



Investor Presentation

FY 2017





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- Environment
 - Macro
 - Regulatory
 - Telecom Market

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- Financial Overview



Macro

- Fees on expat and dependents have been applied since July 2017, starting with 100 SAR per month per dependent creating pressure on expat population.
- Saudi Arabia partially removed the subsidies from certain utilities weighing on consumer purchase power.
- VAT is imposed on a wide range of goods and services in Saudi Arabia starting January 1, 2018.
- To reduce the impact of the removed of the subsidies, Saudi Gov. deposited 2 BSAR into the accounts of subscribed eligible citizens, the Gov. have allocated in its 2018 budget 32 BSAR to be spent for the Citizen's Account.

Regulatory

- Implementation of new rules for Fair Usage Policy (FUP).
- Implementation of the customer protection right (CPR).
- Awarding of Unified License for all telecommunication companies, along with 15 years extension to the operation licenses.
- Limitation of 2 SIM cards for prepaid packages for non-Saudis customers.
- Organization of a spectrum auction (for the first time) to award frequencies in the 700 MHz and the 1800 MHz bands.
- Reduction of Mobile Termination Rates (MTR) for mobile and fixed calls for the 3rd time in the last two years.
- Opening access to most of VoIP applications to fulfill the regulatory requirements.



Telecom Market

- Strong increase of data traffic fueled by youth adoption of services and increase in smart phone penetration.
- Shrinking market.
- challenging regulatory environment.
- Declining IDD revenues due to lift of the ban on most of VoIP applications.
- Intensified pricing competition.
- Declining voice revenues.



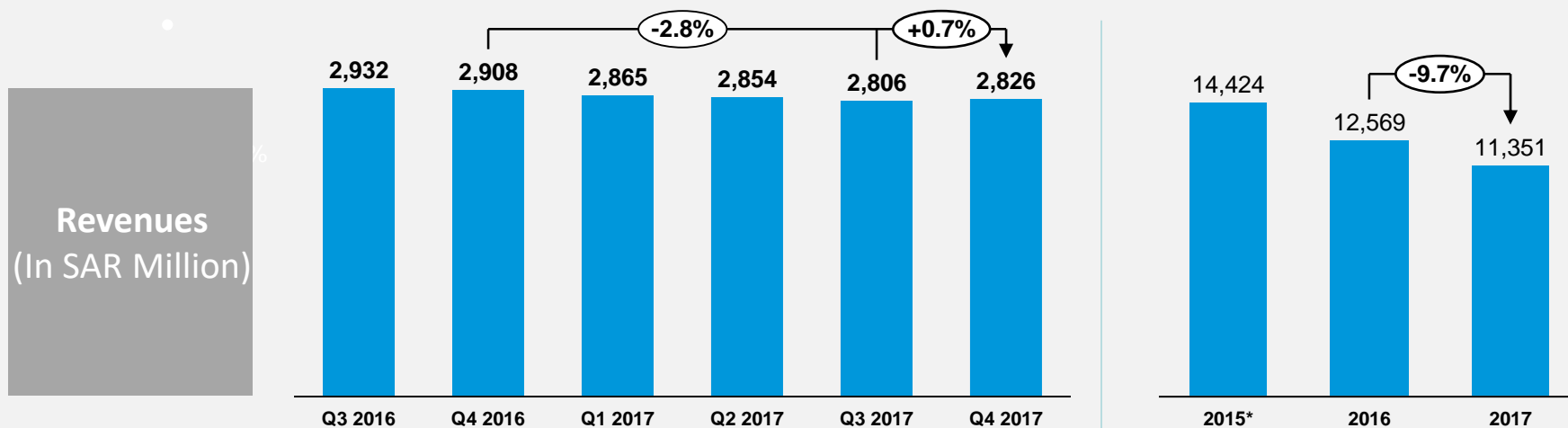
Operational Updates

- Conclusion of a 7 years refinancing facility (valued at 7.9 BSAR) with a group of Saudi banks, releasing liquidity risk and re-profiling the debt of the company to match its cash flow.
- New vision and brand positioning.
- New Organization structure and leadership assessment.
- Revamping product portfolio.
- Develop a new sales operating model.
- Launched Customer experience and digital transformation.
- Started IT Transformation.
- Network modernization underway and successful acquisition of spectrum.



