# Driving Digitization

2022

Annual report

stc.com.sa

# WELCOME

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# 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

**7.02%** year-on-year to reach

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.

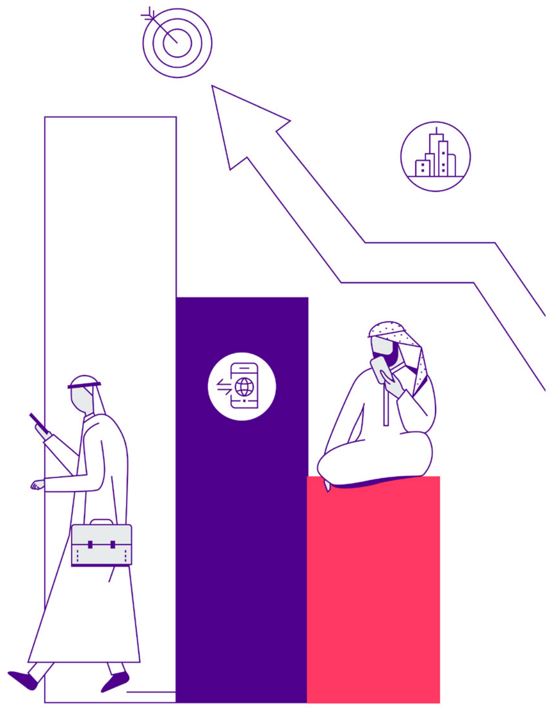
**stc Group increased its share capital by SAR 30 billion from SAR 20 billion to**

**SAR 50 million**

through a bonus share issuance

The capital increase has further strengthen 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 envelop 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 express our sincerer 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 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).

During the year 2022 stc's capital has been increased by 150% via capitalizing SAR 30 billion of retained earnings and granted 1.5 bonus share for each 1 share owned by shareholders at the eligibility date. Thus, stc's capital increased from SAR 20 billion to SAR 50 billion. The increase in stc's capital will support achieving its growth and expansion strategy along with maximizing its shareholder's 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 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.

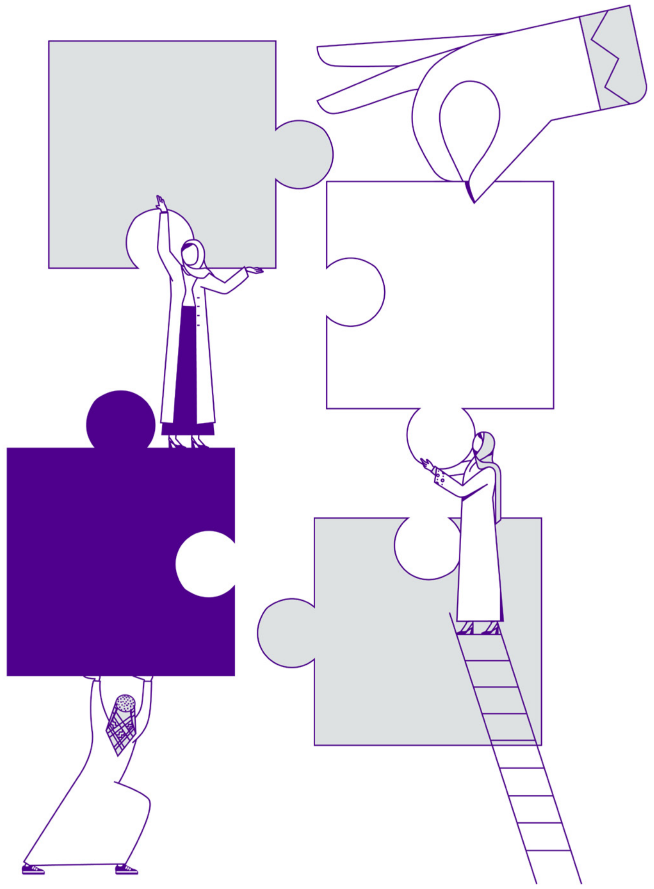
stc Group's HR strategy focuses on investing in stc's most valuable assets "the employees". By acquiring, developing and retaining employees in an Innovation-fostering environment through multiple initiatives and projects to develop talents, enhancing the employee journey in every touch point to increase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

### Social impact:

**1,338**
technical services provided across 56 cities.

**497**
Non-profit organizations were served.

More than **30** Thousands users.

### 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.

### 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:

SAR**100K**
investment per project with total annual investments of SAR 1M.

**179**
beneficiaries from training.

**10**
incubated projects.

### 4- Recycling projects:

- Personal Computers Recycling: Through our partnership with Ertiqa, 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).

