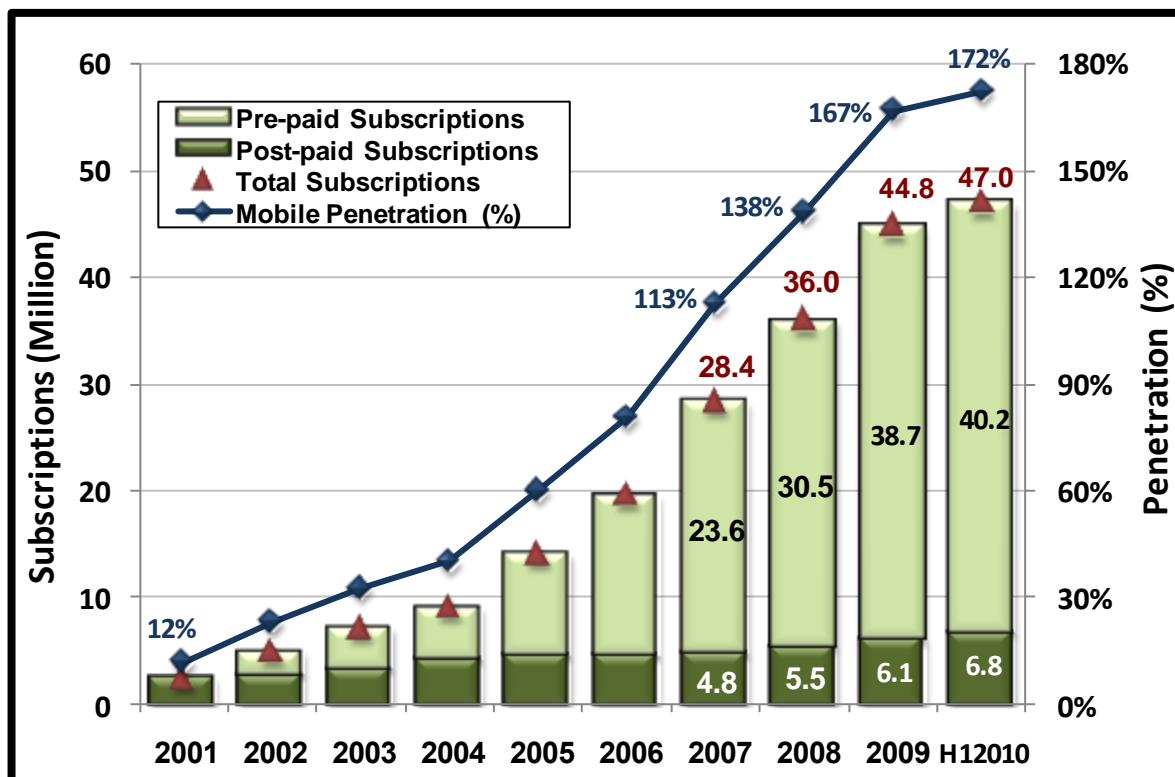


ICT indicators in K.S.A (1st Half- 2010)

Mobile Telecommunications Market

Competition in the mobile telecommunications market, which started in 2005, has resulted in major developments in terms of service offerings, quality of service, customer care, reduced prices, and subscriber growth. The total number of mobile subscriptions grew to around 47 million by 1st half (H1) 2010. The compound annual growth rate (CAGR) for the last eight years is around 43%. By H1 2010, mobile penetration in Saudi Arabia stood at 172% which is higher than the world average of 67%, the developing countries average of 57% and the developed countries average of 114%.

Figure (1): Mobile Service Market Growth - Total Subscriptions (2001-H1 2010)



