



Saudi Telecom Company
(A Saudi Joint Stock Company)

**INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS**

**FOR THE THREE MONTHS PERIOD ENDED
31 MARCH 2023**

(UNAUDITED)

**First Quarter
2023**

Saudi Telecom Company
A Saudi Joint Stock Company
INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2023

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**Independent auditor's review report on the interim condensed consolidated financial statements to the shareholders of Saudi Telecom Company
(A Saudi Joint Stock Company)**

Introduction:

We have reviewed the accompanying interim condensed consolidated statement of financial position of Saudi Telecom Company - a Saudi Joint Stock Company ("the Company") and its subsidiaries (collectively referred to as "the Group") as at 31 March 2023, and the related interim condensed consolidated statements of profit or loss and comprehensive income, cash flows and changes in equity for the three months period then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard 34, "Interim Financial Reporting" ("IAS 34") endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of Review:

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" endorsed in the Kingdom of Saudi Arabia. A review of interim financial statements consists of making inquiries, primarily to persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion:

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34 endorsed in the Kingdom of Saudi Arabia.

For Ernst & Young
Professional Services

Saad M. Al-Khathlan
Certified Public Accountant
License No. (509)

Riyadh: 25 Shawwal 1444H
(15 May 2023)



Saudi Telecom Company
A Saudi Joint Stock Company

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2023

(All amounts in thousands of Saudi Riyals unless otherwise stated)

	Note	31 March 2023 (Unaudited)	31 December 2022 (Audited)
ASSETS			
NON-CURRENT ASSETS			
Property and equipment	5	45,669,664	46,645,266
Investment properties	6	474,060	210,821
Intangible assets and goodwill	7,21	11,870,987	11,775,022
Right of use assets	8	3,061,138	3,029,824
Investments in associates and joint ventures	22	4,652,974	4,635,656
Contract costs		440,581	436,087
Contract assets		660,400	540,241
Financial assets and others	9	7,155,907	8,956,898
TOTAL NON-CURRENT ASSETS		73,985,711	76,229,815
CURRENT ASSETS			
Inventories		1,784,636	1,022,601
Contract assets		7,116,759	6,779,622
Trade receivables	11,12	23,663,807	23,178,587
Financial assets and others	9	6,137,139	4,143,542
Short term murabahas		16,464,301	7,989,420
Cash and cash equivalents		9,609,221	17,794,393
		64,775,863	60,908,165
Asset held for sale	5	82,006	82,006
TOTAL CURRENT ASSETS		64,857,869	60,990,171
TOTAL ASSETS		138,843,580	137,219,986
EQUITY AND LIABILITIES			
EQUITY			
Share capital	17	50,000,000	50,000,000
Statutory reserves		11,217,054	11,217,054
Treasury shares		(703,838)	(703,838)
Other reserves		2,047,829	2,032,239
Retained earnings		12,069,870	10,954,070
Equity attributable to the equity holders of the Parent Company		74,630,915	73,499,525
Non-controlling interests		2,351,178	2,526,067
TOTAL EQUITY		76,982,093	76,025,592
LIABILITIES			
NON-CURRENT LIABILITIES			
Long term borrowings		10,445,849	10,213,750
End of service benefit provision	13	4,762,979	4,871,335
Lease liabilities	14	2,466,684	2,383,206
Contract liabilities		771,915	771,915
Provisions		469,339	489,448
Financial liabilities and others	15	5,927,867	6,064,576
TOTAL NON-CURRENT LIABILITIES		24,844,633	24,794,230
CURRENT LIABILITIES			
Trade and other payables		19,688,657	20,900,153
Contract liabilities		4,657,845	4,479,205
Provisions		2,010,323	2,124,132
Zakat and income tax		2,433,721	2,084,712
Short term borrowings	15	306,181	276,783
Lease liabilities	14	896,996	912,914
Financial liabilities and others	15	7,023,131	5,622,265
TOTAL CURRENT LIABILITIES		37,016,854	36,400,164
TOTAL LIABILITIES		61,861,487	61,194,394
TOTAL EQUITY AND LIABILITIES		138,843,580	137,219,986


Group Chief Financial Officer


Group Chief Executive Officer


Authorized Board Member

The accompanying notes from 1 to 26 form an integral part of these interim condensed consolidated financial statements.

**Saudi Telecom Company
A Saudi Joint Stock Company**

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS (UNAUDITED)
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2023**

(All amounts in thousands of Saudi Riyals unless otherwise stated)

	Note	For the three months period ended 31 March	
		2023	2022
Revenues	4	18,179,321	16,919,366
Cost of revenues	4	(8,824,816)	(7,768,965)
GROSS PROFIT		9,354,505	9,150,401
OPERATING EXPENSES			
Selling and marketing		(1,297,828)	(1,381,216)
General and administration		(1,713,193)	(1,469,469)
Depreciation, amortization and impairment	5,7,8	(2,612,503)	(2,475,942)
TOTAL OPERATING EXPENSES		(5,623,524)	(5,326,627)
OPERATING PROFIT		3,730,981	3,823,774
OTHER INCOME AND EXPENSES			
Cost of early retirement program		(266,517)	(79,100)
Finance income		359,606	109,473
Finance cost		(238,351)	(152,332)
Net other income (expenses)		31,388	(57,593)
Net share in results and impairment of investments in associates and joint ventures	22	13,144	(229,332)
Net other (losses) gains		(118,184)	3,950
TOTAL OTHER EXPENSES		(218,914)	(404,934)
NET PROFIT BEFORE ZAKAT AND INCOME TAX		3,512,067	3,418,840
Zakat and income tax	16	(377,224)	(296,461)
NET PROFIT		3,134,843	3,122,379
Net profit attributable to:			
Equity holders of the Parent Company		3,108,671	3,035,102
Non-controlling interests		26,172	87,277
		3,134,843	3,122,379
Earnings per share attributable to equity holders of the Parent Company (in Saudi Riyals):			
- Basic		0.62	0.61
- Diluted		0.62	0.61


Group Chief Financial Officer


Group Chief Executive Officer


Authorized Board Member

The accompanying notes from 1 to 26 form an integral part of these interim condensed consolidated financial statements.