## 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.

Across **22**
provinces in Riyadh.

### Social impact:

**17**
homes through 11 cities.

**102**
beneficiaries including their families.

Investment of
SAR **3** million

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:**

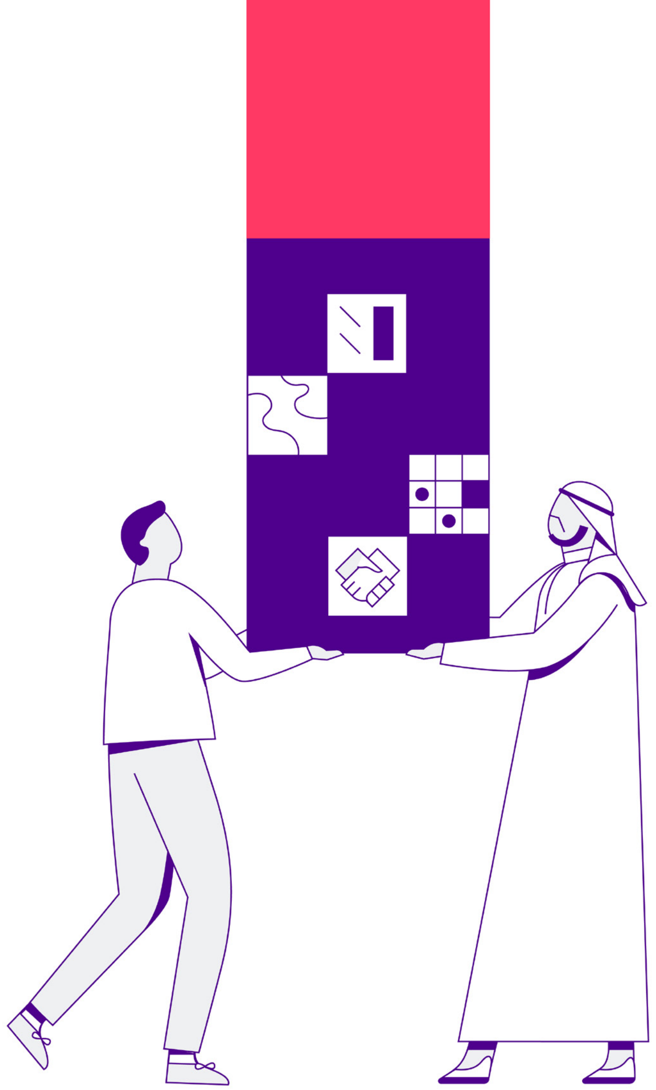
- stc's Articles of Association.
- stc's Corporate Governance Charter.
- The Charters of the Board of Directors and its Committees.
- Governance and compliance Policies (Nomination and Remuneration of stc's Board members and the members of its standing Committees and Remuneration of the Executive Management's 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.<br><br>(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:<br><br>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.<br><br>(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 ser-vices, 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

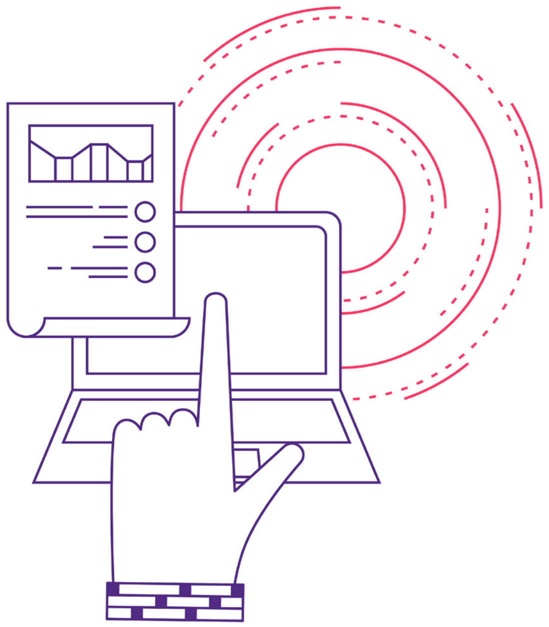
### 1- stc Group

#### ■ 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 parterships 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.

