Third quarter and nine-month 2023 results

Management Discussion & Analysis report

7 November 2023

Al Yah Satellite Communications Company PJSC (“Yahsat”)

Management’s Discussion and Analysis (for the period ended 30 September 2023)

This document should be read in conjunction with Yahsat’s consolidated interim financial statements for the nine months ended 30 September 2023. Within the MD&A, we use the terms “the Group”, “Company”, “we”, and “our” to refer to Yahsat. Due to rounding, numbers presented may not add up precisely to the totals provided and percentages may not precisely reflect the absolute figures.

1. Highlights: strong results with revenue and normalised EBITDA growth

(USD millions)	Q3'23	Q3'22	Q3 y/y[1]	9M'23	9M'22	9M y/y	Δ
Revenue	**117**	**109**	***8%***	**323**	**315**	***3%***	***8***
Adjusted EBITDA	**68**	**67**	***2%***	**191**	**189**	***1%***	***2***
Margin (%)	*58%*	*61%*	*(3%)*	*59%*	*60%*		*(1%)*
Operating profit	**23**	**31**	***(26%)***	**64**	**82**	***(22%)***	***(18)***
Net finance costs	5	1	*nm*	10	(1)	*nm*	*11*
Net income (Yahsat-share)	**26**	**(10)**	***nm***	**72**	**35**	***104%***	***37***
Margin (%)	*23%*	*(9%)*	*32%*	*22%*	*11%*		*11%*
Normalised results							
Normalised Adj. EBITDA	**69**	**67**	***3%***	**194**	**189**	***3%***	***5***
Margin (%)	*58%*	*61%*	*(3%)*	*60%*	*60%*		*0.1%*
Normalised Net Income	**27**	**30**	***(11%)***	**75**	**76**	***(1%)***	***(1)***
Margin (%)	*23%*	*28%*	*(5%)*	*23%*	*24%*		*(1%)*

Revenue and Normalised EBITDA grew 3% for the first nine months of the year versus the prior year to reach USD 323 million and USD 194 million, respectively. Net Income more than doubled whilst Normalised Net Income was in line versus the prior year period at USD 75 million.

Underpinning this impressive performance were historically strong results in Mobility Solutions, the Thuraya business providing mobile satellite services using L-band spectrum, which recorded revenue growth for the nine-month period of 22% and third quarter growth of 81% versus the prior year, driven by higher equipment sales and service revenues. Meanwhile Infrastructure, the Group’s largest segment providing communications capacity to the UAE Government (the “Government”, see *“Alternative performance measures and terms used”*) by means of an index-linked long-term contract, continued to grow its year-on-year revenues by 1%. Managed Solutions, the Group’s second largest segment, providing complete value-added satellite communications solutions, primarily to the Government and related entities,

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

reported slightly lower revenues mainly due to an exceptionally strong comparative period although remains well positioned to deliver full year revenues in line, or better, than prior year. Data Solutions, offering satellite-based broadband data solutions, saw marginally lower revenues from fewer equipment sales but recorded a significant improvement in underlying operating profitability.

Financial guidance targets set at the beginning of the year upon release of full year 2022 results were revised upward for cash capex and investments as part of Q2 2023 results disclosure and have now been revised upward again with higher expected Discretionary Free Cash Flows for the full year as part of Q3 2023 results disclosure (see *"Outlook–AY4 and AY5 update" and "Outlook–Guidance for full year 2023").*

Highlights for the period include:

- **Revenue** of USD 323 million, up 3% year-on-year.

- **Normalised Adjusted EBITDA** of USD 194 million, up 3% year-on-year, with a strong margin of 60% (prior year 60%).

  Normalised Adjusted EBITDA is 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. 9M 2023 Normalised EBTIDA of USD 194 million reflects an adjustment for one-off redundancy costs (USD 3 million) whilst there were no adjustments made to 9M 2022 Adjusted EBITDA of USD 189 million.

- **Positive net finance income** of USD 10 million benefiting from higher interest rates on short-term deposits versus prior year.