**Saudi Telecom Company
A Saudi Joint Stock Company**

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2023**

(All amounts in thousands of Saudi Riyals unless otherwise stated)

	Note	For the three months period ended 31 March	
		2023	2022
NET PROFIT		3,134,843	3,122,379
OTHER COMPREHENSIVE INCOME:			
<i>Item that will not be reclassified subsequently to consolidated statement of profit or loss:</i>			
Remeasurement of end of service benefit provision	13	57,103	56,236
<i>Items that may be reclassified subsequently to consolidated statement of profit or loss:</i>			
Foreign currency translation differences		(78,357)	(19,308)
Net share of other comprehensive income (loss) of associates and joint ventures		1,268	(13,431)
Total items that may be reclassified subsequently to consolidated statement of profit or loss		(77,089)	(32,739)
TOTAL OTHER COMPREHENSIVE (LOSS) INCOME		(19,986)	23,497
TOTAL COMPREHENSIVE INCOME		3,114,857	3,145,876
Total comprehensive income attributable to:			
Equity holders of the Parent Company		3,113,262	3,072,583
Non-controlling interests		1,595	73,293
		3,114,857	3,145,876



Group Chief Financial Officer



Group Chief Executive Officer



Authorized Board Member

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Saudi Telecom Company
A Saudi Joint Stock Company

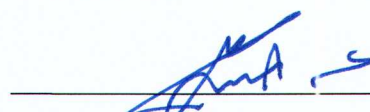
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2023

(All amounts in thousands of Saudi Riyals unless otherwise stated)

	Note	For the three months period ended 31 March	
		2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES			
Net profit before zakat and income tax		3,512,067	3,418,840
Adjustments for:			
Depreciation, amortization and impairment	5,7,8	2,612,503	2,475,942
Impairment loss and amortization of contract costs and contract assets		92,756	92,506
(Reversal) Impairment loss on trade receivables		(97,334)	175,106
Allowance for slow moving inventories		2,415	3,136
Finance income		(359,606)	(109,473)
Finance costs		238,351	152,332
Provision for end of service benefit and other provisions		109,992	197,784
Net share in results and impairment of investments in associates and joint ventures	22	(13,144)	229,332
Share-based payment expenses		26,447	21,124
Net other losses (gains)		118,184	(3,950)
Changes in:			
Trade receivables		(337,222)	(3,785,804)
Contract costs and contract assets, inventory and others		(1,516,651)	(258,736)
Trade and other payables		(1,873,215)	(1,233,631)
Contract liabilities and others		1,003,795	557,488
Cash generated from operations		3,519,338	1,931,996
Less: Zakat and income tax paid	16	(22,625)	(25,808)
Less: Provision for end of service benefit paid		(210,345)	(65,239)
Net cash generated from operating activities		3,286,368	1,840,949
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property and equipment	5	(933,358)	(611,673)
Additions to intangible assets	7	(251,978)	(402,657)
Additions to investment properties		(49,882)	(5,152)
Proceeds from sale of property and equipment		14,944	-
Acquisition by a subsidiary of a new subsidiary	21	(14,205)	-
Proceeds from finance income		262,555	72,807
Proceeds and payments related to financial assets and others, net		(8,530,463)	1,492,203
Net cash (used in) generated from investing activities		(9,502,387)	545,528
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid to the equity holders of the Parent Company		(1,965,402)	(1,977,307)
Dividends paid to non-controlling interests		(3,112)	-
Repayment of lease liabilities		(220,298)	(170,465)
Repayment of borrowings		(807)	(16,277)
Proceeds from borrowings		269,703	440,849
Finance costs paid		(45,901)	(31,258)
Net cash used in financing activities		(1,965,817)	(1,754,458)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		(8,181,836)	632,019
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD		17,794,393	8,281,301
Net foreign exchange difference		(3,336)	(4,222)
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD		9,609,221	8,909,098



Group Chief Financial Officer



Group Chief Executive Officer



Authorized Board Member

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**Saudi Telecom Company
A Saudi Joint Stock Company**

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2023**

(All amounts in thousands of Saudi Riyals unless otherwise stated)

	Note	<u>Total equity attributable to the equity holders of the Parent Company</u>					Total	<u>Non-controlling interests</u>	
		Share capital	Statutory reserve	Treasury shares	Other reserves	Retained earnings		Total equity	
Balance as at 1 January 2022		20,000,000	10,000,000	(286,563)	1,572,457	37,984,611	69,270,505	2,115,474	71,385,979
Net profit		-	-	-	-	3,035,102	3,035,102	87,277	3,122,379
Other comprehensive income (loss)		-	-	-	37,481	-	37,481	(13,984)	23,497
Total comprehensive income		-	-	-	37,481	3,035,102	3,072,583	73,293	3,145,876
Dividends to the equity holders of the Parent Company	23	-	-	-	-	(1,997,149)	(1,997,149)	-	(1,997,149)
Dividends to non-controlling interests		-	-	-	-	-	-	(178,047)	(178,047)
Share-based payment transactions		-	-	-	19,431	-	19,431	1,693	21,124
Net share of other reserves of a joint venture		-	-	-	1,562	-	1,562	-	1,562
Balance as at 31 March 2022		20,000,000	10,000,000	(286,563)	1,630,931	39,022,564	70,366,932	2,012,413	72,379,345
Balance as at 1 January 2023		50,000,000	11,217,054	(703,838)	2,032,239	10,954,070	73,499,525	2,526,067	76,025,592
Net profit		-	-	-	-	3,108,671	3,108,671	26,172	3,134,843
Other comprehensive income (loss)		-	-	-	4,591	-	4,591	(24,577)	(19,986)
Total comprehensive income		-	-	-	4,591	3,108,671	3,113,262	1,595	3,114,857
Dividends to the equity holders of the Parent Company	23	-	-	-	-	(1,992,871)	(1,992,871)	-	(1,992,871)
Dividends to non-controlling interests		-	-	-	-	-	-	(176,518)	(176,518)
Share-based payment transactions		-	-	-	26,074	-	26,074	34	26,108
Transactions with non-controlling interests		-	-	-	(16,032)	-	(16,032)	-	(16,032)
Net share of other reserves of a joint venture		-	-	-	957	-	957	-	957
Balance as at 31 March 2023		50,000,000	11,217,054	(703,838)	2,047,829	12,069,870	74,630,915	2,351,178	76,982,093



Group Chief Financial Officer



Group Chief Executive Officer



Authorized Board Member

The accompanying notes from 1 to 26 form an integral part of these interim condensed consolidated financial statements.

