Management Discussion Section

Abdulrahman Barghouth (Host, Riyad Capital)	Good afternoon and good morning, ladies and gentlemen. My name is Abdulrahman Barghouth and on behalf of Riyad Capital, it's my pleasure to welcome you all to Zain KSA 2Q 2026 earnings presentation and conference call. At this point, I would like to hand over the call to Mr. Faisal Alkahtani, investor relations manager at Zain KSA, to start the call and introduce the management team. Mr. Faisal, the floor is yours.
Faisal Alkahtani (IR Manager)	Thank you, Abdulrahman. Good afternoon, everyone, and thank you for joining us today for the Zain KSA Q2 2026 earnings call. I am Faisal Alkahtani, manager of investor relations. Joining me today are our CEO, Engineer Saad Alsadhan and our CFO, Mr. Mehdi Khalfaoui. We announced our Q2 2026 result on Tuesday, July 28th, 2026, and released our financial statements yesterday. All related materials are available on our website. Before we begin, I would like to remind you that during this call, expectations and projections regarding the future performance of the company referenced in this presentation are “forward-looking statements” within the meaning of applicable securities and regulations. These are statements which management believes are true at the time of the preparation based on available data and information and are subject to future events and uncertainties to the successful and timely execution of the plans and strategies that could cause actual results to differ material from those anticipated in these “forward-looking statements”. I will now hand over the call to Engineer Saad who will provide an overview of our first half of 2026 performance. After that, Mr. Mehdi will discuss our financial results in more detail and then we will open the call for questions. Engineer Saad, please go ahead.
Saad Alsadhan (CEO)	Thank you, Faisal. Good afternoon, ladies and gentlemen, and thank you for attending the call and showing interest in Zain KSA. I'm happy to be with you all today on this earning call. On the financial highlights, as announced in our latest financial results, Zain KSA reported revenue of SAR 5.3 billion during H1 2026. Net profit reached SAR 402 million compared to SAR 220 million in the corresponding period last year. After excluding the non-recurring profit, net profit growth stood at 8% year-on-year while EBITDA reached SAR1.7 billion. These results reflect the strength of our strategy, disciplined execution across the business, and our continued focus on delivering sustainable growth and long-term value creation for our shareholders. On the operational performance, our performance during the first half of 2026 reflects continued momentum across our core business segment and broader digital portfolio supported by an improved revenue mix, lower credit losses, financing cost, and continued growth in 5G services.

We extend our sincere appreciation to the Ministry of Finance, MOF, the Communications Space and Technology Commission, CST, and board of directors for their continued support in facilitating the collection of outstanding receivables from government entities, B2G, contributing to improved cash flow to reach SAR1.6 billion by the end of June 2026. At the same time, we continue developing additional business in digital services and advanced technologies, helping diversify our revenue base and create sustainable long-term growth opportunities. These efforts are also supporting stronger returns on our investments in digital infrastructure.

For Tamam financial results, Tamam continued to strengthen its position as one of the Kingdom's leading digital lending platforms. During H1 2026, Tamam reported revenues of SAR 220 million ,with EBITDA reaching SAR 87.5 million and net profit amounting to SAR 72.1 million representing a 27% increase compared to H1 2025.

As of June 2026, the platform's active loan book exceeded SAR 1 billion while successfully reducing the non-performing loan (NPL) ratio to 6.5% compared with 14% in June 2025. The platform now serves more than 92,000 active customers supported by stronger collections, enhanced underwriting discipline, and continued platform optimization. Tamam remains an important pillar with our border digital ecosystem strategy and continues to contribute positively to our long-term growth ambitions.

Today, Zain KSA serves 8.9 million customers across the Kingdom with a blended ARPU, (Average Revenue Per User), reaching SAR 61. Our network infrastructure now includes 11,446 sites and covers 119 cities with 5G services. While average daily data traffic reached approximately 28.8 thousand terabytes.

Our network maintained the number one position among all operators in downlink user speed recording 21% year-on-year improvement. We also recorded a 4% year-on-year increase in attached data subscribers, including a notable 20% increase in 5G connected subscribers. Moreover, nearly 67% of the total traffic is being carried by 5G. This is in line with our investment and customer-centric strategy designed to scale our 5G footprint and meet escalating capacity demand.

