SAUDI TELECOM

TeleGeography
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TeleGeography

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Saudi Telecom Company (STC)

Summary Data

Home country:	Saudi Arabia
	Wireless profile
	Broadband profile
	Wireline profile
Wireless subscribers (Sep 2014):	23,100,000
Quarterly growth:	1.8%
Market share:	44.4%
Broadband subscribers (Sep 2014):	2,320,000
Quarterly growth:	0.9%
Market share:	71.6%
Total lines (PSTN) (2013):	4,450,000

Company Overview

Headquarters Address

Saudi Telecom Company (STC)

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Ownership

Saudi Telecom Company (STC) is majority-owned by the government through Saudi Arabia's Public Investment Fund (70.0%, following a part-privatisation in 2003), the Public Pension Fund (6.6%) and the General Organisation for Social Insurance (7.0%); no other entity holds more than 5% in the operator. At end-September 2014 STC had market capitalisation of SAR150 billion (USD40 billion), making it one of the largest Middle Eastern companies at that date.

Operational Overview

Saudi Telecom Company (STC) was established in 1998 as the state-owned provider of all public telecoms services in Saudi Arabia, enjoying monopolies in its domestic mobile and fixed markets until 2005 and 2009, respectively, whilst it was partially privatised in 2003. With domestic competition toughening rapidly, since 2007 STC has switched its primary focus to foreign expansion, setting a target of generating 10% of revenues through international operations by end-2010, a goal it comfortably exceeded two years early in 2008, by which time its overseas subsidiaries contributed 22% of its annual sales. More than 32% of revenues came from international units by 2011, with STC having expanded to nine countries, including Turkey, Bahrain, Kuwait, Malaysia, Indonesia, South Africa and India. Several of the group's strategic investments have been entered into via non-majority stake purchases, but the firm has looked to convert these to controlling stakes where possible. In mid-2007 the Riyadh-based group spent USD3 billion on a 25% minority stake in Binariang GSM Holding Group (BGSM), the largest shareholder of Malaysian cellco Maxis, which also gave it an indirect stake in Indian cellco Aircel as well as an interest in Maxis' Indonesian cellular arm Axis Telekom Indonesia (Axis, formerly NTS). STC subsequently increased its share of the Indonesian cellco to 80% in April 2011, allowing it to fully consolidate Axis into its group reporting, but in July 2013 STC conceded that Axis's financial performance had failed to deliver the anticipated growth, and the unit was consequently divested in September 2013 (see below). Meanwhile, STC signed the agreement with Wataniya Telecom (part of the Qatar-based Ooredoo Group) on 31 October 2013 to acquire its subsidiary Public Telecom Company (Bravo), a niche push-to-talk (PTT) mobile operator in Saudi Arabia. As part of the final settlement of Bravo's obligations towards STC, Wataniya would pay SAR244 million (USD65.06 million) to the Saudi telco before transferring all of Bravo's assets; the

deal, however, would involve no financial obligations on STC's part. The transaction was concluded on 30 January 2014, following the approval of the relevant regulatory authorities. Elsewhere, in January 2008 STC invested USD2.6 billion in a 35% stake in Oger Telecom, the Lebanese-controlled firm which has interests in Turkey (Turk Telekom) and South Africa (Cell C), plus several internet operations – branded Cyberia – in Lebanon, Jordan and Saudi Arabia. By 30 June 2014 the group's global proportionate wireless subscriber base was calculated at approximately 56 million users, roughly half of which were in Saudi Arabia.

In its domestic market, STC is fighting to stay at the forefront of competitive, technologically cutting-edge services, and in September 2011 it launched a commercial 4G Long Term Evolution (LTE) mobile broadband network, which by June 2014 had been expanded to 85% of the population (around 7,300 sites), with the firm looking to achieve coverage of 90% of the population by end-2014. Further, in February 2014 STC launched what it claimed was the country's first LTE Advanced (LTE-A) network. STC is also making its mark in its other, less well established Middle Eastern markets, including Kuwait, where its local unit launched mobile services under the Viva brand behind schedule in early 2008, but soon acquired a significant slice of the market, and upgraded its services with the launch of an LTE network in December 2011. The Kuwaiti cellco revealed in September 2013 that it planned to upgrade its core networks to support LTE-A technology, although no commercial deployment has been announced by the time of writing (September 2014). Viva Kuwait received regulatory approval to list on the local stock exchange in September 2014, almost six years after it completed an initial public offering (IPO) open to Kuwaiti nationals only, which raised KWD25 million (USD94 million). For its part, STC's Viva Bahrain operation opened its doors to customers more recently, in March 2010, and has been a resounding success, stealing customers from the incumbent cellcos and outperforming predictions despite an already-saturated market, while also aiming to be amongst the 4G leaders in that country too. As of September 2014, Viva claimed to have wider 4G coverage than both of its main rivals, although it has yet to confirm if it had met its '90%' target.