Saudi Telecom Company
A Saudi Joint Stock Company

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2023

(All amounts in thousands of Saudi Riyals unless otherwise stated)

1- GENERAL INFORMATION

A) ESTABLISHMENT OF THE COMPANY

Saudi Telecom Company ("stc" or the "Company") was established as a Saudi Joint Stock Company pursuant to Royal Decree No. M/35 dated 24 Dhul Hijja 1418H (corresponding to 21 April 1998) that authorised the transfer of the telegraph and telephone division of the Ministry of Post, Telegraph and Telephone ("MoPTT") with its various components and technical and administrative facilities to the Company, and in accordance with the Council of Ministers' Resolution No. 213 dated 23 Dhul Hijja 1418H (corresponding to 20 April 1998) that approved the Company's by-laws ("By-laws"). The Company was wholly owned by the Government of the Kingdom of Saudi Arabia (the "Government"). The Government sold 30% of its shares pursuant to the Council of Ministers Resolution No. 171 dated 2 Rajab 1423H (corresponding to 9 September 2002). The Public Investment Fund ("PIF") is the ultimate controlling party of the Company through its ownership of 64% after the sale of 6% of the Company's shares through a secondary offering during the year 2021.

The Company commenced its operation as the provider of telecommunications services throughout the Kingdom of Saudi Arabia ("the Kingdom") on 6 Muharram 1419H (corresponding to 2 May 1998) and received its Commercial Registration No. 1010150269 as a Saudi Joint Stock Company on 4 Rabi al-Awal 1419H (corresponding to 29 June 1998). The Company's head office is located in King Abdulaziz Complex, Imam Mohammed Bin Saud Street Al Mursalat Area, Riyadh, Kingdom of Saudi Arabia.

B) GROUP ACTIVITIES

The main activities of the Company and its subsidiaries (collectively referred to as the "Group") comprise the provision of telecommunications, information, media services and digital payments, which include, among other things:

- 1) Establish, manage, operate and maintain fixed and mobile telecommunication networks, systems and infrastructure.
- 2) Deliver, provide, maintain and manage diverse telecommunication and information technology (IT) services to customers.
- 3) Prepare the required plans and necessary studies to develop, implement and provide telecommunication and IT services covering all technical, financial and administrative aspects. In addition, prepare and implement training plans in the field of telecommunications and IT, and provide consultancy services.
- 4) Expand and develop telecommunication networks, systems, and infrastructure by utilizing the most current devices and equipment in telecom technology, especially in the fields of providing and managing services, applications and software.
- 5) Provide integrated communication and information technology solutions, which include, among other things, telecom, IT services, managed services, cloud services, and internet of things, etc.
- 6) Provide information-based systems and technologies to customers including providing telecommunication means for the transfer of internet services.
- 7) Wholesale and retail trade, import, export, purchase, own, lease, manufacture, promote, sell, develop, design, setup and maintenance of devices, equipment, and components and executing contracting works that are related to different telecom networks including fixed, moving and private networks. In addition, computer programs and other intellectual properties.
- 8) Real estate investment and the resulting activities, such as selling, buying, leasing, managing, developing and maintenance.
- 9) Acquire loans and own fixed and movable assets for intended use.
- 10) Provide financial and managerial support and other services to subsidiaries.
- 11) Provide development, training, asset management and other related services.
- 12) Provide solutions for decision support, business intelligence and data investment.
- 13) Provide supply chain and other related services.
- 14) Provide digital banking services.
- 15) Provide cybersecurity services.
- 16) Construction, maintenance and repair of telecommunication and radar stations and towers.

Moreover, the Company is entitled to set up individual companies as limited liability or closed joint stock. It may also own shares in, or merge with, other companies, and it has the right to partner with others to establish joint stock, limited liability or any other entities whether inside or outside the Kingdom.

Saudi Telecom Company
A Saudi Joint Stock Company

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2023 (CONTINUED)

(All amounts in thousands of Saudi Riyals unless otherwise stated)

2- BASIS OF PREPARATION

These interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" that is endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization for Chartered and Professional Accountants ("SOCPA") ("IAS 34").

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual consolidated financial statements in accordance with International Financial Reporting Standards and other standards and pronouncements that are endorsed by the Saudi Organization for Chartered and Professional Accountants. Therefore, these interim condensed consolidated financial statements should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2022.

3- THE GROUP'S ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2022.

There are amendments to the standards that could be applicable to the Group and come into effect at 1 January 2023, but they do not have any material impact on the Group interim condensed consolidated financial statements.

Amendments and interpretations
IFRS 17: Insurance Contracts.
Amendments to IAS 8: Definition of Accounting Estimates.
Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting Policies.
Amendments to IAS 12: Deferred Tax related to Assets and Liabilities arising from a Single Transaction.

4- SEGMENT INFORMATION

The Group is engaged mainly in providing telecommunication services and related products. The majority of the Group's revenues, income and assets relate to its operations within the Kingdom. Outside of the Kingdom, the Group operates through its subsidiaries, associates and joint ventures in several countries.

Revenue is distributed to an operating segment based on the entity of the Group reporting the revenue. Sales between segments are calculated at normal business transaction prices.

The disclosed operating segments exceeded the 75% of total external Group revenue threshold and therefore all other operating segments are combined and disclosed as "Other segments".

Saudi Telecom Company
A Saudi Joint Stock Company

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2023 (CONTINUED)

(All amounts in thousands of Saudi Riyals unless otherwise stated)

4- SEGMENT INFORMATION (CONTINUED)

The following is an analysis of the Group's revenues and results based on segments for the three months period ended 31 March:

	For the three months period ended 31 March	
	2023	2022
Revenues ⁽¹⁾		
stc	12,188,994	12,299,305
Saudi Telecom Channels Company ("Channels")	3,765,579	3,078,370
Arabian Internet and Communications Services Company ("Solutions")	2,676,272	2,242,903
Kuwait Telecommunications Company ("stc Kuwait")	1,061,010	950,298
Telecommunications Towers Company ("TAWAL")	739,291	673,833
stc Bahrain BSC (c) ("stc Bahrain")	473,419	419,140
stc Bank	223,643	235,364
Gulf Digital Media Model Company Ltd ("GDMM") ("Intigral")	157,410	125,230
Advanced Technology and Cybersecurity Company ("sirar")	100,675	54,805
Public Telecommunications Company ("Specialized")	60,218	69,582
Other operating segments ⁽²⁾	145,259	4,775
Eliminations / adjustments	(3,412,449)	(3,234,239)
Total revenues	18,179,321	16,919,366
Cost of operations (excluding depreciation and amortization)	(11,835,837)	(10,619,650)
Depreciation and amortization	(2,612,503)	(2,475,942)
Cost of early retirement program	(266,517)	(79,100)
Finance income	359,606	109,473
Finance cost	(238,351)	(152,332)
Net other income (expenses)	31,388	(57,593)
Net share in results and impairment of investments in associates and joint ventures	13,144	(229,332)
Net other (losses) gains	(118,184)	3,950
Zakat and income tax	(377,224)	(296,461)
Net profit	3,134,843	3,122,379
Net profit attributable to:		
Equity holders of the Parent Company	3,108,671	3,035,102
Non-controlling interests	26,172	87,277
	3,134,843	3,122,379

Saudi Telecom Company
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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2023 (CONTINUED)

(All amounts in thousands of Saudi Riyals unless otherwise stated)

4- SEGMENT INFORMATION (CONTINUED)

Following is the gross profit analysis on a segment basis for the three months period ended 31 March:

	For the three months period ended 31 March	
	2023	2022
stc	7,537,047	7,458,753
Saudi Telecom Channels Company ("Channels")	767,595	579,110
Arabian Internet and Communications Services Company ("Solutions")	647,498	532,691
Kuwait Telecommunications Company ("stc Kuwait")	515,920	488,958
Telecommunications Towers Company ("TAWAL")	584,831	542,090
stc Bahrain BSC (c) ("stc Bahrain")	205,122	200,333
stc Bank	47,123	36,428
Gulf Digital Media Model Company Ltd ("GDMM") ("Intigral")	115,004	84,984
Advanced Technology and Cybersecurity Company ("sitar")	38,500	27,421
Public Telecommunications Company ("Specialized")	35,788	50,431
Other operating segments ⁽²⁾	46,598	4,159
Eliminations / adjustments	(1,186,521)	(854,957)
Gross profit	9,354,505	9,150,401

Information about geographical segmentation:

Following is the geographical segmentation of revenues for the three months period ended 31 March:

	For the three months period ended 31 March	
	2023	2022
Kingdom of Saudi Arabia	16,451,158	15,404,908
Outside the Kingdom of Saudi Arabia	1,728,163	1,514,458
	18,179,321	16,919,366

Saudi Telecom Company
A Saudi Joint Stock Company

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2023 (CONTINUED)

(All amounts in thousands of Saudi Riyals unless otherwise stated)

4- SEGMENT INFORMATION (CONTINUED)

The following is an analysis of the assets and liabilities on a segment basis as at:

	<u>31 March 2023</u>	<u>31 December 2022</u>
Assets		
stc	138,331,087	137,287,162
Saudi Telecom Channels Company ("Channels")	9,856,004	8,538,854
Arabian Internet and Communications Services Company ("Solutions")	10,520,709	10,282,336
Kuwait Telecommunications Company ("stc Kuwait")	5,329,297	5,210,735
Telecommunications Towers Company ("TAWAL")	11,961,529	11,932,999
stc Bahrain BSC (c) ("stc Bahrain")	6,472,679	6,053,709
stc Bank	4,017,429	3,807,596
Gulf Digital Media Model Company Ltd ("GDMM") ("Intigral")	930,753	970,807
Advanced Technology and Cybersecurity Company ("sitar")	432,882	437,443
Public Telecommunications Company ("Specialized")	670,692	681,644
Other operating segments ⁽²⁾	10,163,173	8,548,024
Eliminations / adjustments	(59,842,654)	(56,531,323)
Total assets	138,843,580	137,219,986
Liabilities		
stc	49,048,698	49,199,031
Saudi Telecom Channels Company ("Channels")	8,309,987	7,077,118
Arabian Internet and Communications Services Company ("Solutions")	7,481,558	7,459,278
Kuwait Telecommunications Company ("stc Kuwait")	2,641,434	2,246,463
Telecommunications Towers Company ("TAWAL")	8,264,145	8,406,669
stc Bahrain BSC (c) ("stc Bahrain")	5,045,614	4,639,682
stc Bank	3,228,437	2,784,891
Gulf Digital Media Model Company Ltd ("GDMM") ("Intigral")	925,944	995,981
Advanced Technology and Cybersecurity Company ("sitar")	190,950	199,852
Public Telecommunications Company ("Specialized")	662,412	673,131
Other operating segments ⁽²⁾	5,037,936	3,337,055
Eliminations / adjustments	(28,975,628)	(25,824,757)
Total liabilities	61,861,487	61,194,394

(1) Segment revenue reported above represents revenue generated from external and internal customers. There were SR 3,412 million of inter-segment sales and adjustments (between the Group's Companies) for the three months period ended 31 March 2023 (for the three months period ended 31 March 2022: SR 3,234 million) which were eliminated at consolidation.

(2) Other operating segments include the following subsidiaries: Aqalat Limited ("Aqalat"), Smart Zone Real Estate, stc Gulf Investment Holding ("stc Gulf"), stc GCC Cable Systems W.L.L., Innovation Fund Investment, Digital Centers for Data and Telecommunications ("Center 3"), Internet of Things Information Technology ("IoTquared"), and General Cloud Computing Company for Information Technology ("SCCC").

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5- PROPERTY AND EQUIPMENT

During the three months period ended 31 March 2023, the Group acquired property and equipment with total cost of SR 1,075 million, including non-cash additions with an amount of SR 142 million (31 March 2022: SR 612 million cash additions).

During the three months period ended 31 March 2023, the Group disposed of property and equipment with a net book value of SR 41 million (31 March 2022: SR 44 million) resulting in a loss on sale of property and equipment for the three months period ended 31 March 2023 with an amount of SR 26 million (for the three months period ended 31 March 2022: SR 44 million).

On January 17, 2023, the Company sold a land owned by it, with a book value of SR 82 million through a public auction, at a value of SR 1.378 million. This land has been reclassified as an asset held for sale as at 31 March 2023 until the sale procedures is completed.