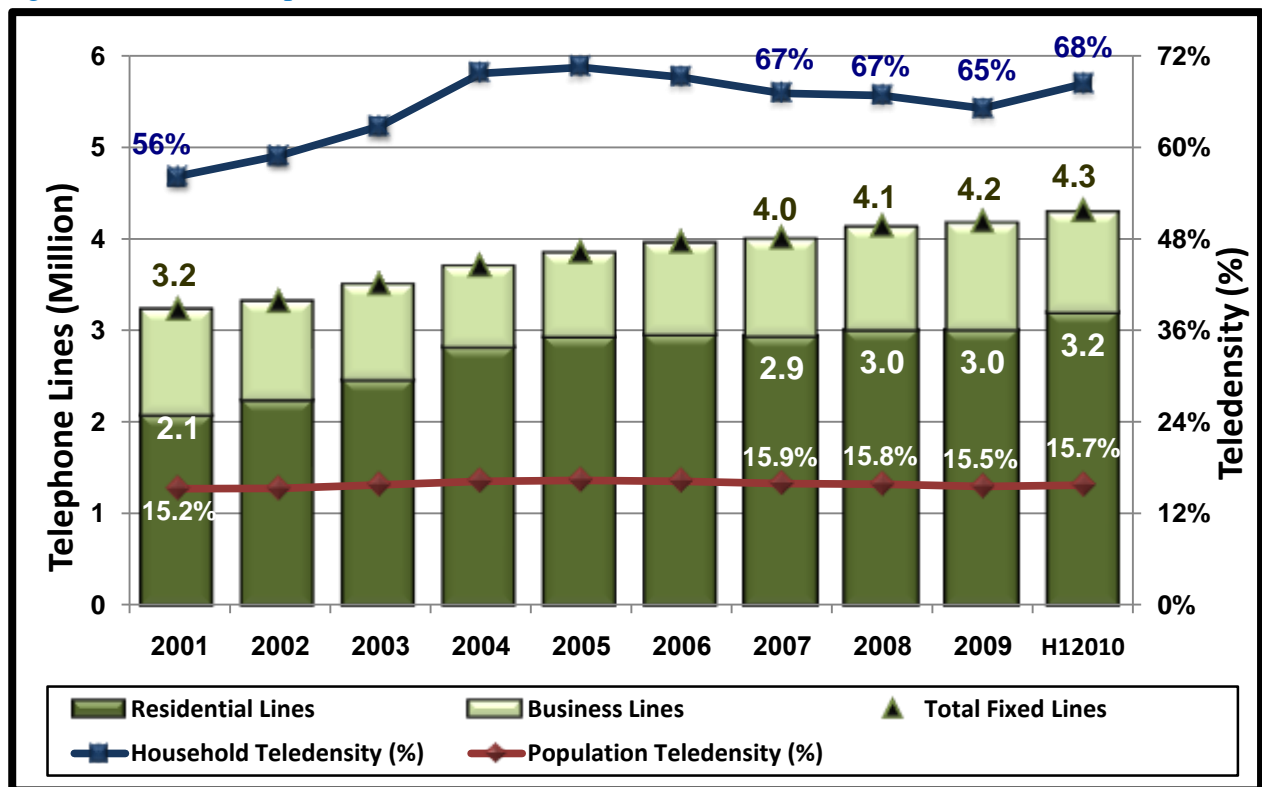
Source: Based on numbers reported by mobile service providers

Prepaid subscriptions constitute the majority (85%) of all mobile subscriptions, in line with the trend in other similar markets around the world.

Fixed Telephony Market

Figure (2) below shows the evolution of fixed telephone service in Saudi Arabia from 2001 to H1 2010. Fixed telephone lines stood at 4.3 million by H1 2010, of which around 3.2 million or 74% were residential lines. This represents a household teledensity of around 68%, The population teledensity is around 15.7% or 158 telephone lines for every 1000 inhabitants. This is slightly lower than the world average of 17.8%, but is higher than the Arab World average of 10.5% and the developing countries average of 13.5%.

Figure (2): Fixed Telephone Market Evolution (2001-H1 2010)