In 2012 STC considered more acquisitions, again focused on the Middle East, in order to take advantage of what it termed a buyer's market. The company's strategy targeted countries which it believed offered 'a good opportunity and a reasonable outlook on stability', adding that it was looking to gain a foothold in fixed broadband segments alongside mobile voice/ data services. However, its first acquisition opportunity, in January that year, came to nothing when STC pulled out of the running for Iraq's fourth national mobile licence. Looking at other possibilities in the region, in March 2012 the CEO of international operations at STC, Ghassan Hasbani, said that his company maintained an interest in bidding for a mobile concession in Lebanon, if the country ever finalises the long-delayed privatisation of its cellular sector. Since then though, the sharp decline in the company's net profits in 1H13 has prompted the group to review its international aspirations in Asia. STC chairman of the board of directors Abdulaziz bin Abdullah Al-Sugair commented: 'The negative impact of some of the international operations is not expected to continue, as STC investment in Asia had been written down to its fair value, and currently, we are looking into rationalisation of STC's international portfolio. The management is evaluating options for some of these investments in order to take appropriate actions in the best interest of the shareholders'. Subsequently, the group signed an amendment to the BGSM shareholders' agreement with respect to the operational rights of Aircel and since Q2 2013 STC no longer accounts for its investment in the cellco using the equity method, thus reversing losses amounting to SAR795 million for the period 1 April-31 September 2013. Further, in June 2013 STC revealed that its Indonesian unit Axis would be accounted for as an 'asset held for sale' and on 26 September the group signed an agreement to sell its entire holding (80.1% direct and 3.725% indirect stake) in Axis to Indonesian rival XL Axiata for USD865 million; the deal was completed in March 2014. In addition, STC inked a settlement agreement under which the sales proceeds would be used to repay Axis's main lenders and other creditors.

In March 2014 STC and seven other major multi-national mobile operator groups active across Africa and the Middle East agreed to cooperate on future network infrastructure

sharing initiatives aimed at driving down costs of providing mobile voice and internet access, with the knock-on goals of expanding services to underserved rural communities and reducing end-user costs in both regions. Following a meeting at the GSMA's Mobile World Congress event in the previous month, a memorandum of understanding (MoU) pledging support to the initiative was signed by CEOs and other senior figures of the eight groups who collectively operate 79 mobile networks across 47 countries in Africa and the Middle East.

In its consolidated annual financial results for 2013, STC posted revenues of SAR45.602 billion, a 2% improvement on the SAR44.745 billion reported in the twelve months to end-December 2012. Net income, however, surged 40% to SAR10.330 billion in the period under review, with the group attributing the positive development to increased revenues and operational efficiencies, which resulted in operating expenses being cut by SAR13.557 billion compared to a year ago. Further, the company's EBITDA also improved, growing 8.3% year-on-year, to SAR17.417 billion. This upward trend continued into 2014, with STC reporting an impressive 96% y-o-y growth in first-half net profit to SAR2.803 billion, from SAR1.429 billion in 1H13. The improvement was chiefly attributed to a number of factors, including: a non-recurring and non-cash charge of SAR604 million from losses resulting from assets held for sale related to Axis (Indonesia) in 2Q13; a decrease in losses from investments by SAR759 million in the twelve months to 31 June 2014; and the decrease in 'other income and expenses' by SAR283 million. STC reported that its revenue for 1H14 amounted to SAR22.505 billion, a 2% decline on the SAR22.907 billion reported in the six months to end-June 2013. Despite that, the company's EBITDA improved, growing 13% year-on-year to SAR8.970 billion in 1H14.

Wireless Quarterly Statistics – Group

	Jun 2013	Sep 2013	Dec 2013	Mar 2014	Jun 2014	Sep 2014
Total Subscribers	53,304,929	53,650,242	52,883,502	40,636,024	41,863,946	43,157,396
3G Subscribers	15,918,231	15,810,735	15,598,298	13,526,683	14,331,905	14,954,635
4G (LTE) Subscribers	179,675	254,225	381,825	613,725	928,200	1,152,375

Wireless Operations

Saudi Telecom Company (STC) took over the mobile operations of the Ministry of Post, Telegraph and Telephone (MoPTT) in May 1998, when the government moved to separate the agency's regulatory and operational functions. STC offered a range of post-paid tariffs under the umbrella of its 'Al Jawal' brand and added pre-paid SIM services under the banner 'Sawa' in April 2002. The firm held a monopoly on the provision of nationwide mobile services until May 2005 when Etihad Etisalat (Mobily), backed by Etisalat of the UAE, launched its own GSM service. STC's 2G/2.5G networks consist of more than 11,000 base stations covering 99% of the population.

Despite the advent of competition and strong growth from both Zain and Mobily, STC maintains a dominant position in the mobile sector, controlling around 44.2% of all mobile users at the end of June 2014 with an estimated subscriber base of 22.7 million. The company's success is attributed in large part to the popularity of pre-paid services in the country and the benefit of having an established brand such as Sawa offering non-contract services when competitors came to the market. STC, however, is keen to point out that while it is happy with the success of its pre-paid offering it still considers Sawa to be a stepping stone to post-paid services.

In preparation for the arrival of competition following the publication of Decision No. 171 in September 2002, STC set about upgrading its networks and service portfolio. In 2004 it deployed GPRS technology and began to offer WAP services. MMS was introduced in May 2005, and later that year commercial EDGE services were switched on, and subsequently expanded virtually nationwide in 2006. As the market reached 100% penetration levels, the incumbent began to focus its efforts on introducing value added services (VAS) designed to migrate users of Sawa pre-paid products onto post-paid plans. These options included GPS services and a push-email service, launched in September 2007. In October 2008 STC established a new mobile content services company in partnership with Astro All Asia Networks of Malaysia and Saudi Research and Marketing Group. The company continued to push for pre-paid to post-paid migration in July 2009 when it announced that 2G Sawa customers could upgrade to a 3G post-paid plan, whilst keeping the same number, without having to pay any additional fees.

3G services were first introduced in June 2006 over a network supplied by equipment vendor Huawei Technologies of China. STC boasted the largest next generation network in the Middle East at the time of launch, with 500 base stations installed and a total of around 1,000 planned. STC also introduced HSDPA-based 3.5G services in certain areas, beginning the following month, with equipment supplied by Finnish firm Nokia (now Nokia Networks), ahead of a wider rollout across the country. In July 2006 Nokia was selected to supply STC with radio network equipment, including its transmitters, plus additional HSDPA software, operational support and optimisation services. The 3G/3.5G networks received an additional upgrade in selected areas in January 2009 with the deployment of HSUPA technology, enabling maximum theoretical upload speeds of 2Mbps.

