

Driving digitization

2022

Annual report



stc

stc.com.sa

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CONTENT

First:

A brief overview of stc Group

A. Message of His Highness Chairman of the Board of Directors	8
B. Message of stc Group CEO	12
C. A Brief Overview of the Group's History, its Business and Activities	16
D. Strategy Directions	20
E. Human Resources and stc Academy	24
F. Sustainability and Social Responsibility	30
G. Governance	36
H. Compliance	38
I. Internal Control	39
J. The Internal Audit	39
K. Legal Disclosure	40
L. Hajj and Umrah Guest Service	41

Second:

The performance, activities, and investments of stc Group and its subsidiaries during the year 2022

A. stc's Group Operating Model, Subsidiaries and Investments	44
1. stc Group	44
2. stc's Subsidiaries (Local & International)	57
3. Investments (Investments in Joint Ventures, Investments in Associate Companies & Other investments)	76
B. Group Financial Performance	80

Third:

Risks management and transactions with related parties

A. Enterprise and Financial Risk Management	96
B. Transactions with related parties	110

Fourth:

Board of Directors and Committees

	118
--	-----

Fifth:

Dividends policy and distribution and Board recommendations and compensation

	152
--	-----

01

Driving Digitization

A brief overview of the
Saudi Telecom Company
(stc)





A- Message of His Highness Chairman of the Board of Directors

Mohammed K. A. Al Faisal

In the name of Allah; the Most Gracious,
the Most Merciful

Dear Shareholders,

stc Group has a bold vision that seeks to position stc and the Kingdom at the heart of the global digital revolution by focusing on our DARE 2.0 strategy which is centered around key strategic objectives including: Instilling a digital mindset, unlocking the potential of digital and analytics capabilities, transforming into an agile technology company and embrace new ways of working, maximizing shareholder returns by creating value and monetizing assets. In addition, we will be focusing on connecting our markets through leading next generation technology and digital offerings, becoming a role model for sustainability and corporate governance, leading company-wide culture change, be the employer of choice for top digital talent, stimulating customers with a seamless, personalized, and secure experience, become the trusted partner-of-choice for business in the region, and growing by expanding into selected growth pillars within digital services and core digitization of stc. In 2022, stc Group made considerable progress in realizing this strategy through new initiatives launched and cementing the foundations for continued growth.

stc Group 2022 financial results reflect our commanding leading position across telecom and technology business lines, and the significant value we create for shareholders. Our revenues increased by



SAR 67,432 million

(USD 17,982 million), reflecting the continuing expansion of our scale and scope.

Total gross profit grew by

10.65% to

SAR 37,393 million

(USD 9,971 million)

operating profit has also increased by

14.93% reaching to

SAR 15,088 million

(USD 4,023 million)

net profit reached

SAR 12,171 million

(USD 3,246 million)

an increase of 7.60% year-on-year.

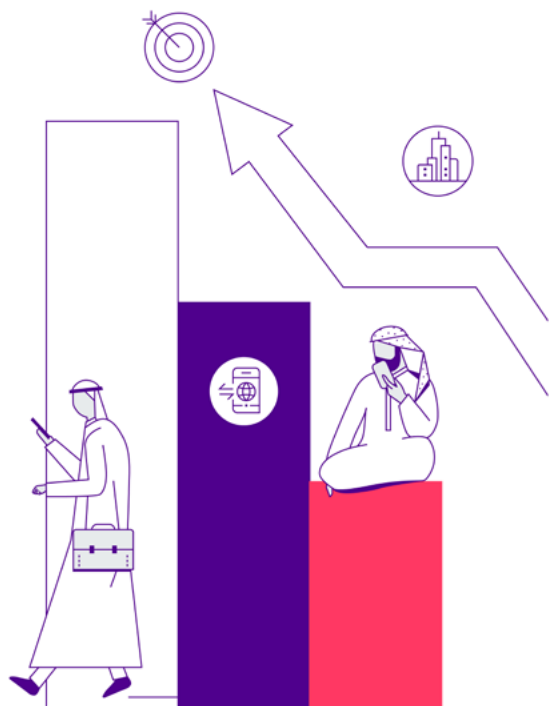
stc Group increased its share capital by SAR 30 billion from SAR 20 billion to

SAR 50 million

through a bonus share issuance

The capital increase has further strengthened stc's financial position which allowed it to be well positioned to capture growth opportunities and maximize its shareholders' return.

Part of our Group strategy is focused on maximizing returns on assets and capital recycling to enable stc to unlock value in new and innovative areas. A prime example is the non-binding offer from the Public Investment Fund (PIF) in October to acquire 51% of Telecom Towers Company (TAWAL), a wholly-owned subsidiary of stc, for a total enterprise value of SAR 21.94 billion (USD 5.85 billion).



As part of our new technology investments in the local market, stc Group allocated an additional USD 300 million investment to STV this year, the largest independent technology investment company in the Middle East and North Africa region. This investment further cements our role in driving digital transformation, funding innovative technology projects and unlock the potential of the next generation of entrepreneurs in the region. In 2022, stc Group made significant strides in becoming a leading TechCo through direct investments in new technologies. **Early in the year, we announced our plan to invest more than**

SAR 3.75 billion

(USD 1 billion)

to accelerate digital transformation and provide global connectivity, using Saudi Arabia's strategic geography to position the Kingdom as a digital hub for the Middle East and North Africa. At the heart of this process is Digital Centers for Data and Telecommunications Company "center3", the owner of our digital infrastructure assets.

Through center3, we have achieved notable success as we have launched a data cable project to link East and West in partnership with Greek telecommunications company TSSA and landed the "Saudi Vision" submarine cable (SVC), the first high-capacity submarine cable in the Red Sea. Both are testaments to our commitment in securing uninterrupted digital data capacity.

Through our attempts to push the partnership and innovation envelope further, we formed General Cloud Computing Company for Information Technology "Alibaba Cloud", a JV with Alibaba, eWTP Arabia Capital, Saudi Company for Artificial Intelligence (SCAI), and the Saudi Information Technology Company (SITE), to establish the region's first hyper-scale cloud via SCCC, and formed a JV with the Public Investment Fund to establish Internet of Things Information Technology Company "iot squared", an internet of things

leading Technology Company. The outlook of our partnership strategy will materialize with further notable achievements, which will cement our leading TechCo positioning.

In conclusion, I would like to express our sincerest appreciation to KSA's Government, which is driving one of the most ambitious transformations the world has ever witnessed, elevating the Kingdom of Saudi Arabia to assume a leading role regionally and globally. stc Group's bold growth strategy reflects our nation's ambitions as we play our part in making the Kingdom of Saudi Arabia the world's most connected and digitized nation by 2030.

I would like to extend my gratitude and thanks to our eminent shareholders for their trust and continued support of the Board. Finally, I would also like to express my gratitude to our partners, our management team, our valued employees across the Group, and most of all our customers for playing a central role in stc Group's success.

Thank You

Mohammed K. A. Al Faisal

Chairman of the Board of Directors



B- Message of stc Group CEO

Eng. Olayan Mohammed Alwetaid

In the name of Allah; the Most Gracious, the Most Merciful

Dear Shareholders,

stc cemented strong foundations in the last year, which paved the way to achieve growth and value creation; resulted in stc being one of the largest companies in terms of market capitalization. Global macro trends and industry disruptions are challenging telecom operators in their core business, while stc on the other side was able to find new opportunities across digital, new technology, increased government spending to double down its investments in these promising areas, which would enable digital transformation across all sectors.

stc has made significant strides due to its DARE 2.0 strategy, laying strong foundations for growth across commercial (gaming, media, smart home), business (cyber, cloud, mega projects, IT), wholesale (data hub) and new markets (Kuwait, Bahrain, digital banking, TAWAL and Aqalat).

Today, stc and its affiliates command leadership across many aspects of telecom and technology, showcasing a leading role in driving the Kingdom's digital transformation journey. In 2022, we furthered our expansion in scale and scope, launching cutting-edge technologies and innovative new businesses that will propel consumers, companies, and the public sector in unlocking the digitization benefits. As a result, stc Group witnessed an organizational evolution which is deemed necessary given our innovative business model. In this regard, stc launched a fit for growth operating model that is geared to foster value creation across stc's business lines.



stc Group increased its share capital from SAR 20 billion to

SAR 50 billion

increased its share capital by SAR 30 billion

the largest capital increase in the history of Saudi Capital Market - through a bonus share issuance. The increase in stc's capital will support achieving its growth and expansion strategy along with maximizing its shareholders' return thru increasing and diversifying stc's investments and seizing the expected growth opportunities in the telecommunication and technology sector in the Kingdom of Saudi Arabia and the region.

Furthermore, stc Group continues to collaborate with significant local and international businesses to bring world-class capabilities and technologies to Saudi Arabia, such as founding the General Cloud Computing Company for Information Technology "Alibaba Cloud" in partnership with Alibaba Cloud, eWTP Arabia Capital, Saudi Company for Artificial Intelligence (SCAI), and the Saudi Information Technology Company (SITE). Alibaba Cloud will develop the first hyper-scale cloud in the region, contributing to the growth of the Kingdom's digital infrastructure and information security. Along the spirit of collaboration with the Public Investment Fund (PIF), we achieved a notable milestone by establishing Internet of Things Information Technology Company "iot squared". The establishment of iot squared business is in line with the expected growth and increasing demand for Internet of Things services and products, it aligns with stc's growth strategy, and Saudi Arabia's Vision 2030 for a connected nation.

2022 also underlined number of significant achievements including launching Digital Centers for Data and Telecommunications Company "center3", the Middle East and North Africa region's world-class digital connectivity hub, which owns digital infrastructure assets, including data centers and submarine cables, capitalizing on Saudi Arabia and the region's strategic location at the crossroads of east and west, center3 supports stc in increasing connectivity in European, Asian and African markets. stc Group signed an agreement with Huawei to localize the manufacturing of data center equipment, embedding our ability to drive the Kingdom's technology leadership.

Part of stc Group's achievement this year was enhancing its network performance by expanding the 5G network coverage during the pilgrimage season, providing reliable network coverage for the world's highest traffic during Hajj, helping provide digital medical solutions for pilgrims, using the

"Holo doctor" technology, and providing security monitoring services. stc Group also stood out during the **"stc Formula 1 Saudi Grand Prix"** with extensive 5G coverage enhancing customers' experience.

Another key milestone was our progress in expanding our submarine cable infrastructure. In July, we announced a partnership with TSSA, a Greek provider, to build the **"East to Med Data Corridor"** cable, linking Europe with Asia via Saudi Arabia and delivering high-speed connectivity with the Kingdom at its center. Subsequently,

in August 2022, we landed the "Saudi Vision Cable" (SVC), the first high capacity, high-speed submarine cable in the Red Sea, which underpins our regional digital hub positioning and will provide seamless connectivity for our customers.

We have expanded our international footprint through the strategic acquisition of Egypt's Giza Systems, and TAWAL's acquisition of Pakistan's AWAL Telecom. Such acquisitions expand our reach into both markets and furthered our goal in providing world-class connectivity to enrich lives. At stc, we have an obligation to operate in a sustainable manner to ensure our future performance will meet high standards of sustainability in communities in which we operate. Sustainability is a key part of our Group strategy and a main driver to our 2025 objective of being a digital and telco leader, enabling society and economy to thrive, in KSA and beyond. We are committed to maximizing economic value, creating positive environmental impact, and supporting progressive social development. stc Group is committed to reducing carbon emissions to reach net zero carbon emissions by 2050.

stc Group also continued to play its pivotal part in promoting and developing local content through Rawafed Program; the program aims to

develop the national economy by localizing jobs, empowering women, and growing support for local manufacturing. stc Group has been committed to increasing the number of female participants in its sector.

Female participation in stc's workforce increased by

224%

between 2018 and 2022

with ambitions to continue this trajectory in the coming years.

The achievements over the years for stc Group and its subsidiaries led to elevating stc's brand value, which doubled from SAR 24.8 billion (USD 6.6 billion) in 2018 to

SAR 46.1 billion

(USD 12.3 billion) in 2022 according to Brand Finance

This achievement is a testimony for our successful vision, leadership and strategy in Saudi Arabia and the region.

In conclusion, I am proud of the contribution stc Group makes to driving digital innovation and progress, achievements that would not have been possible without our incredibly dedicated and hardworking team, to whom I extend my gratitude for all their efforts. I would also like to thank our customers, shareholders, and partners for their continued support. Going forward, I would also like to assure you that stc Group remains focused on realizing its ambitious vision, aligned with Saudi

Vision 2030, to provide excellent connectivity for the Kingdom and beyond, drive digital transformation, and deliver sustainable growth to create value for our shareholders and society.

Eng. Olayan Mohammed Alwetaid

Chief Executive Officer (GCEO)

C- A Brief Overview of the Group's History and its Business and Activities

■ About stc

Saudi Telecom Company –stc- 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 authorized the transfer of the telegraph and telephone division of the Ministry of Post, Telegraph and Telephone ("MoPTT") with its various components, technical and administrative facilities to stc in accordance with the Council of Ministers' Resolution No. 213 dated 23 Dhul Hijja 1418H (corresponding to 20 April 1998) that approved stc by-laws ("By-laws").

stc 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).

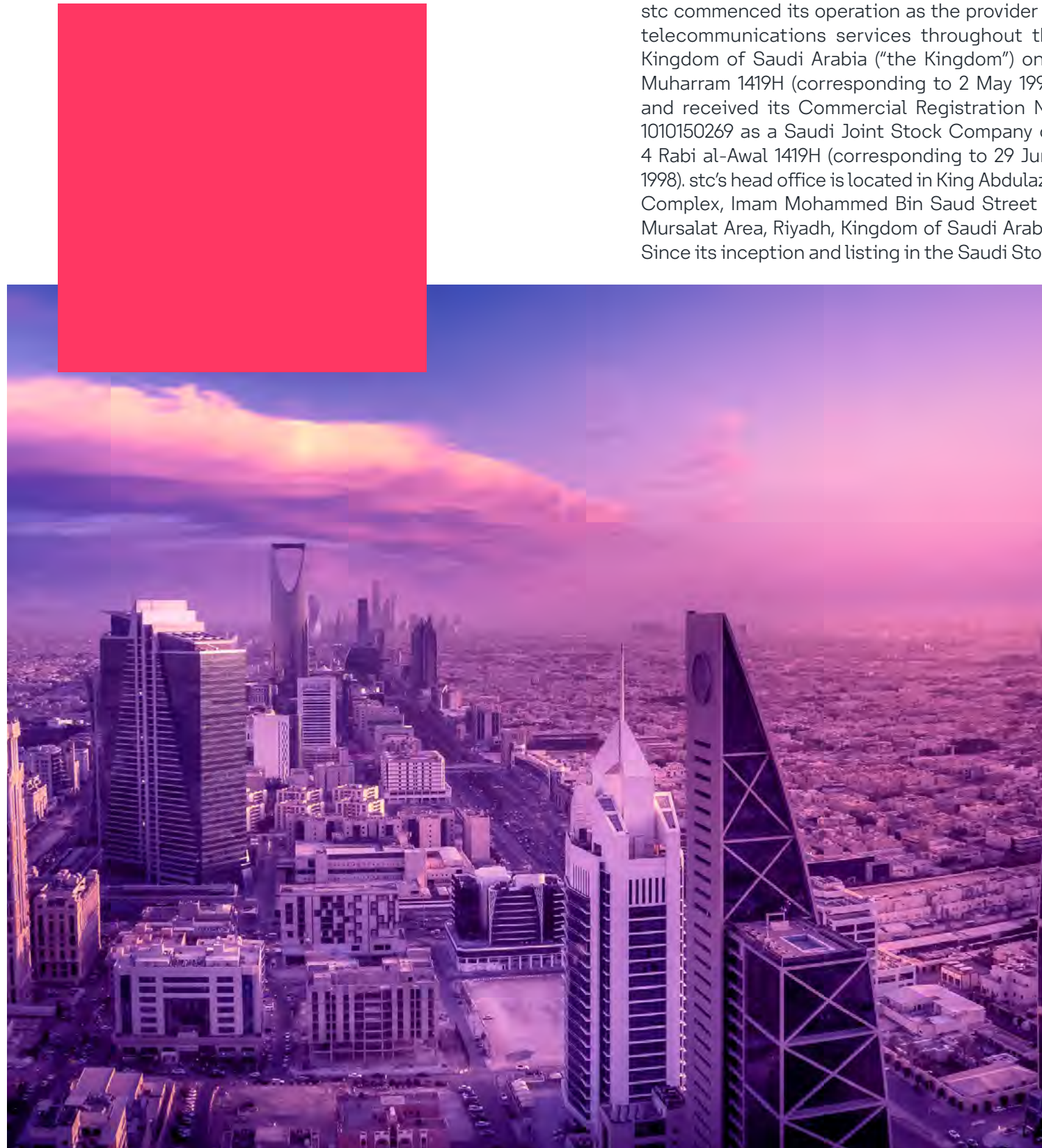
The Public Investment Fund ("PIF") is the ultimate controlling shareholder of stc through its ownership of 64% after the sale of 6% of stc's shares through a secondary offering during the year 2021.

stc 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). stc's head office is located in King Abdulaziz Complex, Imam Mohammed Bin Saud Street Al Mursalat Area, Riyadh, Kingdom of Saudi Arabia. Since its inception and listing in the Saudi Stock

Exchange, stc has gone through many substantial milestones in its history, which led to the growth and expansion of stc until it became the leader in the communications and information technology sector in the Middle East, as stc operates the largest FTTH and mobile network in the middle east covering more than 99% of the populated areas in the Kingdom, in addition to providing 4G mobile broadband to about 90% of the population throughout the Kingdom, where it implemented more than 7,300 sites with 5G technology distributed in more than 78 cities, as the coverage of the total inhabited area in the Kingdom reached 40.40% and connected 95% of the total 5G sites with optical fibers.

stc has invested in many sectors and companies in order to support its operations, diversify its services, and keep pace with the continuous and rapid changes and developments in the communications and information technology sector. stc continues to build its financial and operational capabilities with the aim of providing high quality services and a unique experience to its customers. stc is considered the largest telecom operator in the Middle East and North Africa region on the basis of market capitalization, as it exceeded SAR 182 billion. stc ranked among the top 50 digital companies in the world and first in the Middle East and North Africa region according to Forbes magazine.

stc conducts its operational business in the kingdom and it has various investments in associate companies, subsidiaries, and joint ventures, collectively known in financial statements as the "Group".





■ Activities of stc:

The main activities of stc 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 telecom 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).
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 maintain 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 the 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, stc 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.

D- stc Strategy Directions

During 2022, within global context of record levels of inflation, supply chain disruptions, increasing interest rates, and rising energy costs, the Kingdom of Saudi Arabia (KSA) economy has performed well as indicated by majority of the economic indicators. This performance has been primarily driven by continuous Government drive to invest in mega projects, underlying infrastructure, digitization of the economic value chain, subsidized energy costs, and high oil prices. Saudi Arabia has reported its first budget surplus in nearly ten years.

In the Information and Communications Technology (ICT) industry, there has been acceleration in digital services trend (e-Health, digital media, gaming and digital entertainment, digital banking, e-Education etc.), underlying infrastructure (connectivity and data centers) and enabling technologies (5G, AI, AR/VR, Blockchain, IoT... etc). In KSA, ICT market has grown in 2022 due to increased demand from consumer and enterprise segments.

At the same time, on the overall market level, there has been more pressure on short-term profitability due to rising costs and substantial capital investments in infrastructure projects. Competitive and regulatory dynamics have also been evolving in the market with more presence of global players and increasing maturity of the regulatory body.



Aspirational goals of the Vision 2030 continue to drive the national agenda and strategies of the government, private sector, investors and individuals. During 2022, stc reviewed its strategy by incorporating the evolving global and local social-economic, national aspirations, competitive, regulatory, market dynamics, and industry trends.

The fundamental pillars of stc's strategy remain the same in the refreshed strategy

(DARE 2.0)

and it can be summarized as follows:

D Digitization

A Accelerate performance

R Reinvent experience

E Expand scale and scope

As the strategic direction of diversification into new opportunities while extracting more value from existing assets, stc continues to emphasize focus on execution of the priorities within the existing businesses, coupled with an increased focus on key growth areas. Specifically, these growth areas include:

■ Wider IT services market

stc is building a strong and integrated services portfolio of Cloud services (IaaS, PaaS, SaaS), IT professional services (consulting, system integration) and Cybersecurity services. These will further support the needs of its public and private customers, as they execute digitization journeys.

■ Internet of Things (IoT) enabled digital solutions

The second growth priority is in vertical and horizontal solutions and use cases enabled by Internet of Things. Building on existing capabilities, stc will further develop use cases for smart city applications, industrial automation, smart logistics, public services, and smart home applications.

■ Digital Financial Services

Building on the success of stc Bank (previously stc Pay), stc will aim to take its capabilities to the next level, within the digital financial services space. stc will do so by providing services beyond payments, money transfers and international remittances.

■ MENA Data Center and Connectivity Hub

The fourth growth focus is on a strong regional hub for international connectivity and related co-location space in data centers for global and local enterprises, government entities, Hyperscalers, OTT players, and content providers. stc's asset base in this domain, geographical location, and regional presence will be key success drivers.

■ Digital media, gaming and entertainment

Considering a young digital and tech-savvy population of KSA, digital media, gaming and entertainment are key growth focus areas for stc. Building on the success of stc TV, stc will continue developing its capabilities and scale in the media space, with a clear aggregator strategy that will allow consumers across the MENA region. Similarly, stc will continue to build on gaming and eSports platform where stc Play will engage the wider gaming ecosystem.

■ Mega Projects

One of the emerging opportunities for stc is being the partner of choice for ongoing and planned Mega Projects in the Kingdom for infrastructure deployment and digital platforms and services. stc will leverage its existing capabilities, brand, customer and partner relationships to enable the aspirational goals of the Mega Projects.

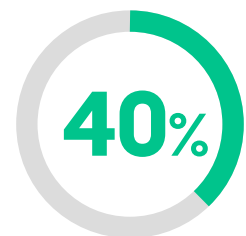
In addition to these specific growth areas, stc will also be active, should value accretive geographical expansion in the telecommunications space appear, as the company affirms its further expansion in regional ambitions to serve the objectives of stc strategy (dare 2.0).

Driven by an aspirational strategy and strong management commitment, 2022 has been yet another successful year for stc. Despite ongoing market and regulatory challenges and associated risks, stc has been successfully executing its dare 2.0 strategy driving market-leading revenue growth while achieving best-in-class profitability, and establishing building blocks of strategic Big Bets as growth pillars.

stc maintained its market leadership in the consumer and enterprise broadband segments, while significantly increasing the customer base of its digital media platform (stc TV), gaming and eSports platform (stc Play) and digital financial services (stc Pay).

Internal digitization efforts have been increased resulting in extensive shift of customers to digital channels for sales and support. Digitization efforts have resulted in improved customer experience, time to market, and operational efficiency.

stc's continuous investment in infrastructure (5G, Fiber, Data Centers, and International sub-sea cables) has ensured technology leadership for it, which resulted in reaching



of the KSA population is 5G network covered by stc's delivering excellent speed and low latency broadband connectivity.

stc has already started creating value for the Mega Projects (e.g., NEOM) as part of the infrastructure and ICT services deals.

Following up on stc's successful incubation of multiple emerging startups in the Kingdom, we are further broadening the scope of our InspireU program as an incubator and accelerator. Further, our corporate venture fund (STV) also continued its efforts by investing in the right opportunities related to emerging technologies.

Understanding the value of its people as the key bearers of its strategy, stc continued its efforts to attract, develop and retain a diversified and inclusive workforce. The stc Academy further expanded its leadership development programs by collaborating with some of the leading global academics and experts. Notably, women empowerment and diversity remained high on our agenda with the induction of a high number of women employees in our Talent Incubation and other development programs and many women progressing upwards in stc Group management hierarchy.

Lastly, stc's dare 2.0 strategy encompasses a holistic focus on technology infrastructure leadership, digital growth services, value extraction from core assets and capability build up. stc is proud to have the right leadership, progressive workforce and support from the stakeholders that will collectively ensure achievement of stc's vision: 'Digital and telco leader, enabling the society and economy to thrive, in KSA and beyond'. Driven by our values of Devotion, Dynamism, and Drive, stc will deliver a digitally transformed thriving society as envisioned by the KSA Vision 2030.



E- Human Resources & stc Academy



Driven by vision 2030, stc brainstormed possible scenarios on how we would like to be seen within and across stc Group, and how can we echo successful HR practices elsewhere.

As such, stc worked on a number of key HR initiatives that will take us to the next desired level, one of which is diversity and women empowerment. The high value stc places on diversity and women empowerment helped it to continue making a difference in improving the inclusion balance amongst its employees not only at KSA level, but at stc Group level as well.

The benefits of adapting a culture of diversity cannot be overemphasized, yet possible, through directing its Human Resource Business Partners (HRBPs) to work closely with stc business leaders to create an environment where everyone feels a sense of belonging.

Below is a summary of the outcomes of those initiatives at stc Group level (including subsidiaries):

Hiring
(4,244)
Saudi Nationals.

Hiring
(462)
Fresh graduates.

Saudization rate of
87.4%



Total women headcount in 2022 is
4,414
compared to 3,996 in 2021.

Roles filled by women:

- (2) VPs.
- Increased GM roles by (25%), (10 GMs).
- (54) Directors.
- Increased SM roles by (11.5%), (290) section managers.

Training and development:
(8,838)

employees took part in training programs with a total of (+221,000) hours through various platforms.

(381)

Early retirement program beneficiary in 2022.

■ **Key highlights at the Sectors and General Directorate levels under stc:**

1.1 Centre of Excellence (CoE):

Being the think-tank of HR, our CoE Team have gone the extra mile and came up with a number of key HR initiatives and activities that would encourage stc employees to work more efficiently, stay with the stc for longer, and attract new talent as well.

Capturing the competencies gaps, building Individual Development Plans (IDPs), develop stc employees along with introducing an appealing total rewards schemes, are some of the examples which allowed us to develop a workforce that is truly motivated toward excellence.

In 2022, several key activities were launched to develop a workforce that is truly motivated toward excellence, such as:

- Launched JADARA framework and system, which aims to help stc to identify the competencies gaps and build IDPs to develop its employees and minimize the existing gaps.
- Automating workforce-planning procedures in 2022 to gain better control and visibility over workforce cost, distribution, and utilization, as well as to achieve optimal levels of workforce planning.
- Establishment and roll-out of the talent program (Job Attachment) for stc employees to collaborate with key strategic global partners.
- Launched strategic workforce plan on stc Group level, in order to establish stc Group's right sizing to achieve stc Group's strategic objectives.
- Launched Thrift Savings Plan, raising financial awareness and a culture of savings.
- Renewing the health insurance policy with a new service provider and introducing the Parent insurance benefit for stc Group's employees.

- Introduction of stc long weekends policy.
- Design of total rewards programs for our new subsidiaries - Center3, IoT squared and SCCC.

1.2 HR Business Partners (HRBPs):

stc's new HR operating model dictates on bringing its HRBPs more closer to business, supported by a vibrant pool of HR professionals who can leverage their HR experience, their business acumen and their financial expertise in order to bring the desired added value to stc business. The new stc HRBP model aims to shift mind-sets amongst both HR leaders and business leaders as well.

The following illustrates an overview on the activities executed in 2022:

1.2.1 Talent Development and Retention enablement:

Nurturing stc Group employees through learning and development to elevate stc calibre, drive the organizational performance and boost productivity levels, while focusing on key talents through designed programs such as:

- Scholarship programs through elite Saudi universities (MBSC and King Fahd University of Petroleum and Minerals).
- Advanced and specialized technical programs to serve different business tracks such as Cloud infrastructure, cyber security, Legal, Audit, strategy, procurement and data analytics.
- Launched the Artificial Intelligence & Internet of Things Hackathon between Nokia and TSA sector targeting stc Group employees and university students.
- Collaborated with Misk Foundation to launch the virtual work program for Cyber security, and Corporate & data analytics sector.

1.2.2 Organization Design & Workforce solutions:

Collaborating with the all stc units to unlock the full capabilities towards growth services while maintaining leadership positioning in core services, by providing the appropriate HR and organizational solutions to add value to the business while focusing on customer centric.

1.3 stc Academy

At the beginning of 2022, the academy underwent a strategy refresh to align the academy strategic objectives with the organization and academy expectations of serving stc Group. In particular, on the following dimensions:

- Redefining the primary reasons for the Academy existence in order to build competitive, adaptable and inclusive workforce, infused with high spirits to make a leading professional career within the industry.
- Expanding the role of the Academy to become the right place to incubate and build the capabilities of bright and promising young technology savvy professionals and prepare them to cope with the challenges of the new digital era.
- Reimagining the Academy's role as the right place to prepare potential leaders for the responsibility of leading their business areas at stc Group level.

Keeping in mind all of the above, stc refreshed Academy's strategy to focus on (4) major pillars:

- Position the academy as the Group learning & innovation hub.
- Upskill stc's employees to deliver stc Group's strategy and meet its strategic objectives.

- Build academy internal capabilities to deliver learning solutions and experiences internally.
- Foster a positive culture and greater innovation throughout stc.

The following illustrates an overview on activities executed in 2022:

1.3.1 Leaders & Professionals School

- Growth and Expansion: executive program uniquely designed and customized to be aligned with stc's business needs and optimized to support the "E" pillar of the DARE 2.0 Strategy.
- Emerging Leaders for stc Women Program targeting 22 directors & section managers from stc Group.
- Qiadya Program delivering leadership sessions and assessment services as part of the Qiadya Program's journey to enhance the leadership capacities of Saudi Women.
- The Corporate Leadership Program includes 15 cohorts for stc Group, with 370 graduating from the program (potential leaders, managers and department managers).
- Digital Excellence Program: aims to equip stc middle management with the needed digital knowledge through interactive experiences, case-studies, knowledge sharing opportunities and simulations.

1.3.2 Academy Business Enablement

- Innovation & Design thinking sessions which included: 7 TIP mini Jams, 2 Sectorial mini jams and 3 Hackathons.
- Digital Library that managing access to 5 digital learning libraries (Coursera, LinkedIn Learning, SkillSoft, Harvard MentorManager and Udacity) resulting in providing stc Group's employees with access to more than

31,000 courses

- Knowledge Transfer Program (KTP): develops internal talents and utilizes their expertise and shares knowledge to support the learning and development needs through

58 Courses/Sessions and
191 Registered KTP Trainers and
+500 trainees.

1.3.3 National projects

- Prince Mohammed Bin Salman College (MBSC) strategic partnership: to nurture a new generation of transformative leaders with unique entrepreneurial competencies.
- FAKHOOR Program: a graduate development program aimed at training capable Saudi youth to join the Ministry of Defense for more than 3 months of different tracks.

1.4 Strategy Planning & Culture

stc's HR strategy aims to be recognized as an HR 'Model of Excellence' in the MENA region through agile, digital, and innovative experience by 2025.

