Fourth Quarter and Full Year 2022 Results

Management Discussion & Analysis Report

28 February 2023

Al Yah Satellite Communications Company PJSC ("Yahsat")

Management's Discussion and Analysis (for the year ended 31 December 2022)

This document should be read in conjunction with Yahsat's audited consolidated financial statements for the year ended 31 December 2022. Within the MD&A, we use the terms "the Group", "Company", "we", and "our" to refer to Yahsat.

1. Highlights: strong full year performance

(USD millions)	Q4 2022	Q4 2021	Q4 y/y[1]	FY 2022	FY 2021	FY y/y	Δ
Revenue	**118**	**123**	***(4%)***	**433**	**408**	***6%***	***25***
Adjusted EBITDA	**69**	**69**	***(1%)***	**258**	**240**	***7%***	***17***
Margin (%)	*58.3%*	*56.3%*	*2.0%*	*59.6%*	*59.0%*		*0.6%*
Operating profit	**33**	**31**	***7%***	**115**	**90**	***28%***	***25***
Net finance costs	0.4	(2)	*(116%)*	(1)	(17)	*(94%)*	*16*
Net income (Yahsat-share)	**30**	**26**	***15%***	**66**	**70**	***(6%)***	***(4)***
Margin (%)	*25.8%*	*21.5%*	*4.3%*	*15.2%*	*17.1%*		*(2.0%)*
Normalised results							
Normalised Adj. EBITDA	**69**	**69**	***(1%)***	**258**	**245**	***5%***	***13***
Margin (%)	*58.3%*	*56.3%*	*2.0%*	*59.6%*	*60.0%*	–	*(0.5%)*
Normalised net income	**30**	**26**	***15%***	**106**	**81**	***31%***	***25***
Margin (%)	*25.8%*	*21.5%*	*4.3%*	*24.5%*	*19.9%*	–	*4.7%*

Yahsat delivered another strong set of financial results with full year revenue and Adjusted EBITDA growth of 6% and 7% respectively year-on-year, despite a modest shortfall in the fourth quarter reflecting the timing of equipment sales in the Mobility Solutions business. The results continued to be underpinned by stellar performance in the Managed Solutions business which, together with the stable, long-term contracted Infrastructure business, serves the requirements of the UAE Government (the "Government", see *"Alternative performance measures and terms used"*) for secure satellite communications capacity and end-to-end managed services. Key financial guidance targets were met or exceeded (see *"Outlook–Guidance for full year 2023"*)

Highlights for the full year include:

- **Revenue** of USD 433 million, up 6% year-on-year, driven by strong growth of 41% in Managed Solutions and stable performance across the Infrastructure and Mobility Solutions businesses.

[1] *Shows percentage changes for monetary amounts; percentage-point and multiple-amount changes for percentages and multiples*

- **Adjusted EBITDA** of USD 258 million, up 7% year-on-year, delivering a superior margin of 60%.

- **Net finance costs** of only USD 1 million, a 94% reduction versus the prior year, reflecting significantly higher finance income on almost USD 400 million of cash placed on short term deposits (as at the end of the period) and lower finance costs following the 2021 refinancing of the Group's debt which gave rise to one-off costs of USD 7 million.

- **Normalised Net Income** of USD 106 million, up 31% year-on-year, generating a strong margin of 25%.

- Normalised Net Income is net income adjusted for material, one-off items recorded during the current and comparative periods that would otherwise distort the underlying, like-for-like performance of the business. FY 2022 Normalised Net Income of USD 106 million has been adjusted for a non-cash impairment in Q3 2022 of USD 41 million in the Group's equity-accounted joint-venture in HPE Brazil, in which the Group owns a non-controlling 20% stake. This reflected a rapid deterioration in the global macro-economic environment, which significantly increased the discount rate used in assessing the recoverable amount of this investment. Similarly, FY 2021 net income of USD 70 million has been adjusted for one-off costs relating to the prior year debt refinancing (USD 7 million) and IPO-related costs (USD 4 million).

- **Contracted future revenue** of USD 2.0 billion, equivalent to 4.6 times annual revenue for the year 2022.

- **Robust balance sheet** with negative net debt, strong cash position and long-term visibility of future cash flows, continues to support Yahsat's investment in organic growth as well as opportunistic acquisitions, without impacting its progressive dividend policy.

- **Proposed full year dividend** of AED 16.12 fils (USD 4.39 cents) per share or USD 107 million, 2% higher than the prior year, of which 50% was paid as an interim dividend in October 2022 and the remaining amount is expected to be paid as a final dividend in May 2023 subject to shareholder approval at the upcoming annual general meeting.

Musabbeh Al Kaabi, Chairman of Yahsat, commented:

"In a year of continued transformational change for the satellite industry and against a backdrop of global economic headwinds and tighter financial conditions, the Group continues to deliver impressive top-line revenue growth, a superior margin and healthy cash flows, positioning it to sustain and grow its dividend and invest in organic and inorganic growth opportunities.

"The true test of a company's performance, however, is its ability to deliver on its promises, and I'm pleased to see Yahsat's management team firmly meet or exceed the financial targets set out in our first full year as a publicly traded company following the successful IPO in July 2021. This reliable and steady progress bodes well for creating further shareholder value as we work on executing Yahsat's growth strategy.

"In turn, the Board is also pleased to recommend a total dividend for the year of 16.12 fils, which, based on Yahsat's current share price, implies a dividend yield of more than 6%, one of the highest yields amongst UAE listed equities. We expect to continue growing Yahsat's dividends by at least 2% per year underscoring the Board's confidence in Yahsat's future growth potential and long-term visibility of cash flows."