In September 2009 STC awarded Huawei a contract to upgrade parts of its 3G/3.5G networks with HSPA+ technology. Huawei initially deployed the upgrade in Dammam, Al-Khobar and the country's Northern region, before eventually deploying in other main cities. The HSPA+ network boosted download speeds to a peak of 21.6Mbps. In January 2011 STC teamed up with Novatel Wireless to launch the country's first commercial dual carrier (DC)-HSPA+ network. Utilising Novatel's Ovation MC545 modem, the DC-HSPA+ upgrade gave STC's 3G subscribers access to transmission speeds of up to 42Mbps. The network was available in eight cities across the Kingdom at launch, although it has since been expanded to cover all major cities/towns, while 3G/3.5G services were available to 96% of the population at October 2014.

In February 2010 STC picked Ericsson for the deployment of its Long Term Evolution (LTE) network, and a month later contracted Alcatel-Lucent for an end-to-end trial of the technology, scheduled to begin in the second half of 2010. Under the deal, Alca-Lu provided LTE base stations (eNodeBs), the Evolved Packet Core (EPC), IP service routing network elements as well as operation, administration and maintenance (OAM) systems. Then, in April 2010, STC selected Huawei to supply kit for the LTE network deployment. The first phase of the project achieved peak downlink data rates of up to 100Mbps per user with pre-commercial LTE datacards in the field, with the network covering major metropolitan areas such as Riyadh and Dammam.

In September 2011 STC announced the launch of commercial LTE services in the Kingdom, one day after rival mobile operator Mobily inaugurated its own LTE network; both operators claimed to be the first in the Middle East and North Africa (MENA) region to launch a full-blown commercial service based on LTE technology. Key locations such as Riyadh, Jeddah, Dammam, Jubail, Alkhobar and Al-Ahsa were first in line for deployment, with STC adding around 200 base stations in five further cities – Mecca, Medina, Abha, Khamis Mushayt and Dhahran – in November 2011, taking the total number of base stations deployed to 600. In February 2012 STC awarded an LTE equipment contract to Ericsson, while Nokia Networks was contracted in March to expand STC's nationwide 4G network, while also upgrading its 2G and 3G infrastructure. Nokia deployed its 4G radio network infrastructure across 2,500 STC sites and modernised STC's GSM and 3G networks to its Single RAN

(radio access network) platform based on the Flexi Multi-radio Base Station. In May 2012 STC enabled a further 1,500 sites to support its LTE network in more than 38 cities. In July 2013 STC completed another expansion of its networks by adding more than 3,224 fixed and mobile base stations to support HSPA+ and LTE services in order to cater to the influx of visitors in Mecca and Medina. By October 2014 STC's convergent Time Division Duplex/Frequency Division Duplex (TDD/FDD) LTE network infrastructure covered more than 85% of the population, with plans to extend the footprint to 95% of Saudis by the end of 2014. Meanwhile, in February 2014 STC launched what it claimed was the country's first LTE Advanced (LTE-A) network. Khalid Al Biyari, STC Group's senior vice president for Technology and Operations, said at the time: 'STC's LTE-A network investments aim at enriching the company's customer experience and consolidating its leadership in the Saudi market … We expect these network developments will continue until [STC] can provide data rates of 1Gbps.'

In February 2012 STC awarded a contract to Ericsson, under which the vendor manages its 4G infrastructure, adding to the managed services agreements Ericsson has for STC's 2G and 3G networks, while March saw Nokia Networks supply its FlexiPacket Microwave transport platform and its NetAct network management system to support STC's GSM, 3G and 4G networks. In November 2013 STC awarded two contracts – to Huawei and Finland-based Comptel. The China-based supplier won a four-year managed services contract, under which the company will provide maintenance and network performance management services for STC's wireless, microwave and core networks. For its part, Comptel said STC had chosen its 'Comptel Catalog' platform to be 'a key part of its future-ready fulfilment architecture'. The deal, which includes 'licences, services and consulting', will enable STC to have greater flexibility in service creation and eliminate service delivery bottlenecks. According to Comptel, its platform enables combined service providers (CSPs) to build and adapt marketable products quickly from established service components, by minimising errors and improving the customer experience. The managed services contract with Nokia was renewed in February 2014, while another agreement with Ericsson to deploy its triple-access SGSN-MME and Evolved Packet Gateway (EPG) platforms based on the Ericsson SSR 8000 family of Smart Services was inked in mid-February that year. The EPG will be integrated with STC's 4G LTE network to allow users to access high quality multimedia applications and broadband services.

On 31 October 2013 STC signed an acquisition agreement with Public Telecom Company's (Bravo's) parent company Wataniya Telecom, which owned the cellco through two holding companies: Wataniya International of Dubai (55.61%) and Al Wataniya Gulf Telecommunication Holding of Bahrain (44.39%). As part of the final settlement of Bravo's obligations towards STC, Wataniya would pay SAR244 million (USD65.06 million) to the Saudi telco before transferring all of Bravo's assets; the deal, however, would involve no financial obligations on STC's part. Bravo operates under a 15-year build-operate-transfer (BOT) licence owned by STC; it is the sole licensed provider of instant, group wireless communication services and solutions for the public and enterprise sectors in the country, using Integrated Digital Enhanced Network (iDEN) technology in the SMR-800 frequency band. The deal is understood to have been completed on 30 January 2014. At the time of writing (October 2014) Bravo continued to offer services under its own brand.

