



Q2 - 2019 Financial Results Presentation

2019

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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



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

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STC Values:



Dynamism



Devotion



Drive

Digitize STC

Digitally transform STC's operational capabilities

Accelerate Core Asset Performance

Extract more value from our core assets and traditional segments

DARE

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 B SME segments
- ▶ Lead technological advancement and provide best in class connectivity platform

Business Overview



Expanding macro economy & liquidity

- ✓ "The Saudi economy is expected to grow by 2.5 percent in 2019, boosted by the robust performance in Q1" Mohammed Al-Tuwaijri, the Saudi Minister of Economy and Planning.
- ✓ "Saudi Arabia will finalize privatization deals worth SAR 2 billion (\$533 million) before the end of 2019" Crown Prince Mohammed bin Salman.
- ✓ Saudi Arabia's economic reforms have started to "pay off" amidst a recovery in the non-oil sector, citing an International Monetary Fund (IMF).
- ✓ Saudi Aramco IPO to happen in 2020-21, Saudi Energy Minister Khalid Al-Falih said.

Regulatory Environment

- ✓ Minister of Communications and Information Technology Abdullah Al-Sawaha said that Saudi Arabia is determined to be a world leader in 5G to take early advantage of its benefits, with becoming one of the first countries to launch the 5G service.
- ✓ The Ministry of Communications and Information Technology signed a memorandum of cooperation with the Japanese Ministry of Internal Affairs and Communications to boost cooperation and achieve further development and growth in the field of communications and information technology between the two countries.
- ✓ "The launch of 5G is projected to contribute more than \$19 billion to Saudi Arabia's gross domestic product (GDP) and create almost 20,000 new jobs by 2030", citing Haytham Bin Abdulrahman Al-Ohali, Deputy Minister of Communications and Information Technology.

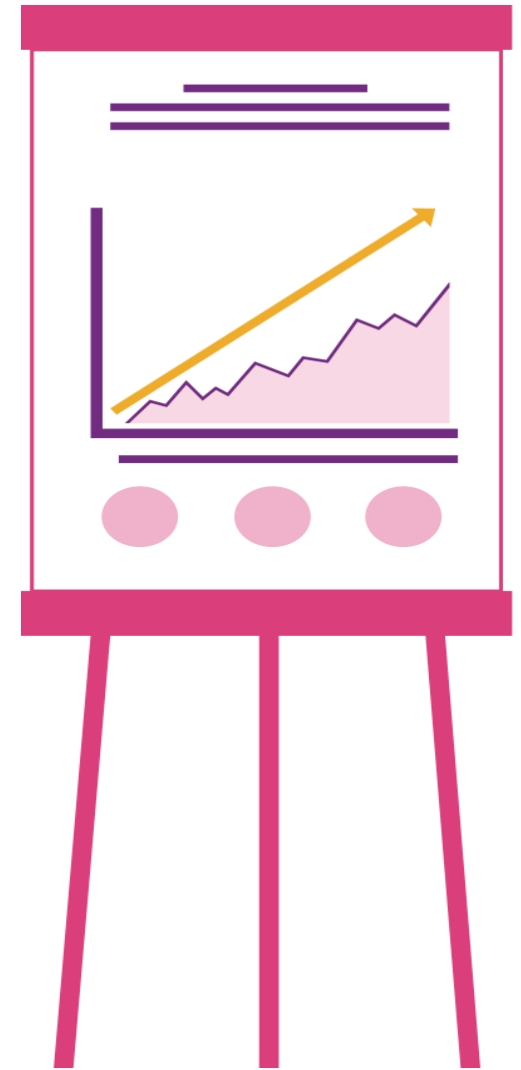
Telecom Industry

- ✓ Number of mobile subscribers increased to 41.63m as of Mar. 2019 (vs. 41.31m as of Dec. 2018) with a penetration rate of 124.6%.
- ✓ Number of fixed Telephony subscribers remain the same, 3.12m as of Mar. 2019 (vs. 3.12m as of Dec. 2018) with a penetration rate of 29.7%
- ✓ Number of mobile broadband subscribers increased, reached to 29.45m as of Mar. 2019 (vs. 29.15m as of Dec 2018) with a penetration rate of 88.1%
- ✓ Number of fixed broadband subscribers increased, reached to 1.96m as of Mar. 2019 (vs. 1.90m as of Dec. 2018) with a penetration rate of 32.98%.