Ali Al Hashemi, Group Chief Executive Officer of Yahsat, said:

"Yahsat delivered strong growth in 2022, reinforcing and expanding its role as the preferred partner of the UAE Government for satellite solutions. We now provide complete end-to-end managed solutions to the UAE government under a new, expanded mandate that includes technology management services. The launch of the Thuraya-4 NGS satellite in 2024 followed by two potential new satellites, Al Yah 4 and Al Yah 5, demonstrates our commitment to sustaining our core government business, presenting unique growth opportunities for the Group that are expected to further secure our long-term financial outlook beyond 2026.

“In our commercial businesses, we are refocusing on areas of higher growth and profitability. This includes targeting various industry verticals, such as oil and gas, health and education, and maritime, and offering both mobile and fixed satellite services to meet their satellite connectivity needs. New products under development for the Thuraya-4 NGS satellite will also be offered to commercial customers, underpinning organic growth, whilst opportunistic acquisitions will allow us to further expand our product portfolio and customer base.

“Looking ahead, we remain confident in the Group’s underlying health and resilience, which is supported by a robust balance sheet and a substantial backlog of contracted revenues of approximately AED 7.3 billion [USD 2 billion]. This financial strength will help drive our future ambitions as we pursue a range of promising growth opportunities across IoT, government, maritime and enterprise data solutions, playing to our many strengths and driving sustainable long-term growth.”

The full set of fourth quarter and full year financial disclosures can be found within the Investor Relations section on Yahsat’s website.

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2. Results of operations by segment

Infrastructure

(USD millions)	Q4 2022	Q4 2021	Q4 y/y	FY 2022	FY 2021	FY y/y	∆
Revenue (external)	59	57	*5%*	238	236	*1%*	*2*
Adjusted EBITDA	41	46	*(10%)*	177	183	*(4%)*	*(7)*
Margin	*69.5%*	*81.2%*	*(11.8%)*	*74.4%*	*77.7%*		*(3.3%)*

The Infrastructure segment is the Group's largest, contributing 55% of revenue and 69% of Adjusted EBITDA for the full year (FY 2021: 58% of revenue and 76% of Adjusted EBITDA). The segment benefits from a key Capacity Services Agreement ("CSA") with the Government, which underpins the stable and predictable revenue and adjusted EBITDA contributions to the Group from period to period. Group financing activities and the majority of corporate costs are accounted for within this segment.

Revenue for the full year increased by USD 2 million or 1%, reflecting an increase in CSA revenue as per the contractual indexation clause. Adjusted EBITDA fell for the full year and quarterly period mainly reflecting lower chargebacks to the Data Solutions segment on outsourced services provided, whilst corporate operating expenses increased to reflect higher staff costs and consultancy fees. The margin for the segment fell to 74% from 78% as a result.

The segment boasts contracted future revenue of approximately USD 1.7 billion as of year-end 2022, including a 15-year contract with the Government for the provision of capacity and associated services on Thuraya 4 Next Generation System ("T4-NGS"; see *"Outlook–T4-NGS update"*). The T4-NGS Government contract is worth USD 708 million[2], which will support revenue growth from 2025 onwards (USD 50 million[2] annually; see *"Outlook–Strong growth prospects"* on contracted future revenue backlog).

Managed Solutions

(USD millions)	Q4 2022	Q4 2021	Q4 y/y	FY 2022	FY 2021	FY y/y	∆
Revenue (external)	24	22	*8%*	91	64	*41%*	*26*
Adjusted EBITDA	13	14	*(7%)*	53	33	*60%*	*20*
Margin	*54.3%*	*62.9%*	*(8.6%)*	*58.5%*	*51.7%*		*6.8%*

The Managed Solutions segment, contributing 21% of revenue and 21% of Adjusted EBITDA for the full year period (FY 2021: 16% of revenue and 14% of Adjusted EBITDA), delivers critical, secure, value-added solutions primarily to the Government and other UAE and international governmental entities. This also includes operation and maintenance (O&M) services to the Government based on multi-year engagements, related to supporting the infrastructure capacity contracted to the Government.

Strong momentum continued in this segment with full year revenues up USD 26 million or 41% versus the prior year. Adjusted EBITDA increased to USD 53 million or 60% for the same period. This reflected the new Managed Services Mandate (the "Mandate") awarded by the Government earlier this year, valued at USD 247.5 million, with service revenue

[2] Under the contract, the Group is entitled to receive USD 300 million in advance payments, to be offset over the contract period against invoices for capacity services. The Group received USD 150 million advance in Q3 2022. Under IFRS 15, as a significant part of the contract price is received years ahead of service provision, the contract is deemed to contain a significant financing component and requires the contract value to be adjusted to include the imputed finance cost relating to the advance payments. Accordingly, the future revenue is adjusted to include USD 46.3 million (imputed finance cost relating to the USD 150 million), bringing the total transaction price to $754.7 million as of the end of 2022 and future annual revenue of USD 50.3 million. The imputed finance cost will be recorded as a charge from the date of receipt of advance payment until the advance is fully offset.

recognised equally from 1 January 2022 over the next 5 years at USD 47.5 million per year and a USD 10 million turnkey component recognised in the first half of 2022. The Mandate replaces and expands the scope of the previous contract, which included only the operations & maintenance (O&M) services for USD 32 million of revenue per year, and which expired at the end of 2021. The expanded scope now includes technology management services in addition to O&M and the new Mandate is the primary driver for most of the variance in revenues and Adjusted EBITDA in 2022. Adjusted EBITDA margin increased to 58%, materially higher than previous margins of 40-50%, reflecting the timing of related costs associated with this Mandate. We expect margins in this segment to revert to their historical range over the remaining life of the Mandate (see *"Outlook–Guidance for full year 2023"*)