- **Normalised Net Income** (profit) of USD 75 million, in line with the prior year period and maintaining a healthy margin of 23% (prior year 24%)

  Normalised Net Income for 9M 2023 of USD 75 million reflects the adjustments made above to derive Normalised Adjusted EBITDA whilst Normalised Net Income for 9M 2022 of USD 76 million reflects an adjustment for a non-cash impairment (USD 41 million) in the Group's equity-accounted joint-venture in HPE Brazil, in which the Group owns a non-controlling 20% stake.

- **Contracted future revenue** of USD 6.9 billion, equivalent to 15.7 times last-twelve-month revenue and representing a multi-fold increase versus year end 2022 (of USD 2.0 billion or 4.6x last twelve-month revenue).

- **Yahsat's highest ever mandate awarded** by the UAE Government during the quarter worth USD 5.1 billion for satellite capacity and managed services of which USD 1 billion will be received in advance.

- **Strong cash generation** with Discretionary Free Cash Flow of USD 171 million, 6% lower versus prior year due to a reimbursement of advance payments to the UAE Government (approx. USD 75 million per annum starting 2023) previously received during the construction phase of the AY1 and AY2 satellites. This was largely offset by improved collection of receivables.

- **Historically strong balance sheet** with record negative Net Debt of more than USD 159 million, total available liquidity of USD 719 million and long-term visibility of future cash flows up to 2043, supporting Yahsat's future investment in organic growth (Al Yah 4 and Al Yah 5; *see "Outlook–AY4 and AY5 update"*) and opportunistic acquisitions, without impacting its attractive progressive dividend policy.

- **On track to grow full year 2023 dividend** by at least 2% to AED 16.46 fils per share or USD 109 million – based on the last closing share price, this implies an annualised dividend yield of well over 6%, amongst the highest offered by UAE listed stocks.

- **Guidance** for full year revenue, Adjusted EBITDA, and cash capex and investments remain unchanged, whilst guidance for Discretionary Free Cash Flow is increased to a range of USD 140-160 million from USD 130-150 million (see *"Outlook–Guidance for full year 2023"*).

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

"The third quarter has been one of several historic achievements which reinforce the company's future growth trajectory. Our reported revenue growth for the nine-month period underpinned by one of the strongest third quarters on record has resulted in improved financial guidance for 2023 and means that we are well positioned to record our strongest ever performance for the full year. Our financial position with record low leverage has never been stronger and continues to support our attractive progressive dividend policy. The construction of the Thuraya-4 NGS satellite remains on track for launch in 2024 and entry into service in H1 2025, with new advanced capabilities that will allow us to offer additional applications to our customers. Our largest ever contract award during the quarter – a USD 5.1 billion satellite capacity and managed services mandate from the UAE Government that includes the procurement of two new satellites, Al Yah 4 and Al Yah 5, has propelled our contracted future revenues to an all-time high and will support our core government business going forward whilst securing significant predictable cashflows all the way out to 2043.

"This is a very exciting time for Yahsat. These achievements continue to differentiate our investment case amongst regionally-listed peers and within the global satellite industry, which continues to witness significant transformation. We remain in a strong position to take advantage of value accretive opportunities, underpinned by our unique backlog of future revenues and our historically strong balance sheet."

The full set of nine-month 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)	Q3'23	Q3'22	Q3 y/y	9M'23	9M'22	9M y/y	Δ
Revenue (external)	60	59	*1%*	180	178	*1%*	*2*
Adjusted EBITDA	47	43	*8%*	137	135	*1%*	*2*
Margin	*77%*	*73%*	*5%*	*76%*	*76%*		*0.3%*

The Infrastructure segment is the Group's largest, contributing 56% of revenue and 72% of Adjusted EBITDA for the first nine months of the year (9M 2022: 57% and 72%, respectively). 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 period increased by USD 2 million or 1%, reflecting an increase in CSA revenue as per the contractual indexation clause. Adjusted EBITDA increased slightly for the period reflecting lower staff costs that more than offset the booking of a portion of one-off redundancy costs for the Group and lower chargebacks to the Data Solutions segment on outsourced services provided. The margin for the segment remained strong at 76%.