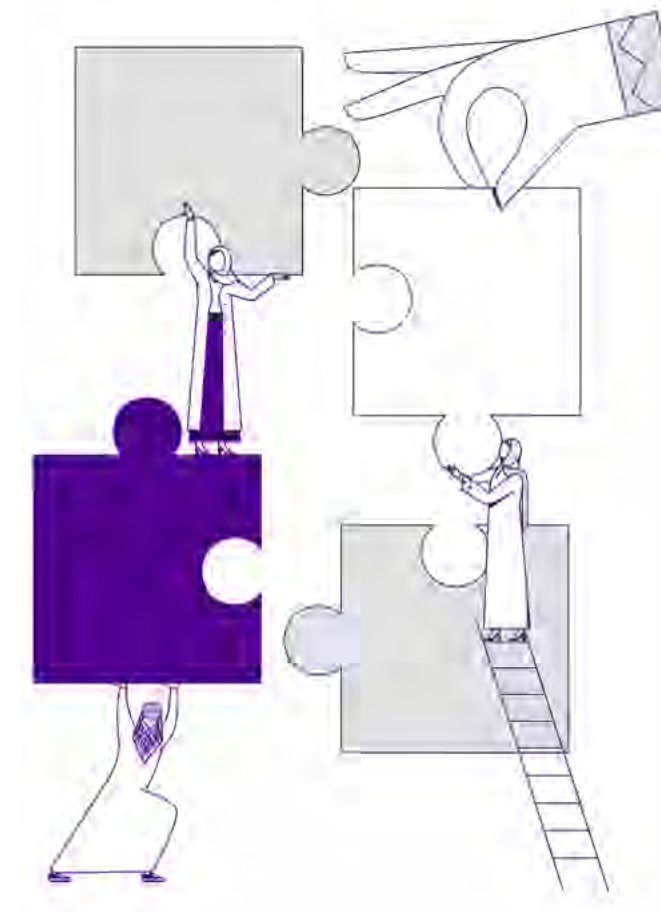
stc Group's HR strategy focuses on investing in stc's most valuable assets "the employees". By acquiring, developing and retaining employees in an Innovation-fostering environment through multiple initiatives and projects to develop talents, enhancing the employee journey in every touch point to increase productivity and maintain efficiencies levels as well.

Throughout 2022, People Experience & Engagement General Department made extensive efforts to design the best possible workplace environment related solutions along with activating focus areas such as enhancing inclusion of disabled people through building guideline, disability aspiration, sign language campaign, and etc.

In addition, stc's Culture Department put extra efforts in order to enhance stc organizational health and culture thru reducing silos, enhancing accountability & ownership and increasing the engagement of Females & new joiners.

As an additional contributions to dare strategy, HR Analytics & Technology Enablement departments continuously work on digitization & automation practices, and ensuring effective decision-making for business leaders, which resulted into receiving a recognition by Informa Future Workplace Awards as the Best HR Analytics Strategy.

The following illustrates an overview on activities executed in 2022:



HR Analytics

- People Digital Assistant Chatbot & Ask HR Chatbot released in Hub.
- Work-from-Home Analytics that support enhancement on telecommuting policy.
- Attrition Analytics use case to predict employees' turnover.
- Employee Productivity platform that presents productivity level for all employees.

Technology Enablement:

+40

HR Services enhancement.

Handled more than

800 access requests

change requests and system issues and inquiries.

1.5 Human Recourse Services

HR continues to provide stc employees with the needed HR services in an efficient and effective manner, while ensuring smooth and uninterrupted business, through continuous improvement of digitizing its HR services, upgrading employee wellbeing programs and complying with all applicable laws and regulations.

HR services has always been responsible for HR communications where a clear, effective and supportive employee communications are always circulated at stc Group level.

The following illustrates an overview on activities executed in 2022:

- Supporting stc to win two Labor Awards by Ministry of Human Resources and Social Development (MHRSD) thru facilitating the labor awards program internally and managing the relationship with the ministry overall.
- Led some of talent acquisition practices and provided guidance for subsidiaries at Group level such as:
 - Sponsoring one of the largest career fairs in the Kingdom (Glow Work) representing stc and solutions.
 - Supporting critical projects such as establishing new subsidiaries (IoT squared\ Center3\SCCC) by providing the right talents and headhunting agencies.
- Enhancing the employees' onboarding journey by engaging the business partner and line manager in the process to guarantee optimum performance acceleration for all new joiners.

F- Sustainability and Social Responsibility



■ Our Sustainability Approach:

Maximizing economic value, creating positive environmental impact and supporting progressive social development lie at the heart of stc's approach to sustainability. stc aligns its actions with the goals of the Saudi vision 2030 to help build a better future, and it believes the steps it has taken to date are already catalyzing digital transformation across the entire Kingdom. stc aims to be a role model by taking responsibility and positively contributing to the environment, economy, and society.

stc's Board of Directors and GCEO set the tone from the top, with sustainability considerations being an integral part of the decision-making process. All functions and activities across its organization reflect its commitment to managing its business in the most sustainable way possible. Awareness of corporate responsibility and support for recognizing the collective impact of individual action are pillars of our approach to fostering positive change.

■ Sustainability Overview and Mission:

Corporate Sustainability's mandate positions it as a strategic partner to give importance to ESG, meet investor pressure, fulfill anticipated regulatory requirements and achieve ESG goals and commitments.

Environment:

- Integrate environmental responsibility within the Group with focus on climate action, Greenhouse Gases (GHG) emission reduction, energy efficiency, and circular economy.

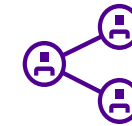
Social:

- Execute social investment strategy and relevant framework cascading to stc.
- Engage in effective partnerships to address social challenges and maximize positive impact.

Corporate Governance:

- Refresh corporate sustainability strategy and roll-out 3 year roadmap and cascade it across stc Group.
- Ensure Group-wide awareness, transparency and ESG disclosure.
- Develop sustainability annual report covering ESG aspects across stc Group.

■ Social Investment:



1- Technical Enablement program

The objective of this program is digitally transforming charities and non-profit organizations by providing them with digital solutions and platforms that would help them develop and improve their organization's processes (administrative, financial, and operational).

2- Volunteer Program:

The Volunteering Program aims to enhance the practice of volunteering for non-profit sector organizations as one of the solutions that stc contributes for this sector which would raise work efficiency, performance, and building human capability. The platform provides all non-profit sector organizations with the opportunity to register and add volunteer opportunities available to the organization, and stc employees can view and apply for the latest opportunities available on the platform.

Target audience:

- Non-Profit entities.
- Employees.

Social impact:

1,338

technical services provided across 56 cities.

497

Non-profit organizations were served.

More than **30** Thousands users.

Outcomes:

360

employees have volunteered.

40

Non-profit organizations were served.

17,982

volunteering hour.



3- ImpactU:

Focuses on supporting and developing social, cultural, and environmental digital start-ups in the region with a goal of increasing the contribution regionally and globally in societal development.

Target audience:

- Social entrepreneur.

Outcome:

SAR100K

investment per project with total annual investments of SAR1M.

179

beneficiaries from training.

10

incubated projects.

4- Recycling projects:

- Personal Computers Recycling: Through our partnership with Ertiqā, stc donates used devices such as laptops, tablets, printers or desktop computers to be refurbished, formatted, reinstallation of needed software and applications to be handed over to those in need across the Kingdom.
- Furniture Donation: stc donates furniture that own by it to be handed over to those in need across the kingdom.

Target audience:

- Non-Profit entities.

Outcomes:

More than **5,937**

devices have been donated

More than **449**

furniture pieces have been donated.

68

Non-profit organizations served.

5- Knowledge Sharing:

Workshops through which knowledge, awareness, and measuring social impact are transferred taught in the field of sustainability along with introducing trainees to the mechanism of impact measurement and calculation of Social Return on Investment (SROI) for social investment projects.

Target audience:

- Non-Profit entities.

Outcomes:

More than **80**

trainees from public and non-profit organizations since the launch of the project.

4

training courses.

More than **30**

of public entities and non-profit organizations.

6- YNMO Platform:

An initiative provide professional development for practitioners using the latest evidence-based methods and techniques for people with disabilities.

Target audience:

- Children with Special Needs.

Outcomes:

More than **120**

counseling sessions.

More than **693**

beneficiaries from teachers.

More than **1,495**

beneficiaries from children with Special Needs.

7- Smart Truck:

It is a technology truck equipped with screens, computers, and etc, with the aim of holding an awareness sessions in technology field for the elderly people.



Target audience:

- Elderly people.

Planning Outcomes:

9 Governorate
in first phase of project.

1,215
Targeted elderly people in remote areas.

8- Ehsan:

stc contributed to the national campaign for charitable work by donating SAR 11 million through the "Ehsan" platform, in continuation of stc's support for the charitable platform and its harnessing of all its digital capabilities in cooperation with the Saudi Data and Artificial Intelligence Authority (SADAIA).

Social impact:

17
homes through 11 cities.

9- Home Renovations:

stc is working on restoring, renovating, and ensuring the inclusion of a number of low-income households in the peripheral provinces throughout the Riyadh region, as a continuation of stc's efforts to support and empower the less fortunate groups in society and support quality of life programs.

102
beneficiaries including their families.

Investment of
SAR 3 million

Across **22**
provinces in Riyadh.

Over a period of **16** months.

10- Jood Eleskan:



A non-profit community initiative adopted by stc employees to empower the non-profit housing sector to find sustainable development housing solutions, provide connectivity and contribute to improving the quality of life for families in the local community.

Social impact:

40
houses to be renovated
and connected to the internet.

SAR 2 million
has been awarded for houses renovation.

G- Governance

stc's Board of Directors has been keen to establish an effective governance system as an integral part of stc's administrative and financial systems responsible for regulating internal businesses by identifying the relationship between the Board of Directors and the General Assembly and between the Board of Directors and the Executive Management. stc's governance regulates businesses, transactions & relationships with various Government, legislative bodies, suppliers, and contractors to increase efficiency and effectiveness in realizing stc's strategic and operational objectives, in a manner consistent with the Companies Law, issued by the Ministry of Commerce, the Corporate Governance Regulation, issued by the Board of Directors of the Capital Market Authority, and other pertinent local regulations and legislation. In addition, the governance system is in line with the aspirations of the Saudi Vision 2030 and stc's Strategy DARE 2.0, where the latter contains strategic plans and initiatives to enable stc's governance to manage and implement stc's decisions. stc's governance leverages local and international best practices in the best interest of stc and its stakeholders. stc's governance strives for the highest levels of sustainability, one of the main pillars of stc's strategy, which includes documenting stc's businesses and activities as per pertinent regulatory and legislative authorities.

These items include, but are not limited to:

- stc's Articles of Association was recently amended and approved by the Ministry of Commerce to increase stc's capital from SAR (20) billion to SAR (50) billion to support stc in achieving its strategy aimed at expansion, growth and maximizing the total return of shareholders by increasing investments diversification and seizing the expected growth in the ICT sector in the Kingdom of Saudi Arabia and the region.
- stc's General Assembly approved stc's updated Dividend Policy.

- Updating Board Audit Committee Charter that was approved by stc General Assembly to be aligned with best practices and relevant regulations.

To ensure the highest levels of transparency, stc is committed to publishing all legally required Corporate Governance documents on its website (www.stc.com.sa) which are listed below:

- stc's Articles of Association.
- stc's Corporate Governance Charter.
- The Charters of the Board of Directors and its Committees.
- Governance and compliance Policies (Nomination and Remuneration of stc's Board members and the members of its standing Committees and Remuneration of the Executive Management's Policy, Conflict of Interest Policy, Whistleblowing Policy and the stc's code of ethics and business conduct).

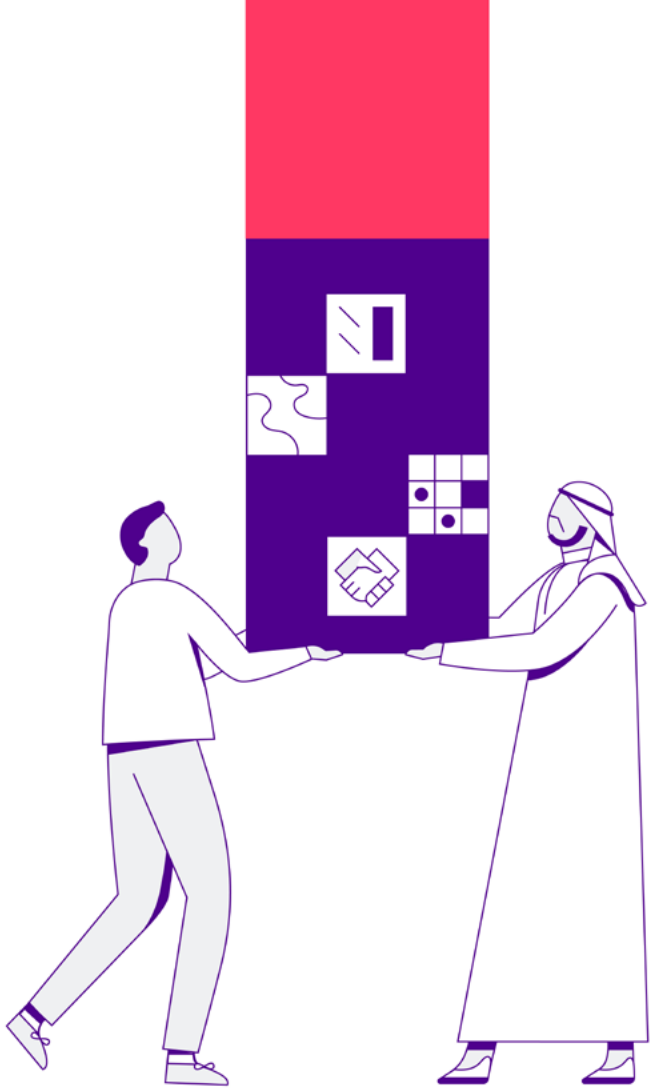
Financial information and Investor reports are also published on stc website, including the financial statements, quarterly and annual financial performance reports, and minutes of the General Assembly meetings.



As a result of the excellence of stc's governance, stc was honored locally and internationally with several awards, such as "the best corporate governance system" award in KSA in 2022 from world finance magazine, and "best corporate governance system in telecommunication sector in the middle east for 2022 from ethical boardroom magazine, also has achieved an 'Excellence in Governance 2021 Award for the fourth consecutive time, presented by the Corporate Governance Center, managed by Al-Faisal University to reflect stc's excellence in achieving highest level of sustainability throw developing governance practices which is one of the strategic pillars of stc.

The Corporate Governance Regulations requirements issued by the Capital Market Authority in Article 87 under Paragraph No. 1, clearly stipulate the need to implement the provisions of the Company Governance Regulations and to provide justification in case of non-implementation. The Company acknowledges the application of all the provisions mentioned In the Corporate Governance Regulations issued by the Capital Market Authority (CMA) with the exception of the provisions listed below:

Article No.	Article's Statement	Reasons for not applying
84	The Ordinary General Assembly, based on the Board of Directors recommendation, shall establish a policy that guarantees a balance between its objectives and those of the community for purposes of developing the social and economic conditions of the community. (Guiding Article).	stc gives the social responsibility subject a special importance, and based on that stc developed a policy related to social responsibility and delegated the approval authority to the Group CEO to ensure the continuity and flexibility of the business, noting that the social responsibility strategy on which the policy is based on, among the strategies that the board has the authority to approve.
92	Formation of a Corporate Governance Committee: If the Board forms a corporate governance committee, it shall assign to it the competencies stipulated in Article (91) of these Regulations, such committee shall oversee any matters relating to the implementation of governance, and shall provide the Board with its reports and recommendations at least annually. (Guiding Article)	Article No. 47 "Forming the Committees" of the Corporate Governance Regulations stipulates that the Board of Directors shall form specialized Committees as may be needed depending on the Company's circumstances in order to enable it to effectively perform its duties. Despite the fact that Article No. 92 "Formation of a Corporate Governance Committee" of the Corporate Governance Regulations is a guiding article, stc's Board of Directors is cognizant of the importance of the aforementioned committee's responsibilities and tasks, which are taken care of by the Nomination and Remuneration Committee as per its Charter, approved by the General Assembly on 24/4/2019.



H- Compliance

stc's Compliance and Ethics Program and activities strive to promote a culture of integrity, that encourages ethical behavior and compliance with external/internal rules and regulations.

stc's Compliance team reports to stc's GCEO, Board Audit Committee and Board of Directors on a regular basis Compliance findings update and Program's progress.

stc is currently in the process of unifying the Ethics Compliance Program across all stc Group's subsidiaries. As part of this activation, leaders have attended ethical leadership workshops to understand the importance of the program and the role leaders play in impacting the ethical culture in their respective companies.

In 2022, stc along with other leading organizations in the region set up an Anti-Corruption working group, in collaboration with the Pearl Initiative, an independent, non-profit organization working to improve corporate accountability and

transparency in the Gulf Region. The working group will collectively address challenges in corporate governance and business integrity in MENA region and will also serve as a platform to build capacity in the region to drive effective practices in business integrity. Further, the program focuses on building the business case for anti-corruption in the Gulf region and supporting businesses to embed culturally relevant solutions to drive better internal integrity practices. In addition to this, throughout 2023, stc will be working independently with the Pearl Initiative to develop an Anti-Corruption Best Practices program with the aim to highlight corruption and the importance of due-diligence, accountability, and transparency in business operations.

Furthermore, stc relies internally on training and awareness to elevate the organization's culture of integrity. In addition to a basic integrity training, which provides a high level overview of the stc Code of Ethics, employees and contractors undertook advanced integrity training in 2022. The intention for making this training available was to create a curriculum for stc's employees, based on their job function and risk exposure. The compliance team also partners with stc's Academy, to increase compliance and integrity culture impact of the organization in the present and also elevate stc's future ethical leadership culture.

The Academy has collaborated with Spain's IE University, and together with staff from the University, this year, the compliance team has conducted in person ethical leadership training for stc's emerging leaders. Participants including employees who will moving to the next level of their career journey as section managers, directors and senior leaders.

As we progress forward on our compliance journey, we continue to commit ourselves to continually improving stc's compliance program and setting an example of ethical leadership for other organizations in the region.

I- Internal Control

stc's Board of Directors declares that the accounting records have been prepared correctly and that the internal control system and procedures have been properly prepared and effectively implemented without material observations, and that there is little doubt as to stc's ability to continue its activities. The Audit Committee oversees the compliance, internal audit, and the external audit, which regularly reviews the adequacy and effectiveness of the internal control system and procedures to provide a continuous assessment of the system and its effectiveness. This is part of the objectives of the Board to obtain reasonable assurance about the soundness of the design of stc internal control system and its effectiveness. In this regard, during the fiscal year 2022, the Audit Committee held 9 meetings and discussed a number of topics falling under its competencies, such as reviewing financial statements, investments, and business units, as well as strategic and organizational affairs, human resources, procurement, and IT systems, among other issues relevant to stc businesses. This is during the presence of the Executive Management and the Internal Audit.

J- The Internal Audit

stc's internal audit provides an independent, objective, reasonable assurance and consulting activity designed to add value and improve stc's operations. It helps stc accomplish its objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes. stc's internal audit has conducted several assurance audit reviews as per the annual audit plan, approved by stc's Audit Committee, to provide a reasonable assurance regarding the effectiveness and efficiency of risk management, control, and governance processes in stc focusing on high-risk functions and processes. In addition, stc's internal audit has provided consulting services, in cooperation with executive management, with the aim to contribute in enhancing the effectiveness and efficiency of stc's operations, reducing costs and minimizing, revenue leakage, review the interim and annual financial statements, and coordinating with external regulatory authorities and supervisory bodies.

The results of stc internal audit's assurance and consulting reviews did not reveal any significant observations that could affect stc's ability in continuing its operations.

K- Legal Disclosure

■ Sanctions, Penalties and Reserve Restrictions

General Authority for Competition (GAC) and Communications, Space & Technology Commission violation committee (CST), as well as others, have issued a number of decisions against stc, and based on the responsibility of stc to defend the rights of the shareholders and the mandate granted to the company under Telecommunication act, stc has grieved these decisions by filing lawsuits at courts. There are various reasons for these decisions, some of them related to prepaid SIMs issuance, national calls transit services through other operator's services, not activating Mobile Number Portability (MNP), providing offers or discounts, which is illegal based on CST's point of view, or using unlicensed frequencies. Also there are some decisions that are related to some customer's complaints. This is in addition to decisions of imposing equivalent fees for studying customer's complaints, whereas,

the cases filed by stc against these decisions reached (2,716) cases by the end of fiscal year 2022, with total amount of

SAR (1,236,787,900)

detailed as follows:

Cases ended with final judgments in favor of stc by the end of fiscal year 2022: (395) cases with total amount of

SAR (642,059,000)

Active cases handling in the grievance board by the end fiscal year 2022: (92) cases, with total value of

SAR (148,191,400)

Cases ended with final judgments against stc by the end of fiscal year 2022: (2,229) cases with total amount of

SAR (446,537,500)

including decisions that the company could not find legal standing to grievance.

L- Hajj and Umrah guest service

stc, during the Hajj season of year1443H, achieved a remarkable presence in serving pilgrims, the public and private sectors participating in Hajj thru providing latest and advanced services digitally.

As part of its role as a digital enabler, stc contributed to the success of the Hajj season, where 4% growth in digital transactions and services compared to last year has been recoded. This growth reflects the increase in demand for the company's services provided by its digital channels, which also ensures the Group's leading role as the most prominent digital enabler in the region.

Further, data traffic witnessed an increase in usage during the first days of Eid al-Adha, topped by the applications that were targeted by stc in its special packages presented for its clients

where the demand for messaging applications increased by

173% compared to normal days due to exchanging greetings, followed by Snapchat which recorded an increase of

121% in usage.

During Eid Day, internet data services recorded a growth that exceeded 18%, and voice traffic increased by 8% as compared to last year.

Moreover, international communications traffic was boosted on stc's network and was transmitted to most countries. Yemen, Sudan and Egypt topped the list where the communication demand rose over

990%

compared to normal days during peak hours.

stc provided digital solutions and services during the Hajj season for the year 1443 which included digital medical services, security and monitoring services such as network monitoring systems and screens, as well as drones to monitor the traffic in the holy sites. stc also provided an innovative solution to track the status of the digital infrastructure at the holy sites, Makkah, and Madinah through its smart dashboard in order to ensure the quality of the communications services and facilitate the pilgrims' communication and support them during their presence in these holy places.

stc supported the 5G network with hundreds of sites in various areas of Makkah and the holy sites including the sites of the Two Holy Mosques and other locations which are frequently visited by pilgrims. This reflects the civilized interface of the Kingdom and its worldwide technological development.

During this year's Hajj season, stc kept pace with the latest technologies and digital solutions in the Information and Communications Technology industry. This reflects stc's commitment to its leading role and harnessing its human and technological capabilities to ensure the comfort and safety of the pilgrims, as well as empower the operating sectors during the Hajj season.

02

Driving Digitization

The performance, activities,
and investments of stc and
its subsidiaries during
the year 2022



Second:

A- stc Group Operating Model, its Subsidiaries and Investments

1- stc Group

■ Commercial Unit

stc achieved exceptional growth in 2022 capitalizing on the easing of COVID-19 restrictions and a positive macroeconomic outlook in the Kingdom, as revenues streams increased such as roaming, prepaid expat segments, etc.

Indeed, stc has over performed compared to the market across its product categories. It is noteworthy that stc were able to achieve this performance while maintaining a premium value positioning in the market. This is testament of stc's continued leadership in the market across customer experience, service quality as well as go-to-market capabilities such as data-driven base management, retention, and sales.

Our agile, data-driven decision-making framework has been instrumental in navigating a highly dynamic and evolving market. stc's leadership leveraged its multi-functional task forces to closely monitor and manage any market challenges which resulted in being able to deliver on time. stc also maintained its focus and efforts to evolve its flagship digital capabilities, elevating customers' experience, improving digital journeys, leveraging



on data analytics and targeting capabilities across the customers' lifecycle. These initiatives resulted in providing a unified digital experience for customers and maintaining competitive advantages in terms of digital sales, services, communications and others.

It is noteworthy that the users of the Mystc application have reached more than

9 million users

In terms of mobile services, stc not only maintained its leadership in the mobile market, but also increased its market share thru

1. providing exceptional, segment-specific offerings that capitalize on our leading 5G-network,
2. leveraging go-to-market thru communications, sales, fulfillment, customers' management, and loyalty management; all of which were boosted by our ever-growing digital and analytical capabilities. stc benefited from easing COVID-19 restrictions where we were able to fully recover our roaming revenues, capture a growing share of the returning expats market and uplift prepaid customers' attachment. On both postpaid and prepaid, we grew our customers' base to ensure solid start of 2023.

On the residential front, stc continued its growth and retained the market it captured during COVID-19's work-from-home and e-Learning period. Overall market growth has slowed down in the aftermath of easing COVID-19's restrictions. However, stc was able to sustain its growth due to

1. migration of legacy copper and wireless bases to FTTH and FWA
2. evolving Open Access frameworks
3. new real estate projects
4. an FTTH land grab push on both stc and non-stc networks as Open Access frameworks mature
5. repowered sales push on FWA,
6. increase the efforts to retain and migrate our legacy base to new technologies
7. solid customers base management thru switching customers to Triple play and higher-end plans. On overall, stc has recorded an impressive growth on FTTH and FWA, as stc leveraged its full suite of capabilities and managed to exceed expectations across the Kingdom.

Beyond core telco services, stc has achieved new feats across digital and growth services including consumer electronics, digital media, gaming, eSports, and last mile delivery and distribution. stc expanded its consumer electronics portfolio to cover wearables, hearables, tablets, laptops, smart home devices and TVs. Also expanded consumer electronics services such as trade-ins, repair, insurance, and etc. stc's consumer electronics business has achieved notable growth despite lingering supply chain issues and consumer risk-averseness post COVID-19. stc, however, was able to mitigate multiple supply chain disruptions risk through our exceptional relationships with manufacturers and suppliers.

On digital media, stc repowered both its KSA and regional go-to-markets achieving more than

27%
growth in active stc tv base.

stc also doubled down on content aggregation to achieve a super-aggregator positioning, enhanced its cross-bundling and promotions, and expanded its regional distribution partnerships. Moreover, stc has achieved exceptional growth on stc play, almost tripling its registered customers' base. In addition, stc has been building all the key capabilities to monetize its growing stc play's base and capture a share of the gaming and eSports market. On last mile delivery and distribution, stc exploited core telco market and last mile delivery market growth to expand its client base, which resulted in achieving growth in the distribution business by around 18%, and almost triple last mile



deliveries on behalf of new clients. stc will continue upholding and monetizing world-class capabilities such as last mile delivery and distribution in the Kingdom and beyond. Moving forward, stc's future aspirations aim to become the consumer's go-to digital lifestyle provider.

stc will maintain its leadership in the core telco market capturing a higher-value base through a next-generation value proposition, providing best-in-class experience, and exploiting the vast opportunities that exist in the market. stc will become the largest regional digital lifestyle provider across consumer electronics, digital media, and gaming and eSports.

■ Enterprise Unit:

As the world continued to readjust to the new norm, trends that emerged or accelerated as a result of the pandemic continue to impact the Information and Communication Technology sector and how they provide B2B services. The main trends of 2022 included the widespread of remote work, a surge of e-commerce and online retail, online education and health technology, artificial intelligence, machine learning and last but not least, the importance of cybersecurity.

The main aspects stc focused on during 2022 were expanding and providing new products and services, as well as producing and implementing multiple solutions to contribute in achieving the objectives of Vision 2030. stc continued to play the role of digital enabler and partner with key market and investment influencers such as PIF to launch the biggest IoT company in the region (IoT squared) in order to drive the next era of digital economies, smart cities, and state-of-the-art logistics operations and manufacturing. Additionally, stc and Alibaba Cloud established a Joint venture company in order to meet the demand for hyperscaler cloud services, while enhancing information security by localizing it in the Kingdom that would support attracting foreign investments.

To culminate the year, stc won the Communications, Space & Technology Commission's 15-year auction for the 2100 MHz spectrum for non-terrestrial networks, which allows the provision of communications services on aircraft and the provision of mobile communications services via satellite (MSS).

stc continued to play a pivotal role in the region by signing over 10 global and local strategic partnerships in 2022, including partnerships to contribute in creating a safe and more stable global cyberspace, foster investment, build the foundations for global cooperation in cyberspace, and catalyze socioeconomic change. Furthermore, stc signed agreements with local car rental

providers for fleet control services; the agreement aims at ensuring automated and agile management of vehicles using Internet of Things (IoT). Another agreement was also signed with the Ministry of Tourism and the Saudi Tourism Authority, aiming to support and implement the digital tourism strategy in the Kingdom. Along with that, stc signed a memorandum of understanding to promote the development of the virtual reality platform "Metaverse" to drive the digital economy and create more opportunities to empower businesses. This includes solutions in areas such as green tech and zero net targets emission, oil and gas, and developing go-to-market strategy for AI solutions for industries that have potential for good use-cases included the health fields, smart cities and infrastructure.

stc also signed a memorandum of understanding with King Abdulaziz City for Science and Technology (KACST) with the aim of building a strategic relationship and providing satellite solutions to leverage stc's networks and digital infrastructure in order to discover available options for satellite imagery products produced by KACST.

Through the business unit sector, stc sponsored many global and local events and participated in a number of exhibitions to showcase stc's capabilities in different domains such as education, health and industry to name a few. The main highlights of these events were stc participation in the "Future Initiative Institute" and the "International Cybersecurity Forum 2022", where stc showcased advanced cyber solutions to enhance innovation in future technologies.

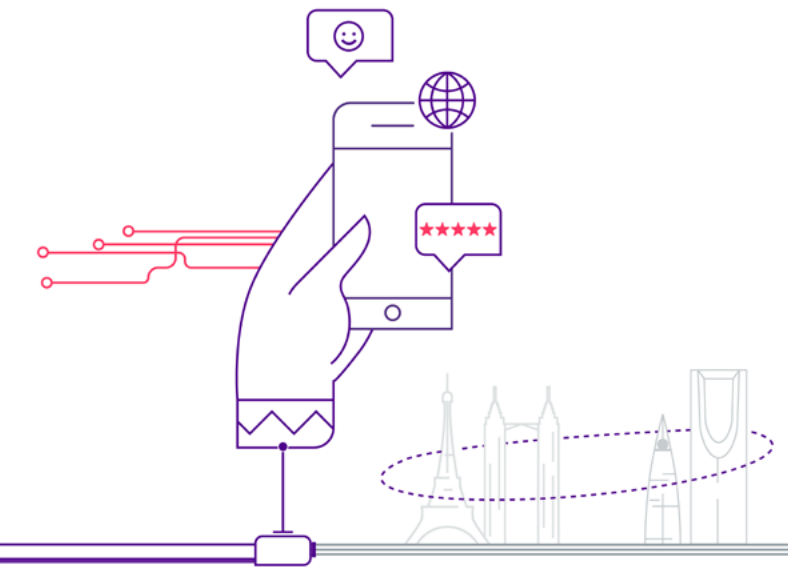
Additionally, stc was present at the flagship event, "Seamless KSA" where it presented the latest solutions that enable the FinTech sector. stc was also the digital sponsor at the Gartner International Expo in Barcelona where it showcased its digital solutions and capabilities through our subsidiaries.

Thru our participation in the "Global Defense Exhibition", the largest gathering of the security

and military sectors, stc revealed a set of cyber technical solutions and medical technologies to enable specialized teams to perform their tasks across field hospitals and during emergencies. stc has sponsored the Hajj and Umrah Conference and Exhibition, during which it showcased the most important leading digital solutions to enrich the experience of pilgrims. stc was also a strategic partner of the Saudi Ports Authority to enable Saudi ports digitally to achieve the targets of the ports in accordance with the national strategy for transport and logistics services.

stc also complemented its role as a digital enabler to support business sectors by launching multiple digital solutions: such as SD-WAN, Soft POS and GPU. SD-WAN is a managed service, which allows enterprises to securely connect any location using any combination of WAN services that are all managed by stc, such as, MPLS and/or internet services including wireless and fixed broadband, which would allow optimizing the bandwidth and improving business continuity for users by having consistent experiences regardless of the WAN technology. With stc SD-WAN service, businesses will receive full visibility into their applications, network, and users under one unified portal. As for SoftPOS, it is revolutionary new technology that allows merchants to accept card payments directly on phones or NFC-supported devices without the need of any additional hardware, additionally, stc is offering a comprehensive MSP POS bundle that includes all EFT POS components and add-ons with flexible & innovative business models on top of a comprehensive managed service offering. SD-WAN service will position stc as a one-stop-shop for payment solutions and makes it one of the largest player in this field.

Finally, GPUaaS (Graphics Processing Unit) High-performing compute resources that are available on-demand. It is an essential element in enabling sophisticated emerging tech opportunities, AI and machine learning use cases in the kingdom, which positioned stc as the leading digital solution provider and high-tech economy enabler.