Mobility Solutions

(USD millions)	Q4 2022	Q4 2021	Q4 y/y	FY 2022	FY 2021	FY y/y	Δ
Revenue (external)	28	34	*(18%)*	81	80	*1%*	*1*
Adjusted EBITDA	12	10	*19%*	27	27	*(1%)*	*(0)*
Margin	*42.7%*	*29.6%*	*13.1%*	*33.6%*	*34.2%*		*(0.6%)*

The Mobility Solutions segment, contributing 19% of revenue and 11% of Adjusted EBITDA for the full year (FY 2021: 20% of revenue and 11% of Adjusted EBITDA), provides Mobile Satellite Services ("MSS") through its approximately 90%-owned subsidiary, Thuraya, using L-band capacity on two satellites, Thuraya-2 and Thuraya-3.

Whilst fourth quarter revenues fell by 18%, reflecting the phasing of equipment sales, which were concentrated in the first half of 2022, the business overall maintained revenue growth of 1% for the full year. Increases were seen in Service revenue, driven by strong growth in Voice (+4%), Maritime (+6%) and Data Services (+16%). Equipment revenue was broadly stable for the full year period.

Adjusted EBITDA for the full year period decreased slightly by less than USD 1 million or 1% versus the same period last year.

Data Solutions

(USD millions)	Q4 2022	Q4 2021	Q4 y/y	FY 2022	FY 2021	FY y/y	Δ
Revenue (external)	6	10	*(37%)*	23	27	*(13%)*	*(4)*
Adjusted EBITDA	2	(1)	*nm*	1	(4)	*(123%)*	*4*
Margin	*37.2%*	*(9.7%)*	*46.8%*	*3.5%*	*(13.0%)*		*16.5%*

The Data Solutions segment offers satellite-based broadband data solutions using Ka-band to end-users including consumers, enterprises and government customers, as well as high-speed data links for use by telecommunications companies, internet service providers and other satellite service providers. Note that the financials of this segment do not include the performance of a 20% minority equity partnership with Hughes, a subsidiary of Echostar, in Brazil.

This segment, contributing 5% of revenue (FY 2021: 7% of revenue), recorded lower revenues for the year. This mainly reflected the ending of a capacity leasing agreement with Eutelsat in H2 2021, fewer equipment sales and lower enterprise sales that were partially offset by strong momentum in subscriber revenue. Subscriber numbers increased to over 22,000 by the end of 2022, a 21% increase versus the prior year (mainly in Zimbabwe, Pakistan and Angola). Profitability improved with the business turning EBITDA positive for the first time, reflecting cost optimisation measures and the successful collection of overdue receivables which had been previously fully written down.

3. Cash flows, liquidity and capital structure

(USD millions)	Dec-22	Dec-21	FY YTD	Δ
Cash and short term deposits	545	400	*36%*	*144*
Undrawn ECA facility[3]	78	168	*(54%)*	*(90)*
Total liquidity	**622**	**568**	***10%***	***55***
Gross Debt[4]	542	549	*(1%)*	*(7)*
Net Debt[4]	(2)	149	*(102%)*	*(151)*
Total equity (excl. minorities)	851	841	*1%*	*10*
Gearing Ratio[4] (net debt / capital)	***(0.3%)***	***14%***		***(14%)***
Net Debt / Normalised Adj. EBITDA (LTM)	***(0.01x)***	***0.6x***		***(0.6x)***
	FY 2022	FY 2021	FY y/y	Δ
Normalised Adjusted EBITDA[4]	258	245	*5%*	*13*
Operating FCF[4] (excl. capital WIP)	**246**	**237**	***4%***	***9***
Cash Conversion Ratio[4]	***95.4%***	***96.7%***	***–***	***(1.3%)***
Net cash from operations (CFO)	387	227	*70%*	*159*
Discretionary FCF[4]	**225**	**180**	***25%***	***45***

High liquidity

The Group's total available liquidity as at the end of 2022 was USD 622 million, an increase of USD 55 million on the position at the end of 2021. This increase was largely due to the receipt in Q3 2022 of USD 150 million in advance payments from the Government under the terms of the T4-NGS contract. During the year, the Group drew down the ECA facility by USD 62 million as T4-NGS construction milestones were achieved whilst the total facility amount was reduced from USD 300.5 million to USD 273 million as a result of a USD 30 million reduction in the purchase price following the award of a government grant (see *"Cash flows, liquidity and capital structure–Low leverage capital structure"*).

Total available liquidity was made up of USD 545 million of cash and short term deposits (including short term deposits with maturities greater than three months but less than one year) and USD 78 million in undrawn credit facilities, available to the Group during an availability period ending in November 2024 and for specific uses related to the procurement of the T4-NGS satellite (see *"Cash flows, liquidity and capital structure–Low leverage capital structure"*).

The Group's high liquidity and low leverage metrics place it in a strong position to capitalise on key growth opportunities (see *"Outlook–Al Yah 4 and 5 update"*), including inorganic acquisitions that support Yahsat's strategy (see *"Outlook–Other exciting growth opportunities"*).

As of the end of 2022, 20% of the Group's total debt is classified as current (YE 2021: 11%), based on principal amounts repayable within one year (see *"Cash flows, liquidity and capital structure–Debt maturity profile"*).

