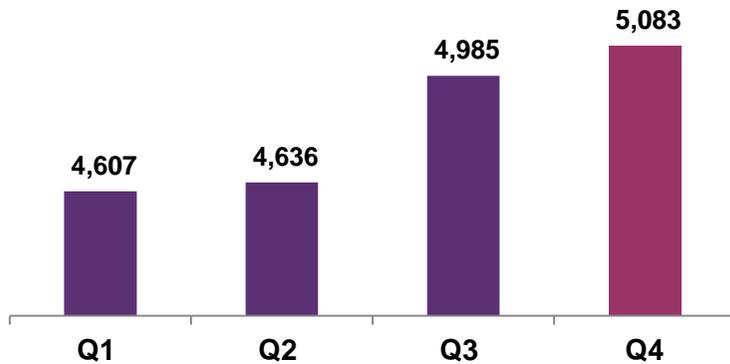
Revenue



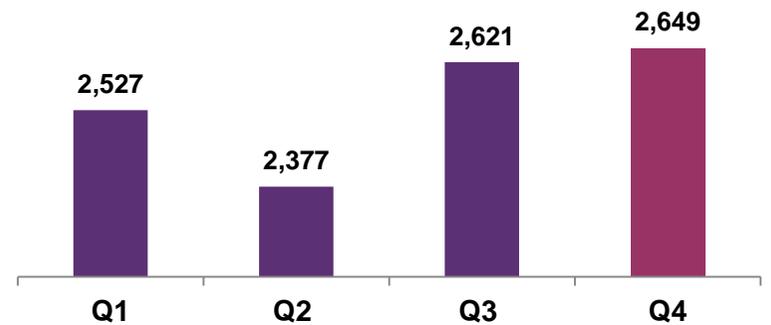
Operating Profit



EBITDA



Net Profit



THANK YOU

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STC
الاتصالات السعودية