■ **Carrier & Wholesale Unit**

stc continuously seeks to be fit for the future by leveraging the full force of its talents, expertise and assets to make numerical achievements and work to meet the stakeholders' needs and services locally and internationally in the fields of data center and internet services.

During 2022, stc actively asserted its international presence in infrastructure space with the most advanced and modern network in the MENA region and seek the development and expansion of its land and marine cables.

In 2022, stc has reached major milestones. Foremost, the successful launch of Digital Centers for Data and Telecommunications Company (center3) with a focus on global connectivity and data center (DC) infrastructure, towards the evolution of a highly interconnected digital ecosystem for customers regionally and globally, while ensuring high availability of data, content, and business continuity for KSA and the MENA region. It is considered the owner of stc Group's digital infrastructure assets, including data centers, submarine cables, international presence points, and Internet exchange points.

Additionally, stc Group launched 'Saudi Vision Cable'

a high-capacity cable with four landing stations (Jeddah, Yanbu, Dhaba and Haql) along the Red Sea coast of the Kingdom of Saudi Arabia (KSA). The Saudi Vision Cable spans 1,160,000 meters and it is fully by stc. It is the first ever high-capacity submarine cable in the Red Sea region that will provide smooth PoP to other PoP communication for up to 18 terabytes with a total of 16 pairs of optic fibers. The Saudi Vision Cable will be one of the submarine cables that will be connected to center3, the regional digital center for the Middle East, which aims to connect three continents, taking advantage of the strategic location of the Kingdom of Saudi Arabia.

The new cable will join the submarine cables in which stc Group invested in, which increased to 16 submarine cables with 9 landing stations connecting three continents of the globe in addition to digital submarine capacity control centers across 5 coastal cities in the Kingdom. Also, will support the inaugurated 10 data centers, and the additional 6 data centers that are under construction across the Kingdom to ensure business sustainability through the diversity and flexibility of assets that operate as a one-stop shop to improve customers' experience. These centers would contribute in localizing content and services through investments provided by stc to these multiple centers, which have a capacity and DC access of up to 125 MW to be raised to 300 MW according to the plan being developed by stc. To maintain and strengthen its position as the key provider of wholesale services in the region, stc signed an agreement with London Internet Echange (LINX) for the expansion of JEDIX interconnection service to Riyadh and Dammam cities. Moreover, an agreements have been signed with China Telecom Global to establish a new PoP in Jeddah Data Center. Furthermore, an agreement with Virgin Mobile SA has been signed to extend the MVNO services for another 6 years.

■ **Technology Unit**

stc's commitment towards the kingdom, vision 2030, its customers and citizens is clear and firm. stc's Technological Strategy is maintained to cater for effectiveness and efficiency and ensuring the sustainability of its technology leadership, and smartly over-delivering on its promise to its customers and shareholders' expectation which can be witnessed through the following achievements:

■ **Infrastructure:**

Quicken Infrastructure Modernization and simplification in a fast-changing environment from a market as well as technology trending perspective, through:

<p>+7,300K 5G sites deployed, including 900 sites to increase network capacity on (N40) scale, in 78 cities reaching 40.40% population coverage across the kingdom and connect 95% of all 5G sites with optic fibers.</p>	<p>Completed the first Global 1.2T/channel trial in stc DWDM optical network, this would help to increase network capacity and reduce capital and operational costs.</p>
<p>546 P2P fiber connectivity to support the Enterprise and Wholesale sectors demand. In addition to 53K FTTH Dwelling units to support Consumer sector.</p>	<p>Successfully tested Air to Ground (A2G) trail to provide broadband services on commercial airlines from Riyadh to Jeddah route.</p>
<p>+17% capacity added to expand transport network (IP/MPLS) to cater Mobile and Fixed traffic.</p>	<p>stc exclusively acquisitioned new frequency bands for (A2G) for civil aircraft broadband services and satellites mobile communications services.</p>
<p>In preparing for 3G shutdown, 15% of Mobile sites have been modernized to 4G for efficient utilization of spectrum resources as well as improving customer experience. Additionally, VoLTE capacity has been expanded by 53%.</p>	<p>75 (5G / LTE) sites have been deployed to cover NEOM project.</p>

Successfully completed 1st commercial engagement with SABIC on Edge computing domain with Edge DC within the premises of the Customer MEC.

Achieved 23 virtualized Network Function carrying live traffic to accelerate the physical network migration to Cloud platform.

Exceptional preparation of required infrastructure to support high quality services for Hajj & Umrah Season, and also supporting other significant events across the Kingdom (Riyadh season, Al Ula, and World Cup).

Achieved solar power installation in new DC Buildings (adopting green energy) with achieved target of 2500 KW by end of 2022.

Successful deployment for the vision submarine cable with 2 landing stations along the cable route.

753 Legacy nodes powered-off & dismantled to enhance the customer experience and save space and power.

stc Launched the world's first triple-frequency microwave link to provide speeds of up to 10G using a single antenna.

stc has obtained some excellence Awards in 2022, Telecom Review Excellence Award for "Best 5G User Growth", Middle East Technology Excellence Awards for Cloud networking Data Center Automation, and Glotel Prestigious award for Private Networks Perfection Non-public Mobile Networks/Private Campus

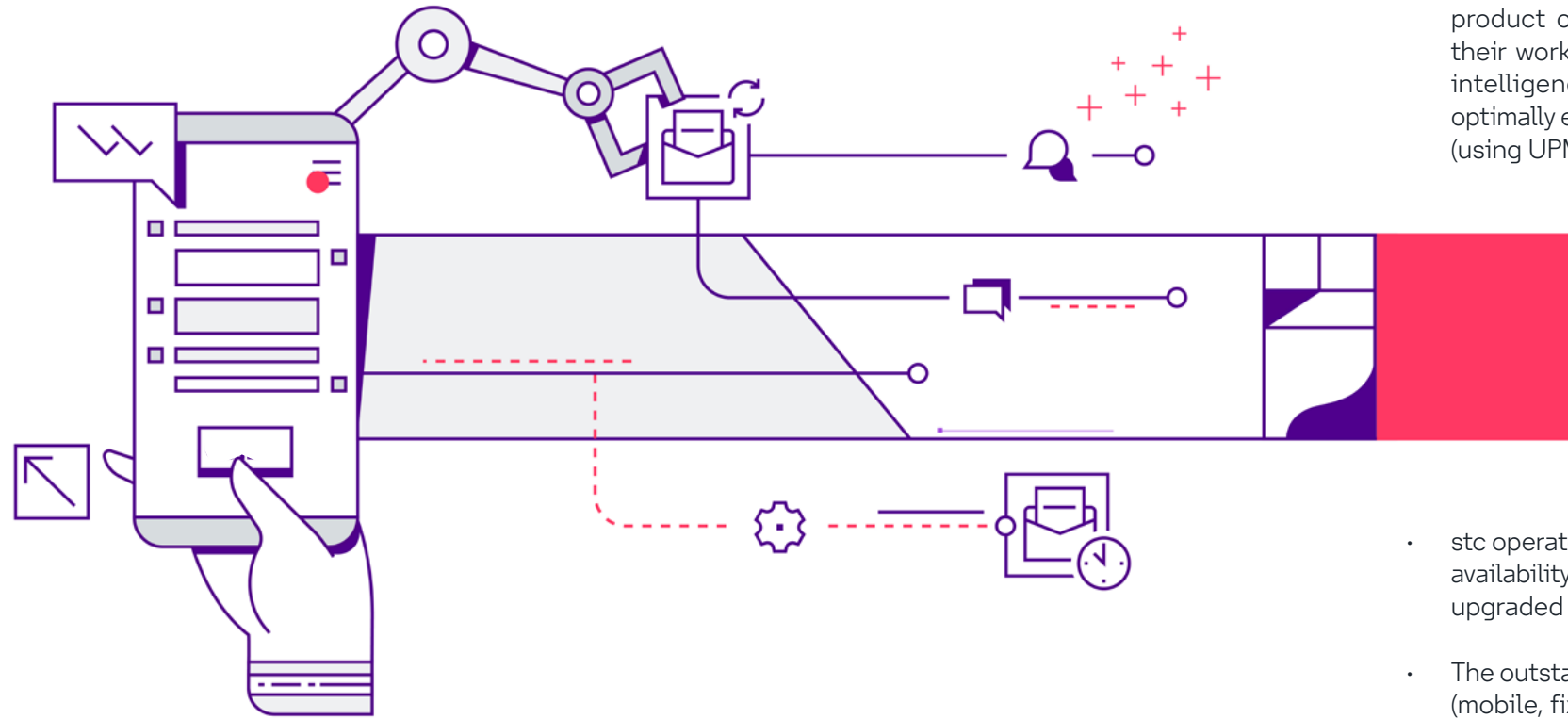
Middle-East's First Ever Long-Haul Microwave Link with height of 125 meter tower in Farasan Island, which spans over the sea by 52km with great efficiency which increased the total data capacity by 400% to enriching the customer experience.

Also, stc has been shortlisted in five excellence awards in 2022, Glotel Excellence Awards, for Best Operator- Enabling digital transformation in Saudi Arabia, NETWORK TRANSFORMATION AWARDS 2022, for 5G Service Excellence - 5G Carrier Aggregation.

Successfully constructed data centers in (eastern region, Riyadh and Jeddah) as first phase with 144 M/watt capacity.



■ **Operations & Technology Performance:**



stc's objective aims to develop and improve technical operations capabilities by focusing on performance results, operational processes calibration, resources skillset enhancement through trainings, processes reengineering digitization & automation, network risk mitigation, enhancement of network resilience & reliability, and business continuity in order to reach high efficiency, and contain disasters that might threaten stc's services towards the market. **All those resulted in huge performance improvements in 2022 which can be illustrated below:**

- Mobile network download median speed has increased significantly by 31% during 2022 as compared to 2021.
- stc maintained #1 ranking in the kingdom for Mobile download Speed.
- Achieved an increase in Mobile data volume by 21.4% in 2022 as compared to 2021.
- Achieved a considerable increase in HD voice services through 4G technology (VoLTE) by 22% in 2022 as compared to 2021.
- Achieved an increase in 5G data volume by 122.8% in 2022 as compared to 2021.
- Obtained Platinum Award for game mode from Communications, Space & Technology Commission (CST) during first half of 2022.

- stc was recognized by the Telecom Review organization as the receiver of the global excellence award for "the most innovative product or service in the Middle East" for their work in developing and using artificial intelligence to measure performance and optimally employ it throughout the Hajj season (using UPM tools).

- stc operates the Technical Facilities with high availability of 99.9%, with 117 Technical Facilities upgraded to host new technology.
- The outstanding performance of stc networks (mobile, fixed, data circuits) during Ramadan and Hajj seasons.
- Enhance the strategy critical systems solutions.
- Successfully installed over 167 circuits in major events such as Riyadh Seasons, Global Entrepreneurship Congress, Future Investment Initiative, Global Cyber Security and similar events.
- Obtained the first Recognition & Certification of stc with Saudi authority for intellectual property by designing a new ATB that had low loss which would improve signal at 60% of the FTTH customers.
- Quality Assurance improvement, where FTTH Quality improved by 8%, 23% increase in closing ticket KPIs within SLA, and 9% Partners (Suppliers & Contractors) Warehouse Quality improvements were achieved.

- Innovative solutions for Sand Stabilization Polymer: provided a solution to protect the cable from exposure, environmentally friendly use, support stc commitment to ESG, and enrich the local content.
- Innovative solutions for Pre-Cast Concrete Slap Solution, which reduced the cost by 25% and enhanced the customers' experience.
- stc has been awarded ISO 9001:2015 (Quality Management System) for the second year in a row.
- stc has received international certifications (ISO 9001: 2015, ISO 9004: 2018) related to data quality management and best practices which increases trust in AI applications built on stc data, and stc also received ISO 24028: 2020 certification related to AI trustworthiness, with stc being the first organization in Middle East to receive this certification.

■ Digital Transformation

Improving and developing capabilities and digital solutions to support business and enable new ways of work inspired by digital transformation, through:

- stc promoted innovation with local and international partners and Saudi talents by introducing novel ideas, prototype it and transform it to value such as 5G satellites services and AI applications.
- A partnership agreement with Oracle to modernize and rationalize the databases of business support systems to the Oracle cloud platform. This is hosted in stc's data centers, which allows flexibility in storing data with the highest security standards through consumption-based pricing model.

• Faster Time to Market:

reduce the average project processing time from budget announcement until PR issuance by

54%.

• Projects Awarding Efficiency:

Increase the awarding performance during the year compared to the previous year, by

60%

- Digitization: support decision making through digital command to track technology projects lifecycle in all its stages, which includes more than 300 major projects.
- Launched mystc auction, revamp mobility postpaid, migrated Intelligent network and launched our first digital service catalogue JAWWY.

- Focus on enabling major platforms/products such as smart cars platform for a major car manufacturer and SDWAN service, along with focusing on enterprise dynamics in launching platforms that will underlay the business model in the future such as IOT connectivity platform, market place and communication platform as a service.

- From smart energy use cases to full MVNO enablement, we launched smart meter M2M project and introduced smart revenue costing and margin.

- Driven by the war of talents, quick adaption to experience and meeting expectations of supply and demand we leveraged Software As-A-Service (SAAS), as a game changer to accelerate our HR system transformation resulting in reducing workforce planning time by 70%.

- stc converged all the streams toward a unified command center overlaying all the governance components.

- stc seeks to promote and accelerate culture of artificial intelligence adoption and building trust in data. It continues the development of artificial intelligence models while complying with national data regulations and governance ensuring the protection and privacy of stc's customers' data.

- The analytics strategy and data governance maturity measurement model were launched at stc Group level to take the lead in AI at regional level, as an extension of the dare 2.0 strategy and stc's transformation journey.

- More than 40 AI models have been developed to serve more than twenty entities, which include many of the Group's companies such as IoT squared, sirar and stc Play.

- Intellectual property rights of the Data Quality Health Index measurement product have been registered, which supports the concept of proactive data quality. It contributes to the success of internally developed artificial intelligence solutions.

- stc adopted sharing of AI expertise, its concepts , applications, framework and concepts of data governance through holding awareness workshops for Group companies, specialist development programs, and the InspireU business incubator program.

- stc continues its journey in developing its self-services to design and create reports and dashboards to serve all sectors, which increases operational efficiency and speed of response to commercial requirements.

- stc seeks to support many data initiatives for cultural change towards building institutional decisions based on a deep understanding of data to support and improve decision-making.

- AI models developed internally using various technologies were showcased through participation in many local and international events such as LEAP and the Global AI Summit.

- Building a unified system for data based on internationally approved communication data structure models that link all areas of services and products.

- **Increasing the technical capacity of the system by**

60%

in processing customers' data per second, and improving customers' service by expanding the fifth generation network.

- Modernizing the data analytics platform by adopting the capabilities of the new generation of analytical capabilities that contribute to improving multiple data storage technologies and accelerating the construction of machine learning and self-learning processes to be used to further raise the rate of customer satisfaction and improve operational efficiency.

- Building a unified system that facilitates access to analytical data in accordance with approved data governance controls.

- Building and developing a gaming environment and entertainment content in order to improve the quality of service and improve the customers' experience through a system that measures the quality of customers' experiences for fixed networks.



2- Subsidiaries (Local & International)

■ Cyber Security

stc has embarked various initiatives and implemented innovative solutions to protect its customers' data and elevated the maturity level of Cyber Security towards all stc Infrastructure and Services, through:

- Protect customers' Call, SMS, and internet browsing against external threats where on monthly average (3.9 M malicious SMS's are blocked, 5.83B connections to malicious sites are Blocked, 325 Hours Prevented Down Time from blocked denial of service attacks). Also stc has protected its brand by taking down 1,874 social media impersonations in 2022.
- stc promoted the Cyber security culture by conducting +25 awareness campaigns to the public through different channels such as Twitter, LinkedIn & Podcast. Additionally, we have built videos, which are published via gaming platforms for kids to make them cyber aware.
- stc continuously maintaining ISO27001:2013 Certification (Information Security Management System)
- stc has achieved a new certificate ISO27032:2012 Certification (Information technology Security techniques Guidelines for cybersecurity)
- stc is the 1st Saudi national company to achieve CREST accreditation for Cybersecurity penetration test services and FIRST (global forum for Incident Response) member and acts as a certifier for other organizations.
- stc is actively contributing in GSMA roaming and interconnect fraud security sub-group RIFS to secure roaming voice calls, also it became a member of GMSA T-ISAC committee which has only 8 members worldwide. This committee is considered as central hub of information sharing for the Telecommunication Industry.
- stc in its drive to innovate, has collaborated and published various white papers sharing its innovations with the world, These publications include; (A white paper in collaboration with Boston Consulting Group (BCG) outlining how to turn a Cyber Security strategy into a reality, elevate & maintain organizations maturity to desired level), (A white paper in collaboration with Huawei outlining the emerging security challenges being faced by artificial intelligence from misuse, data theft and potential attacks and provided recommendations to secure the AI ecosystem), (A white paper published via GSMA on an innovative approach for securing roaming subscribers).
- Started Cyber Security Hackathon to promote innovation and enhance collaboration among the cyber security talent across stc Group.

Name of subsidiary	Country of incorporation	shareholding percentage	
		31 December 2022	31 December 2021
Arabian Internet and Communications Services Company (SOLUTIONS)	Kingdom of Saudi Arabia	80%	80%
Telecommunications Towers Company (TAWAL)	Kingdom of Saudi Arabia	100%	100%
Saudi Telecom Channels Company (Channels)	Kingdom of Saudi Arabia	100%	100%
stc Bank	Kingdom of Saudi Arabia	85%	85%
Digital Centers for Data and Telecommunications Company (Center3)	Kingdom of Saudi Arabia	100%	-
Advanced Technology and Cybersecurity Company (sirar)	Kingdom of Saudi Arabia	100%	100%
Internet of Things Information Technology Company (IoT squared)	Kingdom of Saudi Arabia	50%	-
General Cloud Computing Company for Information Technology (SCCC)	Kingdom of Saudi Arabia	55%	-
Public Telecommunication Company (Specialized)	Kingdom of Saudi Arabia	100%	100%
Gulf Digital Media Model Company Ltd (GDMM) (Intigral)	Kingdom of Saudi Arabia	100%	100%
Aqalat Limited Company (Aqalat)	Kingdom of Saudi Arabia	100%	100%
Telecom Commercial Investment Company Limited (TCIC)	Kingdom of Saudi Arabia	100%	100%
Smart Zone Real Estate Company	Kingdom of Saudi Arabia	100%	100%
Innovation Fund Investment Company	Kingdom of Saudi Arabia	100%	100%
stc Bahrain BSC (c) (stc Bahrain)	Kingdom of Bahrain	100%	100%
Kuwait Telecommunications Company (stc Kuwait)	Kuwait	51.8%	51.8%
stc Asia Telecom Holding Ltd (stc Asia)	British Virgin Islands	100%	100%
stc Turkey Holding Ltd (stc Turkey)	British Virgin Islands	100%	100%
stc Gulf Investment Holding (stc Gulf)	Kingdom of Bahrain	100%	100%
stc GCC Cables System W.L.L. (stc GCC)	Kingdom of Bahrain	100%	100%

Local Subsidiaries:

Arabian Internet and Communications Services Company (SOLUTIONS)

Arabian Internet and Communications Services Company (SOLUTIONS) was established in April 2002 and is engaged in providing internet services, operation of communications projects and transmission and processing of information in the Saudi market. Its head office is located in the Kingdom and it fulfills its operational activity in the Kingdom. In December 2007, stc acquired all the shares in the capital of SOLUTIONS, **as the capital of SOLUTIONS amounted to**

SAR 1,200 million
as of 31 December 2022

In September 2021, stc completed the initial public offering "IPO" for 20% of its shareholding in SOLUTIONS in the Saudi Stock Market and 1% of the share capital of SOLUTIONS was allocated to be granted as part of its own employees' long-term incentive plan (For more details, see note 46-2 in the annual financial statements).

SOLUTIONS is the leading enabler of digital transformation in the Kingdom, and the number one ICT service provider for public and private entities. SOLUTIONS provides end-to-end, integrated IT services and solutions to its customers, offering a one-stop-shop approach across the IT value chain, encompassing core ICT services, IT managed and operational services, and digital services. The Company's growth strategy is in line with the Kingdom's Vision 2030. As a frontrunner in the ICT industry within the Kingdom, SOLUTIONS has its sights set on growth. Whether it is further expansion and better integration of offerings and services portfolio or building new capabilities.

Company's strategy:

Since its inception, SOLUTIONS has been guided by strategies that have taken into account the business context, the solid relationships built with the parent company "stc", our shareholders, and our growing partnership ecosystem. In context of the dynamic and evolving market, SOLUTIONS has a living strategy which evolves and realigns continuously with the changes in the market, while always considering the maximum value creation for its stakeholders.

Today, SOLUTIONS is in the "stable growth with strong profitability" era of our strategic journey. Its strategy is to increase market share and maximize shareholders value by focusing on high growth segments and categories, by expanding our portfolio and market reach, by enhancing customer experience, and developing and attracting the best talent. These goals are propelled by the objectives set forth in our LEAP strategy.

SOLUTIONS believes in being ahead of the curve, constantly innovating and being in tune with our customers' needs. As it ventures forward, it hopes to be recognized as a company that is enabling technology and the aspirations of those who become part of our network. SOLUTIONS aims to grow sustainably, by establishing more fruitful partnerships, diversifying its portfolio, and improving its internal processes.

Operational/Business highlights:

The services that SOLUTIONS offers:

SOLUTIONS's offerings fall under three broad categories and address the end-to-end IT needs of public and private enterprises across the Kingdom.

1. Core ICT services – system integration, communication and internet.

System integration services cover the needs across the value chain of enterprises enabled by its strong local and global partnership ecosystem. These services include advisory, design, implementation and integration of networks, infrastructure and applications offered through customized engagement models to its customers.

Communication and Internet services provide high-end connectivity needs of enterprises within cities and remote locations by providing dedicated, secured and high-quality business internet and satellite services.

2. IT managed services and business process outsourcing (BPO) – managed services and outsourcing services.

Managed services include end-to-end management of business networks and systems with the capability to deliver customized managed services projects to serve the individual needs of customers, which help them grow and improve their businesses.

SOLUTIONS creates added value by increasing efficiency, providing better services, improving operations, and monitoring and resolving problems where SOLUTIONS is responsible for managing the components of our customers' technical infrastructure such as network and server infrastructure, data storage, account and printer management and application infrastructure management.

SOLUTIONS also provides Business Outsourcing services to customers on their behalf in the domains of HR, customer care, and other shared services. The services benefit from technology and automation to optimize the outcome. The Company partners with customers using different business models to deliver the services. This business segment has strong momentum given the focused efforts by the Saudi government towards privatization in line with the Saudi Vision 2030.

3. Digital services – cloud services, digital services, and cybersecurity integration.

Cloud services include the full spectrum of data center and cloud services including co-location, private and public cloud, infrastructure as a service ("IaaS"), platform as a service ("PaaS") and software as a service ("SaaS"), as well as cloud professional services.

Digital services consist of solutions to connect, monitor, and analyze machines/devices data for

informed and effective decisions, and redesigning how businesses are conducted to enhance customer experience – these include but are not limited to application services and IoT offerings.

Cybersecurity Integration provides security services covering all stages of the IT value chain, including planning, design, implementation and project management of technical solutions that cater to enterprises' specific security needs.

Achievements highlights:

Giza Acquisition:

The acquisition, which is the first of its kind, marks the leading role of SOLUTIONS in enabling digital transformation in Saudi Arabia in line with Vision 2030, **where Saudi Arabia aims to increase the contribution of the Information Technology and Communications sector towards national GDP to reach**

USD 13.3 billion
and the development of the sector by 50% by 2030

The transaction started in April 2022 with an announcement on Tadawul about the signing of a binding offer for acquiring 88.19% of Giza Systems Company and 34% of its subsidiary Giza Arabian Systems Ltd. and was successfully completed in October 2022, and the value of the acquisition amounted to USD 124.2 million (equivalent to SAR 465.6 million), as the first M&A activity by SOLUTIONS since the IPO.

This deal represents an important step towards implementing the ambitious growth strategy set forth by stc Group to expand into new markets and business lines, and to invest in promising business opportunities, as a result of the increased demand for communications and information technology services in the region.

Acquisition of Contact Centers Company (CCC):

During the fourth quarter of 2022, SOLUTIONS has signed a binding offer with stc and ESM Holding Company, LLC, to acquire all of their shares in Contact Centers Company (CCC). The total value of (CCC) has been determined at SAR 450 million (100% of company's value net of cash and debt balances). On 11 January 2023, the sale and purchase agreement has been signed 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-GAC (approved on 05/03/2023), as well as other regulatory and commercial conditions.

Key sectors:

SOLUTIONS with its wide array of offerings is targeting all public and private sectors to add value to their businesses. Some sectors where SOLUTIONS has extensive experience and value addition are education, real estate, banking, oil & gas, healthcare, telecom, government, large enterprises, and small & medium enterprises.

SOLUTIONS Subsidiaries:

Affiliate name	Capital	Company's Ownership Percentage	Main Scope of Business	Country of Operation	Country of Incorporation
stcs for IT	SAR 262,500		The principal activities of the subsidiary are concentrated in the information technology and communication industry domain. The products of the subsidiary involve design and development of electronics and data centers, outsourcing activities, software, application and database development, technological education, and digitization activities.	Egypt	Egypt
SANAD	SAR 5,000,000	100%	SANAD is one of Saudi Arabia's leading, growing and innovative enterprises, which develops a business executive / advisory and support platform that offers a wide range of quality and reliable services to organizations, leaders and entrepreneurs of all sizes and types of business. Represented mainly in: <ul style="list-style-type: none"> Transformation & Turnaround Investment Projects Management & epresentation Consulting Projects Executives C-Level Search Enabling Technology 	Kingdom of Saudi Arabia	Kingdom of Saudi Arabia
Giza Systems	SAR 18,050,580	88.19%	Giza Systems a leading systems integrator in the MEA region, designs and deploys industry-specific technology solutions for asset-intensive industries such as the telecoms, utilities, oil and gas, hospitality and real estate among other market sectors. Help clients streamline their operations and businesses through our portfolio of solutions, managed services, and consultancy practice.	Egypt Kingdom of Saudi Arabia United Arab Emirates Qatar Kenya Tanzania Uganda Nigeria	Egypt

Telecommunications Towers Company (TAWAL)

In January 2018, stc established Telecommunications Towers Company (TAWAL) a closed joint stock company- with a share capital of SAR 2,500 million wholly owned by stc. Its head office is located in the Kingdom and it fulfills its operational activity in the Kingdom. TAWAL is responsible for owning, constructing, operating, leasing and commercializing telecom towers in the Kingdom.

TAWAL started its commercial operation on April 2019 to provide ICT Infrastructure Services. Moreover, TAWAL is also licensed by Communications, Space & Technology Commission (CST) to provide Class A (Towers and Masts) and Class B (Indoor Solution – IBS) ICT Infrastructure Services.

TAWAL is considered the region's largest telecommunication tower company with a portfolio of more than 16,000 telecom towers distributed across the Kingdom of Saudi Arabia. TAWAL also provides other adjacent ICT infrastructure services e.g. In-Building-Solutions, and Fiber-To-The-Tower re-selling.

During October 2022, stc received a non-binding offer from the Public Investment Fund (PIF) to acquire 51% of the shares of TAWAL, while stc will maintain 49% of the shares of TAWAL. TAWAL was valued at SAR 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.

Company's strategy:

TAWAL's strategy focuses around strengthening its core proposition while commercializing adjacent products to become a one-stop-shop, expanding beyond the home market and becoming a regional infra services provider while enriching customer experience.

Operational/Business highlights:

In 2022, TAWAL built +120 new towers and also helped in the roll-out of 5G services. Furthermore, TAWAL enabled colocations of other licensed operators on +500 towers, and due to the increased number of colocations, TAWAL was able to further improve its tower tenancy ratio from 1.16 in 2021 to 1.19 in 2022. TAWAL was also successful in signing 28 site deals with its IBS clients.

TAWAL was able to maintain 99.9% services availability at all locations and to all operators in 2022. During the peak days of the 2022 hajj season, TAWAL maintained infrastructure services at PIN availability of 99.99% at all owned sites in Mecca which resulted in a positive impact at operators' level.

Achievements highlights:

Since its inception, TAWAL has achieved several key milestones by leveraging its vast telecom tower network and realizing operational efficiencies.

- Signed a Master Services Agreement (MSA) with all key licensed operators in the Kingdom i.e. stc, Mobily, and Zain, Salam and Atheeb.
- Closed its first international transaction by acquiring a 100% stake in AWAL telecom (a telecom tower operator in Pakistan).
- Rated amongst the Best Workplaces in KSA™ 2022 by GPTW in the Small & Medium Organizations category.



■ Saudi Telecom Channels Company (Channels)

Saudi Telecom Channels Company (Channels) was established in the Kingdom in January 2008 with the purpose of operating in the wholesale and retail trade of recharge card services, telecommunication equipment and devices, computer services, sale and re-sale of all fixed and mobile telecommunication services, and commercial centers' maintenance and operation. Channels operates in Saudi Market, its head office is located in the Kingdom, and it fulfills its operational activity in the Kingdom, Bahrain, Oman, and Kuwait through its subsidiaries in Bahrain, Oman, and Kuwait who are working in the same field. stc owns 100% of Channels capital, amounting to SAR 100 million.

Channels was established as the sales and distribution arm of stc. Since then, Channels has evolved into a leading regional sales and distribution company covering telco retail, field sales and distribution, consumer electronics retail and distribution, and last mile delivery for e-commerce players. Recently, Channels has been focused on monetizing its capabilities beyond serving the Commercial unit in order to achieve an additional revenue stream. For instance, Channels has been active on

1. exporting its expertise and expanding its operations to cover regional markets such as Oman, Bahrain and Kuwait
2. expanding its distribution clients base beyond the Commercial unit in the Kingdom,
3. going-to-market thru dal service for last mile delivery (third party logistics).

Company's strategy:

Channels's strategy spans over 5 key themes:

1. Enable stc's Core Services Growth

Gear efforts across sales channels in KSA to capture growing telco segments and maintain broadband leadership.

2. Extract Maximum Value from Core Channels

Capitalize on core channels to enhance sales and profitability, and maximize asset utilization while delivering world-class customer experience across the value chain (e.g., repurpose large retail store to experience centers, improve digital channels monetization).

3. Capture Growth Opportunities

Achieve diversification and expand offerings by monetizing superior capabilities and capturing growth opportunities such as B2B telco sales and last mile delivery.

4. Enable Organizational and Operational Capabilities

Develop best in class organizational and operational capabilities to sustain channels' ambitions (e.g., elevate business intelligence and analytics).

5. Lead in International Markets

Spur channels international subsidiaries' growth by leveraging Group capabilities and learnings from KSA to become market leaders (e.g., setup new sales channels in subsidiaries).

■ stc Bank

In November 2017, Saudi Digital Payments Company (stc Bank) - a closed joint stock company- was established and its main activity is to provide digital payments services.

During the year 2020, Saudi Central Bank licensed Saudi Digital Payments Company (stc Bank) as an electronic wallet company. Its head office is located in the Kingdom and it fulfills its operational activity in the Kingdom.

In November 2020, stc signed an agreement with Western Union (WU) to sell 15% of stc's share in Saudi Digital Payments Company (stc Bank) for a total amount of

SAR 750 million
(equivalent to USD 200 million), and currently stc owns 85% of the capital of Saudi Digital Payments Company (stc Bank).

During the year 2021, the Council of Ministers approved granting Saudi Digital Payments Company (stc Bank) a digital banking services license to become a digital bank with a share capital of SAR 2.5 billion.