Year of AI: accelerating Zain KSA’s Intelligence Transformation. In alignment with the year of AI, Artificial Intelligence, we launched Zain KSA’s AI Center of Excellence as a strategic initiative to accelerate our intelligence transformation. The center will support greater operational efficiency, elevate customer experience, and enable smarter data-driven decision-making across our customers and business operations.

Smart Hajj platform. During the Hajj season, Zain KSA launched the Smart Hajj platform, an AI-powered solutions supporting end-to-end network management across the holy sites. The platform strengthened our ability to monitor performance, manage capacity, and support a seamless digital experience for pilgrims.

For the B2B and the enterprise growth, we continued expanding our enterprise capabilities and supporting the Kingdom's digital transformation priorities. During H1 2026, Zain KSA obtained a license from the National Cybersecurity Authority, NCA, to operate a Managed Security Operation Center, strengthening our ability to provide advanced managed cybersecurity services. We also entered the strategic partnership with the Dammam Airports Company to strengthen digital infrastructure and support a more advanced and connected airport environment.

Excellence recognition: Zain KSA achieved recognition for customer experience excellence and received CIPS accreditation, reflecting our continued focus on strengthening our customer-centric practice and the procurement standards across the organization.

On the BSS side, Yaqoot by Zain KSA entered a strategic collaboration with Huawei to strengthen its business support system and further enhance competitiveness, agility, and the quality of its digital services.

On People Empowerment and Inclusion side, in line with our commitment to fostering an inclusive workplace, we signed Memorandum of Understanding with the Saudi Association for Hearing Impairment. Through this partnership, we will provide sign language training and create more inclusive workplace for employees with disabilities.

Career fair participation: We actively participated in career fairs at leading universities and academic institutions. These engagements support our efforts to attract high potential graduates and strengthen Zain KSA's early talent pipeline.

Sustainability strategy: As we continue to champion ESG, we launched our 2026-2030 Corporate Sustainability Strategy, a five-year roadmap reinforcing our commitment to environmental responsibility, circular economy initiatives, and long-term sustainable growth.

Sustainable impact: Sustainability, digital inclusion, and responsible resource user remain central to our long-term strategy. Zain KSA participated as the digital partner of the Disability Social Responsibility Forum 2026, reaffirming our commitment to accessibility and digital inclusion. We also contributed to the Recycle Your Device initiative. Since its launch, the initiative has reached the milestone of collecting more than 400,000 devices.

As we look ahead, Zain KSA will continue to build on this momentum and strengthen its position as a leading digital service provider by advancing our digital capabilities, enhancing our infrastructure, and delivering innovative solutions that support the Kingdom's digital transformation. Through disciplined execution, continued investment, and our commitment to championing sustainability, we remain focused on creating lasting value for our customers, shareholders, and partners in line with the Saudi Vision 2030. With that, I would like to hand over to Mehdi Khalfaoui, our chief financial officer.

Mehdi Khalfaoui (CFO) Thank you, Saad. Good afternoon, everyone. For the quarter, we recorded revenue of SAR 2.7 billion, broadly stable year-on-year with a marginal decline of 0.1% versus Q2 last year. Despite the decrease in device sales resulting from less handset shipment this year, we have managed to maintain the level of revenue at SAR 2.7 billion as a result of the revenue mix improvement mainly from our 5G consumer segment.

Also, it is worth mentioning that B2B segment revenue delivered a growth of 6% compared to the first quarter, resulting in year-on-year flat as compared to a decline in the first quarter of minus -5%. Tamam, our micro lending segment, recorded 2% revenue growth driven by the shift of sales towards higher quality and longer tenure loans. The growth was supported by higher sales and increase in active loan books reaching SAR 1.038 billion versus SAR 1 billion in December with a growth of 3%.

Gross margin for the quarter was recorded at SAR 1.65 billion, reflecting an increase of SAR 29 million compared to last year with an improvement in gross margin percentage from 61.3% versus 62.4%. And the gross margin uplift was mainly attributable to the revenue mix improvement towards consumers, specifically 5G segment, with the rationalization of the customer acquisition cost.