In June 2013 Saudi Arabia's telecoms watchdog the CITC shortlisted three companies for mobile virtual network operator (MVNO) licences, including Virgin Mobile MEA (VMMEA) in partnership with STC. The company was awarded its licence in Q1 2014 and introduced its commercial services in early October 2014 (see VMMEA profile for details).

STC generated revenues of SAR45.602 billion in 2013, a 2% improvement on the SAR44.745 billion reported in the twelve months to end-December 2012, while net profit reached SAR9.987 billion, up 37% year-on-year. Further, the company's EBITDA also improved, growing 8.3% y-o-y to SAR17.417 billion. STC attributed the improvements to increased revenues and operational efficiencies, which resulted in a decline in operating expenses by

SAR1.295 billion compared to the same period a year ago. More recently, STC posted net profit of SAR3.372 billion for the three months ended 30 September 2014, a marginal 0.4% decrease year-on-year from SAR3.386 billion reported in 3Q13. The operator said the decline was due to a SAR151 million surge in taxes during the quarter. STC's EBITDA for the period amounted to SAR5.410 billion, a 9% increase on the SAR4.975 billion reported in Q3 2013.

Wireless Networks

Generation	Platform	Evolution	Frequency	Launch	Status	Network Details
2G	GSM	None	900	Jan 1996	Live	Oct-14: 99%
2.5G	GSM	GPRS	900	Nov 2004	Live	Oct-14: 99%
2.5G	GSM	EDGE	900	Mar 2005	Live	Oct-14: 99%
3G	W-CDMA	None	2100	Jun 2006	Live	Oct-14: >96% pop.; over 7,500 BTS in major towns and cities
3G	W-CDMA	None	900	Q3 2011	Live	Oct-14: >96% pop.; over 7,500 BTS in major towns and cities
3.5G	W-CDMA	HSDPA	2100	Jul 2006	Live	Oct-14: >96% pop.; over 7,500 BTS in major towns and cities
3.5G	W-CDMA	HSUPA	2100	Jan 2009	Live	Oct-14: >96% pop.; over 7,500 BTS in major towns and cities
3.5G	W-CDMA	HSPA+	2100	Sep 2009	Live	Oct-14: >96% pop.; over 7,500 BTS in major towns and cities
3.5G	W-CDMA	DC-HSPA+	2100	Jan 2011	Live	Oct-14: major cities and towns
4G	LTE	None	2300	Sep 2011	Live	Oct-14: >85% pop.; plans 95% by end-14
4G	LTE	None	1800	Q1 2013	Live	Oct-14: >85% pop.; plans 95% by end-14
4G	LTE	LTE-Advanced		Feb 2014	Live	Oct-14: coverage unknown

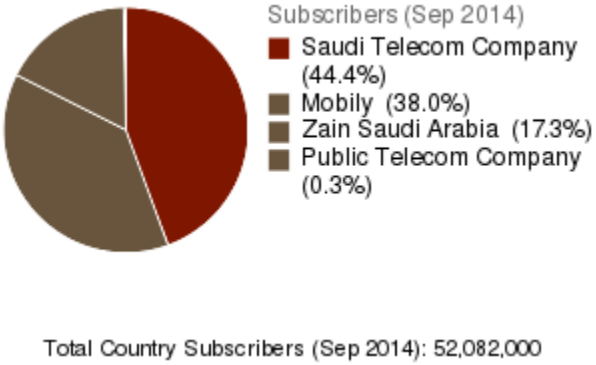
3G/4G Licences

Type	Price Paid (USD million)	Date Issued	Term (Years)	Licence Name	Block (MHz) Paired	Block (MHz) Unpaired	Frequency Range (MHz) Paired	Frequency Range (MHz) Unpaired (within)
W-CDMA	200.9	Jul 2005			2x15	1x10	within 1920-1980, 2110-2170	within 1900-1920, 2010-2025

Wireless Quarterly Statistics

	Jun 2013	Sep 2013	Dec 2013	Mar 2014	Jun 2014	Sep 2014
Total Subscribers	23,400,000	24,000,000	23,200,000	22,370,000	22,700,000	23,100,000
Market Share (%)	44.5	46.1	45.5	44.9	44.2	44.4
3G Subscribers	8,700,000	8,300,000	7,950,000	8,720,000	9,230,000	9,450,000
4G (LTE) Subscribers	150,000	180,000	250,000	400,000	620,000	750,000
% Pre-paid	75.0	75.0	75.0	74.8	74.0	73.6

Subscriber Market Share by Operator



Total Country Subscribers (Sep 2014): 52,082,000

Broadband Operations

Saudi Telecom Company (STC) was created in May 1998 when the Ministry of Post, Telegraph and Telephone (MoPTT – since renamed the Ministry of Communications and Information Technology [MCIT]) separated the operation of the PSTN from its regulatory functions. Just a few months after the company's inception, internet service providers (ISPs) began to offer the country's first dial-up internet services across the incumbent's network infrastructure. In 2001 STC introduced the Kingdom's first DSL-based services and remains the sole provider of xDSL access at the time of writing (October 2014). Since its launch, STC

has maintained a dominant position over the broadband internet market, with 2.30 million subscribers at mid-2014.

STC's residential internet customers are served by its post-paid wireline division Al-Hatif. Beginning in the last quarter of 2006, the firm improved its range of residential ADSL speeds, with 4Mbps the top download rate available at the time, and by mid-2011 it offered 1Mbps, 4Mbps and 20Mbps options (with an unchanged line-up of package speeds at October 2014). In March 2009 STC cut its internet tariffs by up to 70%, a move believed to have been prompted by the impending arrival of three fixed line operators to the Saudi market, namely Saudi Integrated Telecom Company (SITC, also known as Al-Mutakamilah Company), Optical Communications Company (OCC) and Etihad Atheeb (GO Telecom) – only the last named of which had launched by the time of writing (October 2014).