Company's strategy:

stc is undergoing a transformation journey towards becoming the leading digital bank in KSA.

stc Bank's strategic aspiration is to become a pioneer in digital financial services and banking by offering unique tailored propositions to its customers through innovative digital channels & customer journeys.

Operational/Business highlights:

stc Bank has made much progress across its Transformation Program pillars with the core focus on the readiness of the bank's go live date. Many fundamental objectives of the transformation programs have been realized across systems, products, and functions.

In addition, stc Bank has achieved the following YoY growth rates across some of the major operational metrics since the beginning of the year

10% | Growth in App. Downloads.

42% | Growth in Active 180 days.

43% | Growth in Cash-In Volumes.

130% | Growth in Total Transactions Processed.

14% | Growth in # of Cards.

218% | Growth in Peer to Peer Transactions.

11% | Growth in International Remittance Transactions.

Achievements highlights:

- **Silver award:** From Ministry of commerce, the year banking changed forever in KSA.
- **Silver award:** lead generation/ direct response/ conversions the year banking changed forever in KSA.

■ Digital Centers for Data and Telecommunications Company (Center3)

Digital Centers for Data and Telecommunications Company (Center3) –a limited liability company was established in February 2022 with a capital of SAR 100 million, wholly owned by stc, with the purpose of providing services related to big data, data analytics and cloud computing. Its main center is located in the Kingdom and it carries out its operational activities in the Kingdom.

Center3 is the result of stc Group's vision, where stc believes the Kingdom of Saudi Arabia will be the heart of all international data connectivity crossing and connecting three continents (Europe, Asia and Africa) and a data center hub for the MENA region. Center3 provides a one-stop-shop to its customers for their hosting and connectivity requirements in the MENA region. By realizing internal efficiencies, driving economies of scale, and focusing on cost efficiency, center3 aims to become the regional data hub for all data center hosting and connectivity services.

Company's strategy:

center3's "PRIME" Strategy will focus on key strategic themes to pursue solid customer engagement models and commercial foundations, building long term partnerships, and re-imagine the data hub commercial proposition by developing a one-stop-shop services catalogue and providing a world class service. In addition, center3 will invest in expanding asset portfolio in KSA and abroad.

Operational/Business highlights:

Center3's will contribute in localizing content and services through investments provided by the Group to these multiple centers, which have a capacity and DC access of up to 125 MW to be raised to 300 MW according to the plan being developed by stc Group.

■ Advanced Technology and Cyber Security Company (sirar)

In November 2020, stc established Advanced Technology and Cyber Security Company (sirar) –a limited liability company- with share capital of SAR 250 million as of 31 December 2022 (2021: SAR 120 million) wholly owned by stc, to provide cybersecurity services and its head office is located in the Kingdom and it fulfills its operational activity in the Kingdom.

sirar is the ICT and digital services provider in the Kingdom. As an experts in business security and privacy, it offers a comprehensive range of solutions that help to operate online safely, securely, and efficiently. The tools sirar provides help customers detect and prevent cybersecurity attacks, safeguarding their digital future, and providing shield and secure.

Company's strategy:

sirar's strategy is STORM which stands for Shape, Transform, occupy, retain and model.

STORM exists to develop world-class leading edge cyber solutions and capabilities with a purpose to economic and physical critical infrastructure and services of our customers in the kingdom and Middle East region.

Achievements highlights:

- TVTC license through the second option by establishing a new branch for training purposes.
- Collaboration with NCA in hiring graduates from their program participation in NCA regulations feedback.
- Local content certification from the Local Content & Government Procurement Authority.
- Award from FortiNet as "MSSP Preferred Partner of the Year 2022".
- Patent of Athar, an in-house product that prevents data leakage.

- Award from Global Business Outlook as the Most Innovative Cybersecurity Solutions Provider, 2022.
- Certified for the best working environment from "A Great Place to Work".
- Most Innovative cybersecurity brand award in Saudi Arabia from Global Brands Magazine.
- Signing 40 partnerships in 2022, bringing the total number of partnerships signed to 90.
- 15+ agreements signed in Black Hat in 2022 while being a strategic sponsor of this year's event.
- Launching (8) new cyper products and services.
- Certified in Quality Management System ISO9001:2015.
- Obtained more than 300 technical certifications in cybersecurity.

■ Internet of Things Information Technology Company (IoT squared)

Internet of Things Information Technology Company (IoT squared) a limited liability company was established in May 2022 in partnership between stc and Public Investment Fund with 50% share for each party, and a capital of SAR 492 million, stc is accounting for this entity as a subsidiary as it has the right to appoint the majority of board of directors and key management personnel. The establishment of IoT squared is a step aimed at establishing the first entity of its kind specialized in IoT technologies. Its head office is located in the Kingdom and it fulfills its operational activity in the Kingdom.

IoT squared is positioned to be a regional hub for the Internet of Things in the Middle East and North Africa, bearing the objective to accelerate the adoption of IoT technologies. Internet of things has been identified in stc's "DARE 2.0" strategy among the strategic areas of investment, which aligns with Saudi Arabia's digital transformation initiatives.

IoT squared will offer smart solutions different sectors including manufacturing, logistics, and smart cities as it aims to become a "one-stop-shop" for IoT solutions. IoT squared plans to support these sectors in achieving growth and operational excellence as well as stimulate research and development in the Kingdom of Saudi Arabia.

Local market studies indicate vast growth in the size of the IoT market in the Kingdom to potentially reach

SAR 10.8 billion

by 2025 with an annual growth rate of %12.8 which promotes investment opportunities in the sector.

Company's strategy:

IoT squared's vision is to unlock the value of connected things", with a mission to provide organizations with real-time insights for critical decision making and intelligent operations". IoT squared's strategy is to be a product, platform and services focused company acting as a one-stop-shop for end-to-end IoT use-cases, in the logistics, industrial and smart city verticals.

Achievements highlights:

- Engaged with multiple high-profile customers in strategic industries including logistics, manufacturing and public sectors to accelerate the adoption of smart IoT solutions.
- Signed multiple MoUs and strategic partnership agreements with key global and local partners to localize technology development and delivery in the field of IoT.
- Signed agreements with Academy from stc and Saudi Digital Academy to enable development of local talents in the field of IoT.
- Launched 5G/IoT Boot Camp with Saudi Digital Academy to support the development of building national capabilities and support the job creation in the field of IoT and its applications.
- Developed and delivered successful pilots and demos with key customers.
- Obtained essential IoT licenses to operate and provide services.

■ General Cloud Computing Company for Information Technology (SCCC)

In November 2020, stc established Advanced The General Cloud Computing Company for Information Technology (SCCC) – a limited liability company- was established in May 2022 with a capital of SAR 894 million, in partnership with eWTP Arabia Technology Innovation Limited Company (eWTPA), Alibaba (Singapore) Private Limited (Alibaba Cloud), Saudi Company for Artificial Intelligence (SCAI), and Saudi Information Technology Company (SITE). stc owns 55% of the company's capital, and the main purpose of establishing the company is to provide cloud computing services and products, and its main center is located in the Kingdom and it fulfills its operational activity in the Kingdom . (For more details, see note 32-1 in the annual financial statements).

Company's strategy:

- ▶ • Help customers enjoy the leading global cloud technology and services.
- ▶ • Become the de-facto Cloud Services Platform in MENA.
- ▶ • Provide specialized vertical industrial solutions.
- ▶ • Build a robust Sustainable Eco System.

■ Public Telecommunications Company (Specialized)

Public Telecommunications Company (Specialized) was established in February 2002. stc acquired 100% of the SAR 252 million share capital in January 2014. Specialized operates in the electrical business and communication networks, wholesale and retail trade in fixed telecommunications equipment, electrical appliances, import, marketing, installation and maintenance of fixed and mobile telecommunications and information technology licensed devices. Its head office is located in the Kingdom and it fulfills its operational activity in the Kingdom.

Specialized is the leading provider of cutting edge technological solutions and services to all businesses for critical and mission critical communications users within Saudi Arabia. Specialized aims to contribute actively in achieving the goals of the Kingdom's Vision 2030. The company aims to do this by providing advanced, differentiated and specialized services particularly in health, transportation, education, security and defense sectors.

Company's strategy:

Specialized's vision is to be the trusted partner of critical communications, services and innovative solutions. The company's strategy is to focus on the following 4 dimensions:

- Broad Critical Communications Offering: Offering PTT services (TETRA, PTT App over LTE).
- Emerging Technologies: Offering emerging technologies related to critical communication, such as; safety & security solutions, satellite communications & crisis management.
- Integrated Critical Communications Services: Offering integrated services such as control rooms, managed services.
- Secured Services and Solutions: Assuring reliability and security of products and solutions.

Operational/Business achievements:

Below are the main operational achievements during 2022:

- **Platform enhancement:**
 - Migration to new PTT and transfer subscribers to it, and achieved major enhancements to cybersecurity platforms.
- **Hajj season:**
 - Successful season with strong returns from PTT products and services.
 - Unique and dedicated services for pilgrims.
- **Others:**
 - Obtained contractor classification (2nd grade) from Saudi Arabia's National Unified Portal for Government Services.
 - Obtained GMPCS license for satellite services from CST.
 - Specialized have successfully renewed the local content certificate.



■ Gulf Digital Media Model Company Ltd (GDMM-Intigral)

Gulf Digital Media Model Company Ltd (GDMM-Intigral) -a limited liability company- was established in March 2002 with a capital of SAR 811 million with the purpose of providing broadcasting and media production services. Its head office is located in the Kingdom and it fulfills its operational activities in the Kingdom. Intigral is stc's digital media arm and manages the two brands of stc's digital media streaming platform: stc tv and Jawwy TV. stc tv is the brand pushed in markets with stc telco presence (i.e., KSA, Bahrain and Kuwait) while Jawwy TV is pushed in other MENA markets (e.g., Oman, UAE, Egypt, Tunis, etc.) Until recently, Jawwy TV was stc's sole digital media brand and it focused on content production and content aggregation directly from producers.

In parallel to the launch of stc tv brand, Intigral's strategy was refreshed to focus on becoming a one-stop-shop for all consumers' content needs by aggregating other leading aggregators' content through a single sign-on and single-bill platform in order to leverage cross-platform analytics for recommendations.

Moving forward, Intigral aims to house MENA's preferred one-stop-shop digital media streaming platform, **creating value for stc's shareholders through**

1. direct subscription revenues,
2. indirect benefits generated through bundling with core telco services (e.g., multi-play plans improving retention, sales, etc.) and
3. incremental enterprise value.

Company's strategy:

Intigral's strategy revolves around pushing on the experience play and regional expansion of its one-stop-shop digital media streaming platform:

■ Double Down on Content Aggregation

Refocus on content aggregation and platform offering and experience, to become the aggregator of aggregators.

■ Establish Foothold in KSA

Leverage stc's reach and consumer relations to further establish a solid position in KSA and stc's work regions.

■ Expand Distribution and Regional Focus

Expand distribution channels in KSA and the region through partnerships with stc's subsidiaries and other channels to become the preferred aggregator in MENA.

■ Enhance Operational Efficiency

Improve operational efficiency, optimizing cost and product performance, by leveraging advanced data analytics, informed decision making and adopting new ways of working.

■ Aqalat Limited Company (Aqalat)

Aqalat Limited Company (Aqalat) was established in March 2013 with a total share capital of SAR 70 million, wholly owned by stc, for the purpose of establishing, owning, investing, managing of real estate and contracting, and providing consulting services, and importing and exporting services to the benefit of stc, and achieving dare strategic goals to make optimal utilization of assets. It is headquartered in the Kingdom and carries out its operational activities in the Kingdom.

Company's strategy:

Aqalat's strategy is based on maximizing stc Group's returns by developing real estate projects based on stc's assets, leasing and selling non-core real estate assets, after converting land uses from service facilities to mixed-use investment lands.

Operational/Business highlights:

Aqalat accelerated the construction work on stc Square project, resulting in a completion rate that exceeded the project's planned timeline. Additionally, Aqalat signed a memorandum of understanding (MOU) with DUR to build a unique hotel in stc Square project that would use cutting-edge technology in construction. It is worth mentioning that Aqalat has begun the pre-leasing process for offices in stc Square project and initiated advanced discussions with potential partners for the operation of the entertainment portion of stc Square project. Further, Investment studies have been conducted and potential lands for investment for the upcoming period were prepared through conversion of land use in preparation for the implementation during the next year.

Achievements highlights:

Aqalat has achieved several key achievements during 2022. Aqalat has achieved the highest Local Content Score across all stc's subsidiaries in 2021, which approved by the Local Content and Government Procurement Authority (LCGPA).

This led to strengthening stc's profile as one of the leading national companies contributing to 2030 Vision. Aqalat has also been qualified as a real estate developer by the Ministry of Housing.

■ Telecom Commercial Investment Company Limited (TCIC)

Telecom Commercial Investment Company Limited (TCIC) was established in October 2007 with a capital of SAR 1 million wholly owned by stc with the purpose of operating and maintaining telecommunication networks, organizing computer systems' networks and internet networks, maintenance, operation and installation of telecommunication and information technology systems and programs in the Saudi market. Its head office is located in the Kingdom and it fulfills its operational activity in the Kingdom.

■ Smart Zone Real Estate Company

In September 2019, stc has established Smart Zone Real Estate Company -a limited liability company- with a share capital of approximately SAR 312 million as of 31 December 2022 (2021: SAR 107 million) wholly owned by stc, with the purpose of development, financing and management of real estate projects, the establishment of facilities, complexes, commercial, office and residential buildings. Its head office is located in the Kingdom and it fulfills its operational activity in the Kingdom.

■ The Innovation Fund Investment Company

In August 2021, stc has established the Innovation Fund Investment Company -a limited liability company- with a total capital of SAR 56.2 million, with the purpose of providing administrative services and IT and telecommunication support. Its head office is located in the Kingdom and it fulfills its operational activity in the Kingdom.

■ International Subsidiaries

■ stc Bahrain Company (stc Bahrain) – Kingdom of Bahrain

stc Bahrain Company (stc Bahrain) was established in February 2009 with a capital of BD 75 million, and it is wholly owned by stc. stc Bahrain provides all mobile telecommunication services, international telecommunications, broadband and other related services in the Bahraini market. Its head office is located in Bahrain and it fulfills its operational activity in Bahrain.

Company's strategy:

stc Bahrain went through multiple phases of strategic evolution and successfully evolved into a converged digital service provider in multiple fields, and recently has launched "LEAD" strategy to enhance sustainability and growth.

Operational/Business highlights:

- stc Bahrain also boasts owning one of the largest and most diversified sales and payment networks of customer touch points in Bahrain. This includes a comprehensive retail network, a user-friendly web portal, 24 retail outlets and over 700 payment channels in addition to a distribution channel with over 3700 outlets spread across the country.
- stc Bahrain signed a strategic partner agreement with Microsoft and Crayon to offer Microsoft services portfolio to its business customers (Cloud and Managed Services).
- stc Bahrain has become the market leader with 41% revenue market share while focusing on digital services and innovation, locally and regionally. Non-core revenue witnessed highest growth supported by stc bank, in addition to continued growth in consumer segment.
- stc Bahrain has the fastest CSAT growth vs. other Bahrain MNOs in 2022.

Achievements highlights:

- stc Bahrain has been honored for its customer-centric approach and was awarded for 'Best Customer Experience Strategy' at the Telecoms World Middle East Awards. Additionally, stc Bahrain has also been recognized with the "Best Customer Experience Management Loyalty Program" award at the Middle East Call Centre Awards for the successful structuring and alignment of its Call Centre to continue providing exceptional customer service. The company has also received awards for its innovative customer-centric approach and world-class service at the prestigious SAMENA annual summit.
- stc Bahrain strengthened its position in the market throughout core services, digital services as fintech, insuretech and infrastructure.
- stc Bahrain achieved progress in the network expansion plan by launching the largest project to modernize the network since its establishment and enhanced the coverage of 5G technology, stc Bahrain also obtained two financial technology licenses from the Central Bank of Bahrain.

■ Kuwait Telecommunication Company (stc Kuwait) – Kuwait

In July 2008, Kuwait Telecommunication Company (stc Kuwait) was established for the purpose of providing mobile services in the Kuwaiti market. stc owns 51.8% of stc Kuwait's capital for an amount of KD 100 million as of 31 December 2022 (2021:KD 50 million), and was listed as a joint stock company on the Kuwait Stock Exchange on 14 December 2014. It's head office is located in Kuwait and it fulfills its operational activity in Kuwait.

In April 2022, stc Kuwait completed the acquisition process of the entire share capital of the Electronic Portal Holding Company K.S.C. (E-portal), specialized in the field of communications and information technology in Kuwait, which is one of the most prominent ICT providers in this field, and the value of the acquisition amounted to KD 22 million (equivalent to SAR 270.5 million).

Company's strategy:

stc Kuwait ensured enhancing its position as a digital pioneer through the implementation of its "AHEAD" strategy and building on its current initiatives aimed at enabling the digital transformation in Kuwait. Whereby, the foundations of AHEAD are centered on customer centricity, technology leadership, capture growth opportunities and leverage on the stc Group capabilities. In this regard, the acquisition of E-Portal in Q2-2022 has been a key milestone in achieving this leadership position, and is expected to support stc Kuwait's future business expansion strategy.

Over the past three years, stc was keen to drive stc Kuwait on its path to market leadership during the most difficult global conditions caused by the COVID-19 crisis. stc Kuwait has also successfully optimized its operations, invested in developing the largest 5G network in Kuwait and enhanced its digital channels to provide its customers with an unrivalled experience.

By completing a transformation journey that started in 2019 with the strategy AHEAD, in 2022 stc Kuwait has defined a new Corporate Strategy "LEAD" with the ambition of propelling stc Kuwait future on its path to market leadership. stc Kuwait aspires to LEAD the Kuwait telco and ICT market by offering innovative services, growing priority segments and deploying an efficient and digital operating model.

The LEAD strategy is built upon the following four strategic pillars:

- Lift the core services.
- Expand ICT business in scale and scope.
- Accelerate innovation.
- Deploy an efficient and digital operating model.

Operational/Business highlights:

Driven by the strong performance of stc’s Kuwait individual sector and the huge support of its ICT and business solutions subsidiaries, stc Kuwait relied heavily on refining its digital transformation strategy to keep up with the latest developments in the telecommunications industry and excel in the service offerings. This was followed by offering various offers and services with the highest quality aimed at satisfying stc Kuwait’s individual and enterprise sectors.

stc Kuwait is keen on being the pioneer in the telecommunications industry which helped the Company in building its strong position and solid reputation in a highly competitive industry. Hence, stc Kuwait is committed to exceed the expectations of its customers in the B2B and B2C sectors propelled by the robust recent developments and huge demand on the ICT services beside the traditional telecommunications services. Accordingly, stc Kuwait will always thrive to seize all future opportunities that may arise in the field based on the continuous and unexpected changes in consumer taste.

Achievements highlights:

stc Kuwait has succeeded in attracting the private sector investments, driving the economy and repositioning the telecom market as one of the most vital and active sectors in the evolution of global technology. stc Kuwait has also extended its services to provide the best wireless coverage in Kuwait, and thus, played a key role in improving the nation’s urban infrastructure.

Since 2008, stc Kuwait’s accomplishments have transformed the Kuwaiti telecom market, including changing wireless pricing models and fees. In 2016, stc entered the International Telecommunications Union (ITU). In 2018, stc Kuwait became the first network, in the MENA region, to offer its customers the 5G service.

stc Kuwait has invested in building the most advanced network, and proudly owns the largest number of sites covered by the 5G service in Kuwait. In 2021, stc was the first operator in Kuwait to launch the latest 5G Standalone technology dubbed ‘FULL 5G’ that brings the 5G experience to a new level with better speeds, lower latency, and improved coverage. Additionally, stc Kuwait is continuously working on enriching its diverse digital portfolio of services, products and solutions offered to its customers, individuals and enterprises, through its collaboration & partnerships with local, regional and international key players in the telecommunication market.

stc Kuwait is committed to strengthen its extensive corporate social responsibility (CSR) program in line with its corporate values by launching a series of initiatives that primarily focus on tackling key issues within the areas of health, entrepreneurship, the environment, youth empowerment, as well as sports and education.



stc Asia Holding Ltd (stc Asia) - British Virgin Islands

stc Asia Holding Ltd (stc Asia) is a limited liability company which was established under the Commercial Companies Law in the British Virgin Islands in July 2007, and is a special purpose Company, it owns a subsidiary (wholly owned) in the name of stc Malaysia Holdings Ltd (stc Malaysia), which was incorporated under the Commercial Companies Law in the British Virgin Islands.

stc Malaysia Holding Ltd in turn holds the Group’s 25% stake in Binariang GSM Sdn Bhd (BGSM) and its head office is located in Malaysia. (For more details, see note 8-2 in the annual financial statements). The principal activity of both stc Asia and its subsidiary is to provide services and support required in respect of investment activities of stc Group.

stc Turkey Holding Ltd (stc Turkey) - British Virgin Islands

stc Turkey is a limited liability company which was established under the Commercial Companies Law in the British Virgin Islands in April 2008. It is a special purpose vehicle established to provide services and support required in respect of investment activities of stc Group.

In April 2008, stc Turkey acquired 35% of Oger Telecom Limited’s (“OTL”). As at 31 December 2022, OTL is still in the final stages of liquidation with most of its assets and liabilities disposed off (For more details, see note 8-1 in the annual financial statements).

stc Gulf Investment Holding (stc Gulf) - Kingdom of Bahrain

stc Gulf Investment Holding (stc Gulf) was established in March 2008 and it is a special purpose company and has wholly-owned subsidiaries in the Kingdom of Bahrain, as listed below.

The primary objective of stc Gulf and its following subsidiaries is to provide services and support required in respect of investment activities of stc Group:

- 1- stc Gulf Investment Holding 1 W.L.L.
- 2- stc Gulf Investment Holding 2 W.L.L.
- 3- stc Gulf Investment Holding 3 W.L.L.

stc GCC Cable Systems W.L.L. (stc GCC) - Kingdom of Bahrain

In April 2021, stc established stc GCC Cable Systems W.L.L. (stc GCC) -a limited liability company- and it is wholly owned by the Group as part of the agreement to invest in a fund aimed to drive innovation in the communications and information technology sector in the Kingdom of Bahrain and other GCC Countries. It has a capital of BD 32 million as of 31 December 2022 (2021: BD 18.9 million) stc GCC main activities include the sale and installation of telecommunications equipment and the construction of utilities projects, Its head office is located in the Kingdom of Bahrain.

3- Investments (Investments in Joint Ventures, Investments in Associate Companies & Other investments)

A- Investments registered under the equity method

Investments in Joint Ventures

Name of Joint Ventures	Country of Incorporation	Shareholding Percentage	
		31 December 2022	31 December 2021
Arab Submarine Cables Company Limited	Kingdom of Saudi Arabia	50%	50%
Contact Center Company (CCC)	Kingdom of Saudi Arabia	49%	49%
Binariang GSM Holding (BGSM)	Malaysia	25%	25%

■ Arab Submarine Cables Company Limited - Kingdom of Saudi Arabia

Arab Submarine Cables Company Limited was established in September 2002 for the purpose of constructing, leasing, managing and operating a submarine cable connecting the Kingdom and the Republic of Sudan for the telecommunications between them and any other country. The operations of the Company started in June 2003 and stc acquired 50% of its SAR 75 million share capital in September 2002. In November 2016, the company's capital was reduced to SAR 25 million. Its head office is located in the Kingdom and it fulfills its operational activity in the Kingdom.

■ Contact Center Company (CCC) – Kingdom of Saudi Arabia

Contact Centers Company (CCC) was established to provide call centers services and answer directory queries with Aegis Company at the end of December 2010 in the Kingdom, with a

share capital of SAR 4.5 million. stc acquired 50% of its share capital. During the fourth quarter of 2015, stc sold 1% of its stake in CCC to the other partners according to the terms of the partners' agreement, thus making stc's share 49%. Its head office is located in the Kingdom and it fulfills its operational activity in the Kingdom.

During the fourth quarter of 2022, SOLUTIONS has signed a binding offer with stc and ESM Holding Company, LLC, to acquire all of their shares in Contact Centers Company (CCC). The total value of (CCC) has been determined at SAR 450 million (100% of company's value net of cash and debt balances). On 11 January 2023, the sale and purchase agreement has been signed 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-GAC (approved on 05/03/2023), as well as other regulatory and commercial conditions.

■ Binariang GSM Holding (BGSM) – Malaysia

Binariang GSM Holding (BGSM) is an investment holding group headquartered in Malaysia where it owns 62% of Maxis Malaysian Holding Group (Maxis), a major telecom operator in Malaysia. During the year 2007, stc acquired (through its subsidiaries stc Asia holding and stc Malaysia holding) 25% of BGSM's MYR 20.7 billion share capital, which is equivalent to approximately SAR 23 billion at the exchange rate as at that date.

During 2013, stc conducted a review of its foreign investment in BGSM, including the manner in which this investment was being managed and how joint control had been effectively exercised. As a result, stc signed an amendment to the shareholders' agreement with other shareholders of BGSM with respect to certain operational matters of Aircel (one of Binariang group subsidiaries at that time). Consequently, stc ceased to account for its investment in Aircel using the equity method effective from the second quarter of 2013.

Investments in Associate Companies

Name of Associate Companies	Country of Incorporation	Shareholding Percentage	
		31 December 2022	31 December 2021
Arab Satellite Communications Organization (Arabsat)	Kingdom of Saudi Arabia	36.66%	36.66%
Virgin Mobile Saudi Consortium (VMSC)	Kingdom of Saudi Arabia	10%	10%
Oger Telecom Limited (OTL)	United Arab Emirates	35%	35%
Virgin Mobile Kuwait (VMK)	Kuwait	10%	10%
Giza Systems Company for Electromechanical Contracting	Egypt	50.01%	-
Edu Apps Company	Egypt	40%	-

■ Arab Satellite Communications Organization (Arabsat) – Kingdom of Saudi Arabia

Arab Satellite Communications Organization (Arabsat) was established on April 1976 by the members of the League of Arab States, and its head office is located in the Kingdom. Arabsat offers a number of services to these member states, as well as to all public and private sectors within its coverage area, and principally in the Middle East. Current services offered include:

Regional telephony (voice, data, fax and telex), television broadcasting, regional radio broadcasting, restoration services and leasing of capacity.

In April 1999, stc acquired 36.66% of Arabsat's USD 500 million share capital (which is equivalent to SAR 1,875 million at the exchange rate as of that date).

■ **Virgin Mobile Saudi Consortium (VMSC) – Kingdom of Saudi Arabia**

Virgin Mobile Saudi Consortium (VMSC) was established during 2013 as a mobile virtual network operator and started its operations during the year of 2014. stc owns 10% of VMSC’s share capital with an amount of SAR 52 Million. stc has the ability to exercise significant influence is evidenced by the reliance of VMSC’s on the stc’s technical network. Its head office is located in the Kingdom and it fulfills its operational activity in the Kingdom.

■ **Oger Telecom Limited (OTL) – United Arab Emirates**

Oger Telecom Limited (OTL) is a holding company registered in Dubai, the United Arab Emirates. In April 2008, stc through one of its subsidiaries (stc Turkey Holding Ltd) acquired 35% of OTL’s share capital. As at 31 December 2022, OTL is still in the final stages of liquidation with most of its assets and liabilities disposed of.

■ **Virgin Mobile Kuwait (VMK) – Kuwait**

Virgin Mobile Kuwait (VMK) was established in 2021 as a mobile virtual network operator. Its head office is located in Kuwait and it fulfills its operational activity in Kuwait and it is indirectly owned through stc Kuwait with 10% ownership. stc has the ability to exercise significant influence is evidenced by VMK’s reliance on the stc Kuwait’s technical network.

■ **Giza Systems Company for Electromechanical Contracting – Egypt**

Giza Systems Company for Electromechanical Contracting was established in 2011 to execute operation works, engineering consultancy, evaluations of systems and electronic devices and computers. The Company is indirectly owned through SOLUTIONS with 50.01% ownership. SOLUTIONS accounts for this investment as an associate as it has significant influence without having control and rights that enable SOLUTIONS to direct decisions and relevant activities of this company.

■ **Edu Apps Company – Egypt**

Edu Apps Company is indirectly owned through SOLUTIONS with 40% ownership.

B- Other Investments

■ **stc Venture Fund**

stc Ventures Fund which is a fund investing in emerging, small and medium-sized companies operating in the field of Communications and Information Technology in the Kingdom and other global markets.

Investment units were valued at

SAR 41 million
as at 31 December 2022
(2021: SAR 77 million).

■ **STV LP Fund**

STV LP Fund which is a fund investing internationally in high-growth pioneer private technology companies with total value of SR 1,875 million (which is equivalent to USD 500 million) fully funded.

During 2022, stc signed an agreement with STV LP Fund to allocate

SAR 1,125 million
(equivalent to USD 300 million)

Investment units were valued at

additional investment in the fund out of which

SAR 64 million
(equivalent to USD 17 million)

SAR 2,888 million

as at 31 December 2022
(2021: SAR 2,058 million).



■ **Investments in the Sukuk Issued by the Ministry of Finance**

stc has invested in the Sukuk issued by the Ministry of Finance during Q1 2019 as follows:

Item (Thousands of Riyals)	First Tranche	Second Tranche
Nominal Investment Value	1,762,000	2,140,000
Investment Duration	5 years	10 years
Annual Rate of Return	3.17%	3.90%

■ **Investment in the Sukuk Issued by Binariang GSM Holding (BGSM)**

During the year 2007, stc Asia Holding Company Limited (a subsidiary) invested in Sukuk issued by Binariang GSM Sdn Bhd (BGSM) in the amount of RM 1,508 million (which is equivalent to SAR 1,383 million) for a period of 50 years (callable after 10 years) with an annual profit margin of 10.75% up to 28 December 2017 and then a profit margin of 9.25% for subsequent periods.

These sukuk are not past due or low in value with a book value of

SAR 1,287 million
as of 31 December 2022
(2021: SAR 1,360 million).

No debt instruments in the form of Sukuk or bonds were issued for stc’s subsidiaries.



B- Financial Performance of the Group

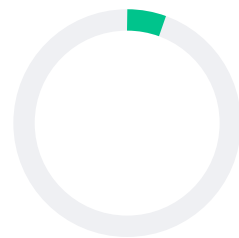
Revenue for the year 2022 amounted to

67,432

SAR million

compared to SAR 63,008 million for 2021, with an increase of 7.02%.

7.02%



Gross profit for the year 2022 amounted to

37,393

SAR million

compared to SAR 33,794 million for 2021, with an increase of 10.65%.

10.65%



Operating profit for the year 2022 amounted to

15,088

SAR million

compared to SAR 13,128 million for 2021, with an increase of 14.93%.

14.93%



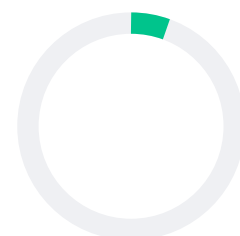
Earnings before Interest, Taxes, Depreciation, and Amortization (EBITDA) for 2022 amounted to

25,079

SAR million

compared to SAR 22,841 million for 2021, with an increase of 9.80%.

9.80%



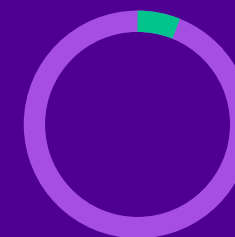
Net profits for the year 2022 amounted to

12,171

SAR million

SAR 12,171 million compared to SAR 11,311 million for the year 2021, with an increase of 7.60%.

7.60%



Earnings per share for 2022 amounted to SAR 2.44 compared to SAR 2.27 for 2021.

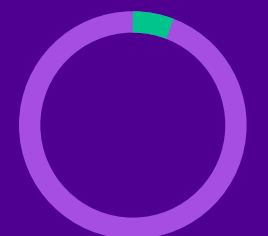
Total assets amounted to

137,220

SAR million

at the end of 2022 compared to SAR 127,779 million at the end of 2021, with an increase of 7.39%.