2017 Performance Highlights

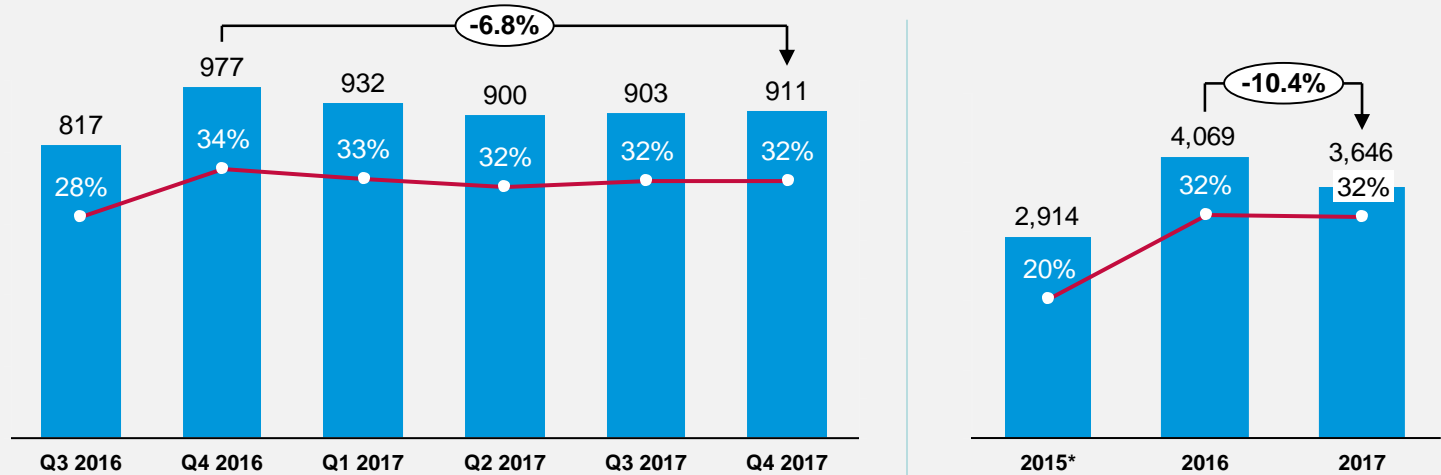
- Stopping customer base erosion.
- Increasing demand for data leading to growth.
- Intensified price competition.
- Lifting the ban on VoIP resulting in IDD declining.
- Marking a quarterly growth in revenues in Q4-17 VS Q3-17 for the first time since 2015. Showcasing a revenue resilience amid regulatory challenges.
- Stabilization of EBITDA margin reflecting good efficiency measures despite the loss of 1.2 BNSAR of revenue in 2017 compared to 2016.
- Deleveraging of 1.3 BNSAR.
- Recording a Positive Cash Flow (EBITDA-CAPEX) of 1.4 BNSAR.



- **Q4 marked a first quarter of growth by 0.7% versus the previous quarter, despite a challenging year where revenues have been under pressure due to:**
 - Pressure on consumers purchasing power.
 - Decrease in interconnection rates as a result of mobile termination rate reduction.
 - Intensified competition.
 - Challenging regulatory environment.



EBITDA and EBITDA Margin
(In SAR Million)