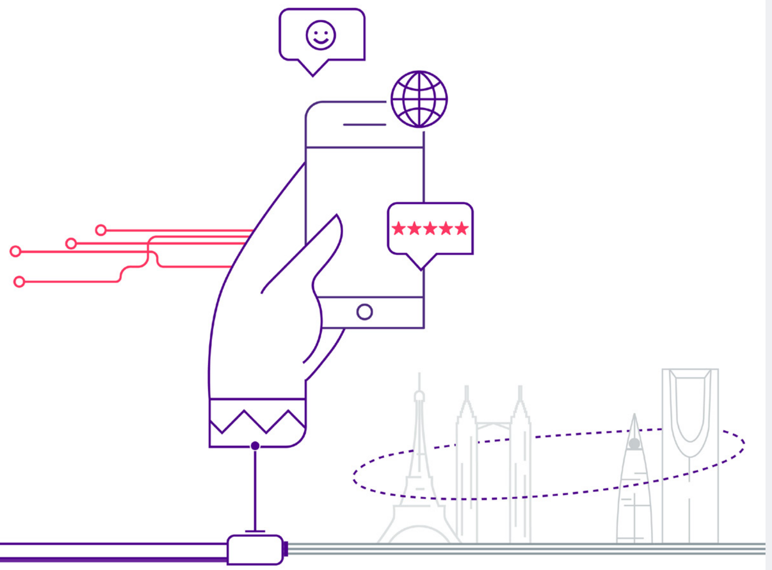
Through the business unit sector, stc sponsored many global and local events and participated in a number of exhibitions to showcase stc's capabilities in different domains such as education, health and industry to name a few. The main highlights of these events were stc participation in the "Future 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 filed.

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 Intenet 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 singed 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 thru the following achievements:

## Infrastructure:

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

+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.

546 P2P fiber connectivity to support the Enterprise and Wholesale sectors demand. In addition to 53K FTTH Dwelling units to support Consumer sector.

+17% capacity added to expand transport network (IP/MPLS) to cater Mobile and Fixed traffic.

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%.

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.

Successfully tested Air to Ground (A2G) trail to provide broadband services on commercial airlines from Riyadh to Jeddah route.

stc exclusively acquisitioned new frequency bands for (A2G) for civil aircraft broadband services and satellites mobile communications services.

75 (5G / LTE) sites have been deployed to cover NEOM project.

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

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).

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

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

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.

Successfully constructed data centers in (eastern region, Riyadh and Jeddah) as first phase with 14.4 M/watt capacity.

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

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

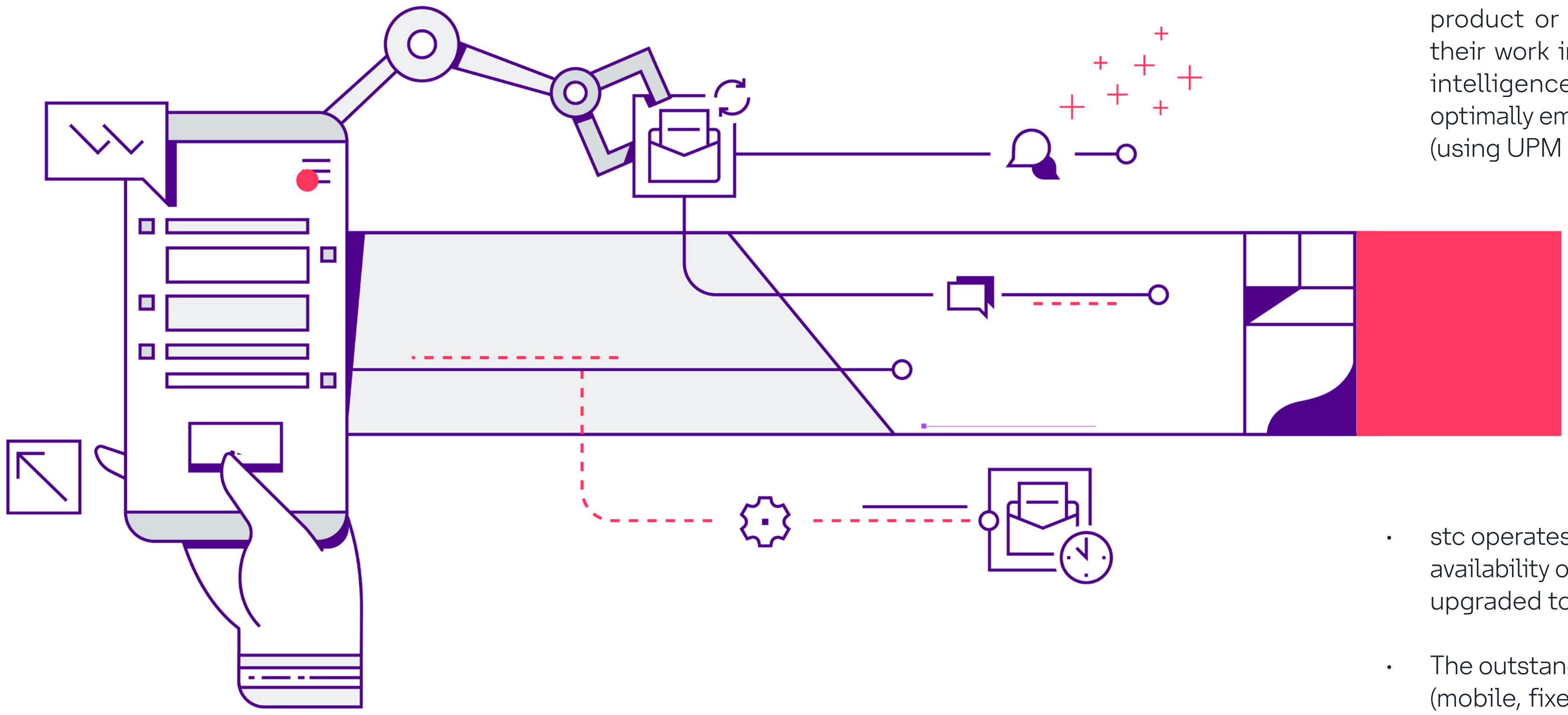
753 Legacy nodes powered-off & dismantled to enhance the customer experience and save space and power.