The following table shows the breakdown of depreciation expense if allocated to operating costs items for the three months period ended 31 March:

	For the three months period ended 31 March	
	2023	2022
Cost of revenues	1,341,854	1,409,894
Selling and marketing expenses	2,068	2,024
General and administration expenses	355,678	275,694
	1,699,600	1,687,612

6- INVESTMENT PROPERTIES

	31 March 2023	31 December 2022
Land (*)	252,204	36,980
Work in-progress	221,856	173,841
	474,060	210,821

(*) During the first quarter of 2023, the Group transferred lands with a book value of SR 215 million from property and equipment to investment properties for the purpose of real estate development and investment.

The fair value of lands amounted to SR 872 million as at 31 March 2023 (31 December 2022: a land with fair value of SR 269 million). The fair value was assessed by valuers who are independent, professionally qualified, and accredited by the Saudi Authority for Accredited Valuers (Taqeem). The fair value measurement is classified within level 3 based on different valuation techniques applied (residual value method and comparables method).

7- INTANGIBLE ASSETS AND GOODWILL

During the three months period ended 31 March 2023, the net additions in intangible assets amounted to SR 782 million, including non-cash additions with an amount of 530 million (31 March 2022: SR 403 million cash additions).

On January 23, 2023, the Company obtained licenses to provide internet service on board aircraft, as well as mobile communications service via satellite in the Kingdom of Saudi Arabia, for a financial consideration of SR 427 million for a period of 15 years, starting from 2023.

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7- INTANGIBLE ASSETS AND GOODWILL (CONTINUED)

During the three months period ended 31 March 2023, the purchase price allocation of net assets reports resulted from stc Kuwait's acquisition of E-Portal Holding company was completed, which resulted into recording an incremental goodwill of SR 76.6 million in addition to the provisional goodwill of SR 26.9 million recorded in 2022.

During the three months period ended 31 March 2023, a temporary goodwill of SR 20 million resulted from Tawal acquisition of AWAL Telecom Company, registered in the Republic of Pakistan, until the completion of the reports on the fair value allocation of net assets (note 21).

The following table shows the breakdown of amortization expense if allocated to operating costs items for the three months period ended 31 March:

	For the three months period ended 31 March	
	2023	2022
Cost of revenues	185,265	159,371
Selling and marketing expenses	8,657	1,482
General and administration expenses	446,577	399,431
	640,499	560,284

8- RIGHT OF USE ASSETS

During the three months period ended 31 March 2023, the net additions in right of use assets amounted to SR 308 million (31 March 2022: SR 332 million) all of which are non-cash additions.

The following table shows the breakdown of depreciation expense if allocated to operating costs items for the three months period ended 31 March:

	For the three months period ended 31 March	
	2023	2022
Cost of revenues	212,552	178,039
Selling and marketing expenses	511	2,807
General and administration expenses	59,341	47,200
	272,404	228,046

9- FINANCIAL ASSETS AND OTHERS

9-1 Financial assets

	31 March 2023	31 December 2022
Financial assets measured at FVTPL	2,924,871	2,929,065
Financial assets at amortized cost:		
Sukuk	5,227,310	5,234,375
Customers' trust accounts of stc Bank	1,773,817	1,781,098
Loans to employees	378,115	382,541
Others	1,251,721	1,271,996
	8,630,963	8,670,010
	11,555,834	11,599,075
Current	4,530,409	2,763,111
Non-current	7,025,425	8,835,964
	11,555,834	11,599,075

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9- FINANCIAL ASSETS AND OTHERS (CONTINUED)

9-2 Other assets

	<u>31 March 2023</u>	<u>31 December 2022</u>
Advances	743,978	742,390
Prepaid expenses	389,706	287,831
Deferred expenses	210,539	191,517
Others	392,989	279,627
	<u>1,737,212</u>	<u>1,501,365</u>
Current	1,606,730	1,380,431
Non-current	130,482	120,934
	<u>1,737,212</u>	<u>1,501,365</u>

10- FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

The Group uses valuation techniques appropriate to current circumstances that provide sufficient data to measure fair value. In addition, for the financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- a- Level "1" inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.
- b- Level "2" inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- c- Level "3" inputs are unobservable inputs for valuing the asset or liability, either directly or indirectly.

The fair values of the financial instruments represented in trade receivables, short-term murabahas, cash and cash equivalents, and trade and other payables closely approximate their book value due to the short maturity.

Financial assets measured at fair value:

<i>31 March 2023</i>	<u>Carrying amount</u>	<u>Fair value</u>		
		<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>
<u>Financial assets</u>				
<i>At fair value through profit or loss:</i>				
stc Ventures Fund and STV LP Fund	<u>2,924,871</u>	-	-	<u>2,924,871</u>
<i>31 December 2022</i>	<u>Carrying amount</u>	<u>Fair value</u>		
		<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>
<u>Financial assets</u>				
<i>At fair value through profit or loss:</i>				
stc Ventures Fund and STV LP Fund	<u>2,929,065</u>	-	-	<u>2,929,065</u>

There were no transfers between levels of the fair value hierarchy during the three months period ended 31 March 2023.

The fair value of the non-current liability resulting from the put option to non-controlling interest shareholders has been determined using discounted cash flow valuation method and is classified within level 3 of fair value measurement (note 15-1).

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10- FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

The fair value of the Group's investment in the units of stc Ventures Fund and STV LP Fund (the "Funds") is obtained from the net asset value ("NAV") reports received from the Funds' managers.

The Funds' managers deploy various techniques (such as recent round of finance, discounted cash flow models and multiples method) for the valuation of underlying financial instruments classified under level 3 of the respective Fund's fair value hierarchy. Significant unobservable inputs embedded in the models used by the Funds' managers include risk adjusted discount rates and lack of marketability discount.

The following is a reconciliation of the Group's investment in these Funds, which are categorised within Level "3" of the fair value hierarchy:

	<u>31 March 2023</u>	<u>31 December 2022</u>
Net assets value as at beginning of the period	2,929,065	2,135,246
Contributions paid to the funds during the period	52,418	412,342
Distributions received from the funds during the period	-	(16,882)
Net unrealised (losses) gains recognised in the interim condensed consolidated statement of profit or loss (*)	<u>(56,612)</u>	<u>398,359</u>
Net assets value as at ending of the period	<u>2,924,871</u>	<u>2,929,065</u>

(*) The net unrealized (losses) gain recognised was included within net other (losses) gains item in the interim condensed consolidated statement of profit or loss.