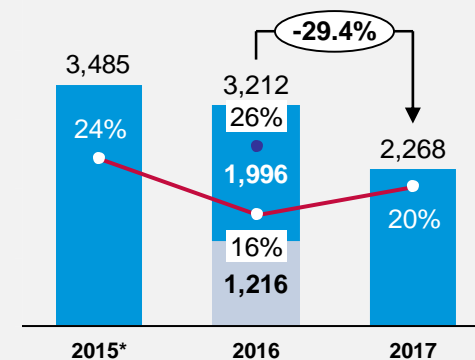
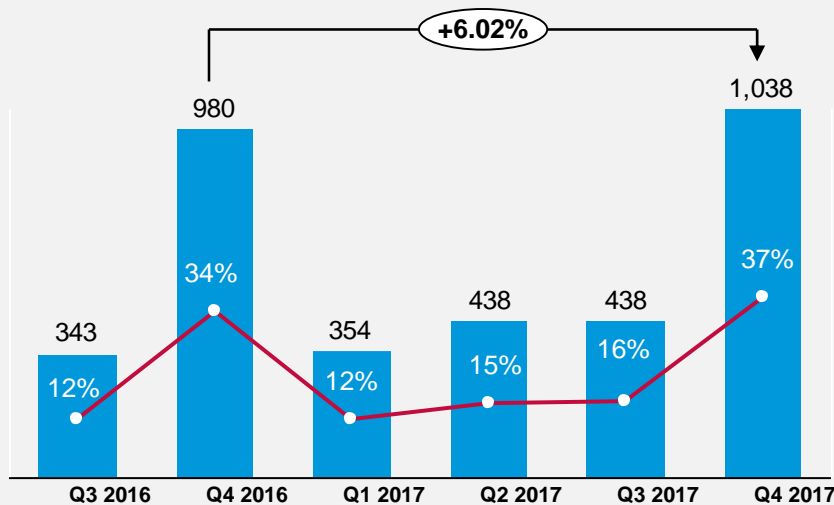


- The company maintained a flat EBITDA margin in Q4-17 (versus Q3-17 and Q4-16), and in FY-17 (versus FY-16) despite the pressure on revenues thanks to continuous cost efficiency measures implemented throughout 2017.

*FY 2015 figures are not IFRS.



**CAPEX/ CAPEX
to revenues %**
(In SAR Million)

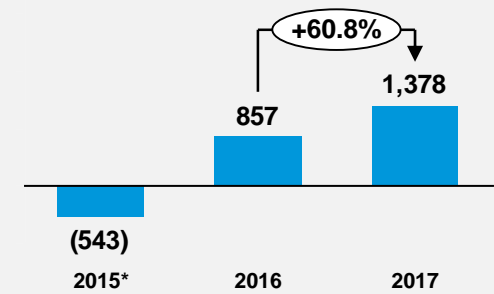
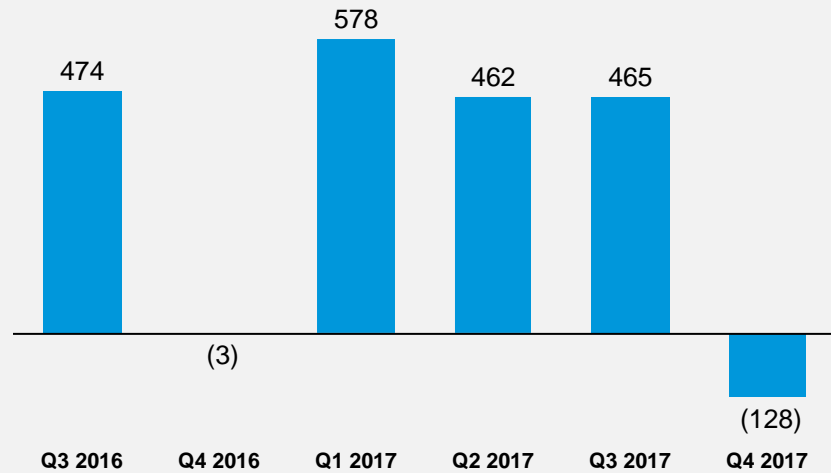


- **2017 CAPEX were higher than 2016 if we take into consideration that 2016 CAPEX included 1,216 BSAR of backlog CAPEX.**
- **Acceleration of CAPEX in Q4-17 reflecting the start of deployment of the modernization project.**