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

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.



## 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 FTTX 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**

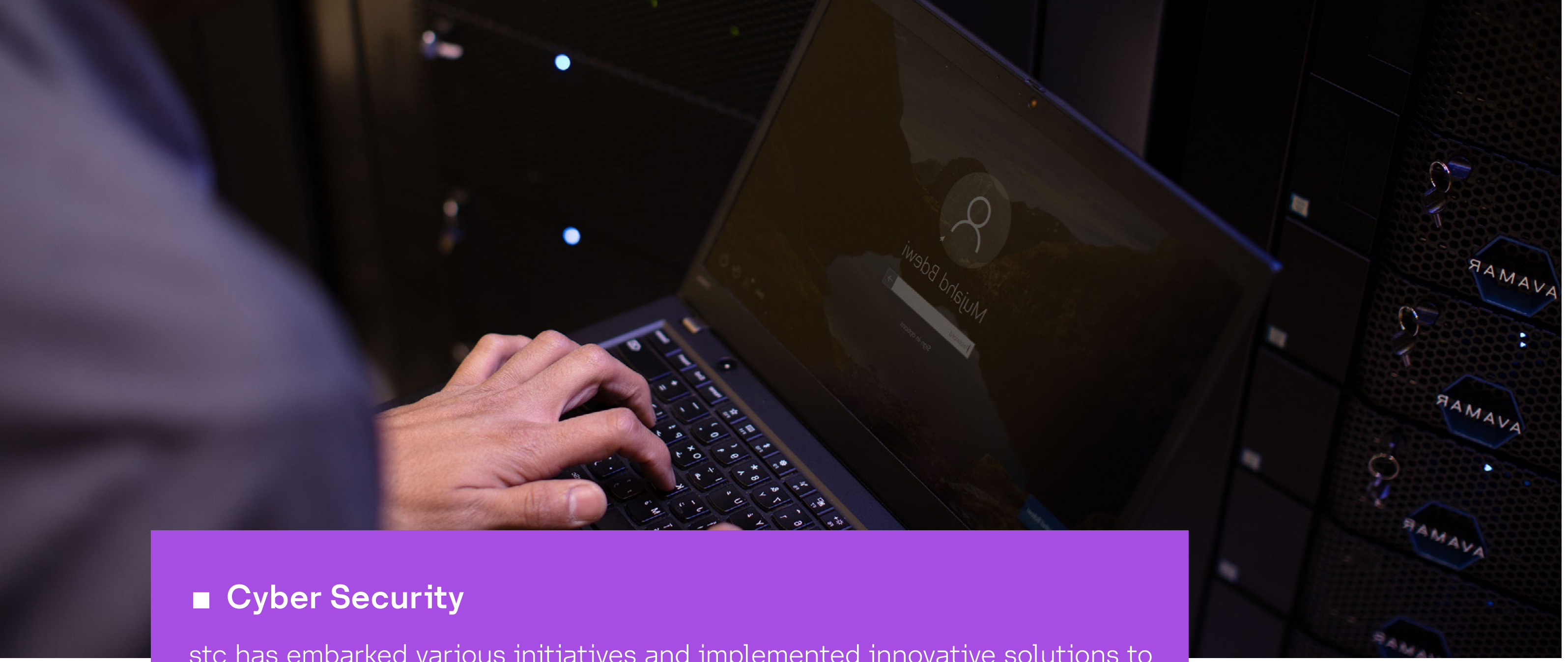
**60%**

- 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.