In October 2009 Alcatel-Lucent was hired to extend and upgrade STC's existing broadband networks to reach an additional two million residential and corporate customers by the end of 2010. Under the frame contract, Alca-Lu provided its packet optical transport solution for traffic aggregation and Ethernet business services, along with DSL and Gigabit Passive Optical Network (GPON) technology. The network upgrade was designed to bring triple-play services, including fixed line telephony, broadband and IPTV (see below), to under-served areas across Saudi Arabia. A further GPON contract was signed between STC and Alcatel-Lucent in November 2010. More recently, STC selected US-based vendor Cisco to provide it with an upgraded multiprotocol label switching (MPLS) network in October 2013. STC will adopt Cisco's Carrier Routing System, dubbed Cisco CRS-X, and Cisco's Hosted Collaboration Solution (HCS). The CRS-X system will allow STC to deliver video, cloud, and mobile services effectively, as well as migrate its network infrastructure to 100Gbps and beyond. The solution also provides IP and optical network convergence, and an architecture that delivers a ten-fold increase in bandwidth capacity. Further, Cisco's HCS platform offers new and extended capabilities for cloud-based unified communications and collaboration applications to customers (UCaaS).

STC announced it was rolling out fibre-to-the-home (FTTH) technology in August 2010 – a first for the Kingdom – offering internet speeds of up to 200Mbps in many parts of the country. FTTH products were introduced in February 2011 and are marketed under the 'Jood' brand. At launch the FTTH service was available in Riyadh, Jeddah and Dammam, with STC revealing plans to expand coverage to most of the Kingdom's towns. In March 2013 STC vice president for Home Services Mazyad Nasser Al Harbi disclosed that the operator had signed up more than 100,000 FTTH customers, with plans to pass around 1.5 million households by end-2014. The operator had passed 900,000 households by mid-2014, with fibre-optic coverage available in 16 cities/towns by October 2014.

At the end of July 2010 STC deployed a network upgrade to allow for the introduction of advanced interactive TV services under the banner 'InVision'. The following month the telco launched commercial IPTV services over its xDSL network in the capital Riyadh and two other large cities, Jeddah and Dammam; by the time of writing (October 2014) the service was available in all districts of the kingdom. InVision packages include broadband-delivered subscription TV channels alongside a free-to-air line-up, video-on-demand (VoD) content, a catch-up TV facility, programme recording and other interactive features.

STC offers broadband services separately or in various bundles; as at October 2014 its stand-alone broadband offering, dubbed 'Jood Net', comes in three different packages, ranging in download speeds from 2Mbps (priced at SAR99 [USD26.40] per month) to 20Mbps (SAR199). The double-play offer includes broadband and landline: the introductory 'Jood 1' package consists of 2Mbps downlink and free local and national calls at SAR149 per month, while the premium Jood 2, including 200Mbps downlink and free local/national voice calls is priced at SAR749. The triple-play bundle 'Jood 3' (broadband, landline and IPTV) comes in five packages: the basic offer with downlink of 10Mbps is priced at SAR224 per month, while the top-end 200Mbps bundle costs SAR774. STC also offers a selection of value added

services (VAS), including 'Jawal Key', a service allowing subscribers to make free unlimited calls to mobile networks for SAR150 per month. Subscribers to fixed services can also access the internet on the move over Wi-Fi networks, which consisted of 2,000 hotspots at the time of writing (October 2014).

Alongside its fixed broadband initiatives, STC has also been active in the wireless broadband arena. The telco contracted Redline as its WiMAX equipment supplier in October 2005 and launched fixed WiMAX services in March 2006, beginning in Riyadh, Jeddah and Dammam. The company holds a 3.5GHz licence covering the entire Kingdom, and in March 2007 STC selected Redline again to roll out a nationwide fixed-nomadic WiMAX network. At the same time, STC announced it had deployed Redline's RedMAX products in Riyadh, Jeddah and Dammam as part of the first phase of its mobile WiMAX network deployment. In August 2007 the telco awarded Huawei Technologies a contract to build out WiMAX 802.16e infrastructure to provide mobile WiMAX coverage of all major cities. STC's WiMAX deployments were predominantly aimed at the business market, with the eventual goal being to enable broadband access to IP-VPNs in every city and community in the country. Airspan Networks also supplied equipment for the WiMAX rollouts, and in July 2008 the vendor announced that it had completed the first phase of its deployment with STC, and was progressing with the second stage incorporating the delivery of STC's first indoor and outdoor WiMAX subscriber units which support both fixed and mobile WiMAX. By mid-2009 STC had 452 WiMAX base stations in operation, covering all major markets in the Kingdom, and reported around 2,000 WiMAX subscribers at that date, up from 1,200 three months earlier. Since then, however, it has scaled back its WiMAX operations as it focuses on Long Term Evolution (LTE) cellular equipment to fulfil its 4G wireless broadband needs (see Wireless Operations for more details), and WiMAX technology is no longer among the services marketed on its website.

Internationally, in August 2007 STC announced upgrades of its wholesale services for other ISPs, by increasing its international internet gateway capacity to above 10Gbps and introducing ISP discounts of up to 29%. STC switched on its Global Network (SGMN) in July 2010, marking another milestone in its long-term objective to establish extensive global network reach and to reinforce its position as the leading telecoms operator in the Middle East. As part of the initiative the telco launched new Points of Presence (PoPs) in Bahrain, Qatar, Kuwait, UAE, Jordan, India, the UK and Singapore, using support from affiliates in Bahrain (Viva) and India (Bharti Airtel), and partnerships with Tier-1 operators and tele-houses in the other countries. The internet-enabled PoPs allow STC to offer high performance international wholesale IP transit services via extensive connectivity with internet access points, and various peering arrangements with major global carriers and backbone providers. Saudi Telecom says its Global Wholesale MPLS Service permits regional operators to provide their multi-national enterprise customers with comprehensive regional and global IP VPN solutions, managed router services (MRS) and other VAS.