Moving now to the OPEX, OPEX for the quarter was stable at 29% of revenue, reaching 781 million, reflecting slight increase of SAR 6 million, mainly originating from the network maintenance cost in line with the additional build-to-suit sites and the yearly escalation. These increases were partially offset by saving across OPEX lines originating from comprehensive cost review and optimization exercise such as the recalibration of the spending to the revenue achievement.

The upside within OPEX came as a result of the ECL drop of 81 million. So, we have an organic reduction of bad debt of 29 million following the collection improvement during the second quarter, majority from the B2B segment with a positive impact in the company cashflow and ECL in addition to Tamam ECL reduction with a net impact of 53 million from the collection acceleration initiative from the partial sale of Tamam written-off receivables.

Our EBITDA for the quarter increased to SAR 873 million, higher than Q2 last year by SAR 23 million or 3% with an EBITDA margin of 33% compared to 32% last year. EBITDA improved as compared to previous quarter by 9%, equivalent to SAR 69 million despite flat gross margin Q2 versus Q1 as a result of the OPEX reduction performed during this quarter of SAR 74 million.

Moving on to the financing cost, we reported a reduction of SAR 12 million from SAR 176 million in Q2 2025 to SAR 164 million in Q2 2026. As a result of the several refinancing initiatives implemented by the company during last year in terms of renegotiation of the existing margin and cost of debt, especially the MFA refinancing concluded at the end of Q3 last year, and now we are seeing the impact when it comes to financing cost saving.

To conclude on the profitability, the company reported SAR 202 million profit after removing the minority interest, higher than Q2 2025 by SAR 74 million or 58%, inclusive of one-off impact from USF of SAR 15 million this quarter, lower depreciation and amortization by SAR 31 million, mainly from the fully depreciated assets related to projects that started more than 10 years and saving in financing cost of SAR 12 million. So, if we normalize the one-off transaction of USF grant and Tamam partial sales of written-off receivable, normalized net profit for the quarter would be 5% higher than Q2 last year.

In terms of CapEx, for Q2 2026, we had SAR 99 million equivalent to 4% of revenue, which is aligned with our rollout plan for 2025 where we had 3% of revenue during the same period if we exclude the SAR 411 million spectrum capitalization last year. More importantly, the total capital commitments are now SAR 1.6 billion compared to SAR 2.2 billion in Q2 last year, and majority of the projects are under implementation.

In terms of cashflow, we started the year with SAR 951 million and closed at SAR 1.609 billion as of end of June as a result of the working capital improvement during this quarter in terms of receivables collection. So, our receivable impact on cashflow for the same period last year was negative by SAR 879 million as compared to a positive cashflow impact of SAR 75 million from receivables following the collection of the major dues from the B2G segment during Q2 this year. As a result, our free cash flow improved by SAR 194 million as compared to the same period last year. The company fulfilled all its financial obligations in terms of CapEx payment totaling SAR 498 million and the payment of its financing costs totaling SAR 252 million.

In terms of debt profile, our net debt improved significantly during this quarter, reaching SAR 7 billion as compared to SAR 7.6 billion in Q1 this year and year-end. As a result, our leverage improved with the reported net debt to EBITDA, excluding any lease liability related to a non-bank debt reached 2.5 times compared to 2.71 times at the end of 2025. Our debt as at Q2 2026 represents 49% of the capital structure. With this, I would like to end the financial part, hand over to Faisal.

Faisal Alkahtani (IR Manager)

Thank you, Mr. Mehdi. We can start the questions now.

Question and Answer Section

Abdulrahman Barghouth (Host, Riyad Capital)

Thank you, management for the presentation. Now I would like to open the floor for the Q&A session. To ask a question, please use the raise hand button on your screen. Our first question comes from the line of Thando. Thando, you are unmuted. Please go ahead.

Thando

Hi. Yes. Thank you so much for taking my questions. Hope you can hear me properly. I'll start off with three questions please, if I may. Just in terms of the equipment, we know it's a wider regional issue, but I wonder if management could give us some level of confidence in terms of could things significantly improve from Q3 onwards, just given the fact that this is quite an important quarter for you guys with the iPhone launches coming up. So just any color that you can share around equipment sales going into Q3, please.