The segment boasts contracted future revenue of more than USD 6.6 billion as of end 9M 2023, consisting of: 1) USD 756 million remaining on the current CSA, 2) USD 799 million[2] for 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"*), and 3) USD 5.1 billion for a new 17-year capacity and managed services mandate ("CMSM") awarded by the Government in Q3 2023 that will utilise the Al Yah 1 ("AY1") and Al Yah 2 ("AY2") satellites beyond the CSA expiry date of November 2026, as well as bring into service two new satellites, Al Yah 4 ("AY4") and Al Yah 5 ("AY5"), currently being procured for the purposes of this mandate (see *"Outlook–Strong growth prospects"* on contracted future revenue build-up and *"Outlook–AY4 and AY5 update"*).

Managed Solutions

(USD millions)	Q3'23	Q3'22	Q3 y/y	9M'23	9M'22	9M y/y	Δ
Revenue (external)	22	27	*(18%)*	61	67	*(8%)*	*(5)*
Adjusted EBITDA	13	20	*(33%)*	37	40	*(7%)*	*(3)*
Margin	*59%*	*72%*	*(13%)*	*61%*	*60%*		*1%*

The Managed Solutions segment, contributing 19% of revenue and 19% of Adjusted EBITDA for the first nine months of the year (9M 2022: 21% and 21%, respectively), 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.

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[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 each of Q3 2022 and Q2 2023. 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 first USD 150 million) and USD 44.1 million (imputed finance cost relating to the second USD 150 million), bringing the total transaction price to $798.8 million as of the end of 9M 2023 and future annual revenue of USD 53.3 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.

Growth momentum slowed in this segment during the second and third quarters mainly on prior-year effects, which included the booking of a non-repeatable USD 10 million turnkey component in Q2 2022 and a catch up of revenues relating to the technology management element of the Managed Services Mandate ("MSM") awarded by the Government in Q1 2022, which could not be recognised before Q3 2022, when the IFRS revenue recognition criteria were met. The MSM is valued at USD 247.5 million, with service revenue recognised from 1 January 2022 over the following 5 years at USD 47.5 million per year as well as an additional USD 10 million turnkey component recognised in Q2 2022.

Base year effects were partially offset by strong revenue growth outside the MSM (up USD 5 million or 23% 9M y/y) including strong growth in Oil & Gas (USD 2 million or +35% 9M y/y), which also saw a significant contract win in Q3 2023 for the provision of welfare broadband, positioning the segment for continued future growth.

Adjusted EBITDA reflected lower revenues, partially offset by lower costs due to an improved mix, which expanded segment margin to 61% (9M 2022: 60%). Full year revenues are expected to match or exceed the prior year record performance with margins expected to remain elevated above the historic range (40-50%).

Mobility Solutions

(USD millions)	Q3'23	Q3'22	Q3 y/y	9M'23	9M'22	9M y/y	Δ
Revenue (external)	29	16	*81%*	64	53	*22%*	*12*
Adjusted EBITDA	7	5	*50%*	15	15	*1%*	*0.2*
Margin	*24%*	*28%*	*(5%)*	*24%*	*29%*		*(5%)*

The Mobility Solutions segment, contributing 20% of revenue and 8% of Adjusted EBITDA for the first nine months of the year (9M 2022: 17% and 8% respectively), provides Mobile Satellite Services ("MSS") through its approximately 90%-owned subsidiary, Thuraya, using L-band capacity on two satellites, Thuraya-2 and Thuraya-3.

Building on its strong performance in Q2, revenue growth accelerated significantly in Q3 (up 81% Q3 y/y) driven mainly by higher equipment sales (more than 3x Q3 y/y) and increasing nine-month 2023 revenue (up 22% 9M y/y). Meanwhile Service revenue continued to grow (up 9% for 9M y/y) driven by the Voice, Maritime and Aero sub-segments. A seasonally stronger Q4 for the segment positions the Group well for overall revenue growth – we now project revenue growth of up to 10% for the full year.

Adjusted EBITDA was in line with prior year whilst margins were lower (24% vs. 29% in 9M 2022) reflecting the change in sales mix (a higher proportion of equipment sales in 2023 vs. 2022) and higher opex including increased bad debt provisioning and licensing fees.