Business highlights

- ✓ Moody's upgrades STC's long-term issuer rating to A1.
- ✓ STC has become the first operator to provide 5G commercial services to customers in a number of cities in the Kingdom.
- ✓ STC launched the 5G project soon after CITC issued licenses for testing the 5G mobile network using 100 MHz channels in the bandwidth of 3.6Ghz–3.8GHz.
- ✓ STC has issued its first international US dollar-denominated Sukuk program at \$1.25 billion.
- ✓ STC announces the launch of the Investor Relation App.
- ✓ STC completes the first global Multi-Vendor-Integration-Verification (MVIV) for its Huawei and Cisco core infrastructure with Ericsson and Nokia supplied 5G Radio Networks.
- ✓ STC signs a framework agreement with the Ministry of Municipal and Rural Affairs to improve performance and coordination efficiency.
- ✓ STC Group CEO, Eng. Nasser Bin Sulaiman Al Nasser, won first place as the best chief executive officer for the year 2019 in the ICT sector in the 2019 «Top CEO» awards and conference.
- ✓ Minister of Communications Honors STC Group CEO and Technicians for their Leading Role in Digital Foundation Projects.
- ✓ STC announces the results of the Extraordinary General Assembly meeting (First Meeting) 2019.
- ✓ General assembly has approved a 10 percent cash dividend for the first quarter of 2019, at SAR 1 per share, amounting to SAR 2 billion.
- ✓ STC and Colt partner to facilitate global demand for high bandwidth connectivity.
- ✓ The STC brand maintained its rank on top of the list of the «most valuable brands in Saudi Arabia» and as the third in the Middle East in 2019.
- ✓ STC & Philips to unlock telehealth's potential to transform care in Kingdom.
- ✓ STC won eight awards for brand development.
- ✓ Minister of Housing honors STC for its contribution to the Building Technology Motivation Initiative in Al-Ainiah.
- ✓ STC announced its plans to stop using its 3G network by 2022.
- ✓ STC has partnered with NETSCOUT to strengthen cyber defense capabilities to protect the infrastructure against service disrupting Distributed Denial of Service (DDoS).
- ✓ STC wins three coveted awards in the “5G MENA Summit”.
- ✓ STC Tower Company subsidiary “Tawal” started its commercial operations in 2019.
- ✓ STC Academy won the Silver award in Technology in the 2019 Global Council of Corporate Universities (GCCU).

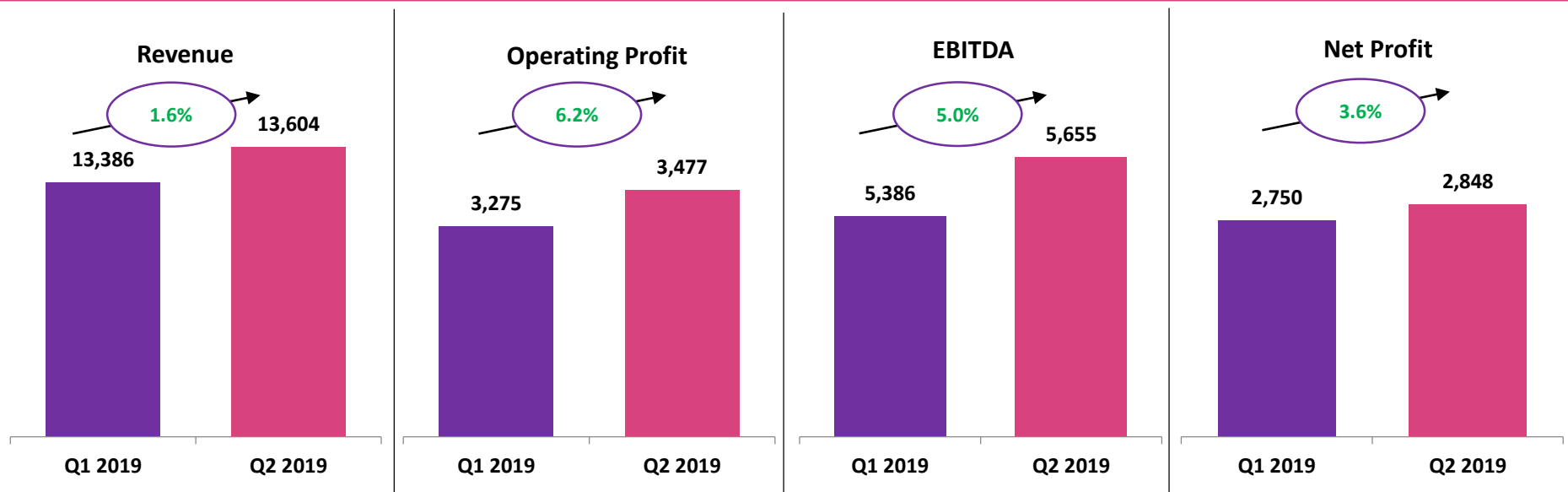
Financial Highlights



STC – 2019 Financial Highlights

SAR mn	Q2 2018	Q2 2019	Change	SAR mn	6M 2018	6M 2019	Change
Revenue	13,079	13,604	4.0%	Revenue	25,428	26,989	6.1%
Operating Profit	2,901	3,477	19.9%	Operating Profit	5,533	6,753	22.1%
EBITDA	4,791	5,655	18.0%	EBITDA	9,318	11,041	18.5%
<i>EBITDA Margin</i>	36.6%	41.6%	13.7%	<i>EBITDA Margin</i>	36.6%	40.9%	11.7%
Net Profit	2,444	2,848	16.5%	Net Profit	5,032	5,598	11.3%
<i>Net Profit Margin</i>	18.7%	20.9%	11.8%	<i>Net Profit Margin</i>	19.8%	20.7%	4.5%

QoQ 2019



Thank you