My second question is just on the B2B. It's an improvement quarter on quarter, which is good. But I just wonder, I mean, you've mentioned a couple of projects as well, and I just wonder how quickly we can expect that benefit to flow through revenue. So, any outlook you can provide for Q3 as well as Q4, please, that'll be much appreciated in terms of revenue growth and some of the key drivers on that.

And then just my last question for Mehdi, which is I'm sure you probably know around EBITDA margins. Just your expectations for the full year. You did deliver 31.6% last year. So far year to date, you're about 32% or so. Just so any color that you can share for H2, please, on your expectations. Thank you.

Saad Alsadhan (CEO)

Thank you, Thando, for the question. For the first question regarding the equipment and the shipment, we are working on a workaround plan and that is executed to diversify the device time and to change the supplier and multiple countries, multiple brands to overcome any challenge in terms of shipment and devices. For the second question regarding the B2B, yes, we are in the right trajectory. We start seeing in Q2 a growth compared to Q1 by 6%. Still, we see from the B2G, government platform, lot of contracts and RFPs are still there and we are participating. And this is the driver of the growth that we saw in Q2 compared to Q1.

Mehdi Khalfaoui (CFO)

In terms of EBITDA margin, this quarter we had the benefit from the ECL when it comes to Tamam, the sale of the part of written-off receivables. Net amount is 52 million. So, we are not seeing anything that would prevent us continuing with the same efficiency for the upcoming second half. Yet it would all depend on how the shipment would look like in terms of device. If we have more devices, then at the launch of the new iPhone we will have stress on the gross margin because these devices will be pushed to the base and to the acquisition of the customers. Then the gross margin upside would materialize in the upcoming quarters. Just to conclude, we are not seeing anything that would prevent us continuing with the same level of efficiency for the upcoming quarter. Thank you.

Abdulrahman Barghouth (Host, Riyad Capital): Thank you, management. Our next question comes from the line of Roman. Roman, please unmute yourself and go ahead.

Roman: Thanks for taking my questions. I just have three quick follow-ups. The first one is about the USF income. In particular, how should they think about further income recognition in the second half? And if you can comment on what milestones need to be achieved before additional amounts can be recognized. The second question, just a quick one on the D&A. What would be the underlying D&A excluding this one for fully depreciated assets and how should we think about it for the rest of the year? And the last one, if you can please comment on the CapEx and if you can tell how much CapEx remains backend loaded into the second half this year. Thank you.

Mehdi Khalfaoui (CFO): Thank you, Roman, for the questions. In terms of USF, we can give high assurance that majority of the cash is received, which means that the project basically reached almost its finalization. We are expecting to conclude the projects by year-end. I would say that the majority of the gain was already recognized to the extent I would say of two-third, one-third is still remaining to be recognized from now until year-end. This is when it comes to USF.

When it comes to the depreciation, we are seeing now the positive impact from the assets that are related to projects for more than 10 years when it comes to telecom and equipment. Yet these projects continue to generate revenue for the company.

Last one on the CapEx is pretty much in line with our usual rollout plan. So, what we do, we issue the PO at year-end. We start the implementation of the project during the first half. Second half, basically, this is when we will see high capitalization when it comes to projects. We are still aligned and we are still expecting the same level of CapEx that we announced earlier, not less than 10% to 12% of revenue this year. Thank you.

Abdulrahman Barghouth (Host, Riyad Capital): Thank you, Roman, for your questions. Our next question comes from the line of Mohammed Saad. Mohammed, please unmute yourself and go ahead.

Mohammed: Thank you, management, for this opportunity. I just want to clarify that earlier you mentioned that 53 million in the ECL was from sale of previous written-off loans of Tamam. Is that correct? And if that is correct, can you please elaborate on what was the total book value, original book value of the written off loans before they were written off to zero amount? What was the quantum of loans that were sold against which you received 53 million? And what are the remaining original book values of these written-off loans? That's my first question.

My second question is with regards to what as per your presentation shows AI Center for Excellence. Can you elaborate on what this is? Is this like a study to explore future business opportunities related to AI, or are you going to start developing AI data centers? Or what is it exactly, if you can elaborate on that? Thank you.