7.39%



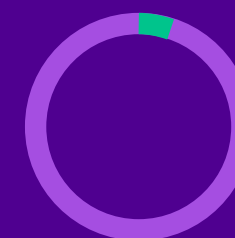
Total liabilities amounted to

61,194

SAR million

at the end of 2022 compared to SAR 56,393 million at the end of 2021, with an increase of 8.51%.

8.51%



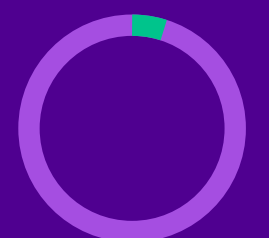
stc's shareholders' equity amounted to

73,500

SAR million

at the end of 2022, compared to SAR 69,271 million at the end of 2021, with an increase of 6.11%.

6.11%



■ The Financial Impact of the Core Activities at the Group's Level

- 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".

The following is an analysis of the Group's revenues and results on a segments basis for the year ended December 31:

Item (Thousands of Riyals)	2022	2021
Revenues ⁽¹⁾		
stc	48,776,400	45,445,839
Channels (2)	11,451,268	20,629,472
Solutions	8,805,091	7,208,337
stc Kuwait	4,113,509	3,679,666
Tawal	2,868,172	2,846,254
stc Bahrain	1,790,151	1,674,784
stc Bank	1,040,786	833,965
Intigral	538,058	388,707
sirar	430,288	170,307
Specialized	361,769	339,143
Other operating segments (3)	61,196	14,190
Eliminations/adjustments	(12,805,142)	(20,222,678)
Total revenues	67,431,546	63,007,986
Cost of operations (excluding depreciation, amortization and impairment)	(42,352,879)	(40,167,386)
Depreciation, amortization and impairment	(9,990,226)	(9,712,845)
Cost of early retirement program	(365,727)	(313,258)
Financing income	602,463	377,911
Financing costs	(696,602)	(618,956)
Net other income (expenses)	(136,220)	49,996
Net share in results and impairment of investments in associates and joint ventures	(1,211,924)	(778,028)
Net other (losses) gains	189,666	789,643
Zakat and income tax	(1,083,175)	(1,040,366)
Net profit	12,386,922	11,594,697
Net profit attributable to equity holders of stc	12,170,537	11,311,342
Non-controlling interests	216,385	283,355

The following is an analysis of the gross profit on a segment basis for the year ended December 31:

Item (Thousands of Riyals)	2022	2021
stc	30,650,068	26,664,945
Channels (2)	2,480,001	1,587,953
Solutions	2,172,378	1,851,658
stc Kuwait	1,974,042	1,874,646
Tawal	2,250,720	2,236,647
stc Bahrain	825,145	813,996
stc Bank	158,195	40,920
Intigral	416,431	234,014
sirar	129,880	78,647
Specialized	203,692	128,052
Other operating segment (3)	(2,168)	12,869
Eliminations/adjustments	(3,865,129)	(1,730,318)
Gross profit	37,393,255	33,794,029

The following is an analysis of the Group's assets and liabilities on a segment basis:

Item (Thousands of Riyals)	2022	2021
Assets		
stc	137,287,162	133,034,376
Channels	8,538,854	8,146,496
Solutions	10,282,336	7,165,112
stc Kuwait	5,210,735	5,231,676
Tawal	11,932,999	12,635,677
stc Bahrain	6,053,709	4,675,802
stc Bank	3,807,596	3,210,437
Intigral	970,807	754,584
sirar	437,443	206,342
Specialized	681,644	550,666
Other operating segments (3)	8,548,024	7,404,845
Eliminations/adjustments	(56,531,323)	(55,236,596)
Total assets	137,219,986	127,779,417

Item (Thousands of Riyals)	2022	2021
Liabilities		
stc	49,199,031	51,024,262
Channels	7,077,118	6,603,833
Solutions	7,459,278	4,894,543
stc Kuwait	2,246,463	2,287,044
Tawal	8,406,669	9,205,659
stc Bahrain	4,639,682	3,350,758
stc Bank	2,784,891	1,586,402
Intigral	995,981	836,376
sirar	199,852	92,995
Specialized	673,131	561,761
Other operating segments (3)	3,337,055	2,496,219
Eliminations/adjustments	(25,824,757)	(26,546,414)
Total liabilities	61,194,394	56,393,438

Following are the additions to Property and equipment and Intangible assets with goodwill (Notes 10 and 12) based on the segments for the year ended 31 December:

Item (Thousands of Riyals)	2022	2021
Additions to Non-current Assets		
stc	6,751,241	6,524,157
Channels	169,779	128,715
Solutions	112,434	154,949
stc Kuwait	305,080	463,067
Tawal	994,686	800,470
stc Bahrain	684,391	174,039
stc Bank	62,226	77,907
Intigral	285,786	250,425
sirar	1,555	10,421
Specialized	13,620	27,952
Other operating segments (3)	217,034	223,754
Total	9,597,832	8,835,856

- Segment revenue reported above represents revenue generated from external and internal customers. There were SAR 13,066 million for the year ended 31 December 2022 (2021: SAR 20,421 million) inter-segment sales and adjustments (between the Group's Companies) which were eliminated at consolidation.
- During 2022, stc entered into a new framework agreement with Channels where the Company is assigning Channels as its agent for the sale of specific products and services. This supersedes their previous framework agreement whereby Channels was acting as a principal having control over the specified products and services. This resulted into Channels recording its revenues at net basis instead of gross basis which resulted into the decrease of segmental revenues from

Channels. Channel's 2021 revenues would have been SAR 10,190 million had this new agreement (i.e. Channels as an agent) been effective in 2021.

- Other operating segments include: Aqalat, RSS, stc Gulf Investment Holding, stc GCC Cable Systems W.L.L., Company Innovation Fund Investment Company and Digital Centers for Data and Telecommunications, Internet of Things Information Technology Company, and General Cloud Computing Company for Information Technology (For more details, see note 6 in the annual financial statements).

For the purpose of monitoring the performance of segments, assets/liabilities are allocated to segments and no assets and liabilities are used mutually between segments.

Summary of the Group's assets, liabilities, and results for the past five fiscal years:

Statement (Thousands of Riyals)	2018 Consolidated Revised	2019 Consolidated Revised	2020 Consolidated Revised	2021* Consolidated Revised	2022 Consolidated
Income statement:					
Revenues activity	51,963,243	54,367,531	58,953,318	63,007,986	67,431,546
Costs of activity revenues	(21,490,161)	(21,976,306)	(24,998,923)	(29,213,957)	(30,038,291)
Total profit of the activity	30,473,082	32,391,225	33,954,395	33,794,029	37,393,255
Operating expenses	(18,227,857)	(19,910,832)	(21,223,270)	(20,666,274)	(22,304,814)
Profit from operating activity	12,245,225	12,480,393	12,731,125	13,127,755	15,088,441
Other revenues and expenses - net	(417,060)	(793,418)	(375,482)	(492,692)	(1,618,344)
Zakat, taxes, and non-controlling interests	(1,048,394)	(1,022,309)	(1,360,768)	(1,323,721)	(1,299,560)
Net profit attributable to stc's shareholders	10,779,771	10,664,666	10,994,875	11,311,342	12,170,537

Other comprehensive income					
Net profit including non-controlling interests	11,080,498	10,924,831	11,185,197	11,594,697	12,386,922
Total items that may not be reclassified subsequently to the consolidated statement of profit or loss	126,957	(710,054)	(562,514)	317,616	818,534
Total items that may be reclassified subsequently to the consolidated statement of profit or loss	(257,320)	212,050	31,430	99,789	(174,583)
Total (comprehensive loss)/other comprehensive income	(130,363)	(498,004)	(531,084)	417,405	643,951
Total comprehensive income	10,950,135	10,426,827	10,654,113	12,012,102	13,030,873
Total comprehensive income attributable to stc's shareholders	10,651,283	10,163,477	10,478,455	11,717,489	12,840,311
Total comprehensive income attributable to non-controlling interests	298,852	263,350	175,658	294,613	190,562

Statement of financial position					
Current assets (A)	46,029,525	44,841,492	45,858,916	51,468,074	60,933,209
Fixed and intangible assets	51,480,528	54,992,030	58,314,031	57,939,836	58,420,288
Other non-current assets	11,860,541	18,492,734	17,799,153	18,371,507	17,866,489
Total assets	109,370,594	118,326,256	121,972,100	127,779,417	137,219,986
Current liabilities (B)	29,457,055	32,606,772	32,891,183	33,560,552	36,400,164
Long-term loans	3,965,479	8,923,476	8,637,605	7,846,606	10,213,750
Other non-current liabilities	9,286,462	13,740,962	15,176,297	14,986,280	14,580,480
Total liabilities	42,708,996	55,271,210	56,705,085	56,393,438	61,194,394
Paid capital	20,000,000	20,000,000	20,000,000	20,000,000	50,000,000
Reserves, retained earnings and treasury shares	45,513,684	41,762,594	43,945,782	49,270,505	23,499,525
Equity attributable to shareholders of stc	65,513,684	61,762,594	63,945,782	69,270,505	73,499,525
Non-controlling interests	1,147,914	1,292,452	1,321,233	2,115,474	2,526,067
Total equity	66,661,598	63,055,046	65,267,015	71,385,979	76,025,592
Total liabilities and equity	109,370,594	118,326,256	121,972,100	127,779,417	137,219,986
Working capital (A-B)	16,572,470	12,234,720	12,967,733	17,907,522	24,533,045

Cash flow statement					
Net operating cash flow	19,132,416	9,920,626	28,324,705	11,220,155	26,354,390
Net investment cash flow	(5,027,028)	(1,977,126)	(17,429,177)	(1,714,583)	(8,578,939)
Net financing cash flow	(8,516,962)	(8,067,645)	(9,919,218)	(10,235,177)	(8,255,503)
Net cash flow	5,588,426	(124,145)	976,310	(729,605)	9,519,948
Cash and cash equivalents at the beginning of the year	2,567,044	8,153,865	8,031,010	9,004,286	8,281,301
Impact of foreign currency exchange differences	(1,605)	1,290	(3,034)	6,620	(6,856)
Cash and cash equivalents at the end of the year	8,153,865	8,031,010	9,004,286	8,281,301	17,794,393

*Certain comparative figures for the year ended December 31, 2021, were reclassified to conform with the classification used in the financial statements for the year ended December 31, 2022.

Geographical analysis of standard service revenues at the Group's level:

During the year 2022, the Group achieved total revenues of

67,431,546
SAR thousand

Foreign investments at the Group's level accounted for 10% of this total. The following table shows their geographical distribution:

Revenues inside the Kingdom of Saudi Arabia (Thousands of Riyals)	Revenues outside the Kingdom of Saudi Arabia (Thousands of Riyals)	Total
60,929,840	6,501,706	67,431,546

As for the local distribution of revenues, a geographical analysis of the stc's revenues is not available at the local level due to the nature of the sector's work, because the revenue generated by the customer is not linked to one region, where the customer's account is established in a region and the calls that the customer is billed with

have occurred in several Regions, according to its presence inside the Kingdom, and with regard to international calls and international roaming made by the customer, it cannot be linked to any region because it takes place outside the geographical borders of the Kingdom.

Highlights of the Group's operating results in 2022 compared to 2021:

Statement (Thousands of Riyals)	2022 Consolidated	2021 Consolidated	Difference	%
Income statement				
Revenues	67,431,546	63,007,986	4,423,560	7.02%
Cost of revenues	(30,038,291)	(29,213,957)	(824,334)	2.82%
Total profit	37,393,255	33,794,029	3,599,226	10.65%
Total operating expenses	(22,304,814)	(20,666,274)	(1,638,540)	793%
Operating profit	15,088,441	13,127,755	1,960,686	14.94%
Other income and expenses	(1,618,344)	(492,692)	(1,125,652)	228.47%
Zakat and income tax	(1,083,175)	(1,040,366)	(42,809)	4.11%
Net income	12,386,922	11,594,697	792,225	6.83%
Net income attributable to stc's shareholders	12,170,537	11,311,342	859,195	7.60%
Net income attributable to non-controlling interests	216,385	283,355	(66,970)	(23.63%)

The increase in the net profit of the year 2022 by SAR 860 million compared to the previous year is mainly due to the following reasons:

- The increase in revenues by SAR 4,424m that was offset by a slight increase in cost of revenues by SAR 824m due to reversal of contingent liability provision in an amount of SAR 1,079m which had a positive impact on cost of revenues, and led to an increase in gross profit by SAR 3,599m.
- Operating expenses increased by SAR 1,639m, mainly due to the increase in general & administration expenses by SAR 837m, selling and marketing expenses by SAR 524m and depreciation and amortization expenses by SAR 277m.
- Total other expenses increased by SAR 1,126m, mainly due to:
 1. Recording an impairment provision related to BGSM investment in an amount of SAR (1,259m) during this year as compared to SAR (177m) in 2021, due to decline in fair value as a result of the decline in market conditions and quoted share prices of key underlying investment in the Malaysian market, which led to the re-evaluation of this investment based on these factors.
 2. The increase in finance cost by SAR 78m that was offset by the increase in finance income by SAR 225m.
 3. The increase in cost of early retirement program by SAR 52m.
- Zakat and income tax expense increased by SAR 43m

The Group's loans are as follows:

Statement (Millions of Riyals)	2022 Consolidated	2021 Consolidated
Short-term Murabaha	79	1,454
Long-term Murabaha	3,525	1,160
Total Murabaha	3,604	2,614
Sukuk	6,675	6,673
Mudarabha	14	17
Others	198	-
Total	10,491	9,304

Sukuk details are as follows:

stc issued a sukuk program with a maximum of SAR 5,000 million. The first tranche of SAR 2,000 million was issued on June 2014 for a period of ten years under the established program. At the General Assembly meeting on 19 Shaaban of 1440H (corresponding to 24 April, 2019), stc approved the establishment of an international sukuk program either directly or through special purpose vehicle (SPV), which to be established and used to issue primary or secondary sukuk in one or several parts or one or several stages, or through a series of issuances in US dollars, not exceeding the total amount of USD 5,000 million for the total value of

the sukuk issuances and parts of sukuk program referred to below at any time. Accordingly, the Saudi Telecom Sukuk Company Limited during the second quarter of 2019 (a company established for the purpose of issuing sukuk under the sukuk program referred to above in US dollar) issued first tranche of the sukuk program amounting to USD 1,250 million (which is equivalent to SAR 4,688 million) for 10 years. This program is an international sukuk in US dollar, with a total number of 6,250 sukuk and a nominal value of USD 200 thousand per sukuk having an annual return of 3.89% and a maturity of ten years.

Issuance	Issuance date	Issuance category	Total value of issuance	Interest rate	Due date
National stc Sukuk	June 2014	SAR 1 million	SAR 2 billion	3-month SAIBOR + 0.7%	June 2024
International stc Sukuk	May 2019	USD 200,000	SAR 4,688 million	3.89%	May 2029

■ **Borrowing:**

Total loans paid during the year ended 31 December 2022 amounted to

SAR 133 million
(2021: SAR 731 million)

Total loans received during the year ended 31 December 2022 amounted to

SAR 1,277 million
(2021: SAR 1,124 million)

A list of the loans are as follows:

All amounts in SAR Million								Paid during the year		Outstanding Balance			
Company	Granting Authority	Type of Financing	Term of Financing	Date of Obtaining Financing	Currency	Value of Financing	Amount Used	2022	2021	Current portion		Non-Current portion	
										2022	2021	2022	2021
stc - Kingdom Saudi Arabia	Debt Instruments Market	Sukuk	years 10	June 2014	SAR	2,000	2,000	0	0	0	0	2,000	2,000
	Debt Instruments Market	Sukuk	years 10	May 2019	USD	4,675	4,675	0	0	0	0	4,675	4,673
	Loan	ECA	years 8.5	March 2021	USD	584	584	69	34	79	61	401	332
Total						7,259	7,259	69	34	79	61	7,076	7,005
Subsidiaries	Local and International Banks	Murabaha and Credit Facilities	From 1 to 10 years	Since 2018	Mixed	3,949	3,143	64	697	198	1,396	3,138	842
Total Group's Loans						11,208	10,402	133	731	277	1,457	10,214	7,847

The following is a statement on the regulatory amounts recorded as expenses (whether paid or outstanding statutory payment) by stc along with brief descriptions and reasons.

Statement	SAR Million	Description	Reason
Government Fees	5,272	The amounts recorded as an expense to the period for licensing granted to stc for the provision of commercial services and spectrum usage fees	Regulatory requirement
Dividends	5,449	The amounts recorded as an expense to the period as dividends to governmental and semi-governmental authorities (Public Investment Fund, Public Pension Agency (PPA), and General (Organization for Social Insurance)	Regulatory requirement
Social insurance	569	The amounts recorded as an expense to the period pursuant to the provisions of the Kingdom's Labor Law	Regulatory requirement
Zakat, withholding tax and others	1,064	The amounts recorded as an expense to the period pursuant to the zakat provisions and rules, income tax law, and fees payment laws applicable in the Kingdom	Regulatory requirement
Total amounts recorded as expenses to governmental and semi-governmental authorities	12,354	This represents the regulatory expenses amounts to the Government	

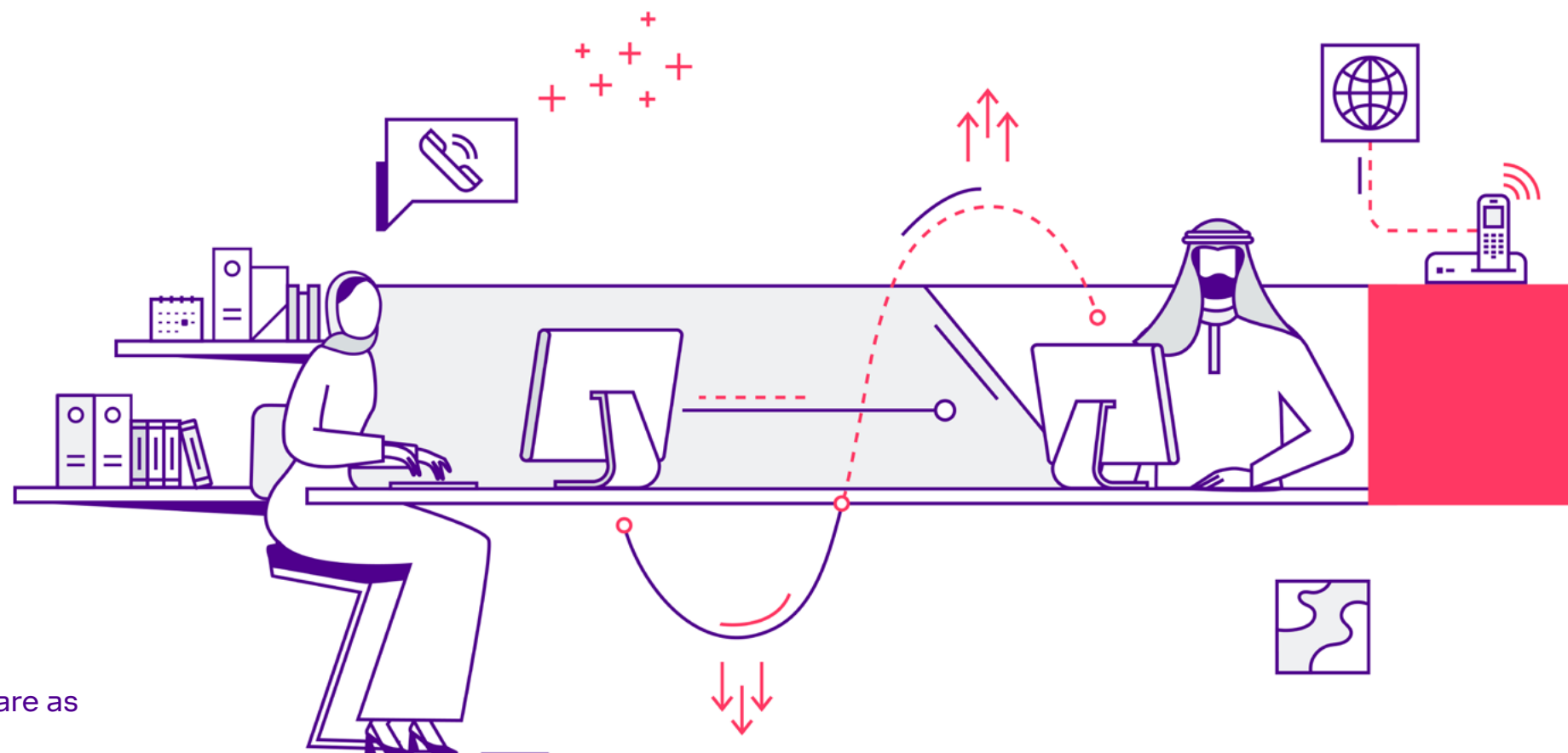
■ **Employees Long-Term Incentives Program**

stc' Board of Directors has approved on 17 March 2020 (corresponding to 22 Rajab 1441H) to repurchase of number of stc's shares up to an amount not to exceed SAR 300 million to be allocated for the employees long-term incentives program (the Program).The Board raised its recommendation to the extraordinary general assembly ("EGA") to approve the Program and to repurchase the shares. The EGA has voted on the approval of this Program during its meeting held on 20 April 2022 (corresponding to 27 Shaban 1441H). The Board of Directors approved on 28 June 2022 (corresponding to 29 Thul-Qi'dah 1443H) to repurchase a number of stc's shares for an amount not to exceed SAR 453 million to be allocated for the Program and to raise its recommendation to the EGA for voting. Further, the shares shall be repurchased within 12 months from EGA's approval

date. The EGA has voted on the approval during its meeting held on 30 August 2022 (corresponding to 3 Safar 1444H).

The shares repurchased or to be repurchased will not have the right to vote in the stc's shareholders General Assembly ("GA"), and will not be entitled to any dividends while the shares still under the stc's possession.

The Program intends to attract, motivate and retain executive employees responsible for the achievement of stc's goals and strategy. The Program provides a share-based payment plan for eligible executives participating in the Program by granting them shares in stc upon completing the duration of service and performance requirements and achieving the targets determined by stc Group. The program is generally equity-settled. However, in certain circumstances, the awards are settled in cash.



The grant and vesting dates are as follows:

	Cycle 1	Cycle 2	Cycle 3
Tranche 1	July 2020 / July 2021	July 2021/ May 2022	May 2022/ May 2023
Tranche 2	July 2021/ May 2022	May 2022/ May 2023	May 2023/ May 2024
Tranche 3	May 2022/ May 2023	May 2023/ May 2024	May 2024/ May 2025

The following table shows the shares granted and outstanding at the beginning and ending of the reporting period:

Item (Thousands Shares)	2022	2021
At the beginning of the year	344	130
Shares granted during the year(*)	1,012	349
Shares vested during the year	(357)	(135)
Effect of bonus shares issuance	1,499	-
At the end of the year	2,498	344

(*) The number of shares granted has been updated to reflect the number of shares actually granted to eligible executives participating in the program who met all the conditions of granting.

The fair value was calculated based on the market price after deducting the expected dividends per share on the grant date. The average fair value of shares at grant date amounted to SAR 42.8 per share (taken into consideration the effect of bonus shares issuance) (2021: SAR 128.6 per share).

Total expenses related to the Program for the year ended 31 December 2022 amounted to

SAR 85 million
(31 December 2021: SAR 33.7 million)

which were included as part of employees benefits expense in the consolidated statement profit or loss, with the corresponding amount recorded under other reserves within equity in accordance with the requirements of International Financial Reporting Standard (2); Share-based Payment. (For more details, see note 24 in the annual financial statements).

■ **Subsidiary's long-term incentives program:**

During the year 2022, one of the subsidiaries started its own long-term incentive program whereby employees render services as consideration for fixed number of its own shares.

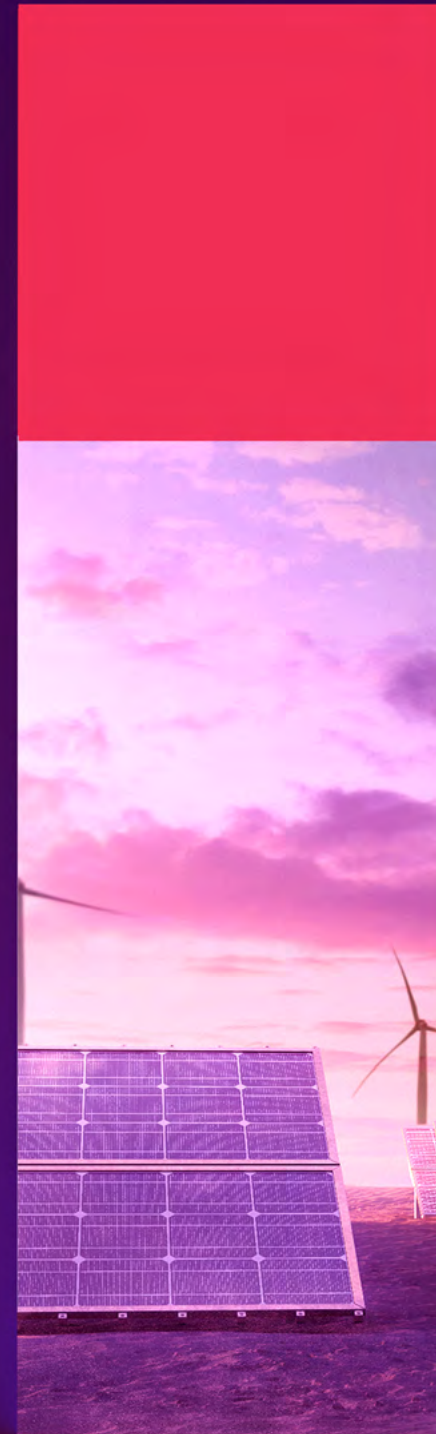
The total expense in relation to this program amounted to

SAR 28 million
(2021: SAR 9 million).

03

Driving Digitization

Risks management and
transactions with related parties



Third:

Risks management and transactions with related parties

1. Enterprise Risk Management

Telecommunication industry is facing significant headwinds to grow from the structural decline in demand for voice in favor of the expansion of data demand. The digital marketplace is dynamic and evolving rapidly, an evolution that the pandemic has accelerated in many ways. Other drivers of this dynamism include the ongoing and likely accelerating impact of new disruptive technologies across the entire business ecosystem, threatening both established and potential new revenue streams.

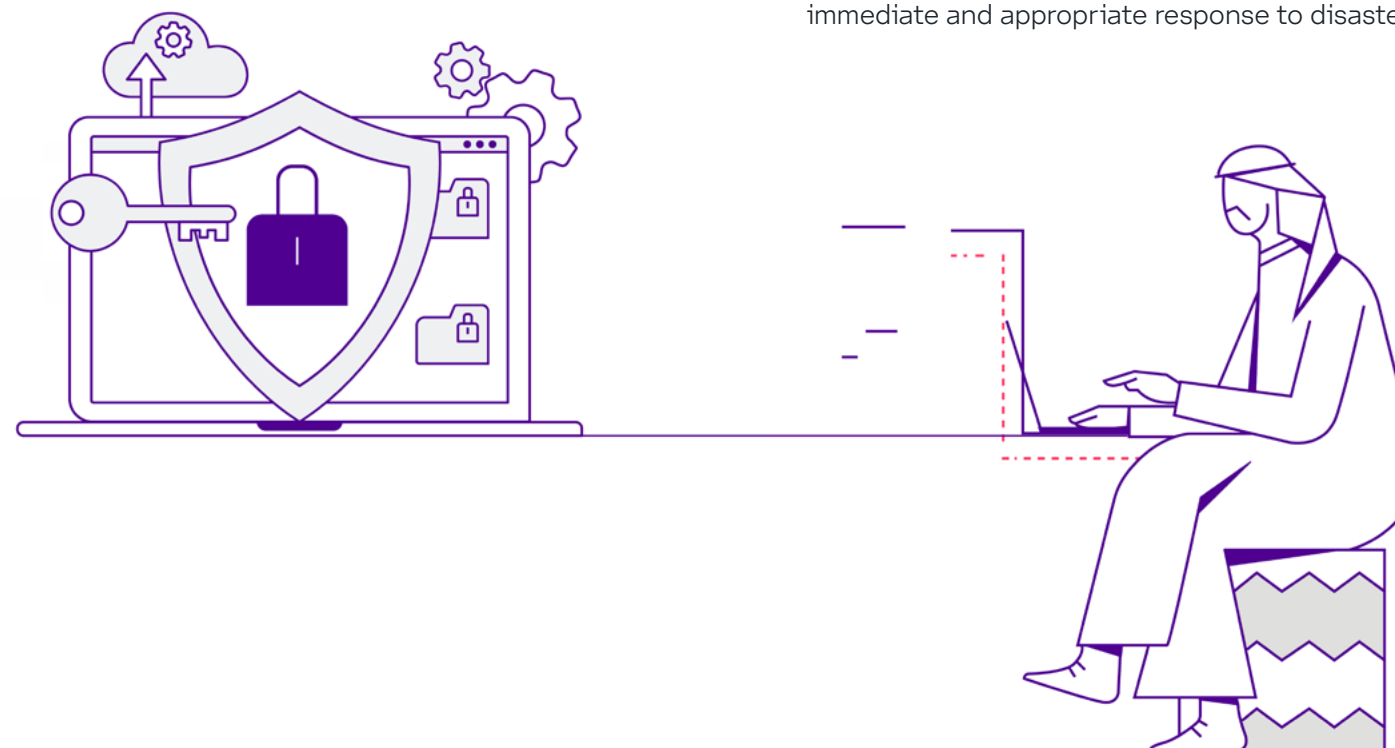
■ Risk Management Governance:

The Board of Directors ensures the highest standard of corporate governance is maintained by regularly reviewing governance development best practices and ensuring they are duly adopted. As a result, the board has established the Board Risk Committee, which plays a key role in overseeing the implementation of risk management framework, risk strategy, related risk management policies and monitoring stc Group's risk management system, review of the top risks, and the management of those risks. The risk management function is independent and separate from stc's business groups and sectors; the function has completed its first waves of measures this year as per the risk strategy that the board has approved to uplift its current practices and maturity.

A. Enterprise and Financial Risk Management

■ Identifying our risks:

All stc Group entities identify and assess their own risks that could affect stc Group's strategy and operations. A consolidated list of these risks is then presented to a selection of stc Group senior leaders and executives, alongside the outputs from an external environment scan and related benchmarks. Applying a Group-wide perspective, these executives evaluate and determine top risks and which emerging threats warrant further exploration. The proposed top risks, emerging risks, and risk watchlist are defined and agreed by Risk Management Committee before being submitted to the Board Risk Committee and the Board for the final review and approval.



■ Managing our risks:

During the risk evaluation phase, we assign each of our risks to a category (corporate, technology, operational, financial, and compliance). This approach enables a better understanding of how we should treat the risk and ensure the right level of oversight and assurance are provided. The assigned executive risk owners are accountable for ensuring adequate controls are in place and implementing the necessary treatment plans to bring the risk within an acceptable tolerance. We continue to monitor the status of risk treatment strategies across the year and hold in-depth reviews of our risks. We also develop a comprehensive assessment of the related scenarios for each of the top risks, providing additional insights into possible threats and enabling a better risk treatment strategy.

■ Business continuity:

stc business continuity, data centers, mobile communications network, other network infrastructure and facilities, and the safety of its employees and customers are among the most important priorities of stc. stc implements an immediate and appropriate response to disaster

and emergency incidences. stc also carries out Business Continuity Plans (BCP) tests for critical operations systematically and periodically according to the business impact analysis (BIA) of all critical systems in order to ensure the effectiveness of the plans developed. stc Group has recently been recertified for the international standard for business continuity management (ISO 22301:2019); this comes as a testament to the diligent approach taken by stc Group to implement protocols and guidelines to maintain all Business-related operations.