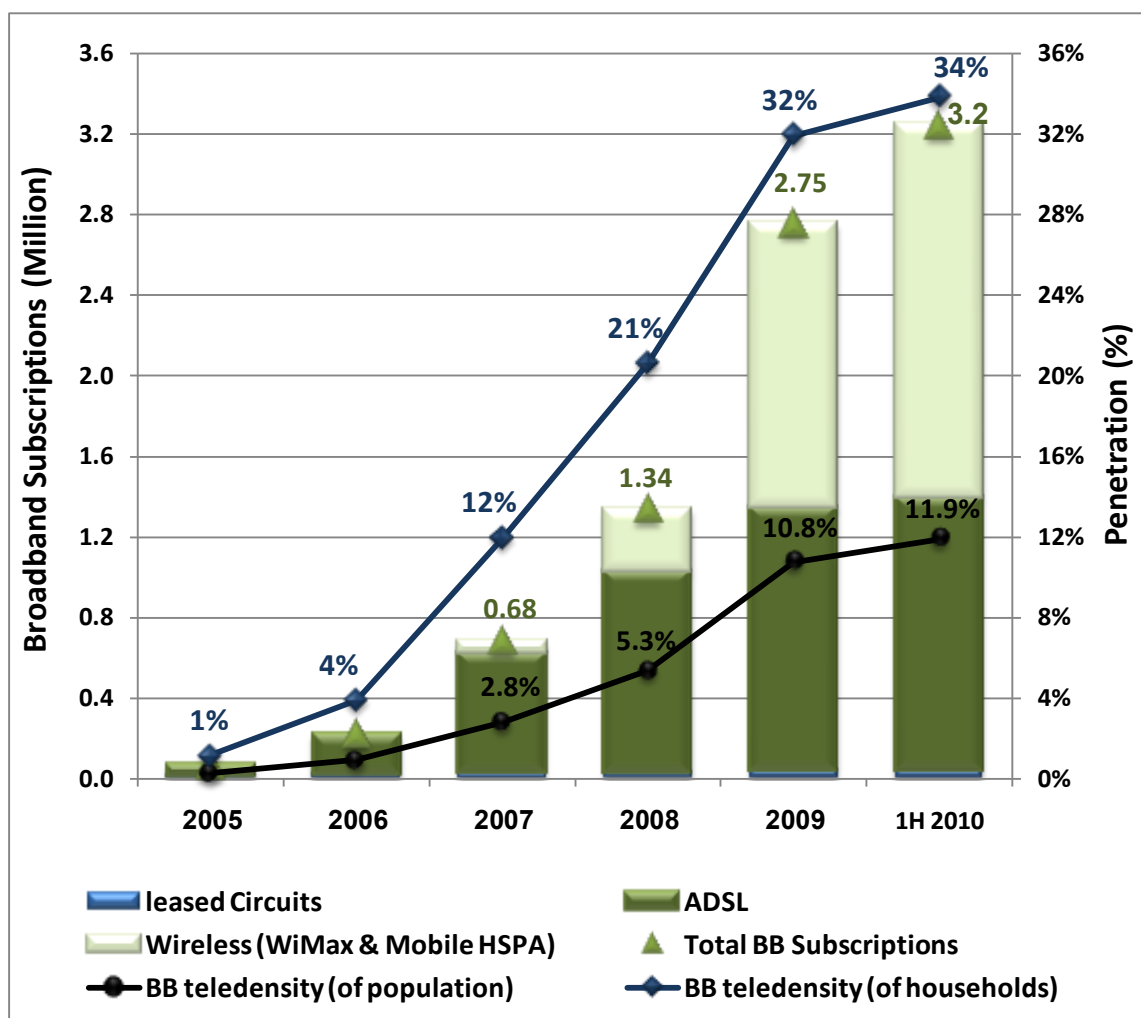
Note: Population teledensity is calculated by dividing total fixed telephone lines by the population, while household teledensity is calculated by dividing only residential lines by the number of households.

Broadband Services Market

Broadband subscriptions have grown from 64,000 in 2005 to over 3.20 million at the end of H1 2010, as depicted in Figure (3). The broadband penetration rate stood at around 11.9% of population at the end of H1 2010, or 119 broadband connections for every 1000 inhabitants.

Broadband household penetration is a more relevant indicator as a single broadband connection in a house can provide high speed data access to all members of a household. At the end of H1 2010, household broadband penetration stood at around 34%, assuming that 80% of wireline broadband connections and 25% of wireless broadband subscriptions are for residential use, with the rest being either for business or individual use only. This means that around a third of all households in Saudi Arabia have a broadband connection.

Figure (3): Broadband Market Evolution (2001- H1 2010)