Mehdi Khalfaoui (CFO) Thank you for the questions. When it comes to Tamam, these are written-off amounts, it's at zero value fully provided for. The amount of 53 million is more attractive than if we continue and collect with the same magnitude of collection. That's why we were very clear on our announcement that this is more towards an acceleration of collection. Yet when it comes to Tamam, we reached an NPL of 6.5%, which is a translation of the quality of the customers and the quality of the active loan book that we have today. But again, in terms of ECL for Tamam, this is higher than if we had to continue collecting operationally on regular collection business model. It is a cash up front with a higher net present value than what we would have achieved by continuing to collect internally. Thank you.

Saad Alsadhan (CEO) Regarding your question about the AI Center of Excellence, it is part of our strategy in alignment with the government and the Kingdom's Vision 2030 that we focus on AI. And in Saudi 2026, they call it the year of AI. So, it is part of our strategy and plan to focus on the AI implementation. So, this Center of Excellence is part of our transformation intelligence, let's say, transformation. It's not only digital transformation. That they will prepare the infrastructure on the company to make sure that it is ready for all the use cases that we are planning to have. For example, enhancing the customer experience, enhancing and accelerating the decision making, which is data-driven, should be decision-making. Make sure it is integrated with our day-to-day operational activities as well. So, the Center of Excellence will be responsible about building this infrastructure. Then with the right partnership with the use cases provider can be accommodated. Thank you.

Mohammed If I may just ask, so from what you just shared, it seems that the AI Center for Excellence is more towards increasing the internal operational efficiency rather than a new source of business. Is that correct?

Saad Alsadhan (CEO) In alignment, yes. But both of them, pushing all the verticals to align with the vision and the strategy of the company, and to support all the other departments as well. Which will be part of customer value management in terms of retaining the customer and revenue growth as well. Because as you know, when we onboard the AI and adopt the AI on the day-to-day operation, this should enhance customer retention, the customer acquisition in a very fast manner rather than waiting for human decisions..

Abdulrahman Barghouth (Host, Riyad Capital) Thank you, Mohammed, for your question. Our next question comes from the line of Madi. Madi, please unmute yourself and go ahead.

Madi	So, thanks for taking my question and just a couple of follow-ups. Could you discuss what was the service revenue growth during the quarter? And I understand device sales have been lower. So, if you could talk about the outlook around the same, are the issues causing the lower device sale persisting even now, and how should we expect the coming quarters for that? Then second question is about your dividend policy, you did have, I would say, decent net income trends, reported net income trends. So, is that anywhere going to boost the dividend outlook? So, if you could talk about that. And then the final question is on your networks. So, wondering how many unique sites do you have? I understand total towers you have shown in the presentation, but how many are the unique sites? If you could talk about that. Thank you.
Saad Alsadhan (CEO)	Thank you, Madi, for the questions. For the first part on the revenue, the operating revenue is growing in all the sectors. All the segments are growing, and we are pushing hard for the growth to compensate for whatever we are having as a drop from the devices. In terms of dividend, as always, we disclose that this is a board and general assembly decision.
Mehdi Khalfaoui (CFO)	I'll elaborate more on the first one. So you can refer to page 20 of the financials. Device revenue has two components. The first one within consumer that basically showing a consumer revenue for three months at 1.592 compared to 1.627. So, the device component there is dropping. Yet when it comes to 5G, when it comes to operating revenue, it is growing. And, you can see it within the wholesale part, that is basically showing a slight growth there despite the drop when it comes to the device revenue supported by our MVNOs and our wholesale activities. Can you just repeat the third question, Madi?
Madi	Just want to understand the total number of unique sites. So, if you have a 2G, 3G, and 4G, 5G, all antennas on one site, that counts at one site rather than four different sites.
Saad Alsadhan (CEO)	Yes, this slide translates the number of sites that we are having in the network. 564 on the 3G, 479 4G, 119 sites 5G. And we are continuing deploying sites, especially on new technologies like the 5G. And we just launched the 5G advance, which will drive the growth as well and push for lower latency, accommodating the requirements from the B2B and the B2C as well in different vertical end use cases.
Madi	I think I would have to connect with you offline on that one. But just to get an understanding on this, the reason I'm asking is also to check your plans around 5G. Your 4G coverage is hitting at 94%, 2G at 99%. So, by when do you plan to reach similar levels on 5G?
Mehdi Khalfaoui (CFO)	For 5G, ultimately, we are expanding within the cities. Today we have 119 cities. When it comes to major cities, we are pushing there to have the maximum coverage, not only by deploying sites, but also by