Data Solutions

(USD millions)	Q3'23	Q3'22	Q3 y/y	9M'23	9M'22	9M y/y	Δ
Revenue (external)	6	6	*(8%)*	17	17	*(2%)*	*(0.3)*
Adjusted EBITDA	1	(1)	*nm*	1	(1)	*nm*	*3*
Margin	*23%*	*(12%)*	*nm*	*7%*	*(8%)*		*nm*

The Data Solutions segment offers satellite-based broadband data solutions using Ka-band to end-users including subscribers and enterprise customers who respectively purchase broadband subscription packages or lease capacity to operate virtual networks. 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 for the first nine months of the year (9M 2022: 6%), recorded slightly lower revenue (down 2% 9M y/y). This mainly reflected growth in enterprise customer revenues and stable subscriber revenues that were offset by lower equipment revenue (USD 0.6 million lower) and C-band backhaul proceeds (USD 0.4 million lower). YahClick subscribers continue to grow to record levels (+9% y/y) countering a change in ARPU mix and weakening African currencies against USD. The segment remains Adjusted EBITDA positive for 9M 2023, despite the above headwinds, reflecting improved cost control.

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3. Cash flows, liquidity and capital structure

(USD millions)	Sep-23	Dec-22	9M YTD	Δ
Cash and short-term deposits	659	545	*21%*	*115*
Undrawn ECA facility[3]	59	78	*(24%)*	*(18)*
Total liquidity	**719**	**622**	***15%***	***96***
Gross Debt[4]	500	542	*(8%)*	*(42)*
Net Debt[4]	(159)	(2)	*nm*	*(157)*
Total equity (excl. minorities)	813	851	*(4%)*	*(38)*
Gearing Ratio[4] (net debt / capital)	***(22%)***	***(0.3%)***		***(22%)***
Net Debt / Normalised Adj. EBITDA (LTM)	***(0.6x)***	***(0.01x)***		***(0.6x)***
	9M'23	**9M'22**	**9M y/y**	**Δ**
Normalised Adjusted EBITDA[4]	194	189	*3%*	*5*
Operating FCF[4] (excl. capital WIP)	**180**	**180**	***0.001%***	***0.001***
Cash Conversion Ratio[4]	***93%***	***95%***		***(3%)***
Net cash from operations (CFO)	324	344[5]	*(6%)*	*(19)*
Discretionary FCF[4]	**171**	**182**	***(6%)***	***(12)***

High liquidity

The Group's total available liquidity as at the end of Q3 2023 was USD 719 million, 15% higher than the position at the end of 2022. This included an increase in cash and short-term deposits reflecting the collection of significant Government receivables relating to the provision of the MSM within Managed Solutions as well as the receipt of a second USD 150 million advance payment related to the T4-NGS procurement programme and higher net interest income. This was partially offset by USD 60 million principal term loan repayment, USD 53 million in FY'22 final dividend payment and USD 43 million in new AY4 and AY5 capex payments. The reduction in the credit facility reflected a further drawdown of the ECA facility by USD 18 million in 9M 2023 as T4-NGS construction milestones were achieved (see *"Cash flows, liquidity and capital structure–Low leverage capital structure"*).

Total available liquidity was made up of USD 659 million of cash and short term deposits (including short term deposits with maturities greater than three months but less than one year) and USD 59 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–AY4 and AY5 update"*), including inorganic acquisitions that support Yahsat's strategy (see *"Outlook–Other exciting growth opportunities"*).

As of the end of Q3 2023, 15% of the Group's total debt is classified as current (YE 2022: 20%), based on principal amounts repayable within one year (see *"Cash flows, liquidity and capital structure–Debt maturity profile"*).

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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.

[5] Restated to include first advance payment on T4-NGS Government contract of USD 150 million previously classified as cash flow from financing.

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 the end of 2023), and d) very low leverage.