Strong cash flow generation

The Group enjoys an efficient business model enabling strong cash generation that includes a) robust Adjusted EBITDA margins, b) low levels of unfunded capital expenditure, c) negligible cash taxes (until end of 2023), and d) very low leverage.

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[3] *Includes Term Loan 6 (ECA), which can only be drawn during an availability period ending November 2024 for specific uses related to the procurement of the T4-NGS satellite.*

[4] *See "Alternative performance measures and terms used" for definitions and calculation methodology used in this report.*

This results in high levels of Cash Conversion Ratio of 95.4% for the full year of 2022 (FY 2021: 96.7%) and a high level of Discretionary Free Cash Flow (“DFCF”) available to meet the Group’s dividend policy commitments. DFCF for the full year period reached USD 225 million, a 25% increase versus the prior year period (2021: USD 180 million) and equivalent to 2.1x total dividends expected for the full year of 2022 of USD 107.1 million (see *“Outlook–Attractive dividend policy”* and *“Outlook–Guidance for full year 2023”*).

Low leverage capital structure

Yahsat’s capital structure is completely funded by equity with a Gearing Ratio of negative 0.3% as at the end of 2022 (YE 2021: 15%). This mainly reflects the receipt of USD 150 million in advanced payments from the Government under the terms of the T4-NGS programme, resulting in negative net debt of USD 2 million as at the end of 2022 (YE 2021: USD 149 million).

The Group’s debt funding includes two term loans:

- USD 400 million 5-year term loan (“Term Loan 5”), fully drawn, and repayable in eight semi-annual instalments starting from 14 December 2022. The borrowing bears interest at LIBOR plus a margin of 1.30% per annum and is hedged using an interest rate swap with a fixed swap rate set at 0.7785%. The proceeds of the borrowing were partially used in June 2021 to pay down USD 251 million in outstanding amounts of an earlier USD 1.2 billion credit facility used to fund the development and construction of Al Yah 1 and Al Yah 2 satellites during the 2008-2012 period.

  The outstanding principal amount was reduced to USD 340 million at the end of 2022 as the Group made its first principal repayment of USD 60 million in Q4 2022 as per the terms and amortisation schedule of Term Loan 5 (YE 2021: USD 400 million).

- USD 273 million[5] export credit agency facility (“Term Loan 6”) with a tenor of 8.5 years and bearing interest at LIBOR plus a margin of 0.60% per annum for drawn amounts. The loan is being used to partly fund the capital expenditure relating to the T4-NGS satellite programme and is directly guaranteed by the French State (Airbus is the contractor for the construction and supply of the T4-NGS satellite). The facility can only be drawn down during a specific period and for specific uses relating to the procurement of the T4-NGS satellite, particularly upon the achievement of certain construction milestones by the contractor. The interest rate applied to any drawn amounts is hedged using an interest rate swap with a fixed swap rate set at 1.589%. Interest incurred is capitalised and expensed over the accounting useful life of the satellite once operational.

  The outstanding principal amount at the end of 2022 was USD 195 million, an increase of USD 62 million over the full year period (YE 2021: USD 133 million) reflecting the completion of construction milestones and other permitted uses of borrowing under the facility.

- Both term loans require the Group to maintain an interest cover ratio[6] of not less than 4.00:1 and a net leverage ratio[6] of no more than 3.00:1. They also contain a change of control clause that requires the mandatory prepayment of outstanding borrowings if the Government of Abu Dhabi ceases to control directly or indirectly 50.1% or more of the share capital of Yahsat.

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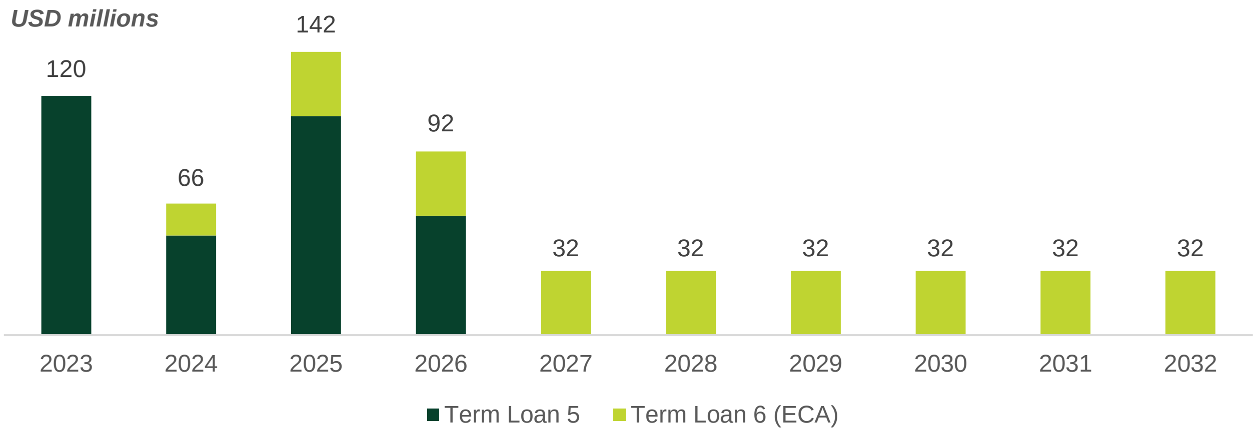
[5] *Original facility amount of USD 300 million was reduced in Q3 2022 to USD 273 million as a result of a reduction in the purchase price of the T4-NGS satellite by way of government grant (refer to note 28 of the Group’s financial statements for the period ended 31 December 2022).*

[6] *Calculation of these ratios is defined in the term loan documentation and calculation of the net leverage ratio does not match the Net Debt-to-Normalised Adjusted EBITDA figure presented in this report.*

The Group's credit facilities provide significant liquidity whilst debt covenants offer significant headroom for further borrowing as and if required to pursue Yahsat's growth strategy (see *"Outlook"*).