Financial assets and liabilities measured at amortized cost:

The Group believes that the other financial assets and liabilities carried at cost in the interim condensed consolidated financial statements approximate their fair value except for the following:

<i>31 March 2023</i>	<u>Carrying amount</u>	<u>Fair value</u>		
		<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>
<u>Financial assets</u>				
Financial assets at amortized cost - Sukuk	<u>3,945,132</u>	-	<u>3,868,236</u>	-
<u>Financial liabilities</u>				
Borrowings - Sukuk	<u>4,675,255</u>	-	<u>4,545,278</u>	-
 <i>31 December 2022</i>				
	<u>Carrying amount</u>	<u>Fair value</u>		
		<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>
<u>Financial assets</u>				
Financial assets at amortized cost - Sukuk	<u>3,947,219</u>	-	<u>3,837,052</u>	-
<u>Financial liabilities</u>				
Borrowings - Sukuk	<u>4,674,892</u>	-	<u>4,480,569</u>	-

Level 2 inputs are based on quoted prices in non-active market.

There were no transfers between levels of the fair value hierarchy during three months period ended 31 March 2023.

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11- TRADE RECEIVABLES

	<u>31 March 2023</u>	<u>31 December 2022</u>
Trade receivables	26,044,501	25,633,279
Less: allowance for impairment loss	<u>(2,380,694)</u>	<u>(2,454,692)</u>
	<u>23,663,807</u>	<u>23,178,587</u>

12- RELATED PARTY TRANSACTIONS

12-1 Trading transactions and balances with related parties (Associates and Joint Ventures)

The Group trading transactions with related parties were as the following:

	<u>For the three months period ended 31 March</u>	
	<u>2023</u>	<u>2022</u>
<i>Services provided</i>		
<i>Associates</i>	87,075	100,837
<i>Joint ventures</i>	<u>1,879</u>	<u>2,493</u>
	<u>88,954</u>	<u>103,330</u>
<i>Services received</i>		
<i>Associates</i>	16,740	3,415
<i>Joint ventures</i>	<u>94,654</u>	<u>108,155</u>
	<u>111,394</u>	<u>111,570</u>

The following balances are outstanding with related parties:

	<u>Amounts due from related parties</u>		<u>Amounts due to related parties</u>	
	<u>31 March 2023</u>	<u>31 December 2022</u>	<u>31 March 2023</u>	<u>31 December 2022</u>
<i>Associates</i>	288,234	254,377	57,875	44,532
<i>Joint ventures</i>	<u>41,353</u>	<u>13,185</u>	<u>168,633</u>	<u>178,872</u>
	<u>329,587</u>	<u>267,562</u>	<u>226,508</u>	<u>223,404</u>

The sale and purchase transactions are carried out by the relevant parties in accordance with the normal terms of trade. The outstanding balances are unguaranteed, without commission and no guarantees have been provided or received in relation to the balances due or from the related parties.

In addition, the Group has an investment in sukuk issued by a joint venture entity (BGSM) amounting to SR 1,383 million (equivalent to RM 1,508 million) with a book value of SR 1,282 million as of 31 March 2023 (31 December 2022: SR 1,287 million).

12-2 Trade transactions and related parties' balances (government and government related entities)

Revenues from transactions with government and government related entities for the three months period ended 31 March 2023 amounted to SR 3,207 million (for the three months period ended 31 March 2022 amounted SR 3,176 million) and expenses related to transactions with government and government related entities for the three months period ended 31 March 2023 (including government charges) amounted to SR 1,529 million (for the three months period ended 31 March 2022 amounted to SR 1,512 million).

As at 31 March 2023, accounts receivable from government entities totalled SR 19,506 million (31 December 2022: SR 19,311 million) and as at 31 March 2023, accounts payable due to government entities totalled SR 2,166 million (31 December 2022: SR 1,142 million). Among the balances with government entities, the Group invested SR 3,902 million in the Sukuk issued by the Ministry of Finance during the first quarter of 2019.

The total balance of accounts receivable with government related entities as at 31 March 2023 was SR 1,467 million (31 December 2022: SR 1,451 million). Total balance of accounts payable with government related entities as at 31 March 2023 was SR 1,720 million (31 December 2022: SR 1,621 million).

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12- RELATED PARTY TRANSACTIONS (CONTINUED)

12.2 Trade transactions and related parties' balances (government and government related entities)
(continued)

Receivable aging from government entities is as follows:

	<u>31 March 2023</u>	<u>31 December 2022</u>
Less than a year	11,220,413	11,695,931
More than one year to two years	5,146,265	4,631,346
More than two years	3,139,554	2,983,376
	<u>19,506,232</u>	<u>19,310,653</u>

13- END OF SERVICE BENEFIT PROVISION

Calculation of end of service benefit provision was performed using the most recent actuarial valuation as at 31 March 2023. During the period, the actuarial assumptions relating mainly to the discount rate have been updated which ranged from 4.4% - 6.25% for the three months period ended 31 March 2023 (for the three months period ended 31 March 2022: 2.1% - 3.5%) , resulting in recording of net actuarial gain included in the interim condensed consolidated statement of comprehensive income for the three months period ended 31 March 2023 amounting to SR 57 million (for the three months period ended 31 March 2022 amounted to SR 56 million).

14- LEASE LIABILITIES

	<u>31 March 2023</u>	<u>31 December 2022</u>
Current	896,996	912,914
Non-current	2,466,684	2,383,206
	<u>3,363,680</u>	<u>3,296,120</u>

The interest expense on lease liabilities for the three months period ended 31 March 2023 amounted to SR 30 million which was included in finance costs (for the three months period ended 31 March 2022 amounted to SR 19 million).

15- FINANCIAL LIABILITIES AND OTHERS

15-1 Financial liabilities

	<u>31 March 2023</u>	<u>31 December 2022</u>
Dividends payable (note 23)	2,415,147	2,223,109
Government charges	2,313,612	1,198,765
Financial liabilities related to frequency spectrum licenses	1,930,269	1,849,838
Customers' deposits – stc Bank	1,767,208	1,781,098
Other financial liabilities (*)	404,688	523,469
	<u>8,830,924</u>	<u>7,576,279</u>
Current	6,616,122	5,257,941
Non-current	2,214,802	2,318,338
	<u>8,830,924</u>	<u>7,576,279</u>

(*) The Group has granted a put option to non-controlling interest shareholders in General Cloud Computing company in which the Group commits to purchase 27% shareholding in the subsidiary at fair value at the exercise date of the option. As a result, the Group has recorded a non-current financial liability of SR 469 million against the reduction in non-controlling interests of SR 206 million and other reserves of SR 263 million as at 31 December 2022. As at 31 March 2023, the incremental difference between the fair value of the non-current liability resulting from the put option and the non-controlling interests is recognized in equity amounting to SR 16 million. The fair value of the non-current liability resulting from the put option has been determined using discounted cash flow valuation method and is classified within level 3 of fair value measurement.