■ Covid-19:

We have closely monitored the evolution of COVID-19 as it has continued to impact different countries to varying degrees over time and adapted our risk profile as required. We continue to maintain close contact with local health authorities and government agencies to minimize the risk to stc, its operations, and employees. We do not consider the COVID-19 pandemic as an individual risk but rather monitor how the pandemic amplifies our principal, emerging and operational risks.

As part of stc's commitment to the health and safety of its employees, customers, and society in general, the company has taken a comprehensive package of preventive measures in ensuring good preparation and the existence of plans which are flexible enough to deal with developments and changes as needed in line with stc's position as a national operator and the first enabler of digital transformation.

Below we describe the material risks that could affect stc, including any material exposure to environmental or social risks, and how we seek to manage them. These risks are not listed in order of significance, nor are they all-encompassing. Our risk management process reflects the most significant risks identified at a whole-of-entity level.

Category	Risks	Mitigation Measures
Technology	<p>Cyber Security Threats:</p> <p>The rise of advanced malware and DDOS botnets is reshaping the threat landscape and forcing enterprises to reassess how they protect themselves. This threat exists not only within stc but upstream through vulnerabilities in stc vendors and suppliers, and downstream, where vulnerabilities in stc may be leveraged by cyber-criminals to attack stc customers. Third-party access management is also a significant matter as we rely heavily on 3rd-party contractors with multiple Incidents reported by stc.</p>	<p>stc Group continues to strengthen the cybersecurity unit, internal systems and policies are developed, levels of security procedures are raised, awareness is intensified, and the effectiveness of information security plans is tested.</p> <p>stc Group has established robust Cyber Assurance practices adopted for information protection and asset management as well as Established advanced penetration testing and vulnerability management capabilities.</p>
	<p>Data Privacy</p> <p>One of the biggest challenges faced by any organization is managing privacy as data volumes continue to grow and regulatory and customer scrutiny increases. It is more important than ever to be clear on the privacy risks we face to handle PII, or an individual's right to determine what kind of data can be collected, stored, protected, and can be shared with third parties.</p>	<p>stc Group has established a privacy framework containing policies and procedures relating to the privacy of personal information address data classification, record management, retention, and destruction as well as implemented technical solutions to set different permission levels for employees based on what PII they need to access, such as Public, Private, and Restricted Access</p>
	<p>Resilience following Disaster, Crisis or events impacting Business Continuity:</p> <p>Telcos have experienced significantly higher network demand globally during the crisis, with the initial lockdowns triggering reported traffic spikes. Partial or full-scale non-availability or quality degradation of ICT services due to telecom network failures or business support systems and other key systems. Key considerations include Disaster Preparedness Planning, Exchange equipment, undersea cable communications, and fibre-optic cable problems.</p>	<p>stc Group has established entity-wide written programs that address and validate the continuity of the institution's mission-critical operations. We have recertified the organization against ISO 22301:2019 and taken all required steps to comply with any relevant regulatory requirements.</p> <p>stc Group has proposed additional projects to strengthen disaster recovery (DR) systems to ensure business and services continuity, taking into account various possibilities. The Emergency Response Team oversees major contingency planning work and periodically conducts virtual experiments.</p>

Category	Risks	Mitigation Measures
Compliance	<p>Unfavorable Regulatory Changes Impacting our Current Business Model</p> <p>Regulations over our current obligations are increasing both in number, frequency, and impact and are evolving in their nature. The potential impact of these new regulations could have serious negative implications for stc's profitability, market position and include penalties or financial liabilities.</p>	<p>stc Group studies the regulatory legislation on an ongoing basis, coordinates efforts with sectors related to it inside and outside stc Group, and applies the best standards to ensure the provision of the best services to its clients in a manner that achieves the objectives of the national plans. A dedicated administrative organization is established for the regulatory affairs sector to contribute to enhancing stc Group's capabilities in the regulatory field.</p>
	<p>Supply chain disruptions:</p> <p>Material shortages and supply risks to rare earth minerals and other key components for chip manufacturing may have far-reaching consequences for continued stc technology leadership, including our ability to provide essential services and next-generation mobility as well as meet the demands of infrastructure projects upon which we have engaged.</p>	<p>stc Group diversifies its supply chains so that it does not depend on limited numbers of suppliers, and it also emphasizes in its contracts that the systems are compatible with each other regardless of the supplier. It also reviews the conditions of contracted companies and sets legislation to ensure their financial and operational suitability for stc Group's requirements, in line with technological development and the integrity of their business plans.</p>
	<p>Strategy Implementation in a Dynamic Market</p> <p>In order to succeed in this highly competitive and dynamic environment, it is essential to have agile strategic development, maintenance, and implementation processes capable of providing stc with a strategy for success, but also one with the agility to meet the demands on the markets in which we operate.</p>	<p>stc Group's strategy is updated on a 3-yearly basis and refreshed annually to ensure that it remains current and relevant. The timing of the annual refresh and 3-yearly updates is flexible in line with context, dynamics & stakeholders' inputs as well as we have conducted a 360-degree environmental scan (competition, industry trends, regulation, socio-economic and stc performance.</p>

2. Financial Risk Management

■ Credit Risk Management

The Group has approved guidelines and policies that allows it to only deal with creditworthy counterparties and limits counterparty exposure. The guidelines and policies allow the Group to invest only with those counterparties that have high investment grade credit ratings issued by international credit rating agencies and limits the exposure to a single counterparty by stipulation that the exposure should not exceed 30% of the counterparty's shareholders' equity. Further, the Group's credit risk is monitored on a quarterly basis.

Other than the concentration of credit risk disclosed in Note 18 in the annual financial statements, concentration of credit risk with respect to trade receivables are limited given that the Group's customer consists of a large number of unrelated customers. Payment terms and credit limits are set in accordance with industry norms. Ongoing evaluation is performed on the financial condition of trade receivables and management believes there is no further credit risk provision required in excess of the normal provision for impairment loss (for more details, see Note 18 in the annual financial statements).

In addition, the Group is exposed to credit risk in relation to financial guarantees given to some subsidiaries with regard to financing arrangements. The Group's maximum exposure in this respect is the maximum amount the Group may have to pay if the guarantee is called on. There is no indication that the Group will incur any loss with respect to its financial guarantees as the date of the preparation of these consolidated financial statements (for more details, see Note 45 in the annual financial statements).

Cash balances and short term investments are deposited in banks with credit rating ranging from Baa1 and above.

The credit rating of stc's investments in government sukuk and Binariang GSM Sdn Bhd (BGSM) sukuk are A and Aa3, respectively as at 31 December 2022 (2021: A and Aa3, respectively) (for more details, see note 16-1 in the annual financial statements). The carrying value of financial assets represent the maximum exposure to credit risk.

■ Foreign Currency Risk Management

Saudi Riyal is considered as the functional currency of the Group which is pegged against the United States Dollar. Therefore, the Group is only exposed to exchange rate fluctuations from transactions denominated in foreign currencies other than United States Dollar. Thus, the impact of foreign currency risk is minimal on the Group.

■ Liquidity Risk Management

The Group has established a comprehensive liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity requirements under the guidelines approved.

The Group ensures its liquidity by maintaining cash reserves, short-term investments and committed undrawn credit facilities with high credit rated local and international banks. The Group determines its liquidity requirements by continuously monitoring short and long term cash forecasts in comparison to actual cash flows.

Liquidity is reviewed periodically for the Group and stress tested using various assumptions relating to capital expenditure, dividends, trade receivable collections and repayment of loans without refinancing.

The following table details the Group's remaining contractual maturity for financial liabilities with agreed repayment periods. The table have been drawn up based on the undiscounted cash flows of financial liabilities:

December 31, 2022 (SAR Thousand)	Undiscounted Cash Flows			
	Carrying Amount	1 Year or Less	Above 1 - 5 Years	Above 5 Years
Trade and other payables (Note 33)	20,900,153	20,900,153	-	-
Borrowings (Note 27)	10,490,533	610,768	6,129,748	5,486,557
Lease liabilities (Note 29)	3,296,120	1,032,911	1,698,639	989,055
Dividends payable (Note 32-1)	2,223,109	2,223,109	-	-
Other financial liabilities (Note 32-1)	5,353,170	3,339,956	1,353,514	1,436,506

December 31, 2021 (SAR Thousand)

	Carrying Amount	1 Year or Less	Above 1 - 5 Years	Above 5 Years
Trade and other payables (Note 33)	17,114,298	17,114,298	-	-
Borrowings (Note 27)	9,303,290	1,688,367	3,876,231	5,288,416
Lease liabilities (Note 29)	3,223,167	984,130	1,847,417	769,576
Dividends payable (Note 32-1)	2,193,995	2,193,995	-	-
Other financial liabilities (Note 32-1)	4,470,715	2,692,254	1,207,232	1,269,814

*The above notes are for the annual financial statements

The Group has unused financing facilities amounting to SAR 5,843 million as at 31 December 2022 (2021: SAR 5,629 million). The Group expects to meet its obligations from operating cash flows, cash and cash equivalents and proceeds of maturing financial assets.

In accordance with the terms of the agreements with other telecommunication operators, debit and credit balances are settled in connection to call routing and roaming fees and only the net amounts are settled or collected. Accordingly, the net amounts are presented in the consolidated statement of financial position as follows:

	Gross Amounts	Amounts Set Off	Net Amounts
December 31, 2022 (SAR Thousand)			
Financial assets	37,597,143	(7,098,693)	30,498,450
Financial liabilities	33,249,966	(7,098,693)	26,151,273
December 31, 2021 (SAR Thousand)			
Financial assets	38,445,373	(7,319,318)	31,126,055
Financial liabilities	28,797,481	(7,319,318)	21,478,163

Changes in liabilities arising from financial activities are as follows:

Item (Thousands of Riyals)	January 1, 2022	Cash Flows	Non-monetary Changes (*)	December 31, 2022
Short-term borrowings	1,456,684	89,430	(1,269,331)	276,783
Lease liabilities - current	869,574	(1,037,357)	1,080,697	912,914
Long-term borrowings	7,846,606	1,054,511	1,312,633	10,213,750
Lease liabilities - non-current	2,353,593	-	29,613	2,383,206
Total	12,526,457	106,584	1,153,612	13,786,653

Item (Thousands of Riyals)	January 1, 2021	Cash Flows	Non-monetary Changes (*)	December 31, 2021
Short-term borrowings	318,485	(631,230)	1,769,429	1,456,684
Lease liabilities - current	742,185	(976,719)	1,104,108	869,574
Long-term borrowings	8,637,605	1,023,963	(1,814,962)	7,846,606
Lease liabilities non-current	2,237,853	-	115,740	2,353,593
Total	11,936,128	(583,986)	1,174,315	12,526,457

* Mainly includes reclassification from non-current to current portion.



■ Profit Rate Risk

The Group's main profit rate risk arises from borrowings with variable profit margin rates. There has been no change to the Group's exposure to profit risks or the manner in which these risks are managed and measured.

The sensitivity analyses below have been determined based on the exposure to profit rates for non-derivative instruments at the end of the financial year. These show the effects of changes in market profit rates on profit and loss. For floating rate liabilities, the analysis is prepared assuming the

amounts outstanding at the end of the year were outstanding for the whole year. A 100 basis point increase or (decrease) represents management's assessment of the reasonably possible change in profit rates. If profit rates had been 100 basis point higher (lower) and all other variables were held constant, the impact on the profit of the Group would have been lower (higher) by SAR 39 million (2021: SAR 8 million based on change of 20 basis point). This hypothetical effect on profit of the Group primarily arises from potential effect of variable profit financial liabilities.

Fair Value of Financial Instruments

The Group uses valuation techniques appropriate to current circumstances that provide sufficient data to measure fair value. For financial reporting purposes, fair value measurements are categorized 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. (For more details, see note 4-20 in the annual financial statements).

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

Financial assets and liabilities measured at fair value:

31 December 2022 (Thousands of Riyals)	Carrying Amount	Fair Value		
		Level 1	Level 2	Level 3
Financial assets				
At fair value through profit or loss: stc Ventures Fund and STV LP Fund (Note 1-16)	2,929,065	-	-	2,929,065
Financial liabilities				
At fair value through profit or loss: Other financial liabilities	-	-	-	-

31 December 2021 (Thousands of Riyals)	Carrying Amount	Fair Value		
		Level 1	Level 2	Level 3
Financial assets				
At fair value through profit or loss: stc Ventures Fund and STV LP Fund (Note 1-16)	2,135,246	-	-	2,135,246
Financial liabilities				
At fair value through profit or loss: Other financial liabilities	675	-	675	-

*The above notes are for the annual financial statements

There were no transfers between levels of the fair value hierarchy during year ended 31 December 2022.



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 (For more details, see note 32-1 in the annual financial statements).

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 and discount. An increase/(decrease) of 10% in the discount rate would lead to (decrease)/increase of (SAR 152 million)/SAR 255 million in estimated value.

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

Statement (Thousands of Riyals)	2022	2021
Net asset value as at 1 January	2,135,246	1,119,413
Contributions paid to the funds during the year	412,342	375,020
Distributions received from the funds during the year	(16,092)	(172,395)
Net unrealized gain recognized in the consolidated statement of profit or loss (Note 41 in the annual financial statements)	397,569	813,208
Net asset value as at 31 December	2,929,065	2,135,246

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

31 December 2022 (Thousands of Riyals)	Carrying Amount	Fair Value		
		Level 1	Level 2	Level 3
Financial assets				
Financial assets at amortized cost - Sukuk	3,947,219	-	3,837,052	-
Financial liabilities				
Borrowings - Sukuk	4,674,892	-	4,480,569	-
31 December 2021 (Thousands of Riyals)				
	Carrying Amount	Fair Value		
		Level 1	Level 2	Level 3
Financial assets				
Financial assets at amortized cost - Sukuk	3,955,568	-	4,268,749	-
Financial liabilities				
Borrowings - Sukuk	4,673,254	-	5,381,490	-

- Level 2 inputs are based on quoted prices in non-active market.
- There are no transfers between levels of the fair value hierarchy during year ended 31 December 2022.

■ Capital Management

The Group manages its capital which includes share capital, statutory reserves, other reserves and retained earnings attributable to the equity holders of the Parent Company to ensure that:

- It will be able to operate as a going concern.
- It efficiently finances its working capital and strategic investment requirements at optimal terms.
- It provides a long-term dividend policy and maintains a stable dividend pay-out.
- It maximizes the total return to its shareholders.
- It maintains an appropriate mix of debt and equity capital.

The Group reviews its capital structure in light of strategic investment decisions, changing economic environment, and assesses the impact of these changes on cost of capital and risk associated to capital.

The Group is not subject to any externally imposed capital requirements. The Group did not introduce any amendments to the capital management objectives and procedures during the year ended 31 December 2022.

The Group reviews the capital structure on an annual basis to evaluate the cost of capital and the risks associated with capital. **The Group has the following target ratios:**

- Debt to EBITDA level of 200% or below
- Debt to (Debt + Equity) level of 50% or below

The ratios as at the year ended 31 December were as follows:

Statement (Thousands of Riyals)	2022	2021
Debt (a)	10,490,533	9,303,290
EBITDA (b)	25,078,667	22,840,600
Debt to EBITDA	42%	41%
Debt	10,490,533	9,303,290
Debt + Equity (c)	86,516,125	80,689,269
Debt to (Debt + Equity)	12%	12%

- Debt is defined as current and non-current borrowings. (For more details, see note 27 in the annual financial statements).
- EBITDA is defined as operating profit for the year adjusted for depreciation, amortization and impairment.
- Equity is defined as total equity including share capital, reserves, retained earnings and non-controlling interest.

■ Capital Commitments

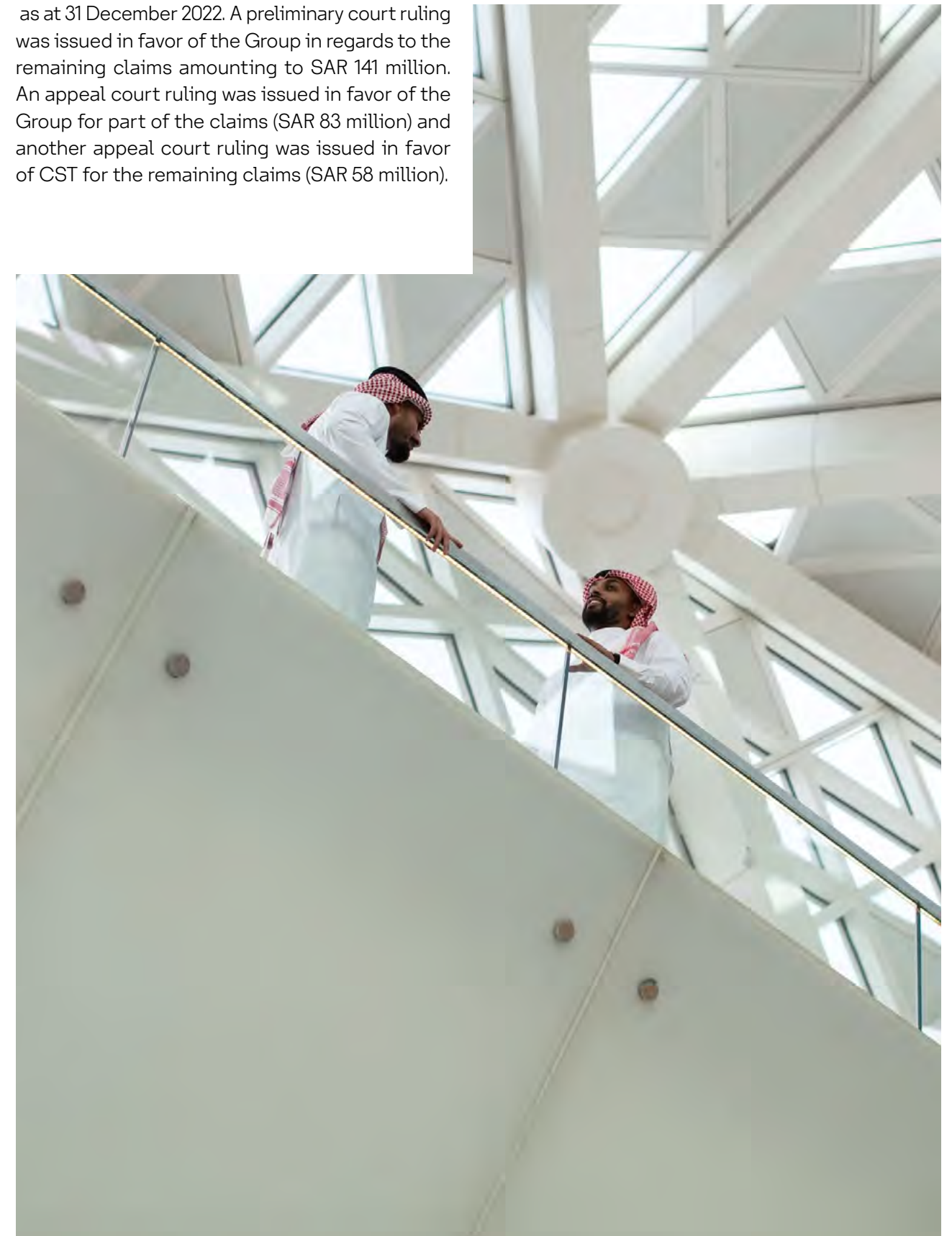
1. One of the subsidiaries has an agreement to invest in a fund aiming to improve the telecommunication and internet environment for SAR 806 million (equivalent to USD 215 million) as at 31 December 2022 (31 December 2021: SAR 1,125 million (equivalent to USD 300 million) (For more details, see Note 6-17 in the annual financial statements).
2. The Group has contractual commitments for the acquisition of property and equipment and intangible assets amounting to SAR 4,709 million as at 31 December 2022 (31 December 2021: SAR 4,193 million).
3. During 2022, stc allocated an additional SAR 1,125 million (equivalent to USD 300 million) to invest in STV LP Fund.

■ Contingent Assets and Liabilities

1. The Group has outstanding letters of guarantee on behalf of the parent and its subsidiaries amounting to SAR 5,181 million as at 31 December 2022 (2021: SAR 4,695 million).
2. The Group has outstanding letters of credit as at 31 December 2022 amounting to SAR 1,544 million (2021: SAR 1,394 million).
3. On 21 March 2016, stc received a letter from a key customer requesting a refund for paid balances amounting to SAR 742 million related to construction of a fibre 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 stc's financial position or on the results of its operations as reflected in consolidated financial statements.

5. The Group received the Appeal Committee for Tax 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 SAR 1,500 million. The Group submitted a petition for reconsideration as it believes that Saudi tax regulations do not impose withholding tax on the rental of international operators' networks since the source of income does not occur inside the Kingdom, and therefore these services should not be subject to withholding tax. During the year 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 tax specialists, 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, totaling SAR 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 SAR 641 million. CST has objected to the ruling in front of the supreme court and still awaits its decision,

as at 31 December 2022. A preliminary court ruling was issued in favor of the Group in regards to the remaining claims amounting to SAR 141 million. An appeal court ruling was issued in favor of the Group for part of the claims (SAR 83 million) and another appeal court ruling was issued in favor of CST for the remaining claims (SAR 58 million).





B- Transactions with related parties

1- Transactions with government and government related entities

Revenues related to transactions with government and government entities for the year ended 31 December 2022 amounted to

SAR 13,847 million

(2021: SAR 12,194 million)

expenses related to transactions with government and government entities for the year ended 31 December 2022 (including government chargers) amounted to

SAR 6,098 million

(2021: SAR 6,405 million)

As at 31 December 2022, accounts receivable from government entities totaled

SAR 19,311 million

(2021: SAR 21,616 million)

(For more details, see note 18-2 in the annual financial statements)

as at 31 December 2022, accounts payable to government entities amounted to

SAR 1,142 million

(2021: SAR 1,062 million)

Among the balances with government entities, the group invested SAR 3,902 million in the Sukuk issued by the Ministry of Finance during 2019. (For more details, see note 16-1 in the annual financial statements).

The total balance of receivables with government related entities as of 31 December 2022 was

SAR 1,451 million

(2021: SAR 931 million)

The total balance of accounts payable with government related entities as of 31 December 2022 was

SAR 1,621 million

(2021: SAR 120 million)

(Noting that there are no other clients represent more than 10% of the total balance of trade receivables).

The following is the receivable aging from government entities and government related entities:

Statement (Thousands of Riyals)	31-Dec-22	31-Dec-21
Less than a year	11,695,931	12,675,429
More than one year but less than two years	4,631,346	7,626,172
More than two years	2,983,376	1,314,687
Total	19,310,653	21,616,288

2- Transactions with board of directors members, executive management, and major shareholders

stc did not conduct any business or conclude any contracts in which there was a substantial interest owned by the Board of Directors, the Group CEO, the Group CFO or any other related person, other than what was disclosed in the following General assembly's meetings:

- The business and contracts between stc and Wala'a Cooperative Insurance Co. (Wala'a), in which Mr. Jameel A. Al-Mulhem, has an indirect interest being a Member of the Boards of Directors of stc and Wala'a. The disclosed indirect interest is regarding the agreement with Wala'a, which includes signing a supplementary contract to provide stc with insurance coverage for six years starting from 10-12-2021 for an amount of SAR 19.3 million. The signed supplementary contract was part of the ordinary businesses that have offered no preferential advantages that was approved by the Ordinary General Assembly meeting held on 21-02-2022.
- The business and contracts between stc and Wala'a Cooperative Insurance Co. (Wala'a); in which Mr. Jameel A. Al-Mulhem, has an indirect interest being a member of the Board of Directors of stc and Wala'a. The disclosed indirect interest is regarding the agreements with Wala'a, which includes signing a number of insurance contracts to provide

general insurance coverage for stc and its subsidiaries for three years starting from 03-06-2022 with an amount of SAR 36.76 million (annually). The signed contracts were part of the ordinary businesses that have offered no preferential advantages that was approved by the Extraordinary General Assembly meeting held on 30-08-2022.

- The business and contracts between stc and eWTPA Technology Innovation Limited Company, Alibaba Cloud (Singapore) Private Limited, Saudi Company for Artificial Intelligence (SCAI) and Saudi Information Technology Company (SITE) with regards to signing a joint venture agreement (JV) to establish a limited liability company specialized in cloud computing (General Cloud Computing Company for Information Technology - SCCC) with a total capital of SAR (894) million upon establishment. The shares are distributed as follows: (stc 55%, eWTPA 27%, Alibaba Cloud 10%, SCAI 4%, and SITE 4%). The JV agreement is within the ordinary businesses that have

offered no preferential advantages. The Public Investment Fund (PIF) is a related party as it is the largest shareholder in stc with 64% ownership, as well as a limited partner in eWTPA through its wholly owned subsidiaries and owns all the shares of SCAI and SITE, and the Board of Directors following members have indirect interest as a representative of the PIF: H.E Dr. Khaled H. Biyari, Mr. Yazeed A. AlHumied, Ms. Rania M. Nashar, Mr. Arndt F. Rautenberg and Mr. Sanjay Kapoor that was approved by the Extraordinary General Assembly meeting held on 30-08-2022.

- The business and contracts between stc and Public Investment Fund (PIF) with regards to signing a joint venture agreement (JV) to establish a limited liability company specialized in the field of internet of things (Internet of Things Information Technology Company - IoT squared), with a total capital of SAR 492

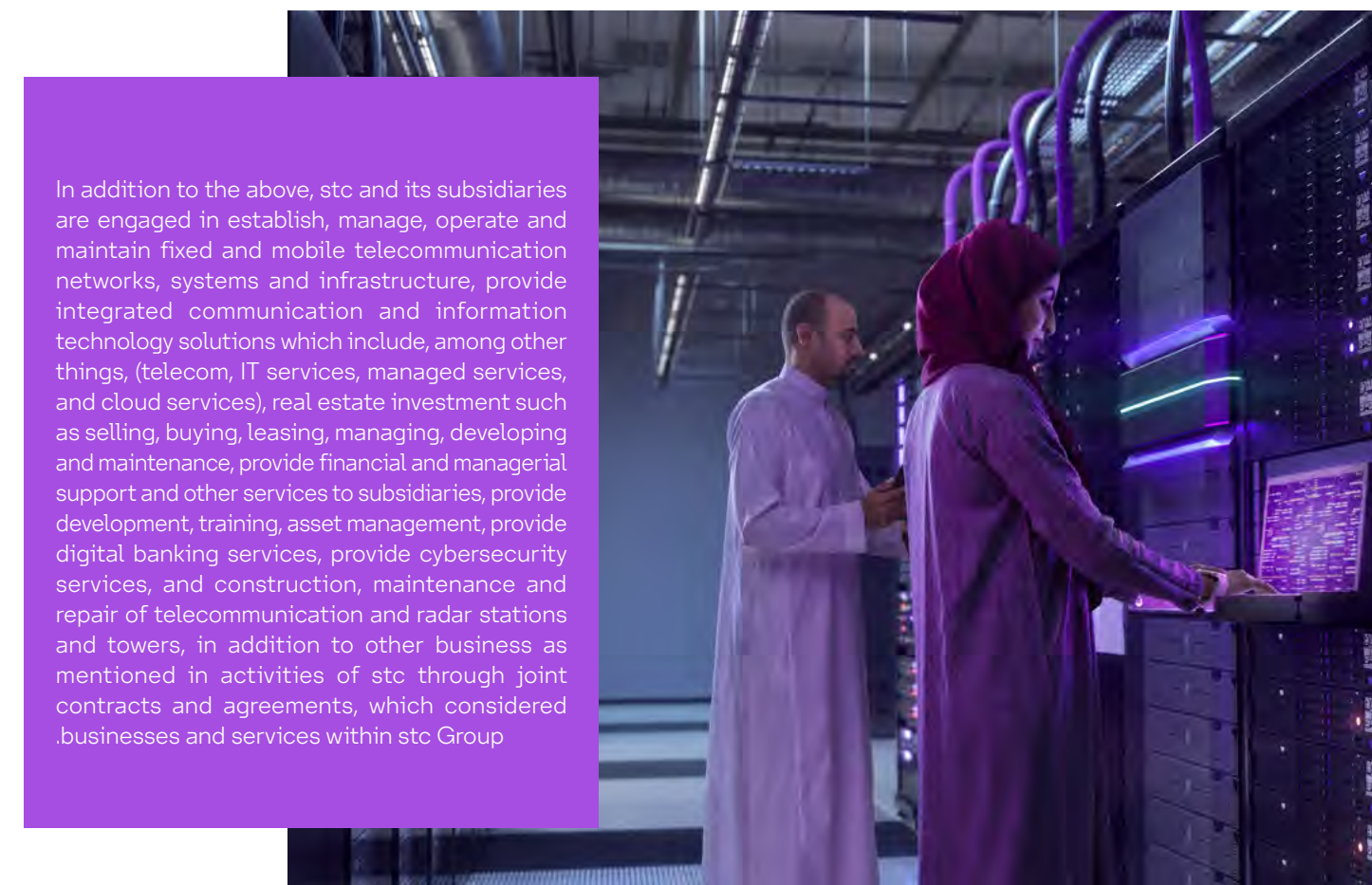
million upon establishment. The Joint Venture Agreement allows the possibility to increase the company's capital up to SAR 900 million, as needed, and based on the company's business requirements, at the end of the 3rd financial year from establishment, subject to the competent authorities and regulatory approvals, with 50% ownership for both stc and PIF. The JV agreement is within the ordinary businesses that have offered no preferential advantages. The PIF is a related party as it is the largest shareholder in stc with 64% ownership, and the Board of Directors following members have indirect interest as a representative of the PIF: H.E Dr. Khaled H. Biyari, Mr. Yazeed A. AlHumied, Ms. Rania M. Nashar, Mr. Arndt F. Rautenberg and Mr. Sanjay Kapoor that was approved by the Extraordinary General Assembly meeting held on 30-08-2022.

Loans to Related Entities

Statement (Thousands of Riyals)	December 31, 2022	December 31, 2021
Loans to senior executives	5,355	4,762

3- Transactions with subsidiaries

#	Name of Related Party	Type of Related Party	Contract/Agreement	Duration	Value (Thousands of Riyals)
1	SOLUTIONS	stc subsidiary	Oracle software licenses renewal	36 months	195,000
2	SOLUTIONS	stc subsidiary	Establishing and developing the internet and communications networks for stc based on the scope of work between the two parties, includes the following: <ul style="list-style-type: none"> Expansion of internal internet network. Expansion of internet services projects, that serves the business units of stc, in order to meet the requirements of the growing business sectors with regard to the corporate, individual, and other operators sectors. 	24 months	298,085
3	SOLUTIONS	stc subsidiary	Supply and install servers and data storage centers, in addition to providing software licenses provide managed service for design and implementation for a number of services owned by stc.	36 months	372,921
4	SOLUTIONS	stc subsidiary	Bulk SMS service (normal and gold) through the Short Message Service Center (SMSC)	12 months	138,000



In addition to the above, stc and its subsidiaries are engaged in establish, manage, operate and maintain fixed and mobile telecommunication networks, systems and infrastructure, provide integrated communication and information technology solutions which include, among other things, (telecom, IT services, managed services, and cloud services), real estate investment such as selling, buying, leasing, managing, developing and maintenance, provide financial and managerial support and other services to subsidiaries, provide development, training, asset management, provide digital banking services, provide cybersecurity services, and construction, maintenance and repair of telecommunication and radar stations and towers, in addition to other business as mentioned in activities of stc through joint contracts and agreements, which considered businesses and services within stc Group

4- Transactions with Associate companies and joint ventures

The Group trading transactions with related parties during the year ended 31 December were as follows:

Statement (Thousands of Riyals)	2022	2021
Services provided		
Associates	336,571	325,354
Joint ventures	7,659	4,260
Total	344,230	329,614
Services received		
Associates	13,331	15,029
Joint ventures	427,745	375,999
Total	441,076	391,028

The sale and purchase transactions are carried out by the relevant parties in accordance with the normal terms of dealing. 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.