Debt maturity profile

The Group's financial liabilities repayment schedule as at the end of 2022 based on contractual undiscounted payments is as follows. It should be noted that the repayment schedule shown for Term Loan 6 (the ECA facility) is based on the current forecast of future drawdowns and may change slightly depending on the actual drawdown schedule that materialises.



As of the end of 2022, the Group's total Gross Debt stood at USD 542 million, a decrease of USD 7 million or 1% during the year (YE 2021: USD 549 million).

This net decrease largely reflects the drawdown of USD 62 million of Term Loan 6 upon completion of construction milestones and other permitted borrowing pursuant to the T4-NGS procurement programme and terms of the loan, offset by a USD 60 million repayment on Term Loan 5. The remaining variance reflects movements in lease liabilities due to an expired property lease related to the Thuraya's ground station in the UAE.

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4. Capital expenditure

(USD millions)	Q4 2022	Q4 2021	Q4 y/y	FY 2022	FY 2021	FY y/y	∆
Cash CAPEX and investments[7]	25	46	(46%)	131	161	(19%)	30

The Group's total cash capital expenditure for 2022 was USD 131 million, a 19% decrease versus the prior year. Part of the decrease relates to a shift in the timeline of the T4-NGS programme previously disclosed during the year (see *"Outlook–Strong growth prospects–T4-NGS update")* whilst the remainder of the reduction is largely due to a USD 10 million capital increase in HPE, the Group's associate investment in Brazil, carried out in H1 2021 and representing the Group's 20% share in the venture (FY 2022: zero investment in HPE) and a higher return of capital to the Group in 2022 totalling USD 4 million by Al Maisan, Yahsat's broadcast joint venture with SES, branded as Yahlive (FY 2021: 2 million).

Over 90% of the year's cash capital expenditure relates to the T4-NGS satellite construction programme and related new product development. Design and construction costs of the satellite are more than fully funded by both Term Loan 6 (the ECA facility) and the USD 150 million advance payment from the Government received in July 2022.

Further capital expenditure of approximately USD 12 million, reflects projects for the development and upgrade of certain systems to cater for new services that will be offered on both the Group's existing MSS satellites Thuraya 2 and Thuraya 3 as well as the new T4-NGS satellite.

See *"Outlook–Guidance for full year 2023"* on guidance for the Group's capital expenditure for the full year 2023.

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[7] *'Investments' refer to investments in associates, net of any dividends received and capital returned.*

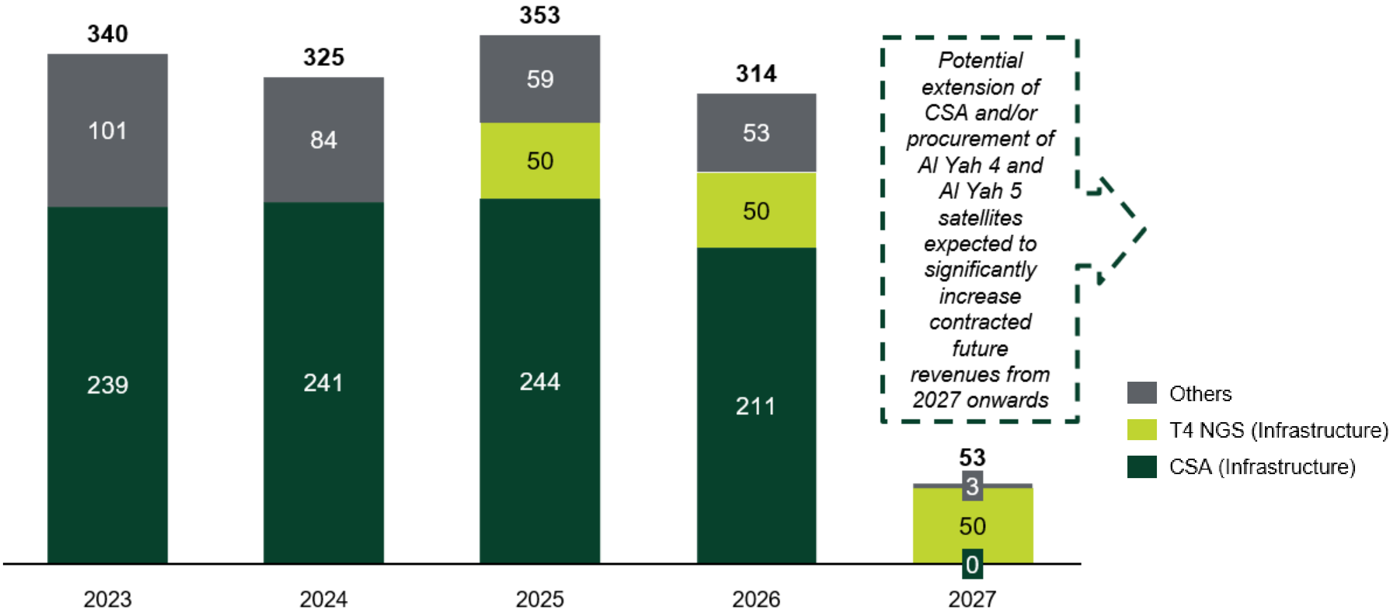
5. Outlook

Strong growth prospects

One of Yahsat's unique strengths are its predictable contracted future revenues amounting to USD 2.0 billion or 4.6x full year 2022 revenues for the Group as at the end of 2022. Two contracts with the Government (rated Aa2 by Moody's and AA- by Fitch) make up over 90% of contracted future revenues.