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15- FINANCIAL LIABILITIES AND OTHERS (CONTINUED)

15-2 Other liabilities

	<u>31 March 2023</u>	<u>31 December 2022</u>
Deferred income	3,731,688	3,757,569
Others	388,386	352,993
	<u>4,120,074</u>	<u>4,110,562</u>
Current	407,009	364,324
Non-current	3,713,065	3,746,238
	<u>4,120,074</u>	<u>4,110,562</u>

16- ZAKAT AND INCOME TAX

The Group submitted all zakat returns until the end of 2021, with payment of zakat due based on those returns, and accordingly the Group received zakat certificates for those years. Effective from year 2009, the Group started the submission of a consolidated zakat return for the Company and its wholly owned subsidiaries whether directly or indirectly in accordance with the executive regulations for collecting zakat and not wholly owned subsidiaries submit their zakat declaration separately.

The Group received from Zakat, Tax, and Customs Authority the final zakat assessments up to 2011 and the years ended 31 December 2014 and 2018. The Group did not receive the zakat assessments of the years 2012 and 2013 in addition to the years from 2019 up to 2021.

The Group received a decision from the Tax Committee for Resolution of Tax Violations and Disputes rejecting the objections on zakat assessments for the years from 2015 to 2017 amounting to SR 134 million. The Group submitted its appeal to the Appeal Committee for Tax Violations and Disputes. The Group believes in the merit of its zakat position and therefore it will not result in any material additional provisions.

17- SHARE CAPITAL

During the second quarter of the year 2022, the Board of Directors recommended on 11 June 2022 (corresponding to 12 Thul-Qi'dah 1443 H) to the EGA to increase the Company's share capital from SR 20,000 million to SR 50,000 million via the capitalization of SR 30,000 million of retained earnings. Each shareholder is granted 1.5 shares for each 1 share owned at the eligibility date. The proposed increase in share capital was approved by the EGA on 30 August 2022 (corresponding to 3 Safar 1444H) and bonus shares issuance to shareholders was completed during third quarter of the year 2022. Consequently, the number of ordinary shares issued to the company increased from 2,000 million shares to 5,000 million shares, an increase of 3,000 million shares during the third quarter of 2022. The Company has completed the relevant regulatory requirements, including the update of the Commercial Registration for the revised capital amount, and the amendment of the Company's by-laws.

	<u>31 March 2022</u>	<u>31 December 2022</u>
<i>Authorized, issued and fully paid capital comprises:</i>		
5 billion fully paid ordinary shares at SR 10 each share	<u>50,000,000</u>	<u>50,000,000</u>
Number of outstanding shares "in thousands"	4,982,178	4,982,178
Number of treasury shares "in thousands"	17,822	17,822
	<u>5,000,000</u>	<u>5,000,000</u>

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18- CAPITAL COMMITMENTS

1. One of the Group's subsidiaries has an agreement to invest in a fund aiming to improve the telecommunication and information technology sector in the Kingdom of Bahrain and other GCC Countries with an amount of SR 806 million (equivalent to USD 215 million) as at 31 March 2023 (31 December 2022: SR 806 million (equivalent to USD 215 million)).
2. The Group has contractual commitments for the acquisition of property and equipment and intangible assets amounting to SR 5,155 million as at 31 March 2023 (31 December 2022: SR 4,709 million).
3. During 2022, the Company signed an agreement with STV LP Fund to allocate SR 1,125 million (equivalent to USD 300 million) additional investment in the fund out of which SR 116 million (equivalent to USD 31 million) was injected.

19- CONTINGENT LIABILITIES

1. The Group has outstanding letters of guarantee on behalf of the parent and its subsidiaries amounting to SR 5,214 million as at 31 March 2023 (31 December 2022 : SR 5,181 million).
2. The Group has outstanding letters of credit as at 31 March 2023 amounting to SR 1,552 million (31 December 2022: SR 1,544 million).
3. On 21 March 2016, the Company received a letter from a key customer requesting a refund for paid balances amounting to SR 742 million related to construction of a fiber optic network. Based on independent legal opinions obtained, the management believes that the customer's claim has no merit and therefore this claim has no material impact on the financial results of the Group.
4. The Group, in its ordinary course of business, is subject to proceedings, lawsuits and other claims. However, these matters are not expected to have any material impact on the Group's financial position or on the results of its operations as reflected in these interim condensed consolidated financial statements.
5. The Group received the Appeal Committee for Tax Violations and Disputes' decision with respect to the withholding tax assessment on international operators' networks rentals for the years from 2004 to 2015, rejecting its appeal with an amount of SR 1,500 million. The Group submitted a petition for reconsideration, as it believes that Saudi tax regulations do not impose withholding tax on international interconnection services since the source of income does not occur inside the Kingdom, and therefore these services should not be subject to withholding tax. During September 2022, the Group received the minutes of meeting of the Appeal Committee for Tax Violations and Disputes' regarding the petition for reconsideration which included the rejection of the petition by the Group. The Group submitted a petition for reconsideration based on new development on this matter. Based on the opinions of specialist consultants, the nature of the technical dispute, and new development on this matter, the Group believes that this assessment will not result into additional provisions.
6. The Group received claims from Communications, Space & Technology Commission ("CST") related to imposing government fees on devices sold in instalments for the period from 2018 until the end of the first quarter of 2021, totalling SR 782 million. The Group has objected to these claims within the statutory deadline and an appeal court ruling was issued in favor of the Group in regards to one of the claims amounting to SR 641 million. CST has objected to before the Supreme Court. A preliminary court ruling was issued in favor of the Group in regards to the remaining claims amounting to SR 141 million. An appeal court ruling was issued in favor of the Group for part of the claims (SR 83 million) which CST has objected to before the Supreme Court, and another appeal court ruling was issued in favour of CST for the remaining claims (SR 58 million) which the Group has objected to before the Supreme Court. All these cases are still pending the Supreme Court decision as at 31 March 2023.