This results in high levels of Cash Conversion Ratio of 93% for 9M 2023 (9M 2022: 95%) and a high level of Discretionary Free Cash Flow ("DFCF") available to meet the Group's dividend policy commitments. DFCF for the first nine months of the year reached USD 171 million, a 6% decrease versus the prior year (9M 2022: USD 182 million). This reflected the return, starting 2023, of advance payments previously received during the construction phase of the AY1 and AY2 satellites (approx. USD 75 million per annum split equally in the first and third quarters of each year) and higher non-satellite capital expenditure. This was largely offset by the collection of significant Government receivables and significantly higher net finance income. Based on our increased guidance, DFCF for the full year of 2023 is expected to be at least USD 140 million, which would comfortably exceed by 1.3 times total expected dividends for full year 2023 of USD 109 million (see *"Outlook–Attractive dividend policy"* and *"Outlook–Guidance for full year 2023"*).

Low leverage capital structure

Yahsat maintained negative levels of Net Debt equivalent to -0.6x last-twelve-month Normalised Adjusted EBITDA (YE 2022: -0.01x).

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 SOFR 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 the AY1 and AY2 satellites during the 2008-2012 period.

  The outstanding principal amount stands at USD 280 million at the end of Q3 2023 following principal repayments of USD 60 million in each of Q4 2022 and Q2 2023 as per the terms and amortisation schedule of Term Loan 5 (YE 2022: USD 340 million). Two further principal repayments of USD 60 million and USD 25 million are due in the next twelve months, in December of 2023 and June of 2024, respectively.

- USD 273 million export credit agency facility ("Term Loan 6") with a tenor of 8.5 years and bearing interest at SOFR 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.

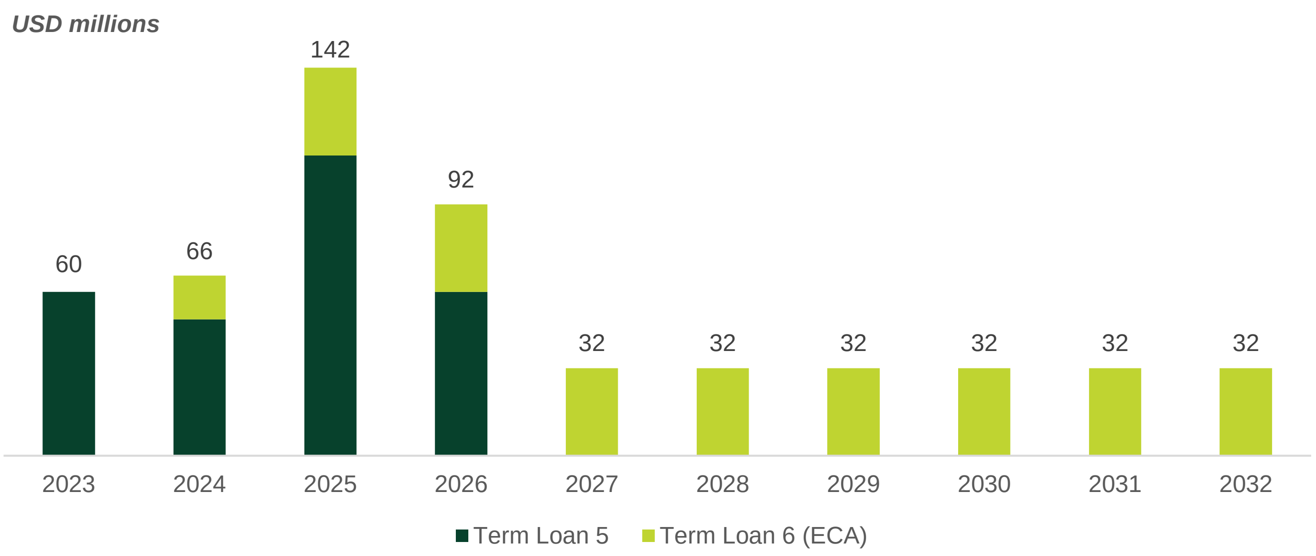
  The outstanding principal amount at the end of Q3 2023 was USD 214 million, an increase of USD 18 million during the first nine months of the year (YE 2022: USD 195 million) reflecting the completion of construction milestones and other permitted uses of borrowing under the facility such as capitalised interest.

- 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.

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 Q3 2023, based on the 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 Q3 2023, the Group's total Gross Debt stood at USD 500 million, a decrease of USD 42 million or 8% during the first nine months of the year (YE 2022: USD 542 million).