Serving the Government's satellite communication needs is a core business and central to Yahsat's growth strategy, building on an increasing trend for sovereignty and self-reliance over satellite assets. In that respect, the T4-NGS satellite currently under construction and the expansion of the Company's fleet with two potential new satellites (Al Yah 4 and Al Yah 5), present unique growth opportunities for the Group and further secure Yahsat's long-term financial outlook.

Roll out of contracted future revenue backlog over next 5 years and beyond[8]
(all figures in USD millions)



T4-NGS update

In 2021, the Group entered a 15-year contract with the Government worth USD 708 million[9] for capacity and associated services on the T4-NGS satellite, the Group's sixth and forthcoming fleet addition. T4-NGS will be an MSS satellite placed in Geostationary Earth Orbit ("GEO") offering advanced capabilities such as higher capacity and terminal data rates above 1 Mbps (versus approximately 0.4 Mbps available under the current system). Many of the new products being developed to take advantage of the satellite's new advanced capabilities will be offered to the Government as well as other governmental and commercial customers, driving further growth across several Group segments, including Infrastructure, Managed Solutions and Mobility Solutions.

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[8] *Future contracted revenues in 2028 and beyond are USD 606 million*
[9] *See earlier footnote 2 on calculation of future contracted revenue related to the T4-NGS contract*

T4-NGS was originally expected to launch in the second half of 2023 and start services in the second half of 2024. The Group disclosed in November 2022 that a delay of up to six months is expected in the delivery of the satellite by the contractor under the T4-NGS programme, Airbus Defense and Space SAS ("Airbus"). As a result, the launch of the satellite is expected to take place in the first half of 2024 and to start services in the first half of 2025. Whilst the Group and Airbus continue to work closely together to improve the delivery schedule, Yahsat does not currently anticipate any material financial impact due to this delay.

During the year, the Group also signed a commitment letter with the Government, whereby the Group was awarded USD 30 million as a grant in relation to the procurement of T4-NGS programme, in the form of a reduction in the purchase price of the T4-NGS satellite (refer to note 28 of *the Group's financial statements for the period ended 31 December 2022*).

Al Yah 4 and 5 update

The Group is currently in the discussion and planning stages with the Government regarding the potential launch of two new Fixed Satellite Services ("FSS") satellites, Al Yah 4 and Al Yah 5, in the medium term. The new satellites would augment and ultimately replace the capacity currently provided to the Government under the CSA due to expire in November 2026, which utilises the existing FSS satellites, Al Yah 1 and Al Yah 2. The new satellites would benefit from new coverage, capabilities and higher capacities to meet the next generation demands of the Government. Al Yah 1 and Al Yah 2 are estimated to reach end of life[10] in 2029 and 2030, respectively, and the current CSA may be extended to run in parallel with the procurement and initial deployment phases of the two new satellites.

A request for proposal ("RFP") process is currently underway and the Group is evaluating manufacturer responses prior to selecting a preferred satellite manufacturer and presenting a complete proposal to the Government. Should an agreement with the Government be reached, the Group expects to follow a similar approach as for Al Yah 1 and Al Yah 2, whereby the Government would take capacity on a long term, committed basis, further increasing the Group's contracted future revenue backlog.

Other exciting growth opportunities

The Board has initiated a strategic review during the year 2022 to identify promising growth opportunities in the space industry that play to the Group's strengths, including its robust balance sheet, knowledge, infrastructure, footprint and spectrum rights, which comprise the following:

- **Value added SatCom solutions:** The Group is committed to moving further down the value chain and offering differentiated satellite solutions and services to strategic industries (e.g., maritime, oil and gas, telecom).
- **Direct to device:** Direct satellite-to-device connectivity offers the opportunity to reach billions of mainstream devices and is attracting significant interest from phone manufacturers and telecom operators, who wish to offer more value-added services to their customers, as well as from satellite operators, given the potential to significantly increase their addressable market. Yahsat is uniquely positioned to play a key role with its valuable L-band spectrum rights covering approximately two-thirds of the globe.

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[10] *Estimated based on the latest health reports and estimated remaining fuel life, assuming typical degradation in coming years and no significant anomalies occur.*

- **Internet of things ("IoT"):** A global shift to connecting "things" is boosting the demand for IoT and machine-to-machine ("M2M") applications using satellite systems that can provide ubiquitous coverage and enable key plays such as mass asset tracking, monitoring and agriculture uses. The Group's recent investment in eSAT Global and procurement of the T4-NGS satellite, currently under construction, will enable numerous new applications in this space.

- **Mergers and acquisitions:** The Group is continuously exploring inorganic growth opportunities to support its strategic ambitions.

- **Earth observation ("EO") and remote sensing:** In July 2022, the UAE Space Agency announced a new USD 800 million national investment and development fund for the space sector. Amongst the fund's planned projects is the development and launch of a constellation of advanced earth observation satellites that deploy various radar technologies to provide high resolution 'imaging' capabilities with a wide range of scientific, civil and commercial applications. The Group is well positioned to play an important role in this national initiative by further developing its EO and remote sensing capabilities.