Broadband Networks

Access	Technology	Frequency	Launch	Status	Network Details
DSL	ADSL		2001	Live	Oct-14: >60% (est.)
DSL	ADSL2+			Live	Oct-14: major cities/towns
DSL	VDSL			Live	Oct-14: selected cities/towns
LAN/ FTTx	FTTH		Aug 2010	Live	Oct-14: >600 locations in 16 major cities/towns

Access	Technology	Frequency	Launch	Status	Network Details
WiMAX	802.16-2004	3500	Mar 2006	Shut Down	
WiMAX	802.16e	3500	Jul 2008	Shut Down	

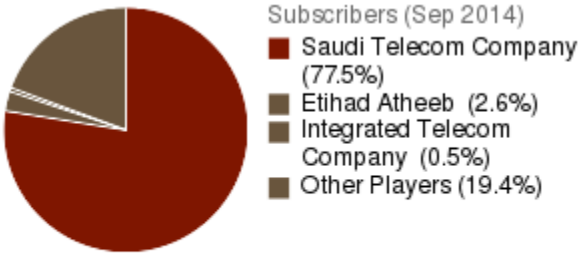
Broadband Subscription Plans

Access	Product Name	Speed Downstream	Speed Upstream	Cap/ Limit	Set-up Fee	Monthly Cost		Date Observed
DSL	Jood Net - 2Mbps	2Mbps	None stated	Unlimited	SAR300	SAR99.00	USD26.39	Oct 2014
DSL	Jood Net - 10Mbps	10Mbps	None stated	Unlimited	SAR300	SAR149.00	USD39.72	Oct 2014
DSL	Jood Net - 20Mbps	20Mbps	None stated	Unlimited	SAR300	SAR199.00	USD53.05	Oct 2014

Broadband Quarterly Statistics

Year Ending: December	Jun 2013	Sep 2013	Dec 2013	Mar 2014	Jun 2014	Sep 2014
Retail Subscribers	2,225,000	2,240,000	2,260,000	2,280,000	2,300,000	2,320,000
Market Share (%)	81.8	79.4	77.4	73.1	72.3	71.6
Fibre/LAN Subscribers	200,000	210,000	250,000	300,000	380,000	400,000
IPTV Subscribers	130,000	160,000	200,000	220,000	230,000	

Retail Subscriber Market Share by Provider



Total Country Subscribers (Sep 2014): 3,240,000

Wireline Operations

Saudi Telecom Company (STC) was created in May 1998 when the Ministry of Post, Telegraph and Telephone (MoPTT – since renamed the Ministry of Communications and Information Technology [MCIT]) separated the operation of the PSTN from its regulatory functions. STC enjoyed a monopoly over the country's fixed line industry until June 2009, when market entrant Etihad Atheeb launched its first commercial services in Riyadh and Jeddah under the GO Telecom banner. Despite the lack of competition, Saudi Arabia's market has not stagnated, and customer figures have seen fairly consistent growth over the past decade, as a growing population has supported network expansion. The total number of fixed lines in service at STC reached an estimated 4.45 million by end-2013, down from 4.50 million twelve months earlier. With GO Telecom claiming 268,200 fixed subscribers in total by end-2013, STC is still by far the dominant provider of wireline services. The company's basic fixed line service 'Al-Hatif' accounts for the vast majority of its fixed accesses.

STC slashed its domestic call tariffs in the run-up to market liberalisation, reducing all local and domestic long-distance rates by up to 50%, and introducing 'flat' national call tariffs to simplify pricing. In April 2008 STC launched a new flat-rate monthly call package, 'Jood', under which customers pay SAR99 (USD26.40) a month for unlimited local and national calls, with discounts available on calls to international and mobile numbers. The introduction of competition also gave STC the opportunity to capitalise further on its wholesale offerings. In May 2009 the Communications and IT Commission (CITC) released the 'Regulatory Framework on Unbundling', under which STC is obliged to provide 'some form of interconnection deal' for a minimum period of five years, allowing rival operators to link into the local loop.

In December 2013 STC signed an agreement with Medina Knowledge Economic City (KEC), one of the six planned economic cities in Saudi Arabia, to build and develop the city's telecom infrastructure. The first phase of the project is expected to be finalised in 2016. Under the build-operate-transfer (BOT) agreement, by the end of the first phase STC must develop an infrastructure network for the 10,000 residential units, which can accommodate 32,000 people. The USD7 billion KEC project, which was launched in June 2006 by King Abdullah bin Abdul Aziz, will ultimately house a population of 150,000 and is projected to accumulate around SAR10 billion a year when completed.

STC boasts one of the most advanced telecoms networks and has interest in several submarine cable systems, including South East Asia-Middle East-West Europe-3 (SEA-ME-WE-3) and Saudi Arabia-Sudan-1 (SAS-1). Following the regulator's publication of Decision No. 171 in September 2002, which outlined the state's plans to open up the telecoms market to foreign direct investment (FDI) and liberalise the communications sector, STC ramped up its efforts to update and expand its networks and services. The incumbent embarked on a four-year investment programme which saw it deploy Multiprotocol Label Switching (MPLS) upgrades, introduce DSL-based broadband services and launch new value added services (VAS). In April 2004 STC, alongside 15 other national telecoms operators, signed an agreement to develop a submarine cable system stretching 20,000km from Singapore to France. With a current capacity of 1.2Tbps, the SEA-ME-WE-4 cable was commissioned in the third quarter of 2005. STC is also a partner in the India-Middle East-Western Europe (I-ME-WE) international cable system which entered full commercial service in December 2010; SAS-2, a 330km submarine cable, which was lit in July 2011 with capacity of 1.28Tbps; and Europe India Gateway (EIG), a 15,000km 3Tbps cable which became operational in February 2011. It is also one of a number of regional telecoms operators backing the JADI link between the Middle East and Europe that launched on 1 July 2010. STC switched on its Global Network (SGMN) in July 2010, marking another milestone in its long-term objective to establish extensive global network reach.