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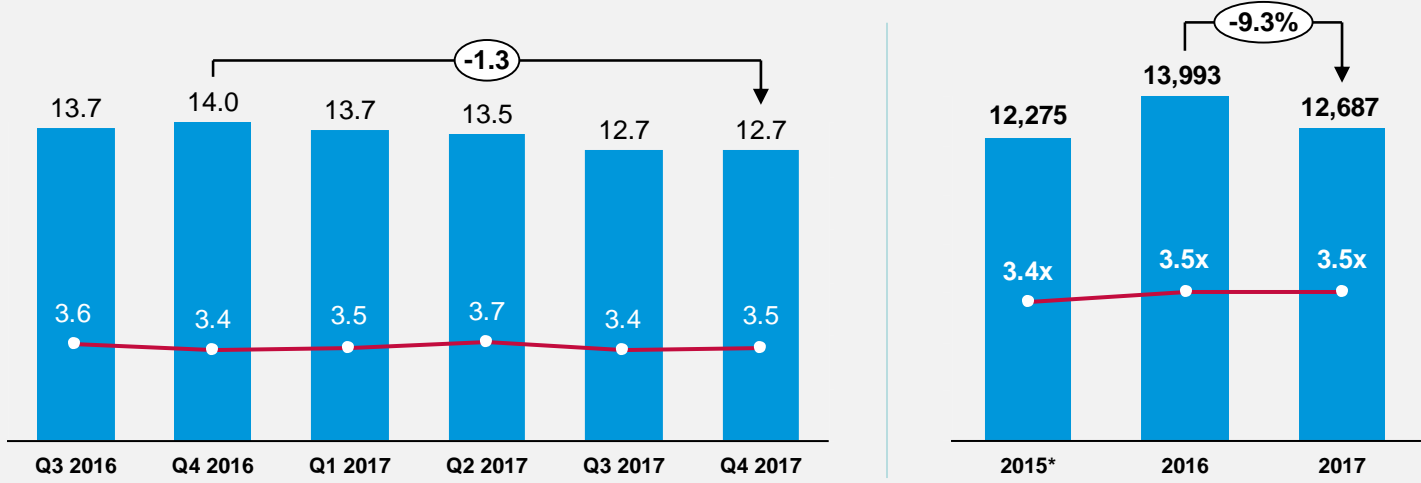
Operational Cash Flow (EBITDA – CAPEX)
(In SAR Million)



- **2017 shows a significant increase of the operational cash flow by 60.8% when compared to 2016 due to continuous implementation of rational spending.**



Net Debt and Net Debt/EBITDA
(In SAR Million)

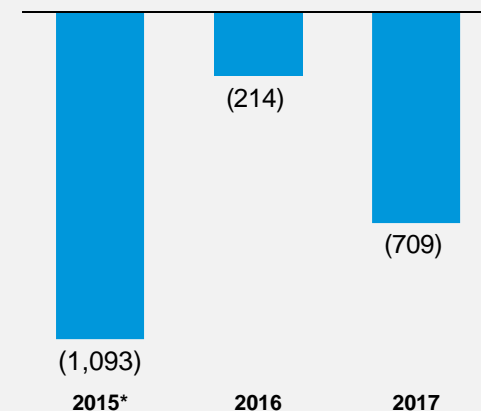
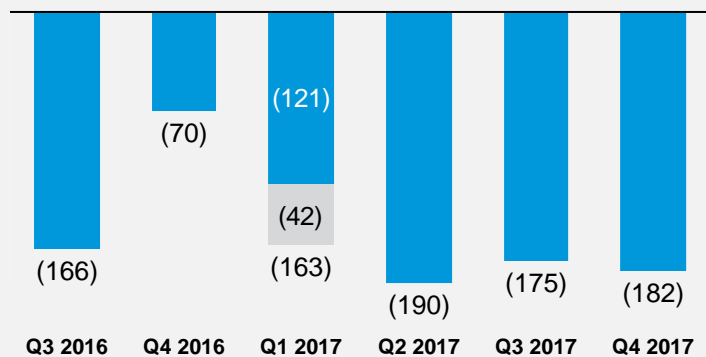


- A decrease of 1.3 BSAR in Q4 2017 when compared to Q4 2016.
- 2017 full year Net Debt shows a decreases of 9.3% when compared to 2016 full year.

*FY 2015 figures are not IFRS.



Net Income
(In SAR Million)



- **QoQ results showed an increase in losses by 4%, YoY marked a rise in losses by 11 MSAR, and FY-17 showed an increase in loss compared to FY-16:**
 - Increase of interest and financial charge expenses as a result of the new refinancing.
 - FY-16 net income has improved by certain one-offs including reversal of 116mn SAR of Zakat provision

*FY 2015 figures are not IFRS.



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