- **UAE partnerships:** The UAE's National Space Strategy 2030 is a testament to the UAE's long track record of, and continued future ambitions for, a leading role in the global space industry. The UAE is currently shaping a competitive, diversified and flexible knowledge-based economy that is powered by skilled Emiratis and effective partnerships between public, private and technology entities. Innovation, research, science and technology are key elements in this highly dynamic and futuristic economy. Yahsat is playing a key role in developing the UAE space sector and plans to continue being a cornerstone of this development, including upstream expansion within the satellite industry value chain.

Given the dynamics of the industry and the opportunities arising, the Group's management and Board regularly review Yahsat's business strategy to capitalise on key opportunities and maximise value for its stakeholders, including shareholders and the UAE.

Guidance for full year 2023

(USD millions)	FY 2023 guidance	2022 results vs. guidance	
Financial KPI	**28 Feb '23 (new)**	**FY 2022A**	**8 Nov '22 guidance**
Gross revenue	435-455	433	420-440
Adjusted EBITDA	240-260	258	Stable (c.245 normalised)
Discretionary Free Cash Flow ('DFCF')	130-150 (205-225 excl. CSA amort.)	225	210-240
Cash CAPEX and investments [11]	155-175	131	150-170 (reduced)

Financial guidance for FY 2022 gross revenue and Discretionary Free Cash Flow was firmly met with results in the middle of the ranges previously indicated. Adjusted EBITDA, however, exceeded our target figure, reflecting both the strong top-line performance of the Managed Solutions segment as well as the phasing of costs, a portion of which were expected to be incurred in Q4 2022 but shifted instead to H1 2023. Capital expenditure undershot our target due to the

[11] *'Investments' refer to investments in associates, net of any dividends received and capital returned.*

shift in the T4-NGS program, as disclosed during the year, and some milestones previously expected to be completed and billed in Q4 2022 moving to H1 2023 without further impacting the overall timeline (see *"Outlook–T4-NGS update"*).

Guidance for 2023 reflects management's expectations for:

- Up to mid-single digit revenue growth following Managed Solution's exceptionally strong performance in 2022, including the booking of an additional USD 10 million in revenue for a turnkey component of the new Mandate.

- Adjusted EBITDA to reflect increased costs in Managed Solutions, partly due to a shift from Q4 2022 to H1 2023 as well as higher costs related to the technology management component of the new Mandate's expanded scope. Margins are expected to moderate as a result.

- Discretionary Free Cash Flow to fall from 2022 levels reflecting the linear amortisation over the following four years (January 2023 to November 2026) of USD 291 million previously received during the construction phase of the Al Yah 1 and Al Yah 2 satellites (approx. USD 75 million per annum). DFCF of at least USD 130 million would comfortably cover total expected dividends for full year 2023 of USD 109 million by 1.2 times.

- Cash capital expenditure to reflect higher year-on-year T4-NGS programme costs including costs that have shifted into 2023, and higher non-satellite capital expenditure mainly related to special projects (modem development) and facilities upgrades.

Guidance will be re-evaluated by Yahsat's management on a quarterly basis and an update provided to the market.

Attractive dividend policy

During the Annual General Assembly on 11 April 2022, the Company's shareholders approved a cash dividend equivalent to USD 52.5 million (AED 7.90 fils/share) for the second half of the financial year 2021 (paid in May 2022). Together with a cash dividend of an equal amount previously paid to Mamoura Diversified Global Holding PJSC (a subsidiary of Mubadala Investment Company PJSC and the sole selling shareholder during the Company's initial public offering in July 2021), total dividends for the financial year 2021 reached USD 105.0 million (AED 15.80 fils/share). At the meeting, the Board reaffirmed its prior commitment to increase dividends by at least 2% per annum.

On 20 September 2022, the Board declared the Company's first interim cash dividend for the first half of 2022, in an amount equivalent to USD 53.5 million (AED 8.06 fils/share, paid in October 2022). The Company expects to pay a total dividend of USD 107.1 million (AED 16.12 fils/share) for the financial year 2022, subject to shareholder approval at the upcoming annual general meeting.

Dividends for full year 2023 are expected to grow at least 2% to AED 16.46 fils per share or a total of USD 109.3 million. Based on the Company's closing share price as of 14 February 2023 of AED 2.62, **this implies an annualised dividend yield of over 6% – amongst the highest offered by corporates listed in the UAE –** and compares favourably to an expected Discretionary Free Cash Flow yield of 7.8% (see *"Guidance for full year 2023" for target range*).

See *"Cautionary statement regarding forward-looking statements"* for a full disclaimer.

6. Earnings webcast

The Group will host a conference call in English for investors and analysts on Tuesday, 28 February 2023 at 16:00 UAE / 15:00 KSA / 12:00 UK / 07:00 NY time.

The Group's results will be presented by Ali Al Hashemi, Group CEO and Andrew Cole, CFO.

The webcast will be conducted via Zoom Webinars – please register ahead of time using this link:
https://zoom.us/webinar/register/WN_TxmWxcpQQYWqVBySIY_JnA

After registering, you will receive a confirmation email containing information about joining the webinar.

A replay and transcript will be made available following the event, accessible from the Investor Relations section of Yahsat's corporate website.

7. Next reporting date

The Group expects to announce first quarter 2023 results on or around 9 May 2023.

8. Contacts

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28 February 2023
Al Yah Satellite Communications Company PJSC

About Yahsat

Al Yah Satellite Communications Company PJSC (Yahsat) is a public company listed on the Abu Dhabi Securities Exchange (ADX) and a subsidiary of Mubadala Investment Company PJSC, offering multi-mission satellite solutions in more than 150 countries across Europe, the Middle East, Africa, South America, Asia and Australasia.