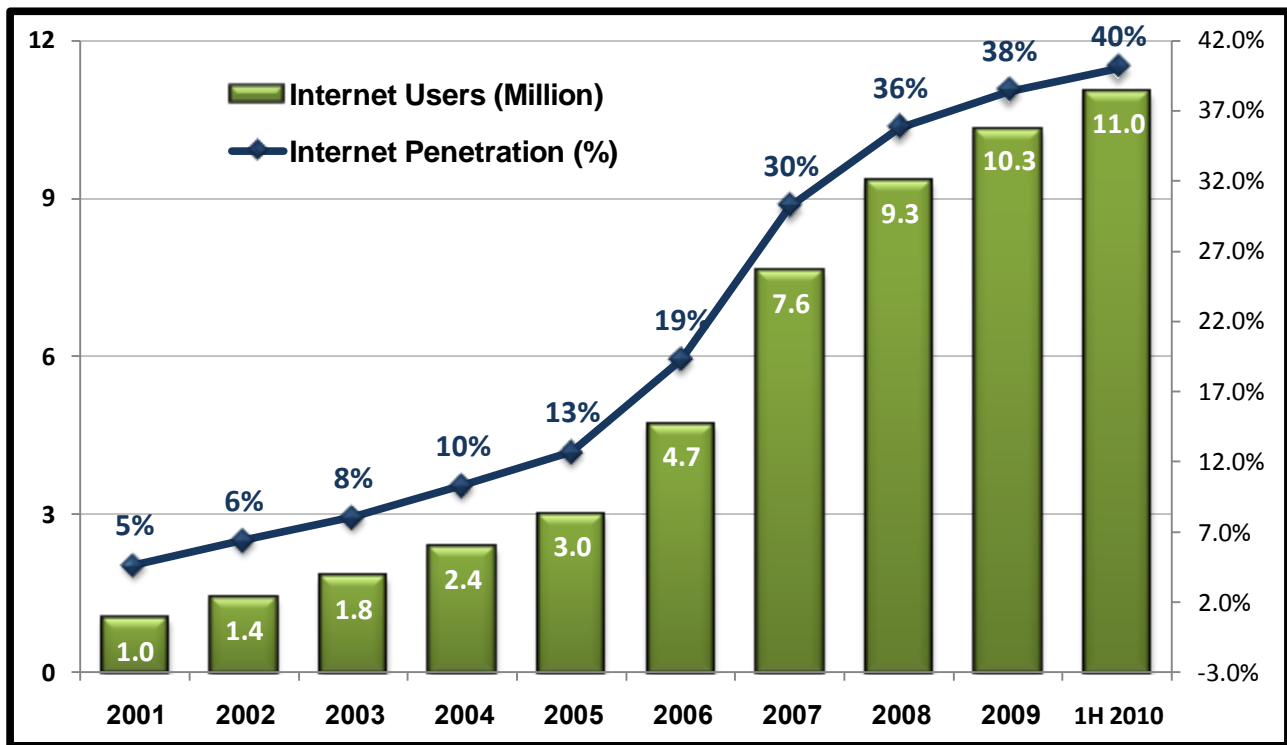


As evident from Figure (3), most broadband growth in was due to a phenomenal increase in wireless broadband connections, which reached 1.85 million wireless broadband subscriptions, which translates to over 56% of all broadband connections, while digital subscriber lines (DSL) reached 1.35 million lines in H1 2010. Despite the high growth rates over the last few years, there is high potential for more growth in broadband services. The broadband market is significantly underserved in many suburban and rural areas. With the opening of the fixed telecommunications market to competition, the intense competition in mobile broadband offerings, and the increased consumer demand for fast Internet connections, the broadband market is expected to continue to grow at a fast pace, as the mobile and fixed service providers continue to roll out their broadband networks with competitors fulfilling the growing demand.

Internet Services Market

The number of Internet users grew from around 1 million in 2001 to an estimated 11 million at the end of H1 2010, a ten-fold increase in 8 years, as shown in Figure (4). This corresponds to a CAGR of around 33% over the eight years period (2001-2009). Internet penetration increased to 40% of the population by the end of H1 2010. %). This rapid growth of Internet users in Saudi Arabia is attributable to increased public awareness, growth in broadband availability, decreasing costs of personal computers and Internet access, and enhanced usefulness of the Internet brought about by increased availability of local content, of Arabic language sites, and of e-services such as online banking, e-commerce, and e-government applications.

Figure (4): Internet Market Evolution (2001-2009)



Notes:

- 1) For years 2001-2006: CITC estimates based on reported Internet connections (dial-up and broadband).
- 2) 2007 ,2008 and 2009: Based on the results of two major field surveys of the Internet market commissioned by CITC.
- 3) H1 2010: CITC estimate (projection) based on the results of the two field surveys of 2007 and 2008.

Telecom Services Sector Revenues

Telecom services revenues in Saudi Arabia have been steadily growing at a CAGR of around 13%, increasing from about SR 20 billion (US \$5.3 billion) in 2001 to SR 52.5 billion (US \$14 billion) in 2009. Figure (5) tracks the overall revenue growth, including both fixed and mobile services revenues, over the nine years (2001-2009). Mobile services revenues represent around 77% of all telecom sector revenues in the Saudi market, which is in line with trends in other countries.

In addition to revenue from the domestic market, investment by Saudi licensed telecom companies in foreign telecom markets including Kuwait, Malaysia, Indonesia, India, Turkey, and South Africa, have led to a rapid growth of revenue for the sector from foreign operations, from SR 455 million in 2007, to SR 9.5 billion in 2008, and to around SR 14.5 billion (US \$3.9 billion) in 2009. Domestic revenues, however, still represent over 78% of the total telecom sector revenues of SR 67 billion (US \$17.9 billion) in 2009.

Figure (5): Telecom Sector Revenues (2001-2009)