	using the new spectrum that we acquired last year when it comes to the 600 megahertz. We recently launched the 5G plus-
Saad Alsadhan (CEO)	Which is part of our investment on the spectrum, the 600 megahertz of spectrum that if you can see the CapEx, which was last year, it is clearly mentioned on our investment on the CapEx side, which is more than 400 million went to invest it on the spectrum. And now we are deploying a new layer in top of the 5G to support the 5G advance with the acquired spectrum. So, we are trying to monetize as soon as possible whatever CapEx incurred in the network. This will enhance customer experience and population coverage. And as we mentioned before, with the 600 megahertz that we just acquired last year, and we deployed the network this year, this will enhance the penetration of the coverage and will reduce the number of sites needed because the bandwidth of this spectrum can go wider than the other spectrums.
Mehdi Khalfaoui (CFO)	So, for any new site is deployed with 5G. Any existing site, we assess the commercial potential and then we take it from there. But certainly, this percentage would continue to grow and the number of cities covered will continue to increase as well. Thank you.
Madi	Okay. Thank you.
Abdulrahman Barghouth (Host, Riyad Capital)	Thank you, Madi, for your question. Our next question comes from the line of Abdulaziz Alhubaishi. Abdulaziz, please unmute yourself and go ahead.
Abdulaziz Alhubaishi	Thank you for giving us this chance to ask questions. And I have two questions, one on the subscriber base. Mashallah, there is a notable pickup in the second quarter. I understand previously you were cleaning up your subscriber base. So, if you could just comment on a notable pickup of roughly 600,000 subscribers during the second quarter. And if you could also shed some light on the competition and on the pricing on that front, that would be great. And the second question on the debt level, are you comfortable with the new debt to EBITDA you have reached so far or is there a target for net debt to EBITDA to be achieved over the coming years?
Saad Alsadhan (CEO)	Thank you, Abdulaziz. For the first one, the subscriber, this is part of our strategy when we mentioned before that we are pushing the acquisition on the market toward for sure the Hajj season, the Umrah season, the visitor during the previous Q2 and Q1, as well as the B2B and the subscribers on the voice line. So, it's both consumer and B2B. For the next question, I will take the first part and then we'll give it to Mehdi to elaborate more. But we are within our strategy and within our business plan, at a high level.
Mehdi Khalfaoui (CFO)	Absolutely, today we are looking here at the net debt to EBITDA inclusive of the lease liability. Basically, we are at 2.51 times better than we expected due to the acceleration of connection. You can see that

the improvement on the leverage this quarter was more towards the reduction of net debt rather than EBITDA because EBITDA, as you can see, is almost flat.

However, we will continue evaluating the options that we have, whether to reduce further the debt that would be subject to additional cash generated by the company because paying debt or leaving it now in terms of net debt, not that relevant, and especially in light of the low cost of debt that we have today. But we will continue evaluating all the options. It would depend on the evolution of the interest rate, but if we see an interest rate that would increase, I would say further, then the priority would go to reduce the debt that we have today. Thank you.

Abdulaziz Alhubaishi — Very clear. If you allow me for a follow-up on the first question. So, I see your gross margin was flat sequentially despite adding quite a bit of subscribers. Could you clear it to me because the way I look at it is that even if you gain these subscribers at discounted prices, the network and the setup is already in place. So the margin on these subscribers should be massively higher than, for example, the handset sales or the business segment. Why did we see the margin not changing on a sequential basis?

Saad Alsadhan (CEO) — The margin, Abdulaziz, is growing by 2% Q2 2026 compared to last year, Q2, which is 29 million. But still even for the acquisition, acquisition will require definitely an additional cost of sales, especially on the acquisition and increasing the subscribers.