Yahsat's fleet of 5 satellites reaches more than 80% of the world's population, enabling critical communications including broadband, broadcasting, backhauling and mobility solutions. Based out of Abu Dhabi in the UAE, Yahsat provides C, Ku, Ka and L-band satellite communications solutions for land, maritime and aero platforms to consumers, governments and enterprises. Its businesses consist of Yahsat Government Solutions, Thuraya, YahClick (powered by Hughes) and YahLink. Yahsat also participates in Hughes do Brasil, an equity partnership with Hughes, and Yahlive, an equity partnership with SES. In 2020, Yahsat commenced construction of Thuraya 4-NGS, the next generation telecommunications system for Thuraya, which is due to be in service during 2025.

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9. Alternative performance measures and terms used

Yahsat regularly uses alternative performance measures which are relevant to enhance the understanding of the financial performance and financial position of the Group. These measures may not be comparable to similar measures used by other companies; they are neither measurements under IFRS nor any other body of generally accepted accounting principles and thus should not be considered as substitutes for the information contained in the Group's financial statements.

Alternative performance measure or term used	Definition
Adjusted EBITDA	Earnings from continuing operations before interest, tax, depreciation, amortisation, impairment, fair value adjustments on investment property and share of results of equity-accounted investments
Adjusted EBITDA Margin	Adjusted EBITDA divided by Revenue
Cash Conversion Ratio	Operating Free Cash Flow divided by Normalised Adjusted EBITDA
Discretionary Free Cash Flow ('DFCF')	Net cashflow from operations less (a) advances from customers on long-term capacity contracts (e.g., T4-NGS), (b) development and maintenance capital expenditure, including additions to intangible assets but excluding additions to satellite related capital work-in-progress, (c) investments in associates net of any dividends received and capital returned, (d) net finance costs, and plus (e) proceeds from disposals of assets.
Gearing Ratio	Net Debt divided by total equity capital plus Net Debt (see definition below). Capital includes share capital, additional paid-in capital, reserves and retained earnings and includes non-controlling interests.
Government	Unless otherwise specified, Government shall mean the Federal Government of the UAE, the Government of Abu Dhabi and any instrumentality or body of either of them, including the General Headquarters of the UAE Armed Forces
Gross Debt	Interest bearing borrowings excluding unamortised transaction costs
Net Debt	Gross Debt minus cash and short-term deposits
Net Income	Profit attributable to the shareholders
Net Income margin	Net Income (profit attributable to the shareholders) divided by Revenue
Normalised Adjusted EBITDA	Adjusted EBITDA adjusted for material, one-off items recorded during the current and comparative periods that would otherwise distort the underlying, like-for-like performance of the business. There were no one-off items for FY 2022 whilst FY 2021 Normalised Adjusted EBITDA of USD 245 million adjusts for IPO related costs (USD 4 million).
Normalised Net Income	Profit attributable to the Group's shareholders, adjusted for material, one-off items recorded during the current and comparative periods that would otherwise distort the underlying, like-for-like performance of the business. FY 2022 Normalised Net Income of USD 106 million adjusts for one-off impairment expenses relating to the Group's equity-accounted joint-venture

	in Brazil (USD 41 million). FY 2021 Normalised Net Income of USD 81 million has been adjusted for one-off costs relating to the prior year debt refinancing (USD 7 million) and IPO related costs (USD 4 million).
Normalized Net Income margin	Normalized Net Income divided by Revenue
Operating Free Cash Flow	Normalized Adjusted EBITDA minus (a) additions to intangible assets and (b) development and maintenance capital expenditure, excluding additions to satellite related capital work-in-progress

Financial numbers presented in millions are rounded to whole numbers while those presented in billions are rounded to one decimal place. All percentages are rounded to one decimal place. Financial numbers and percentages have been derived from underlying numbers. Due to rounding, numbers presented may not add up precisely to the totals provided and percentages may not precisely reflect the absolute figures.

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10. Cautionary statement regarding forward-looking statements

This announcement includes forward-looking statements, which are based on current expectations and projections about future events. These statements may include, without limitation, words such as "expect", "will", "looking ahead" and any other words and terms of similar meaning. These forward-looking statements are subject to risks, uncertainties and assumptions about the Company and its subsidiaries and its investments, and speak only as at the date of this announcement. Forward-looking statements are based on assumptions of future events and information currently available to the Company which may not prove to be accurate and the Company does not accept any responsibility for the accuracy or fairness thereof and expressly disclaims any obligation to update any such forward looking statement. No representation or warranty is made that any forward-looking statement will come to pass. You are therefore cautioned not to place any undue reliance on forward-looking statements. For further information regarding forward-looking statements, and the factors that may cause actual results and developments to differ materially from those expressed or implied by these forward-looking statements please refer to the Company's Annual Report for 2021, which is available on its corporate website at https://www.yahsat.com/Reports/2021/index.html

The amount and payment of dividends by the Group is subject to consideration by the Board of Directors of the cash management requirements of the Group for operating expenses, interest expense, and anticipated capital expenditures, and market conditions, the then current operating environment in its markets, and the Board of Directors' outlook for the business of the Company. In addition, any level or payment of dividends will depend on, among other things, future profits and the business plan of the Company, as determined at the discretion of the Board of Directors.

Neither this announcement nor anything contained herein constitutes a financial promotion, or an invitation or inducement to acquire or sell securities in any jurisdiction.

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