This decrease reflects the cash drawdown of USD 8 million of Term Loan 6 upon completion of construction milestones related to the T4-NGS procurement programme and USD 10 million in interest capitalised into the principal amount of the loan more than offset by USD 60 million in principal repayment of Term Loan 5.

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[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.*

4. Capital expenditure

(USD millions)	Q3'23	Q3'22	Q3 y/y	9M'23	9M'22	9M y/y	Δ
Cash CAPEX and investments[7]	58	17	*nm*	111	106	*5%*	*5*

The Group's total cash capital expenditure for the first nine months of the year was USD 111 million, a 5% increase versus the prior year. The increase includes USD 43 million in new capital expenditure on the new AY4 and AY5 procurement programme with the satellite manufacturer Airbus, following the signing of an authorisation-to-proceed in Q2 2023 (see *"Outlook–Strong growth prospects–AY4 and AY5 update"*). This is largely offset by the high comparative base in the prior-year period and reflecting construction milestones of the T4-NGS programme (see *"Outlook–Strong growth prospects–T4-NGS update")* as well as a slightly higher return of capital to the Group in 9M 2023 totalling USD 5 million by Al Maisan, Yahsat's broadcast joint venture with SES, branded as Yahlive (9M 2022: USD 4 million).

Over 50% of the period's cash capital expenditure relates to the T4-NGS satellite construction programme and related new product development, whilst approx. 40% relates to the new AY4 and AY5 procurement programme. Design and construction costs of the T4-NGS satellite are more than fully funded by both Term Loan 6 (the ECA facility) and the USD 300 million advance payment from the Government received in two equal instalments in July 2022 and June 2023. Capital expenditure on AY4 and AY5 is currently funded by the Group's own equity pending receipt of a substantial USD 1 billion advance payment from the end-customer, expected in H1 2024.

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.*

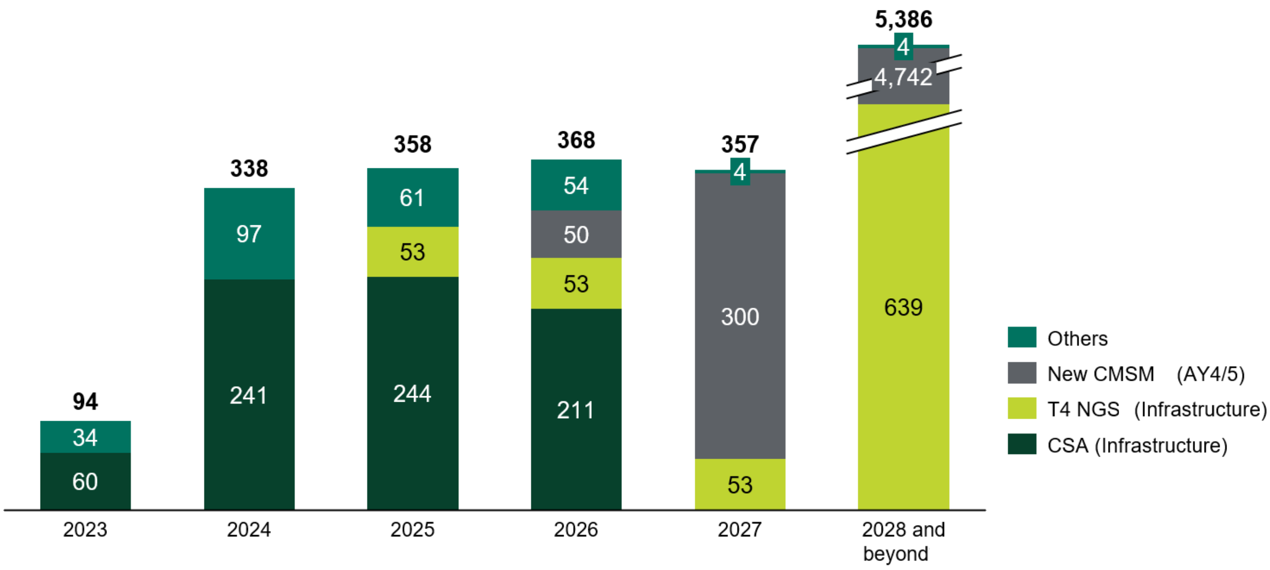
5. Outlook

Strong growth prospects

One of Yahsat's unique strengths is its predictable contracted future revenues amounting to USD 6.9 billion or 15.7x last-twelve-month revenues for the Group as at the end of Q3 2023. Three contracts and one mandate with the Government (with a credit rating of Aa2 by Moody's and AA by Fitch; Abu Dhabi rating of AA by S&P) make up over 99% 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 and AY4 and AY5 satellites currently under construction, present unique growth opportunities for the Group and further secure Yahsat's long-term financial future.