More recently, in March 2014 STC joined the consortium planning to build the SEA-ME-WE-5 submarine cable. Work on the 20,000km-long system linking 17 countries commenced in September 2014; vendor Alcatel-Lucent is taking care of the Sri Lanka-France deployment, while fellow system provider NEC will oversee the Singapore-Sri Lanka segment. When complete, the system will connect Singapore to Europe (Italy and France) and traverse Indonesia, Malaysia, Thailand, Myanmar, Bangladesh, Sri Lanka, India, Pakistan, Oman, UAE, Yemen, Djibouti and Saudi Arabia. SEA-ME-WE-5, which is developed with 100Gbps technology and capacity of at least 24Tbps on three fibre pairs, is expected to be ready for service by 2016.

Wireline Networks

Local Access Type	Licence(s)
Wireline	Local, Long-distance, International

Wireline Annual Statistics

Year ending: December	2008	2009	2010	2011	2012	2013
Total PSTN lines	4,123,000	4,171,000	4,165,750	4,480,000	4,500,000	4,450,000

Financial Highlights

Group (Annual)

Millions	2008	2009	2010	2011	2012	2013
Currency	USD	USD	USD	USD	USD	USD
Total Revenue	12,653.8	13,528.2	13,804.7	14,837.7	15,826.6	12,156.0
Operating Expenses	8,947.7	10,125.8	10,877.5	11,859.8	12,827.2	9,213.5
Operating Profit	3,706.1	3,402.5	2,927.2	2,977.8	2,999.4	2,942.5
Net Profit	2,942.3	2,884.8	2,515.4	2,060.2	1,959.4	2,753.6
EBITDA	5,414.0	5,492.9	3,630.1	5,338.0	5,412.3	4,642.7
EBITDA Margin	42.8%	40.6%	26.3%	36.0%	34.2%	38.2%
CAPEX	4,339.2	4,245.3	2,845.3	2,089.1	2,342.6	1,991.1
CAPEX as a % of Revenue	34.3%	31.4%	20.6%	14.1%	14.8%	16.4%

Group (Quarterly)

Millions	Jun 2013	Sep 2013	Dec 2013	Mar 2014	Jun 2014	Sep 2014
Currency	USD	USD	USD	USD	USD	USD
Total Revenue	3,047.8	3,046.1	3,003.7	2,874.4	3,124.7	3,133.4
Operating Expenses	2,357.0	2,145.8	2,243.5	2,163.8	2,335.3	2,189.4
Operating Profit	690.8	900.3	760.2	710.6	789.4	943.9
Net Profit	380.9	902.6	1,004.4	669.0	747.3	898.8
EBITDA	1,093.8	1,326.2	1,200.8	1,143.7	1,247.4	1,442.2
EBITDA Margin	35.9%	43.5%	40.0%	39.8%	39.9%	46.0%
CAPEX	188.1	356.0	1,075.7	257.9	485.5	444.7
CAPEX as a % of Revenue	6.2%	11.7%	35.8%	9.0%	15.5%	14.2%

National Wireless

Millions	2008	2009	2010	2011	2012	2013
Currency	USD	USD	USD	USD	USD	USD

Millions	2008	2009	2010	2011	2012	2013
Total Revenue	7,499.1	8,010.9	8,408.7	9,299.0		
Operating Expenses	4,033.7	5,211.9				
Operating Profit	3,465.4	2,799.0				
Net Profit	3,073.5	2,390.8	2,137.3	2,031.2		
EBITDA	4,211.8	3,731.9				
EBITDA Margin	56.2%	46.6%				

National Wireline

Millions	2008	2009	2010	2011	2012	2013
Currency	USD	USD	USD	USD	USD	USD
Total Revenue	5,121.0	5,509.9	5,308.0	5,558.2		
Operating Expenses	4,614.5	5,083.4				
Operating Profit	506.5	426.5				
Net Profit	375.9	350.8	392.9	112.6		
EBITDA	746.4	666.4				
EBITDA Margin	14.6%	12.1%				

Group (Annual)

Millions	2008	2009	2010	2011	2012	2013
Currency	SAR	SAR	SAR	SAR	SAR	SAR
Total Revenue	47,469.4	50,749.8	51,787.0	55,662.0	59,371.8	45,602.2
Operating Expenses	33,566.5	37,985.8	40,806.0	44,491.0	48,120.0	34,563.7
Operating Profit	13,902.9	12,764.0	10,981.0	11,171.0	11,251.8	11,038.5
Net Profit	11,037.8	10,822.0	9,436.3	7,728.7	7,350.4	10,330.0
EBITDA	20,310.1	20,606.0	13,618.0	20,025.0	20,303.8	17,416.5
EBITDA Margin	42.8%	40.6%	26.3%	36.0%	34.2%	38.2%
CAPEX	16,278.0	15,925.7	10,674.0	7,837.0	8,788.1	7,469.3
CAPEX as a % of Revenue	34.3%	31.4%	20.6%	14.1%	14.8%	16.4%

Group (Quarterly)