The following balances were outstanding as at the end of the financial year:

Statement (Thousands of Riyals)	Amounts Due from related parties	
	December 31, 2022	December 31, 2021
Associate companies	254,377	292,223
Joint ventures	13,185	27,717
Total	267,562	319,940

Statement (Thousands of Riyals)	Amounts Due from related parties	
	December 31, 2022	December 31, 2021
Associate companies	44,532	72,006
Joint ventures	178,872	158,634
Total	223,404	230,640



04

Driving Digitization

Board of Directors
and Committees

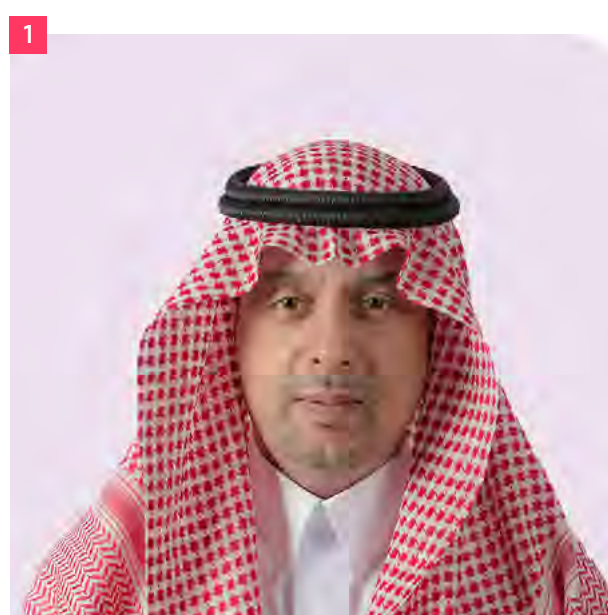


Fourth:



Forming the Board of Directors, its committees, the classification of its Members, and the Executive Management

The Board of Directors shall be composed of eleven Directors as per stc Articles of Association, which is in line with the Corporate Governance Regulations issued by the Capital Market Authority. A new Board of Directors was elected 8th term for a for the 28/4/2021 on period of three years. The following tables includes the Directors of 8th term, and the Board during its their memberships in the Boards of Directors of joint-stock companies listed and non-listed in the Saudi capital market and abroad, along with a description of their portfolios.



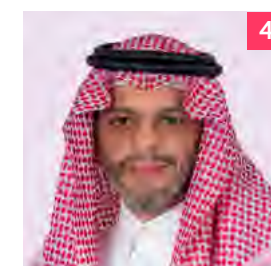
1 HRH Prince Mohammed K. A. Al-Faisal
(Chairman of the Board of Directors)



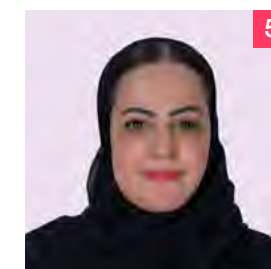
2 H.E. Dr. Khaled H. Biyari



3 H.E. Mr. Mohammed T. Al-Nahas



4 Mr. Yazeed A. AL-Humied



5 Ms. Rania M. Nashar



6 Mr. Arndt Rautenberg



7 Mr. Sanjay Kapoor



8 Ms. Sarah J. AL-Suhaimi



9 Mr. Jameel A. AlMulhem



10 Mr. Walid Ibrahim Shukri



11 Mr. Ahmed M. Al Omran

Board and Committees members and their membership classification

#	Name	Year of Birth	Academic Qualifications	Vocational Experience	Current Occupation	Previous Occupation	Membership
1	HRH Prince Mohammed K. A. Al-Faisal	1967	MBA	Banking and administrative experience	Chairman of Al Faisaliah Holding Group	Vice President of Al Faisaliah Holding Group	Independent
2	H.E. Dr. Khaled H. Biyari	1963	PhD. Electrical Engineering	Associate Professor, King Fahd University of Petroleum and Minerals and experience in business	Assistant Secretary of Defense for Executive Affairs - Ministry of Defense	stc CEO	Non-executive / non-independent
3	H.E. Mr. Mohammed T. Al-Nahas	1962	Bachelor in Accounting	Banking, business development, and administration experience	Governor of the General Organization for Social Insurance	Governor of the Public Pension Agency	Non-executive / non-independent
4	Mr. Yazeed A. AL-Humied	1983	Bachelor in Business and Accounting	Experience in Finance and Administration	PIF Deputy Governor, Head of MENA Investments	Chief of Staff and Advisor to PIF Governor	Non-executive / non-independent
5	Ms. Rania M. Nashar	1974	Bachelor in Computer Science and Information Technology	Experience in banking and administration	PIF, Head of Compliance and Governance Division	Advisor to PIF Governor	Non-executive / non-independent

#	Name	Year of Birth	Academic Qualifications	Vocational Experience	Current Occupation	Previous Occupation	Membership
6	Mr. Arndt Rautenberg	1967	MBA	Telecom and Technology, leadership and Administrative experience.	Founding Partner of Rautenberg & Company GmbH, entrepreneur and investor	Chief Strategy Officer, Deutsche Telekom AG	Non-executive / non-independent
7	Mr. Sanjay Kapoor	1962	MBA	Telecom, Media and Technology, leadership and administrative experience	Entrepreneur, Senior Advisor and Investor	Executive Chairman of Micromax and CEO (India & South Asia) of Bharti Airtel	Non-executive / non-independent
8	Ms. Sarah J. AL-Suhaimi	1979	Bachelor in Accounting	Finance and investment experience	Chairperson of Tadawul	CEO NCB Capital	Independent
9	Mr. Jameel A. AlMulhem	1971	Bachelor in marketing science	Administrative experience	Managing Director of Takween Group	Managing Director of Shaker Group	Independent
10	Mr. Walid Ibrahim Shukri	1966	Bachelor in Accounting	Administrative experience	Member of several Boards and Committees	Country Senior Partner in PwC, Saudi Arabia	Independent
11	Mr. Ahmed M. Al Omran	1973	Master in Computer Science	Administrative and information technology experience	GOSI Governor Assistant for IT Affairs	GM, IT Infrastructure, GOSI	Non-executive / non-independent

Membership of Board members in the Board committees

#	Name	Board	Audit Committee	Nomination and Remuneration Committee	Risk Committee	Executive Committee	Investment Committee	Membership
1	HRH Prince Mohammed K. A. Al-Faisal	C				C	C	Independent
2	H.E. Dr. Khaled H. Biyari	✓				✓		Non-executive / non-independent
3	H.E. Mr. Mohammed T. Al-Nahhas	✓				✓		Non-executive / non-independent
4	Mr. Yazeed A. AL-Humied	VC				✓		Non-executive / non-independent
5	Ms. Rania M. Nashar	✓		✓	C			Non-executive / non-independent
6	Mr. Arndt Rautenberg	✓					✓	Non-executive / non-independent
7	Mr. Sanjay Kapoor	✓				✓		Non-executive / non-independent
8	Ms. Sarah J. AL-Suhaimi	✓					✓	Independent
9	Mr. Jameel A. AlMulhem	✓		C				Independent
10	Mr. Walid Ibrahim Shukri	✓	C		✓			Independent
11	Mr. Ahmed M. Al Omran	✓			✓			Non-executive / non-independent

C: Chairman of the Board/Committee.

VC: Vice Chairman.

External Members of the Board Committees

#	Name	Membership	Academic Qualifications	Vocational Experience	Current Occupation	Previous Occupation	Membership
1	Dr. Ammr K. Kurdi	Audit Committee	PhD. in Accounting	Accounting experience	CFO, Tawuniya	Executive Vice President of Business for DUSSUR	External Member
2	Mr. Khalid bin Abdullah Al Ankar	Audit Committee	Bachelor in Accounting	Technical and managerial experience in auditing	General Manager, Babel Al Khair Trading & Real Estate Est	Head of Private Banking and Lending Products, Samba Financial Group	External Member
3	Mr. Medhat F. Tawfik	Audit Committee	Master Program Citibank Asia Pacific	Professional and managerial experience in auditing, risk management	Founder of IRSAA Business Solutions, an outsourcing company of responsible for Risk Management and Internal Audit	Account Manager, Samba Financial Group	External Member
4	Eng. Tarek Abdulaziz Alrikhaimi	Risk Committee	Master of Science	Experience in financial banking services, risks management.	Independent Financial Advisor, Investment and Risk Management Advisor	CEO, Saudi Kuwaiti Finance House	External Member
5	Mr. Rashid I. Sharif	Investment Committee	MBA	Experience in finance and a member in several listed companies	CEO, SNB Capital and an Executive Member of the Board	Head of the General Administration, Saudi Investments - PIF	External Member
6	Mr. Johan Brand	Nomination and Remuneration Committee	Master of Business Economics Master of Business Law Master of Private Law	Experience in leadership advisory	Independent consultant in a leadership advisory company	Key Partner, Egon Zehnder	External Member
7	Ms. Hoda M. Al-Ghoson	Nomination and Remuneration Committee	MBA	Experience in Human Resources	Executive Director of Human Staff Resources and Training, Aramco	General manager of Training and Development, Aramco	External Member

Executive Management Members

#	Name	Academic Qualifications	Current Occupation (stc)	Previous Occupation	Company
1	Olayan Mohammed H Alwetaid	Bachelor of Electrical Engineering	stc Group CEO	Senior VP, Consumer Business Unit	stc
2	Ameen Fahad Alshiddi	Master of Accounting	Group Chief Financial Officer	VP Finance	stc
3	Faisal S. Alsaber	MBA	Group Chief Commercial Officer	CEO	Channels
4	Riyadh Saeed Muawad	Bachelor of Computer Science	Group Chief Business Officer	VP, Government & Corporate Sales	stc
5	Mohammed Abdullah Alabbadi	MBA	Group Chief Carrier & Wholesale Officer	Wholesale VP	stc
6	Moaeed Huwajj Alsaloom	MBA	Group Chief New Markets Officer	CEO	Matarat Holding
7	Haithem M. Alfaraj	Bachelor of Computer Engineering	Group Chief Technology Officer	VP, Technology & Operations	stc
8	Abdullah Abdulrahman Alkanhl	MBA	Group Chief Strategy Officer	Deputy Minister for Communications and Information Technology	MCIT

#	Name	Academic Qualifications	Current Occupation (stc)	Previous Occupation	Company
9	Ahmad M. Alghamdi	Bachelor Ind. Engineering	Group Chief Human Resources Officer	Human Resources VP	stc
10	Motaz Ali Alanagri	Bachelor of Business Administration	Group Chief Investment Officer	Managing Director Head of Investment Banking	Saudi Fransi Capital
11	Abdullah S. Alanizi	Master of Executive Management	Group Chief Internal Audit Officer	Chief Audit	stc
12	Mathad Faisal Alajmi	MBA	Group Chief Legal and Risk Officer and General Counsel	VP and General Counsel of Legal Affaires	stc
13	Emad Aoudah Alaoudah	Bachelor of Information Systems	Group Shared Services Officer	Procurement & Support Services Sector VP	stc
14	Amir Abdulaziz Algibreen	Master of Advanced Management	Group Regulatory and Compliance Officer	Regulatory Affairs VP	stc
15	Ibrahim Saleh Alsuwail	MBA	Group Chief of Staff	Deputy Minister, Investor Services & Advisory	The Ministry of Investment

Companies where stc Board Members are or were Board Members or Executives in

	#	Companies where stc Board Members are currently Board Members or Executives in	Location		Legal Entity (Listed, unlisted joint stock company, LCC/ ...)	Companies where stc Board Members were previously Board Members or Executives in	Location		Legal Entity (Listed, unlisted joint stock company, LCC/ ...)
			KSA	Abroad			KSA	Abroad	
1	1	stc	✓		Listed joint stock	JP Morgan Saudi Arabia	✓		Closed joint stock
	2	Al Faisaliah Group	✓		Closed joint stock				
	3	Al khozama	✓		Closed joint stock				
2	1	stc	✓		Listed joint stock				
	2	Saudi Information Technology Company (SITE)	✓		Closed Joint-stock				
	3	Saudi Arabian Military Industries (SAMI)	✓		Closed Joint-stock				

	#	Companies where stc Board Members are currently Board Members or Executives in	Location		Legal Entity (Listed, unlisted joint stock company, LCC/ ...)	Companies where stc Board Members were previously Board Members or Executives in	Location		Legal Entity (Listed, unlisted joint stock company, LCC/ ...)	
			KSA	Abroad			KSA	Abroad		
3	H.E. Mr. Mohammed T. Al-Nahas Member of the Board of Directors. Member of the Executive Committee.	1	stc	✓		Listed joint stock	Public Pension Agency	✓		Governmental Institution
		2	GOSI	✓		Governmental Institution	National Center for Privatization	✓		Governmental Institution
		3	Sabic	✓		Listed joint stock	Riyad Bank	✓		Listed joint stock
		4	Future Work	✓		One of Takamol Holding subsidiaries	Acwa Power	✓		Listed joint stock
		5	ASMA Capital		✓	Unlisted	Raidah Invest. Co	✓		Unlisted
		6	Spimaco	✓		Listed joint stock	Raza Real Estate Co	✓		Unlisted
		7	Dammam Pharma	✓		Unlisted	Taiba Holding Company	✓		Listed joint stock
		8	Tawuniyah Real Estate Invest. Co	✓		Unlisted	Saudi Travel Cheque Company	✓		Unlisted
4	Mr. Yazeed A. AL-Humied Vice Chairman of the Board of Directors. Member of the Executive Committee.	1	stc	✓		Listed joint stock	Samba Financial Group	✓		Listed joint stock
		2	Saudi National Bank (SNB)	✓		Listed joint stock				
		3	National Security Services Co. SAFE	✓		Closed Joint-stock				
		4	Saudi Arabian Airlines General Organization	✓		State-owned enterprise				
		5	Flyadeal	✓		Closed Joint-stock				
		6	Saudi Civil Aviation Holding Co	✓		Closed Joint-stock				
		7	Saudi Tadawul Group Holding	✓		Listed joint stock				
		8	Richard Attias & Associates		✓	Closed joint stock				

	#	Companies where stc Board Members are currently Board Members or Executives in	Location		Legal Entity (Listed, unlisted joint stock company, LCC/ ...)	Companies where stc Board Members were previously Board Members or Executives in	Location		Legal Entity (Listed, unlisted joint stock company, LCC/ ...)
			KSA	Abroad			KSA	Abroad	
4 Mr. Yazeed A. AL-Humied Vice Chairman of the Board of Directors Member of the Executive Committee	9	Saudi Egyptian Invest. Co	✓		Closed joint stock				
	10	Savvy Gaming Group (SGG)	✓		Closed joint stock				
	11	Saudi Information Technology Company (SITE)	✓		Closed joint stock				
	12	Water Solutions Co	✓		Closed joint stock				
	13	Cruise Saudi	✓		Closed joint stock				
5 Ms. Rania M. Nashar Member of the Board of Directors. Member of the Nomination and Remuneration Committee. Chairperson of the Risk Committee.	1	stc	✓		Listed joint stock	Samba Financial Group	✓		Listed joint stock
	2	Saudi Tadawul Group Holding	✓		Listed joint stock	Samba Capital	✓		Closed joint stock
	3	Saudi Space Commission	✓		Government Entity	Samba Bank Ltd		✓	Listed joint stock
	4	National Center for Performance Measurement (Aada)	✓		Government Entity	Samba Bank Limited Global Markets Ltd.		✓	LLC.
	5	Regional Voluntary Carbon Market Co.	✓		Closed joint stock				
6 Mr. Arndt Rautenberg Member of the Board of Directors. Member of the Investment Committee.	1	stc	✓		Listed joint stock	Protection One GmbH		✓	Unlisted Private Limited
	2	B Capital Partners AG		✓	Unlisted corporation	d&b audiotchnik GmbH		✓	Unlisted Private Limited
	3	Arcus Infrastructure Partners LLP		✓	LLP	Materna SE		✓	Unlisted corporation
	4	Push Technologies SL		✓	Unlisted Private Limited	Univativ GmbH		✓	Unlisted Private Limited

	#	Companies where stc Board Members are currently Board Members or Executives in	Location		Legal Entity (Listed, unlisted joint stock company, LCC/ ...)	Companies where stc Board Members were previously Board Members or Executives in	Location		Legal Entity (Listed, unlisted joint stock company, LCC/ ...)
			KSA	Abroad			KSA	Abroad	
7 Mr. Sanjay Kapoor Member of the Board of Directors Member of the Executive Committee	1	stc	✓		Listed joint stock	Bennett Coleman Co. Ltd.		✓	Unlisted
	2	OnMobile Global Ltd.		✓	Listed joint stock	PVR, Ltd.		✓	Listed joint stock
	3	Tanla Platforms Ltd.		✓	Listed joint stock	MicroMax Informatics Ltd.		✓	Unlisted
	4	Tech-Connect Retail Pvt. Ltd.		✓	Unlisted joint stock	Indus Towers Ltd.		✓	Listed joint stock
	5	Z-Axis Management, Consultants, and Strategic Advisors LLP.		✓	LLP.	IFFCO Kisan Sancher Ltd.		✓	Unlisted
	6					Bharti Cellular Ltd.		✓	Unlisted
	7					GSMA		✓	Unlisted
	8					IBus Network & Infrastructure Pvt. Ltd		✓	Unlisted
	9					VLCC Healthcare Ltd.		✓	Unlisted
	10					Napino Auto and Electronics Limited.		✓	Unlisted
8 Ms. Sarah J. Al-Suhaimi Member of the Board of Directors. Member of the Investment Committee.	1	stc	✓		Listed joint stock	SNB Capital	✓		Closed joint stock
	2	Saudi Tadawul Group Holding	✓		Listed joint stock				
	3	Saudi Arabian Airlines General Organization	✓		State-owned enterprise				
	4	Culture Development Fund	✓		Gov.-owned Fund				

	#	Companies where stc Board Members are currently Board Members or Executives in	Location		Legal Entity (Listed, unlisted joint stock company, LCC/ ...)	Companies where stc Board Members were previously Board Members or Executives in	Location		Legal Entity (Listed, unlisted joint stock company, LCC/ ...)
			KSA	Abroad			KSA	Abroad	
8	5	Lazard Saudi Arabia	✓		Foreign joint stock				
	6	Child Care Association	✓		National Association				
	7	International Financial Reporting Standards		✓	Independent Nonprofit Organization				
	8	Regional Voluntary Carbon Market Co.	✓		Closed joint stock				
9	1	stc	✓		Listed joint stock	New Vision Co.	✓		LLC
	2	Takween Advanced Ind.	✓		Listed joint stock	Energy Service Co.	✓		LLC
	3	Wala'a Cooperative Insurance Co.	✓		Listed joint stock	Al Hassan Ghazi Ibrahim Shaker Co.	✓		Listed joint stock
	4	Electrical Ind. Co.	✓		Listed joint stock	Selco Co.	✓		LLC
	5	Alessa Ind. Co.	✓		Closed joint stock	Contact Center Co.	✓		LLC
	6	New Marina for Plastic Industries		✓	Closed joint stock	stc Kuwait	✓		Listed joint stock
	7	SPL	✓		Governmental Institution	stc Bahrain	✓		LLC
	8					Cell- C	✓		LLC
	9					Avea	✓		LLC
	10					Turk Telekom	✓		LLC
	11					Intigral	✓		LLC

	#	Companies where stc Board Members are currently Board Members or Executives in	Location		Legal Entity (Listed, unlisted joint stock company, LCC/ ...)	Companies where stc Board Members were previously Board Members or Executives in	Location		Legal Entity (Listed, unlisted joint stock company, LCC/ ...)
			KSA	Abroad			KSA	Abroad	
10	1	stc	✓		Listed joint stock	Middle East Paper Co. (Mepco)	✓		Listed joint stock
	2	Saudi Agricultural and Livestock Investment Company (SALIC)	✓		Closed joint stock				
	3	Saudi Electricity Co. (SEC)	✓		Listed joint stock				
11	1	stc	✓		Listed joint stock	Saudi Cement	✓		Listed joint stock
	2	Arab National Bank	✓		Listed joint stock	Saudi Industrial Investment Group	✓		Listed joint stock
	3	Madad IT Services	✓		LLC	Samba Financial Group	✓		Listed joint stock
	4	Takamul Holding Company	✓		LLC	Hassana Investment Company	✓		Closed joint stock
	5	Masdr Data Solutions	✓		LLC	Ra'idah Investment Company	✓		Closed joint stock



Meetings of the Board of Directors:

The Board of Directors convened four meetings. The following table illustrate these meetings convened in 2022 and members' attendance.

#	Name	Membership	Number and Date of the Meetings				Total
			6	7	8	9	
			Mar 16	Jun 28	Oct 3	Dec 22	
1	HRH Prince Mohammed K. A. Al-Faisal	Chairman of the Board of Directors	✓	✓	✓	✓	4
2	H.E. Dr. Khaled H. Biyari	Member	✓	✓	✓	✓	4
3	H.E. Mr. Mohammed T. Al-Nahas	Member	✓	✓	✓	✓	4
4	Mr. Yazeed A. AL-Humied	Vice Chairman of the Board of Directors	✓	✗	✓	✓	3
5	Ms. Rania M. Nashar	Member	✓	✓	✓	✓	4
6	Mr. Arndt Rautenberg	Member	✓	✓	✓	✓	4
7	Mr. Sanjay Kapoor	Member	✓	✓	✓	✓	4
8	Ms. Sarah J. AL-Suhaimi	Member	✓	✓	✓	✓	4
9	Mr. Jameel A. AlMulhem	Member	✓	✓	✓	✓	4
10	Mr. Walid I. Shukri	Member	✓	✓	✓	✓	4
11	Mr. Ahmed M. Al Omran	Member	✓	✓	✓	✓	4

* Mr. Yazeed A. AL-Humied apologized for not being able to attend the seventh meeting due to emergency situations.

Meetings of Board Committees

In accordance with stc Corporate Governance Charter and regulations of relevant authorities, the Board forms committees to perform its work in a manner that achieves the efficiency and effectiveness of the Board. During the formation process, the Board should identify and document the committees' responsibilities and work procedures and issue the required resolutions for this purpose. Relevant parties shall be identified in an appropriate manner. Board committees were formed for the current 8th term as follows:

■ Executive Committee:

The Executive Committee (ExCom) consists of Five Board Directors. ExCom reviews and approves strategies, estimated annual budgets, and local and international organic and inorganic businesses and social initiatives within board-approved authorities. ExCom held five meetings in 2022, as follows:



#	Name	Membership	Number and Date of the Meetings					Total
			4	5	6	7	8	
			Feb 23	Apr 14	Jun 6	Sep 5	Dec 5	
1	HRH Prince Mohammed K. A. Al-Faisal	Chairman	✓	✓	✓	✓	✓	5
2	H.E. Dr. Khaled H. Biyari	Member	✓	✓	✓	✓	✓	5
3	H.E. Mr. Mohammed T. Al-Nahas	Member	✓	✓	✓	✓	✓	5
4	Mr. Yazeed A. AL-Humied	Member	✓	✓	✓	✓	✓	5
5	Mr. Sanjay Kapoor	Member	✓	✓	✓	✓	✓	5

■ Nomination and Remuneration Committee:

The Nomination and Remuneration Committee (NRC) consists of two non-executive Board Directors (One Independent) and two external Members. The NRC reviews and approves the process of designing an appropriate operating model and fair incentives of salary scales in conformity with market standards and requirements and best governance practices. The NRC also reviews the structure of the Board and recommends

appropriate amendments; ensures annually the independence of external members; ensures Board Directors have no conflict of interest, especially if they are Board members of other companies; and reviews and approves Board and Committees remunerations and incentives prior to submission before the Board for ratification; ensures that stc's business is in line with the best practices of corporate governance. **The NRC held six meetings in 2022:**

#	Name	Membership	Number and Date of the Meetings						Total
			5 Feb 3	6 Feb 15	7 Jun 9	8 Sep 8	9 Sep 28	10 Dec 8	
1	Mr. Jameel A. AlMulhem	Chairman	✓	✓	✓	✓	✓	✓	6
2	Ms. Rania M. Nashar	Member	✓	✓	✓	✓	✓	✓	6
3	Ms. Hoda M. Al Ghoson	Member	✓	✓	✓	✓	✓	✓	6
4	Mr. Johan Brand	Member	✓	✓	✓	✓	✓	✓	6

■ Audit Committee:

The General Assembly approved the formation of the Audit Committee (AC) for the 8th term of the Board of Directors. AC started on 1/6/2021. The General Assembly approved AC tasks, controls and the remuneration of its Members. AC consists of one Independent Board Director and three external Members. AC is responsible for reviewing the financial and administrative policies and procedures of stc, and the procedures for preparing financial reports and their deliverables. AC also reviews internal audit reports and comments, and issue recommendations to the Board of directors

on the appointment, dismissal, remuneration and independence of legal accountants. AC examines preliminary and annual financial statements before being submitted to the Board of Directors and provides opinions and guidance thereon. AC reviews the legal accountant's observations on the statements and reviews the audit plan with the legal accountant, making its observations thereon. AC fulfills other works periodically and regularly in order to assess the efficiency and effectiveness of stc control activities and risk management. **AC held nine meetings in 2022:**

#	Name	Membership	Number and Date of the Meetings									Total	
			5 Jan 16	6 Feb 20	7 Apr 28	8 May 26	9 Jun 12	10 Aug 2	11 Sep 13	12 Oct 27	13 Nov 15		
1	Mr. Walid I. Shukri	Chairman	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	9
2	Dr. Ammr K. Kurdi	Deputy Chairman	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	9
3	Mr. Khalid Bin Abdullah Al Ankari	Member	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	9
4	Mr. Medhat F. Tawfik	Member	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	9

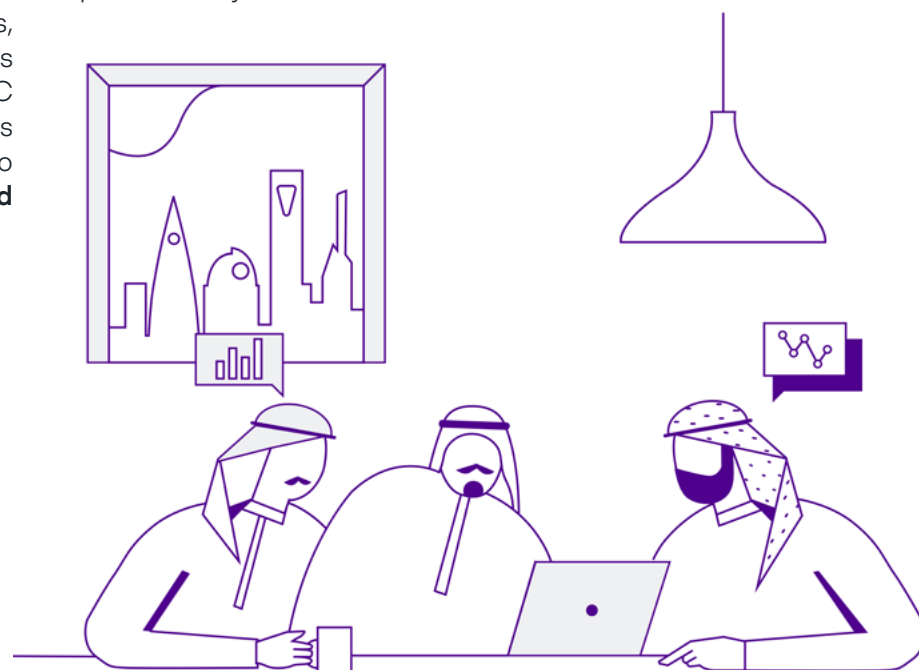
■ Investment Committee:

The Investment Committee (IC) consists of three Board Directors and an external Member. IC is responsible for reviewing the investments policy as per stc strategies. IC also reviews and examines strategic investment opportunities and recommends feasible investments. **IC held six meetings in 2022:**

#	Name	Membership	Number and Date of the Meetings						Total
			7 Feb 24	8 Jun 7	9 Jun 28	10 Sep 6	11 Oct 24	12 Dec 6	
1	HRH Prince Mohammed K. A. Al-Faisal	Chairman	✓	✓	✓	✓	✓	✓	6
2	Mr. Arndt Rautenberg	Member	✓	✓	✓	✓	✓	✓	6
3	Ms. Sarah J. AL-Suhaimi	Member	✓	✓	✓	✓	✓	✓	6
4	Mr. Rashid I. Sharif	Member	✓	✓	✓	✓	✓	✓	6

■ Risk Committee:

The Risk Committee (RC) consists of three Board Directors and an external Member. RC is responsible for reviewing risk policies in accordance with stc strategies. RC ensures applying best practice of risk management and internal control systems. RC also ensures the appropriateness of plans to carry out tasks and responsibilities, risk strategy, and business continuity. Moreover, RC reviews top risks that stc faces and the corrective measures to mitigate these risks. **RC held four meetings in 2022:**



#	Name	Membership	Number and Date of the Meetings				Total
			4 Feb 6	5 Jun 8	6 Sep 7	7 Dec 7	
1	Ms. Rania M. Nashar	Chairperson	✓	✓	✓	✓	4
2	Mr. Walid I. Shukri	Member	✓	✓	✓	✓	4
3	Mr. Ahmed M. Al Omran	Member	✓	✓	✓	✓	4
4	Eng. Tarek Abdulaziz Alrikhaimi	Member	✓	✓	✓	✓	4



Dates of the shareholders' General Assembly meeting held during the financial year 2022, and the names of the present board members:

First: The Ordinary General Assembly on 21/02/2022:

The Ordinary General Assembly's meeting held remotely through modern technology via Tadawulaty services on 21/02/2022. The meeting's results were published on Tadawul's website on 23/02/2022. **Voting results in the General Assembly's agenda were as follows:**

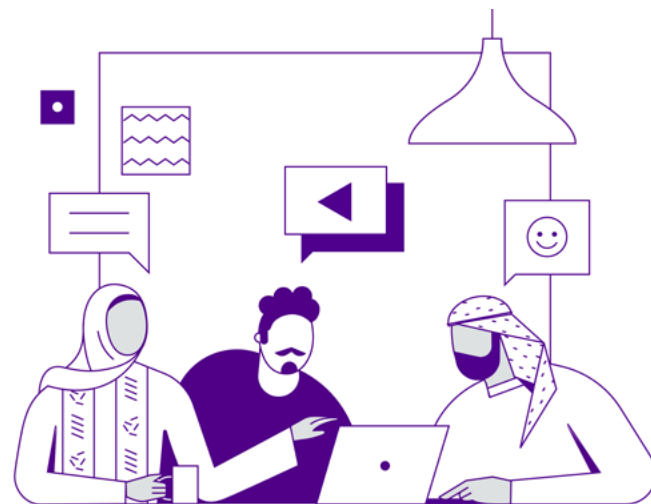
1. Approve appointing the auditor Ernst & Young & Partners (EY) as auditor of stc from the selected candidates based on the Audit Committee's recommendation. The appointed auditor shall examine, review and audit the (second and third) quarters and annual financial statements of the fiscal year 2022, and the first quarter of the fiscal year 2023. In addition to, the determination of the auditor's remuneration.
2. Approve amending the Audit Committee Charter.
3. Approve the business and contracts between stc and Wala'a Cooperative Insurance Co. (Walaa), in which Mr. Jameel A. Al-Mulhem, has an indirect interest being a Member of the Boards of Directors of stc and Walaa. The disclosed indirect interest is regarding the agreement with Walaa, which includes signing a supplementary contract to provide stc with insurance coverage for six years starting 10-12-2021 for an amount of SAR 19.3 million. The signed supplementary contract was part of the ordinary businesses that have offered no preferential advantages.

■ Below are the names of the members who attended the Assembly's meeting:

#	Name	Attendance
1	HRH Prince Mohammed bin Khaled Al-Abdullah Al-Faisal (Chairman of the Board)	✓
2	H.E. Dr. Khaled bin Hussain Biyari	✓
3	H.E. Mr. Mohammed bin Talal Al-Nahas	✓
4	Mr. Yazeed Al-Humied (Vice Chairman of the Board)	✓
5	Ms. Rania Nashar	✓
6	Mr. Jameel Al-Mulhem	✓
7	Mr. Waleed Shukri	✓
8	Mr. Arndt Rautenberg	✗
9	Mr. Sanjay Kapoor	✗
10	Ms. Sarah Al-Suhaimi	✗
11	Mr. Ahmed bin Mohammed Al-Omran	✗

* Members of the Board of Directors Mr. Arndt Rautenberg, Mr. Sanjay Kapoor, Ms. Sarah J. AL-Suhaimi and Mr. Ahmed M. Alomran apologized for not being able to attend.