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



T4-NGS update

In 2021, the Group entered a 15-year contract with the Government worth USD 708 million[8] 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.

T4-NGS is expected to launch in 2024 and to start services in H1 2025. The full cost of the procurement programme is expected to total USD 550 million and related capital expenditure capitalised thus far reached USD 402 million as of the end of Q3 2023 (YE 2022: USD 350 million).

[8] *See earlier footnote 2 on calculation of future contracted revenue related to the T4-NGS contract*

AY4 and AY5 update

Since early 2023, the Group has been in advanced discussions with the Government regarding the planned launch of two new Fixed Satellite Services ("FSS") satellites, AY4 and AY5, in the medium term. The new satellites would supplement 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, AY1 and AY2, that have an expected end of life[9] in 2029 and 2030, respectively. The new satellites would benefit from new coverage, capabilities and higher capacities to meet the increased demands of the Government.

Pending an award of a contract (the "Contract") by the Government for the provision of satellite communications capacity for the period following expiry of the existing CSA, the Group signed an Authorization-To-Proceed ("ATP") in Q2 2023 with Airbus Defence and Space SAS ("Airbus"), a leading satellite manufacturer and long-time partner of Yahsat[10], to commence initial activities in relation to the AY4 and AY5 satellite programme. The ATP seeks to preserve the programme schedule, including expected launch in 2027 and 2028 of the AY4 and AY5 satellites, pending execution of the Contract by the end of the financial year. Under the terms of the ATP, USD 43 million was paid in Q3 2023 to cover manufacturer activities for the period until the end of the year. The payment will be adjusted against the purchase price of the satellites upon execution of the full contract with the manufacturer.

In September 2023, the Group was awarded by the UAE Government a USD 5.1 billion satellite capacity and managed services mandate ("CMSM"). The main features of this mandate are as follows:

- Covers capacity and managed services for 17 years, starting in November 2026, including the design, procurement and commissioning of advanced space and ground systems.
- Includes the provision of services using the AY1 and AY2 satellites, currently in orbit, as well as AY4 and AY5.
- Expects to generate annualised revenues of USD 300 million over the 17-year period from 2026 until 2043.
- Includes an advance payment from the Government of USD 1 billion to be received in 2024, repayable in 5 equal instalments over 5 years following the commencement of services under the CMSM.
- Replaces two current agreements, the CSA and MSM, which come to an end in November and December 2026, respectively.

Earth observation update

In February 2023, the Group signed an MoU with Bayanat, a listed subsidiary of G42 focused on geospatial mapping and analytics, to establish and operate a constellation of synthetic aperture radar ("SAR") and optical imagery Earth observation ("EO") satellites. In May 2023, Bayanat and Yahsat commenced work on establishing a formal partnership that would include, in its initial phase, the procurement of an EO constellation of at least 5 SAR satellites from ICEYE, a leading EO satellite manufacturer. SAR is an active sensing system that can capture images of the Earth's surface day and night, regardless of weather conditions or solar illumination. Launch of the first ICEYE satellite within this constellation is expected in H1 2024.

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

[10] *Airbus was the contractor for Al Yah 1 and Al Yah 2 and is building Yahsat's upcoming T4-NGS satellite.*

The partnership will combine Yahsat's upstream and midstream capabilities, including expertise in satellite and ground segment operations, with Bayanat's downstream capabilities including image processing and AI-driven data analytics. The partnership also aims to collaborate with other strategic players in the UAE space ecosystem, such as the UAE Space Agency, which recently established an USD 800 million national investment and development fund for the UAE space sector with plans develop and launch an EO satellite constellation.