Mehdi Khalfaoui (CFO) — We booked the cost of acquisition upfront in terms of channel commission and then definitely the margin would come over the lifetime period of the customer. But more importantly, Q2, we had the Hajj season. We had growth adds coming there, of course. We had more B2B customers specifically on the, I would call it the M2M, and there is more to come. But if you look at our financials last year, the Q2 revenue versus Q1 had higher drop than what we are seeing this year. Although this year we had the impact when it comes to device revenue. So, we have device revenue drop, then acceleration on consumers specifically from 5G, and then rationalization of the cost of sales that basically allowed us to maintain the gross margin on a flat on two consecutive quarters now. Thank you.

Abdulaziz Alhubaishi — Clear. Just a minor clarification, the upfront booking of the customer acquisition comes at the gross line, it doesn't come at the selling and marketing?

Mehdi Khalfaoui (CFO) — Yes, absolutely.

Abdulaziz Alhubaishi — Thank you and good luck.

Abdulrahman Barghouth (Host, Riyad Capital)	Thank you, Abdulaziz, and thank you management for answering the questions. Our next question comes from the line of Hashim. Hashim, please unmute yourself and go ahead.
Hashim	Yes, thanks for taking time. I have three questions. First one is if you could explain and elaborate more on accounting of USF fund, what is it and how much more should we expect for the rest of the year and next year as well? My second is, if you could please comment further on the OPEX during the quarter and any further color you can share for the rest of the year. My last question is what is the gross profit margin of Tamam during the second quarter of 2026?
Saad Alsadhan (CEO)	Thank you, Hashim, for the question. Let me take the first one, which is USF. The Universal Service Fund is a subsidy, and it's provided by the government to do coverage for remote areas. They do auction and all the operators; they submit their bids. The lowest is the winner to cover that area. The good thing is it'll be your area to sell services over there. Then as per the accounting treatment, whatever gain is recognized to be a gain and to be recorded as a profit. This is for the first one for the USF. The second one?
Mehdi Khalfaoui (CFO)	When it comes to OPEX, the main driver of our OPEX growth today is what we mentioned earlier, is related to the deployment of the sites. Today, any site that we built under the towerco structure, basically it's coming as OPEX rather than a CapEx. The CapEx component would only include the active part, which is if you take a site, two-third is CapEx, two-third is passive, which is accounted under the built-to-suit today part of the OPEX. One-third is active, which is basically shown under the CapEx. On the OPEX, when we say cost optimization or efficiency, it's not something that we do one-off. It's a continuous journey and it's an operating model that we have within the company. So, we continue mitigating any increase in the OPEX, whether by limiting the non-revenue related or by recalibrating the revenue-related activities. ECL was basically the major driver of the increase over the past quarters. And it was increasing due to qualitative basically provisions based on the old debt or the old dues that we did not collect. Now the dues have been collected, Tamam is at the 6.5% NPL, which is quite healthy at this stage. So, we are not expecting as we speak now that there will be an increase in OPEX that is not planned nor seen. Thank you. This is on the OPEX part.

	On the gross profit for Tamam, it's still very high. The main component of the cost of sales is the acquisition. The acquisition costs go through the digital channels that we are using for the credit control. It's still stable at, I would say, 90%, 89% during the second quarter. Thank you.
Saad Alsadhan (CEO)	Tamam, just to elaborate more to your question about the cost of acquisition, because Tamam is fully digital platform. It has to be integrated with all the governmental entities to make sure that before starting the relationship with the client and starting the loan, we have to make sure that to reduce the NPL and the expected default, we have to make sure that the salary is accurate. All the information in terms of credit scoring is accurate. So because we are dealing with all the governmental entities and we are integrated digitally with them, this is why, back to the point of the cost of acquisition and the cost of sale, is high. Thank you.
Abdulrahman Barghouth (Host, Riyad Capital)	Thank you, management, for answering the questions. It appears that we have no more further questions. I would like to hand it over to Mr. Faisal Alkahtani for the concluding remarks.
Faisal Alkahtani (IR Manager)	Thank you all for joining us today and for your continued interest in Zain KSA. Should you have any additional questions or require further information, please do not hesitate to contact our investor relation team. We look forward to updating you on our progress next quarter. Thank you again for your time and continued support. Have a great day.
Abdulrahman Barghouth (Host, Riyad Capital)	Thank you everyone for participating in Zain KSA earnings call today, hosted by Riyad Capital. With this, I would like to conclude today's call. Have a great day.