Millions	Jun 2013	Sep 2013	Dec 2013	Mar 2014	Jun 2014	Sep 2014
Currency	SAR	SAR	SAR	SAR	SAR	SAR
Total Revenue	11,433.5	11,427.0	11,268.0	10,782.9	11,722.0	11,754.6
Operating Expenses	8,842.1	8,049.6	8,416.2	8,117.1	8,760.5	8,213.5
Operating Profit	2,591.4	3,377.4	2,851.8	2,665.8	2,961.5	3,541.1
Net Profit	1,428.9	3,386.0	3,767.9	2,509.7	2,803.3	3,371.8
EBITDA	4,103.3	4,975.0	4,504.8	4,290.4	4,679.5	5,410.1
EBITDA Margin	35.9%	43.5%	40.0%	39.8%	39.9%	46.0%
CAPEX	705.6	1,335.4	4,035.3	967.4	1,821.2	1,668.4
CAPEX as a % of Revenue	6.2%	11.7%	35.8%	9.0%	15.5%	14.2%

National Wireless

Millions	2008	2009	2010	2011	2012	2013
Currency	SAR	SAR	SAR	SAR	SAR	SAR
Total Revenue	28,132.0	30,052.0	31,544.3	34,884.3		
Operating Expenses	15,132.0	19,552.0				
Operating Profit	13,000.0	10,500.0				
Net Profit	11,530.0	8,969.0	8,018.0	7,620.0		
EBITDA	15,800.0	14,000.0				
EBITDA Margin	56.2%	46.6%				

National Wireline

Millions	2008	2009	2010	2011	2012	2013
Currency	SAR	SAR	SAR	SAR	SAR	SAR
Total Revenue	19,211.0	20,670.0	19,912.3	20,851.0		
Operating Expenses	17,311.0	19,070.0				
Operating Profit	1,900.0	1,600.0				
Net Profit	1,410.0	1,316.0	1,473.9	422.3		

Millions	2008	2009	2010	2011	2012	2013
EBITDA	2,800.0	2,500.0				
EBITDA Margin	14.6%	12.1%				

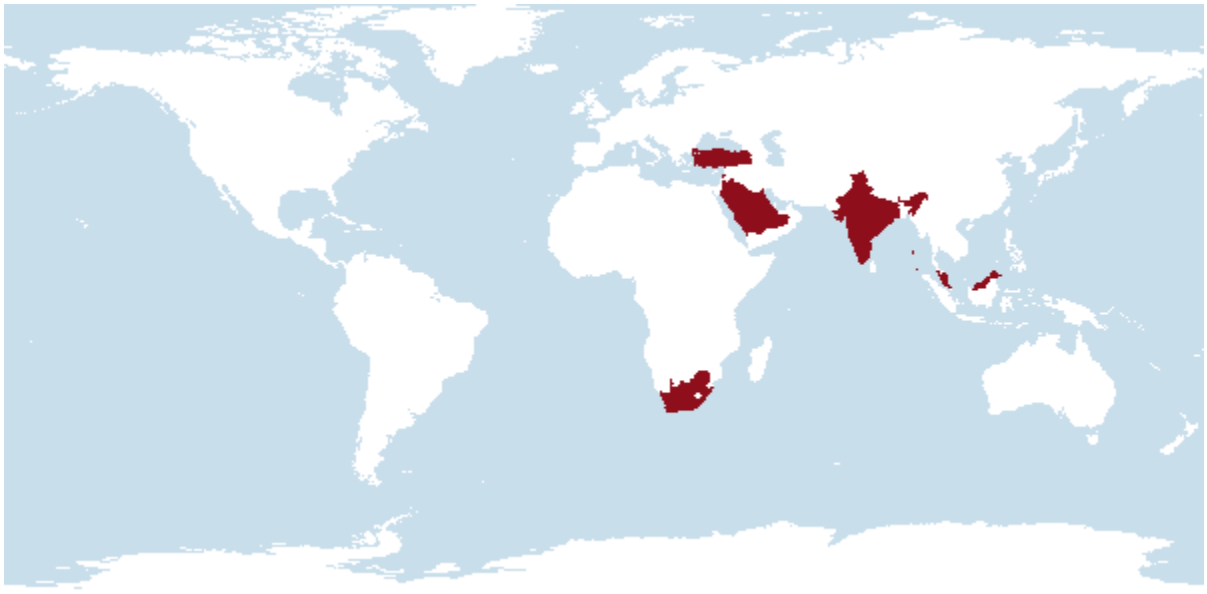
Subsidiaries

Subsidiaries

Country	Subsidiary Name		Wireless Subscribers	Wireless Market Share	Broadband Subscribers	Broadband Market Share	Wireline Lines/ Subs
Ownership > 20%							
Saudi Arabia	Saudi Telecom Company (STC)		23,100,000	44.4%	2,320,000	71.6%	4,450,000 Total lines (PSTN)
Bahrain	Viva (Bahrain)		656,000	27.2%			
South Africa	Cell C		19,900,000	24.5%			
Turkey	Turk Telekom	Additional Subsidiaries			6,315,000	73.3%	13,700,000 Total lines (PSTN)
Lebanon	Cyberia (Lebanon)						
Jordan	Cyberia (Jordan)						
Kuwait	Viva (Kuwait Telecom Company)		2,520,000	33.0%			
Saudi Arabia	Public Telecom Company (Bravo)		175,000	0.3%			
Ownership < 20%							
Malaysia	Maxis	Additional Subsidiaries			72,000	2.4%	31,950 Local subscribers (PSTN)
India	Aircel		75,850,649	8.2%			

Wireless and broadband data: Sep 2014
Wireline data: company financial year end 2013

Country Presence



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