Other exciting growth opportunities

The Board undertook a strategic review in late 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 keen to move further down the value chain and offer differentiated satellite solutions and services to strategic industries (e.g., enterprise/VNOs, 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.

- **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, Astrocast and the 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.

- **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.

  In late 2021, Yahsat established a joint-venture with Tawazun Economic Council ("Tawazun"), the defence and security acquisitions authority for the Government and Abu Dhabi Police, for engineering, designing and manufacturing, in-country, of customized hardware and software, including advanced satellite modems, small form factor antennas, and tracking solutions.

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 date			
Financial KPI	**28 Feb '23**	**9 May '23**	**8 Aug '23**	**7 Nov '23 (new)**
Gross revenue	435-455	Unchanged	Unchanged	Unchanged
Adjusted EBITDA	240-260	Unchanged	Unchanged	Unchanged
Discretionary Free Cash Flow ('DFCF')	130-150 (205-225 excluding CSA amortisation)	Unchanged	Unchanged	140-160 (215-235 excluding CSA amortisation)
Cash CAPEX and investments[11]	155-175	Unchanged	175-195	Unchanged

Guidance for 2023 continues to reflect management's expectations for:

- Up to mid-single digit revenue growth following Managed Solution's exceptionally strong performance in 2022, which included USD 10 million in revenue for a turnkey component of the new MSM that will not repeat this year. Revenue growth is expected to be mainly driven by the commercial segments, which contribute approximately a quarter of the Group's total, and by Mobility Solutions, in particular.

- Adjusted EBITDA to reflect increased costs in Managed Solutions, partly due to a shift from the prior year of higher costs related to the operations and maintenance component of the new MSM. Group margins are expected to moderate as a result but remain in the 55-60% range, with cost control and optimisation a key management focus.

- 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 has been revised upwards to at least USD 140 million on account of improved collections, which would comfortably cover total expected dividends for full year 2023 of USD 109 million by 1.3 times.

- Cash capital expenditure expected to increase from 2022 levels on higher non-satellite capex and was revised upwards in August to reflect USD 43 million in capex related to the procurement of AY4 and AY5 satellites following the signing of the ATP with Airbus (see *"Outlook–AY4 and AY5 update"*).

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

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

Attractive dividend policy

The Company distributes dividends semi-annually and aims to indefinitely grow them by at least two percent per annum.

Dividends for full year 2023 are expected to be at least AED 16.46 fils per share or a total of USD 109.3 million. Based on the last closing share price, this implies an **annualised dividend yield of well over 6% – amongst the highest offered by listed UAE stocks –** and compares favourably to an expected Discretionary Free Cash Flow yield of over 8% (see *"Guidance for full year 2023" for target range*).

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

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6. Earnings webcast

The Group will host a conference call in English for investors and analysts on Tuesday, 7 November 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), Andrew Cole (CFO) and Shadi Salman (VP, Investor Relations).

The webcast will be conducted via Zoom Webinars – please register ahead of time using this link:
https://zoom.us/webinar/register/WN_9G94VD-yRWmooeY-YKbMIA

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 preliminary unaudited full year 2023 results on or around Friday, 9 February 2024, with final audited fourth quarter and full year 2023 results on or around Thursday, 29 February 2024.

8. Contacts

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7 November 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 enter 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. 9M 2023 Normalised Adjusted EBTIDA of USD 194 million reflects an adjustment for one-off redundancy costs (USD 3 million) whilst there were no adjustments made to 9M 2022 Adjusted EBITDA of USD 189 million.
Normalised Adjusted EBITDA margin	Normalised Adjusted EBITDA divided by revenue

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. 9M 2023 Normalised Net Income of USD 75 million reflects adjustments made above to derive Normalised Adjusted EBITDA whilst 9M 2022 Normalised Net Income of USD 76 million reflects an adjustment for a non-cash impairment (USD 41 million) in the Group's equity-accounted joint-venture in HPE Brazil, in which the Group owns a non-controlling 20% stake.
Normalised Net Income margin	Normalised Net Income divided by revenue
Operating Free Cash Flow	Normalised 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 whole numbers. 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 2022, which is available on its corporate website at https://www.yahsat.com/Reports/2022/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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