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20- SUBSIDIARIES

1. During October 2022, the Company received a non-binding offer from the Public Investment Fund (PIF) (a related party: the ultimate controlling party- note 1-A) to acquire 51% of the shares of Telecommunications Towers Company (Tawal), while stc will maintain 49% of the shares of Tawal. Tawal was valued at SR 21,940 million (100% enterprise value on cash free and debt free basis). The offer does not represent any binding commitment on both parties and it remains subject to completing the due diligence and reaching final and binding agreement which will be conditional upon obtaining all regulatory approvals from relevant authorities including the approval from the General Authority for Competition, internal approvals of the respective parties, and any other conditions that may be agreed between the parties.
2. During the first quarter of the year 2022, Tawal has entered into an initial agreement to acquire a 100% equity shareholding of AWAL Telecom Company, registered in the Republic of Pakistan, subject to regulatory approvals. AWAL is licensed by the Pakistan Telecommunication Authority to build and operate telecommunication infrastructure primarily in the northwest region of the Republic of Pakistan. During the first quarter of the year 2023, AWAL's acquisition was completed following obtention of all relevant regulatory approvals in the Republic of Pakistan (note 21).
3. On 11 January 2023, Solutions signed the sale and purchase agreement to acquire 100% of Contact Center Company ("CCC") which is subject to a number of pre-closing conditions, including -but not limited to- obtaining the approval from the relevant authorities such as the approval of the General Authority for Competition, as well as other regulatory and commercial conditions. During the first quarter of the year 2023, General Authority for Competition ("GAC") issued non-objection decision in respect to the transaction (note 24).
4. In January 2023, Saudi Central Bank lifted the restrictions on the deposited capital of stc Bank for the amount of SR 1,552 million, which was deposited for the conversion of the Bank from a limited liability company to a closed joint stock company.

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21- BUSINESS COMBINATIONS

During the first quarter of 2023, Tawal acquired a 100% equity shareholding of AWAL Telecom Company.

	Tawal's acquisition of AWAL Telecom Company
<i>Assets</i>	
Property and equipment	12,397
Right of use assets	1,117
Trade receivables	1,255
Cash and cash equivalents	2,034
Other assets	5,305
Total assets	22,108
<i>Liabilities</i>	
Trade and other payables	1,270
Lease liabilities	1,334
Other liabilities	12,381
Total liabilities	14,985
Total identifiable net assets at fair value	7,123
Goodwill arising on acquisition (1)	19,983
Acquisition value (2)	27,106

1. Goodwill resulted from Tawal's acquisition of AWAL Telecom Company represents a provisional goodwill until the completion of the price purchase allocation reports.

2. The acquisition value includes contingent consideration of SAR 10.9 million.

22- INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

During the first quarter of 2022, the Group recorded an impairment provision amounting to SR 239 million related to its investment in BGSM (a joint venture) due to decline in fair value as a result of the decline in market conditions and quoted share prices of key underlying investment. The Group determined the recoverable amount of its investment in BGSM based on the value in use method. No provision was recorded during the first quarter of 2023 due to absence of impairment indicators.

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(All amounts in thousands of Saudi Riyals unless otherwise stated)

23- DIVIDENDS

The Group has dividends policy based on maintaining a minimum dividend of SR 0.40 per share on a quarterly basis. The Company will consider and pay additional dividend subject to the Board of Directors recommendation to the General Assembly ("GA") after assessment and determination of the Company's financial situation, outlook and capital expenditure requirements.

It is probable that additional dividends are likely to vary on a quarterly basis depending on the Company's performance.

The dividends policy will remain subject to:

- a- Any material changes in the Company's strategy and business (including the commercial environment in which the Company operates).
- b- Laws, regulations and legislation governing the sector in which the Company operates.
- c- Any banking, other funding or credit rating covenants or commitments that the Company may be bound to follow from time to time.

In line with this policy, the Company also distributed cash dividends to the shareholders for the fourth quarter of 2022 at a rate of SR 0.40 per share and the Company will distribute cash dividends to the shareholders of the Company for the first quarter of 2023 at a rate of SR 0.40 per share.

Treasury shares allocated to the employee long-term incentives program are not entitled for any dividends during the period while the shares still under the Company's possession.

24- SUBSEQUENT EVENT

1. On 3 April 2023, Solutions completed the acquisition of Contact Center Company (CCC) by acquiring all shares of stc and ESM Holding Company for a full cash consideration for the entire acquisition amounting to SR 450 million. The financial impact of this transaction will appear on stc's interim condensed consolidated financial statements, in the second quarter of the year 2023.

2. On 20 April 2023, TAWAL (through its newly established subsidiary Tawal International Holding A Limited) signed a sale and purchase agreement (SPA) to acquire 3 telecommunications towers companies based in Bulgaria, Croatia and Slovenia from United Group for a cash consideration for the entire transaction of approximately SR 4,894 million (equivalent to EUR 1,220 million) (100% Enterprise Value) and the transaction will be funded through bank loans. One of the main transaction terms is 20-year master services agreement providing United Group with long-term leasing services from TAWAL, including a plan to rollout 2,054 new sites. It was agreed that the transaction cash consideration would be based on the agreed terms of the SPA in relation to debt, cash, and working capital. The transaction requires obtaining the approval of the relevant authorities in Bulgaria, Croatia and Slovenia, in addition to other relevant regulatory and commercial conditions.

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25- COMPARATIVE FIGURES

Certain figures have been reclassified as listed below to conform with the classification used for the three months period ended 31 March 2023. These reclassifications listed below have no impact on previously reported net income, retained earnings or cash positions:

	As previously reported	Amount of reclassification	Reclassified amounts
Interim Condensed Consolidated statement of profit or loss for the three months period ended 31 March 2022			
Revenues	16,991,242	(71,876)	16,919,366
Cost of revenues	(7,840,841)	71,876	(7,768,965)
Selling and marketing	(1,369,960)	(11,256)	(1,381,216)
General and administration	(1,480,725)	11,256	(1,469,469)
Consolidated statement of financial position as at 31 December 2022			
Investment properties	293,148	(82,327)	210,821
Financial assets and others (current)	4,086,580	56,962	4,143,542
Financial assets and others (non-current)	8,931,533	25,365	8,956,898

26- APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The Audit Committee (delegated by the Board of Directors) approved the interim condensed consolidated financial statements for the three months period ended 31 March 2023 on 19 Shawwal 1444 H (corresponding to 9 May 2023).