* Minutes of meetings can be found on stc's website: www.stc.com.sa



Second: The Ordinary General Assembly on 19/04/2022:

The Ordinary General Assembly's meeting held remotely through modern technology via Tadawulaty services on 19/04/2022. The meeting's results were published on Tadawul's website on the next day 20/04/2022. **Voting results in the General Assembly's agenda were as follows:**

1. Approve the Board of Directors report for the fiscal year ending on 31-12-2021.
2. Approve the report of stc auditor for the fiscal year ending on 31-12-2021.
3. Approve stc consolidated financial statements for the year ending on 31-12-2021.
4. Approve delegating the Board of Directors with the authority of the General Assembly relating to the permission mentioned in Paragraph (1) of Article 71 of the Companies Bylaw, for a period of one year from the date of approval of the General Assembly or until the end of the term of Delegated Board of Directors, whichever is earlier and in accordance with the conditions mentioned in the related regulations.

5. Approve paying SAR 6,315,329.68 as remunerations for the members of Board of Directors for the fiscal year ending on 31-12-2021.

Below are the names of the members who attended the Assembly's meeting:

#	Name	Attendance
1	HRH Prince Mohammed bin Khaled Al-Abdullah Al-Faisal (Chairman of the Board)	✓
2	H.E. Dr. Khaled bin Hussain Biyari	✓
3	H.E. Mr. Mohammed bin Talal Al-Nahas	✓
4	Mr. Yazeed Al-Humied (Vice Chairman of the Board)	✓
5	Ms. Rania Nashar	✓
6	Mr. Jameel Al-Mulhem	✓
7	Mr. Waleed Shukri	✓
8	Mr. Arndt Rautenberg	✗
9	Mr. Sanjay Kapoor	✗
10	Ms. Sarah Al-Suhaimi	✗
11	Mr. Ahmed bin Mohammed Al-Omran	✓

* Members of the Board of Directors Mr. Arndt Rautenberg and Mr. Sanjay Kapoor and Ms. Sarah J. AL-Suhaimi apologized for not being able to attend.

* Minutes of meetings can be found on stc's website: www.stc.com.sa

Third: The Extraordinary General Assembly which includes stc's Capital Increase on 30/08/2022:

The Extraordinary General Assembly's meeting which includes stc's Capital Increase held remotely through modern technology via Tadawulaty services on 30/08/2022. The meeting's results were published on Tadawul's website on the next day 31/08/2022. **Voting results in the General Assembly's agenda were as follows:**



1. Approve the Board of Director's recommendation to increase Saudi Telecom Company's (stc) capital via granting bonus shares to stc's shareholders as follows:
 - The total amount of the increase is SAR 30,000 million.
 - The capital before the increase is SAR 20,000 million, and the capital after the increase will become SAR 50,000 million; an increase by (150%).
 - The number of shares before the increase is 2,000 million shares, and the number of shares after the increase will become 5,000 million shares.

- The objective of the increase is to support stc in achieving its growth and expansion strategy along with maximizing its shareholders' return thru increasing and diversifying stc's investments and seizing the expected growth opportunities in the telecommunication & technology sector in the Kingdom of Saudi Arabia and the region.
- The increase will be through capitalizing SAR 30,000 million from the retained earnings via granting (1.5) share for each (1) share owned by shareholder at the eligibility date.
- In case of shares fractions occurrence, stc will collect all fractions in one portfolio to be sold at market price, the value will be distributed to eligible shareholders each by their share within a period not to exceeds 30 days from the allocation of new shares to each shareholder.

- The eligibility shall be for shareholders owning shares by the end of the trading day of stc's Extraordinary General Assembly meeting and are registered in stc's shareholders registry in the Depository Center by the end of the second trading day following the Extraordinary General Assembly meeting date.
 - The amendment of Article No. (7) of Saudi Telecom Company's (stc) Articles of Association related to stc's capital.
 - The amendment of Article No. (8) of Saudi Telecom Company's (stc) Articles of Association related to shares subscription.
2. Approve the amendment of Saudi Telecom Company's (stc) dividends policy.
 3. Approve the business and contracts between Saudi Telecom Company (stc) and Wala'a Cooperative Insurance Co. (Wala'a); in which Mr. Jameel A. Al-Mulhem, has an indirect interest being a member of the Board of Directors of stc and Wala'a. The disclosed indirect interest is regarding the agreements with Wala'a, which includes signing a number of insurance contracts to provide general insurance coverage for stc and its subsidiaries for three years starting from 03-06-2022 with an amount of SAR 36.76 million (annually). The signed contracts were part of the ordinary businesses that have offered no preferential advantages.
 4. Approve the business and contracts between Saudi Telecom Company (stc) and eWTPA Technology Innovation Limited Company, Alibaba Cloud (Singapore) Private Limited, Saudi Company for Artificial Intelligence (SCAI) and Saudi Information Technology Company (SITE) with regards to signing a joint venture agreement (JV) to establish a limited liability company specialized in cloud computing with a total capital of SAR (894) million upon establishment. The shares are distributed as follows: (stc 55%, eWTPA 27%, Alibaba Cloud 10%, SCAI 4%, and SITE 4%). The

JV agreement is within the ordinary businesses that have offered no preferential advantages. The Public Investment Fund (PIF) is a related party as it is the largest shareholder in stc with 64% ownership, as well as a limited partner in eWTPA through its wholly owned subsidiaries and owns all the shares of SCAI and SITE, and the Board of Directors following members have indirect interest as a representative of the PIF: H.E Dr. Khaled H. Biyari, Mr. Yazeed A. AlHumied, Ms. Rania M. Nashar, Mr. Arndt F. Rautenberg and Mr. Sanjay Kapoor.

5. Approve the business and contracts between Saudi Telecom Company (stc) and Public Investment Fund (PIF) with regards to signing a joint venture agreement (JV) to establish a limited liability company specialized in the field of internet of things (IoT), with a total capital of SAR 492 million upon establishment. The Joint Venture Agreement allows the possibility to increase the company's capital up to SAR 900 million, as needed, and based on the company's business requirements, at the end of the 3rd financial year from establishment, subject to the competent authorities and regulatory approvals, with 50% ownership for both stc and PIF. The JV agreement is within the ordinary businesses that have offered no preferential advantages. The PIF is a related party as it is the largest shareholder in stc with 64% ownership, and the Board of Directors following members have indirect interest as a representative of the PIF: H.E Dr. Khaled H. Biyari, Mr. Yazeed A. AlHumied, Ms. Rania M. Nashar, Mr. Arndt F. Rautenberg and Mr. Sanjay Kapoor.

6. Approve the purchase of a number of the Saudi Telecom Company (stc) shares with a maximum of 15 million shares (the proposed shares to be purchased reflects the proposed increase in stc's capital by 150%), and in an amount not to exceed SAR 453 million to allocate them within the Employee Stock Incentive Plan which was approved in the Extraordinary General Assembly meeting held in 20-04-2020, where the purchase of those shares to be financed thru stc's own resources. Further, to authorize the Board of Directors or whoever it delegates to complete the purchase within a period of 12 months from the date of the Extraordinary General Assembly approval. The purchased shares to be kept no longer than 7 years from the date of Extraordinary General Assembly approval and once the 7 years period lapses, stc will follow the rules and procedures stipulated in the relevant laws and regulations.

■ Below are the names of the members who attended the Assembly's meeting:

#	Name	Attendance
1	HRH Prince Mohammed bin Khaled Al-Abdullah Al-Faisal (Chairman of the Board)	✓
2	H.E. Dr. Khaled bin Husaain Biyari	✓
3	H.E. Mr. Mohammed bin Talal Al-Nahhas	✗
4	Mr. Yazeed Al-Humied (Vice Chairman of the Board)	✓
5	Ms. Rania Nashar	✓
6	Mr. Jameel Al-Mulhem	✓
7	Mr. Waleed Shukri	✓
8	Mr. Arndt Rautenberg	✗
9	Mr. Sanjay Kapoor	✗
10	Ms. Sarah Al-Suhaimi	✗
11	Mr. Ahmed bin Mohammed Al-Omran	✓

* Members of the Board of Directors H.E. Mr. Mohammed T. Alnahhas, Mr. Arndt Rautenberg, Mr. Sanjay Kapoor and Ms. Sarah J. AL-Suhaimi. apologized for not being able to attend.

* Minutes of meetings can be found on stc's website: www.stc.com.sa

Annual Assessment of the Board of Directors

The Board of Directors resolved on 21/3/2018 to approve the Performance Assessment Policy of the Board of Directors and Committees. The policy aims to define rules and regulations of assessing performance for follow up and enhancement objectives, fulfill requirements, apply best governance practice, and strengthen the Board's effectiveness. The Chairman of the Board of Directors directed the Nomination and Remuneration Committee to write to specialized advisory firms and request them to submit their Board assessment proposals for the first year of the 8th term during the second quarter of 2022, provided that the consultant is highly qualified and experienced to assess the effectiveness and performance of the Board and committees. The Board of Directors discussed on 3/10/2022 the work plan implemented and their established assessment methodology, which were conducted over internet surveys and one to one interviews. The collected relevant data were analyzed and compared with 2019 recommendations to determine changes and achievements between the two assessments, the Board, role, interaction, governance, challenges and risk management. The strength points and opportunities that could contribute more to enhancing the effectiveness of the Board's performance, which will be reflected positively on stc.



Description of any interest, contractual papers, and subscription rights belonging to members of the Board of Directors and their relatives in stc shares or debt instruments (Eighth session)

#	Member Name	Beginning of 2022		Ending of 2022		Net Difference	Change Percentage
		No. of Shares	Debt Instruments	No. of Shares	Debt Instruments		
1	HRH Prince Mohammed bin Khaled Al-Abdullah Al-Faisal	2,500	0	2,500	0	0	0%
2	H.E. Dr. Khaled bin Hussain Biyari	5,000	0	5,185	0	185	3.7%
3	H.E. Mr. Mohammed bin Talal Al-Nahas	0	0	750	0	750	100%
4	Mr. Yazeed Al-Humied	23,372	0	23,372	0	0	0%
5	Ms. Rania Nashar	0	0	0	0	0	0%
6	Mr. Arndt Rautenberg	0	0	0	0	0	0%
7	Mr. Sanjay Kapoor	0	0	0	0	0	0%
8	Ms. Sarah Al-Suhaimi	0	0	100,000	0	100,000	100%
9	Mr. Jameel Al-Mulhem	0	0	23,750	0	23,750	100%
10	Mr. Waleed Shukri	0	0	0	0	0	0%
11	Mr. Ahmed M. Alomran	0	0	0	0	0	0%

Description of any interest, contractual papers, and subscription rights belonging to members of the Board of Directors and their relatives in stc's subsidiaries shares or debt instruments (Eighth session)

#	Member Name	Subsidiary	Beginning of 2022		Ending of 2022		Net Difference	Change Percentage
			No. of Shares	Debt Instruments	No. of Shares	Debt Instruments		
1	HRH Prince Mohammed bin Khaled Al-Abdullah Al-Faisal		0	0	0	0	0	0%
2	H.E. Dr. Khaled bin Hussain Biyari		0	0	0	0	0	0%
3	H.E. Mr. Mohammed bin Talal Al-Nahas		0	0	0	0	0	0%
4	Mr. Yazeed Al-Humied	SOLUTIONS	20	0	20	0	0	0%
5	Ms. Rania Nashar		0	0	0	0	0	0%
6	Mr. Arndt Rautenberg		0	0	0	0	0	0%
7	Mr. Sanjay Kapoor		0	0	0	0	0	0%
8	Ms. Sarah Al-Suhaimi		0	0	0	0	0	0%
9	Mr. Jameel Al-Mulhem		0	0	0	0	0	0%
10	Mr. Waleed Shukri		0	0	0	0	0	0%
11	Mr. Ahmed M. Alomran		0	0	0	0	0	0%

Description of any interest, contractual papers, and subscription rights belonging to senior executives and their relatives in shares or debt instruments of stc

#	Member Name	Beginning of 2022		Ending of 2022		Net Difference	Change Percentage
		No. of Shares	Debt Instruments	No. of Shares	Debt Instruments		
1	Olayan M. Alwetaid	8,670	0	38,947	0	30,277	349%
2	Ameen F. Alshiddi	8,670	0	29,450	0	20,780	240%
3	Faisal S. Alsaber	4,297	0	8,845	0	4,548	106%
4	Riyadh S. Muawad	8,670	0	29,450	0	20,780	240%
5	Mohammed A. Alabbadi	4,297	0	15,535	0	11,238	261%
6	Moaeed H. Alsloom	0	0	0	0	0	0%
7	Haithem M. Alfaraj	8,670	0	29,450	0	20,780	240%
8	Abdullah A. Alkanhl	0	0	20,780	0	20,780	100%
9	Ahmad M. Alghamdi	0	0	11,237	0	11,237	100%
10	Motaz A. Alangari	332	0	332	0	0	0%
11	Abdullah S. Alanizi	4,687	0	15,925	0	11,238	240%
12	Mathad F. Alajmi	4,297	0	15,535	0	11,238	261%
13	Emad A. Alaoudah	4,687	0	15,925	0	11,238	240%
14	Amir A. Algibreen	4,687	0	15,925	0	11,238	240%
15	Ibrahim S. Alsuwail	0	0	0	0	0	0%

Description of any interest, contractual papers, and subscription rights belonging to senior executives and their relatives in shares or debt instruments of stc's subsidiaries:

#	Member Name	Subsidiary	Beginning of 2022		Ending of 2022		Net Difference	Change Percentage
			No. of Shares	Debt Instruments	No. of Shares	Debt Instruments		
1	Olayan M. Alwetaid		0	0	0	0	0	0%
2	Ameen F. Alshiddi		0	0	0	0	0	0%
3	Faisal S. Alsaber		0	0	0	0	0	0%
4	Riyadh S. Muawad		0	0	0	0	0	0%
5	Mohammed A. Alabbadi		0	0	0	0	0	0%
6	Moaeed H. Alsloom		0	0	0	0	0	0%
7	Haithem M. Alfaraj		0	0	0	0	0	0%
8	Abdullah A. Alkanhl		0	0	0	0	0	0%
9	Ahmad M. Alghamdi		0	0	0	0	0	0%
10	Motaz A. Alangari		0	0	0	0	0	0%
11	Abdullah S. Alanizi		0	0	0	0	0	0%
12	Mathad F. Alajmi		0	0	0	0	0	0%
13	Emad A. Alaoudah		0	0	0	0	0	0%
14	Amir A. Algibreen		0	0	0	0	0	0%
15	Ibrahim S. Alsuwail		0	0	0	0	0	0%

Shareholders Register

stc requested the shareholder register from the Securities Depository Center Company -Edaa- (15) times during the year 2022 for the following purposes:

- Updating the shareholders register.
- Quarterly Dividend Distribution
- General Assembly.

#	Reasons for the request	Date of request of the shareholders register
1	Updating the shareholders register	31/01/2022
2	General Assembly	21/02/2022
3	Quarterly Dividend Distribution for Q4 2021	27/02/2022
4	Updating the shareholders register	22/03/2022
5	General Assembly	19/04/2022
6	Quarterly Dividend Distribution for Q1 2022	11/05/2022
7	Updating the shareholders register	31/05/2022
8	Updating the shareholders register	30/06/2022
9	Quarterly Dividend Distribution for Q2 2022	07/08/2022
10	General Assembly	30/08/2022
11	Updating the shareholders register	12/09/2022
12	Updating the shareholders register	03/10/2022
13	Quarterly Dividend Distribution for Q3 2022	02/11/2022
14	Updating the shareholders register	30/11/2022
15	Updating the shareholders register	29/12/2022



05

Driving Digitization

Dividends Policy and Distribution
and Board Recommendations and
Compensation



Fifth:

stc's Dividend Distribution Policy



Article 45 of the stc's Articles of Association provides for the distribution of the stc's annual net profits as follows:

1. Ten percent (10%) of the annual net profits shall be set aside to form a statutory reserve. Such setting aside may be discontinued by the Ordinary General Assembly when said reserve totals thirty percent (30%) of stc's paid-up capital.
2. The Ordinary General Assembly may, upon the request of the Board of Directors, set aside a specific percentage of the annual net profits to form a consensual reserve to be allocated for the purpose or purposes decided by the General Assembly.
3. Ordinary General Assembly may form other reserves to the extent that would serve stc's best interest or would ensure distributing constant profits, as much as possible, amongst Shareholders. Besides, the Ordinary General Assembly may allocate from the net profits amounts to establish social institutions for stc's employees or to support existing social institutions.
4. Out of the balance of the profits, if any, there shall be paid to the Shareholders an initial payment of five percent (5%) of stc's paid-up capital.

5. Subject to provisions in Article (21) hereof, and Article (76) of the Companies Law, the Ordinary General Assembly may allocate a portion of the remaining amount to be paid as compensation to the Board of Directors provided that entitlement of such remuneration shall be in proportion to number of sessions the member has attended.
6. The Ordinary General Assembly may, upon proposal from the Board of Directors, distribute the remaining balance (if any) among Shareholders in the form of an additional dividend.

stc may pay interim dividend to its Shareholders on a bi-annual or quarterly basis in accordance with the directives issued by the Competent Authority upon authorization issued by the Ordinary General Assembly to the Board of Directors to distribute such interim dividend.

Article 46 of stc's Articles of Association stipulates that a shareholder shall be paid his dividend share subject to a resolution by the General Assembly, and such resolution shall state the date of maturity and distribution. Eligibility for dividends shall be for Shareholders registered in the Shareholders' Register at the end of the day specified for maturity. The dividends to be distributed amongst Shareholders shall be paid at the place, dates, and in the manners to be specified by the Board of Directors as per instructions issued by the Competent Authorities.

On 27 September 2021 the Board of Directors have approved stc's dividends policy for the next three years starting from the fourth quarter of 2021, which was approved by the General Assembly held on 30 November 2021. The objective of the dividends policy is based on maintaining a minimum level of dividend of SAR 1 per share on a quarterly basis. stc will consider and pay additional dividend subject to the Board of Directors recommendation to the General Assembly after assessment and determination of stc's financial situation, outlook and capital expenditure requirements. It is probable that additional dividends are likely to vary on a quarterly basis depending on stc's performance.

The dividends policy will remain subject to:

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

On 11 June 2022, the Board of Directors recommended to the General Assembly to amend the dividends policy to reflect the stc's capital increase, which is:

The objective of the policy is based on maintaining a minimum dividend of SAR 0.40 per share on a quarterly basis, for the same period covered by the current policy. The Board's recommendation was approved by The Extraordinary General Assembly on 30 August 2022 stc will consider and pay additional dividend subject to the Board of Directors recommendation to the General Assembly after assessment and determination of stc's financial situation, outlook and capital expenditure requirements. It is probable that additional dividends are likely to vary on a quarterly basis depending on stc's performance.



Distribution of Dividends

stc announced the distribution of cash dividends amounting to SR 2,000 million to shareholders for Q4 2022, with SAR 0.40 per share. This is in accordance with the dividend distribution policy for three years approved by the Ordinary General Assembly held on 30-11-2021. In addition to the amendment to the dividend policy approved by the Extraordinary General Assembly held on 30-08-2022.

stc also distributed cash dividends amounting to SAR 2,000 million per quarter to shareholders for Q1, Q2 with SAR 1 per share, and Q3 2022 with SAR 0.40 per share.

In addition to, 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 stc's possession.

The following is a breakdown of the 2022 distributions:

Statement	Total Distribution (SAR Million)	Earnings per share (SAR)	Date of announcement	Due date	Payment Date
Cash dividends for Q1 2022	2,000	1	28/04/2022	11/05/2022	31/05/2022
Cash dividends for Q2 2022	2,000	1	03/08/2022	07/08/2022	25/08/2022
Cash dividends for Q3 2022	2,000	*0.40	27/10/2022	02/11/2022	22/11/2022
Cash dividends for Q4 2022	2,000	*0.40	20/02/2023	26/02/2023	16/03/2023
Total Distributions	8,000	2.80			

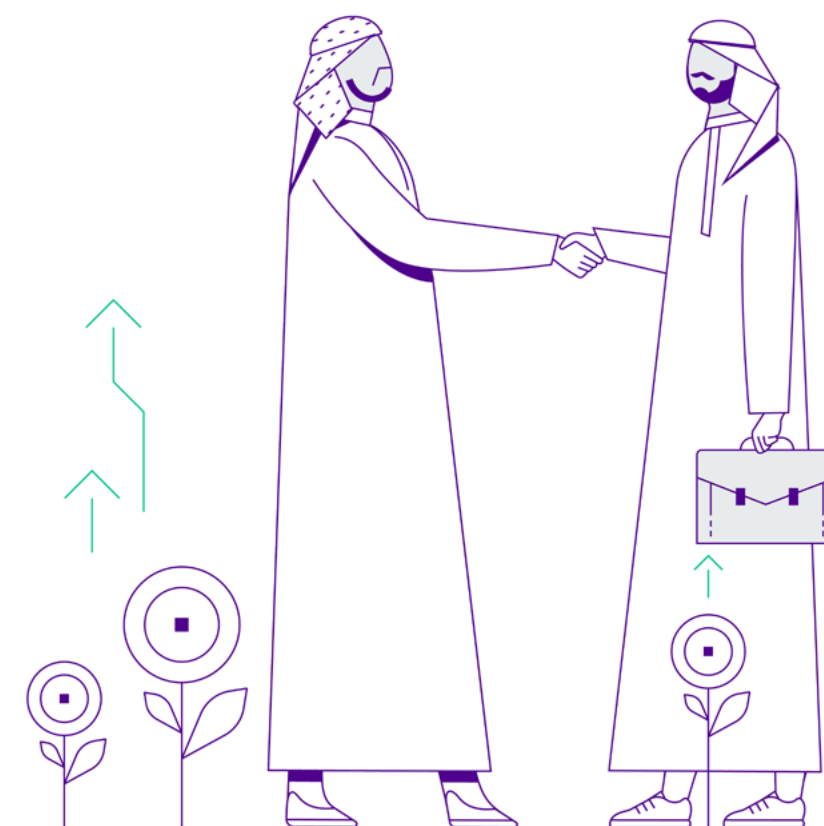
* stc distributed SAR 0.40 per share for Q3 and Q4, in line with the capital increase.

Remuneration and Compensation of the Board of Directors and Top Five Senior Executives:

On 24/4/2019 stc's General Assembly resolved to approve amending the remuneration policy of the Board of Directors, the Committees, and the Executives Management. The General Assembly also approved amending the Audit Committee Charter, tasks, roles, responsibilities, and remunerations (published on stc website). Each Director of the Board receives an amount of SAR 200,000 for his/her Membership in the Board and a remuneration of SAR 200,000 for being a Committee Member.

Each Member of the Audit Committee receives an amount of SAR 150,000 for being a Member. Each external Member in the other committees receives an amount of SAR 100,000. Members are paid SAR 5,000 for each meeting they attend.

The remuneration of attending the meeting by the Directors of the Board and the Members of the Committees in 2022, in addition to stc top five Executives, including the GCEO and the GCFO, are as follows:



■ **Remuneration and Compensation of the Directors of the Board for the 8th term during 2022**

SAR	Fixed Remunerations					Variable Remunerations							Expense Allowance		
	Fixed remunerations	Allowance for attending Board meetings	In-kind benefits	Remuneration for technical, administrative and consulting work	Remuneration of the Chairman of the Board, the Managing Director or the Secretary if a member	Total	Percentage of profits	Periodic bonus	Short-term incentives plan	Long-term incentives plan	Shares granted	Total		Indemnity	Total
First: Independent Directors															
HRH Prince - Mohammed K. A. AL-Faisal	200,000	20,000	-	-	-	220,000	-	-	-	-	-	-	-	220,000	-
Ms. Sarah J. AL-Suhaimi	200,000	20,000	-	-	-	220,000	-	-	-	-	-	-	-	220,000	-
Mr. Jameel A. AlMulhem	200,000	20,000	-	-	-	220,000	-	-	-	-	-	-	-	220,000	-
Mr. Walid Ibrahim Shukri	200,000	20,000	-	-	-	220,000	-	-	-	-	-	-	-	220,000	-
Total	800,000	80,000	-	-	-	880,000	-	-	-	-	-	-	-	880,000	-
Second: Non-executive Directors															
H.E. Dr. Khaled H. Biyari *	200,000	20,000	-	-	-	220,000	-	-	-	-	-	-	-	220,000	-
H.E. Mr. Mohammed T Al-Nahhas	200,000	20,000	-	-	-	220,000	-	-	-	-	-	-	-	220,000	-
Mr. Yazeed A. AL-Humied **	200,000	15,000	-	-	-	215,000	-	-	-	-	-	-	-	215,000	-
Ms. Rania M. Nashar **	200,000	20,000	-	-	-	220,000	-	-	-	-	-	-	-	220,000	-
Mr. Arndt Rautenberg*	200,000	20,000	-	-	-	220,000	-	-	-	-	-	-	-	220,000	-
Mr. Sanjay Kapoor *	200,000	20,000	-	-	-	220,000	-	-	-	-	-	-	-	220,000	-
Mr. Ahmed M. Al Omran	200,000	20,000	-	-	-	220,000	-	-	-	-	-	-	-	220,000	-
Total	1,400,000	135,000	-	-	-	1,535,000	-	-	-	-	-	-	-	1,535,000	-
Third: Executive Directors															
None	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net Total	2,200,000	215,000				2,415,000								2,415,000	

On 13/3/2017 the Board of Directors resolved to approve amending the remuneration of the Chairman of the Board to be

SAR 100,000
per month.

- * stc Board membership annual remuneration and the attendance allowance of stc Board meetings of PIF representatives shall be transferred directly to PIF.
- ** Remunerations and allowances of attending stc Board and Committees' meetings by PIF representatives and employees shall be transferred directly to PIF.



■ Remuneration of Committees' Members for the 8th term during 2022

(The below amounts are in SAR)

Name	The Committee	Fixed remunerations (without meetings' attendance allowance)	Meetings attendance allowance	Total
HRH Prince Mohammed K. A. Al-Faisal	• ExCom • Investment	200,000	55,000	255,000
H.E. Dr. Khaled H. Biyari	• ExCom	200,000	25,000	225,000
H.E. Mr. Mohammed T. Al-Nahhas	• ExCom	200,000	25,000	225,000
Mr. Yazeed A. AL-Humied *	• ExCom	200,000	25,000	225,000
Ms. Rania M. Nashar *	• NRC • Risk	200,000	50,000	250,000
Mr. Arndt Rautenberg	• Investment	200,000	30,000	230,000
Mr. Sanjay Kapoor	• ExCom	200,000	25,000	225,000
Ms. Sarah J. AL-Suhaimi	• Investment	200,000	30,000	230,000
Mr. Jameel A. AlMulhem	• NRC	200,000	30,000	230,000
Mr. Walid Ibrahim Shukri	• Audit • Risk	350,000	65,000	415,000
Mr. Ahmed M. Al Omran	• Risk	200,000	20,000	220,000
Dr. Ammr K. Kurdi	• Audit (External Member)	150,000	45,000	195,000
Mr. Khalid bin Abdullah Al Ankari	• Audit (External Member)	150,000	45,000	195,000
Mr. Medhat F. Tawfik	• Audit (External Member)	150,000	45,000	195,000
Eng. Tarek Abdulaziz Alrikhaimi	• Risk (External Member)	100,000	20,000	120,000
Mr. Rashid I. Sharif	• Investment (External Member)	100,000	30,000	130,000
Mr. Johan Brand	• NRC (External Member)	100,000	30,000	130,000
Ms. Hoda M. Al-Ghoson	• NRC (External Member)	100,000	30,000	130,000
Total		3,200,000	625,000	3,825,000

* Remunerations and allowances of attending Committees' meetings by PIF representatives and employees shall be transferred directly to PIF.

■ Remunerations of the Top Five Senior Executives

(Including the GCEO and the GCFO in 2022)

(The below amounts are in SAR)

SAR	Fixed Remunerations				Variable Remunerations						Indemnity	Board remunerations for executives if applicable	Net total
	Salaries	Allowances	In-kind benefits	Total	Periodic remunerations	Revenues	Short-term incentive plans	Long-term incentive plans	Shares granted (value entered)	Total			
Total	13,920,871.44	4,959,962.04	-	18,880,833.48	-	-	32,091,788.34	-	4,957,835	37,049,623.34	-	1,982,294.52	57,912,751.34

Subsequent Events

- On January 17, 2023, stc sold a land owned by it, with a book value of SAR 82 million through a public auction, at a value of SAR 1,378 million. This land has been reclassified as an asset held for sale as at 31 December 2022 (For more details, see note 10 in the annual financial statements).
- 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-GAC (approved on 05/03/2023), as well as other regulatory and commercial conditions (For more details, see note 8-2-1 in the annual financial statements).
- In January 2023, Saudi Central Bank lifted the restrictions on the deposited capital of stc Bank for the amount of SAR 1,552 million, which was deposited for the conversion of the Bank from a limited liability company to a closed joint stock company.
- On January 23, 2023, stc 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 SAR 427 million for a period of 15 years, starting from 2023.

Board of Directors' Acknowledgment

The Board of Directors of the Saudi Telecom Company (stc) acknowledges the following:

- The accounting records have been duly prepared.
- The Internal Control System is well established and effectively implemented.
- The Board of Directors has no doubt about stc's ability to continue its activities.
- The consolidated financial statements for the year ending on 31 December 2022 have been prepared in accordance with the International Financial Reporting Standards adopted in the Kingdom of Saudi Arabia and other standards and regulations approved by the Saudi Organization for Certified Public Accountants.
- stc did not report any natural or legal person owning 5% or more of the shares issued in 2022.
- No debt instruments were convertible into shares or option rights, warrants or similar rights issued or granted by stc in 2022.
- There were no refunds, purchases or cancellations by stc in 2022 for any redeemable debt instrument.
- There was no arrangement or agreement whereby a Board Director or a Senior Executive waived any salary or compensation.
- There was no arrangement or agreement whereby a shareholder waived any rights to profits.
- There was no contract to which stc was a party in which there was a substantial interest by a member of the Board, stc Group CEO, Group CFO, or any person linked to any one of them, other than what was disclosed in the General Assembly Meeting.
- stc did not provide cash loans of any kind to Board Directors and did not guarantee any loan that one of them had borrowed from others.
- There were no option rights or subscription rights exercised by Board Directors, Senior Executives, their spouses or their minor children.
- stc External Audit has expressed their opinion without any reservations in 2022 consolidated financial statements.
- There are no recommendations from the Audit Committee that there is a conflict between the Committee and the Resolutions of the Board of Directors, or the Board's refusal to take them into account regarding the appointment of stc External Auditor, dismissing the firm, determining their fees and evaluating their performance or appointing the Internal Audit.
- There was no competing business with the Company or any of its activities that any member of the Board is engaging in or was engaging in such competing businesses.



Conclusion

After thanking Allah almighty,

the Board of Directors would like to thank the Custodian of the Two Holy Mosques King Salman Bin Abdul Aziz Al Saud, HRH Crown Prince Mohammed Bin Salman Bin Abdul Aziz Al Saud, and our wise Government for the support, care and encouragement they have given stc in its quest to improve its performance and services. The Board also expresses its gratitude and appreciation to

stc customers and shareholders for their trust, and stc employees for their dedication and diligence in the performance of their work. The Board confirms its commitment to develop stc services to meet the requirements of its clients, realize shareholders' aspirations, achieve its social objectives, and sustains the leadership position of stc in the region's telecommunications sector.