## 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.

## 2- Subsidiaries (Local & International)

| 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 SOULTIONS 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.<br><br>**Represented mainly in:**<br>· Transformation & Turnaround<br>· Investment Projects<br>· Management & epresentation<br>· Consulting Projects<br>· Executives C-Level Search<br>· 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<br>Kingdom of Saudi Arabia<br>United Arab Emirates<br>Qatar<br>Kenya<br>Tanzania<br>Uganda<br>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 Remitance 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 leverages 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.

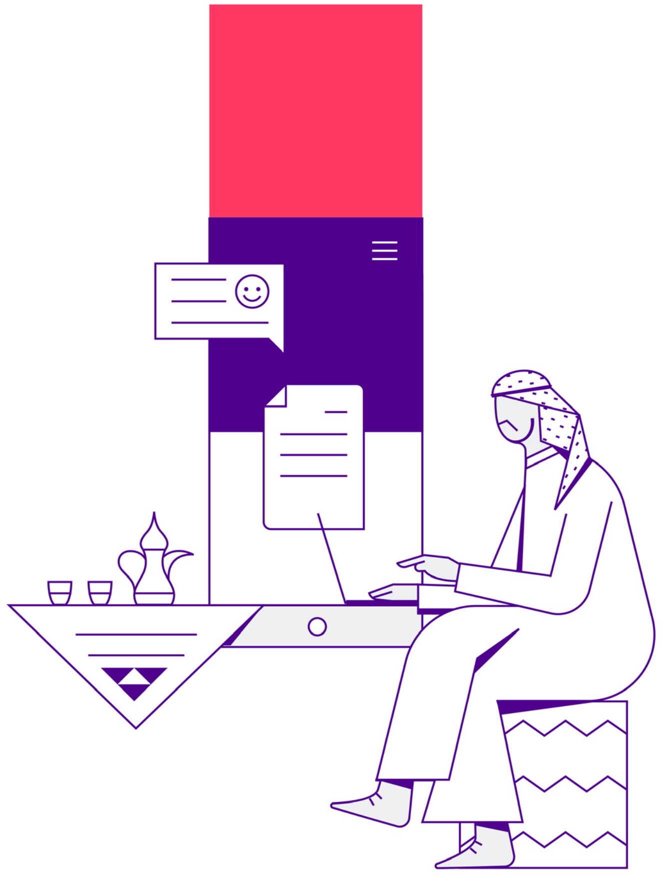
### Achievements highlights:

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 | Shareholding Percentage 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 | Shareholding Percentage 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 consultancey, 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

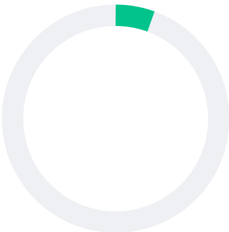
Revenue for the year 2022 amounted to

**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%**

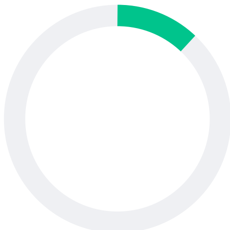
Operating profit for the year 2022 amounted to

**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%**

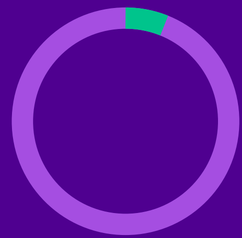
Net profits for the year 2022 amounted to

**12,171**

**SAR million**

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

**7.60%**



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

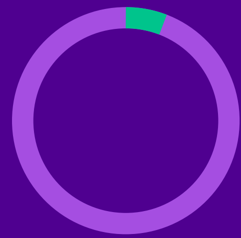
Total assets amounted to

**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 | 61,196 | 14,190 |
| Eliminations/adjustments (3) | (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 |
| Total | 12,386,922 | 11,594,697 |

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 |

1. 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.

2. 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.

3. 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) | 7.93% |
| 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.

**On the other side:**

- 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 |
| stc -Kingdom Saudi Arabia | Debt Instruments Market | Sukuk | years 10 | May 2019 | USD | 4,675 | 4,675 | 0 | 0 | 0 | 0 | 4,675 | 4,673 |
| stc -Kingdom Saudi Arabia | 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.

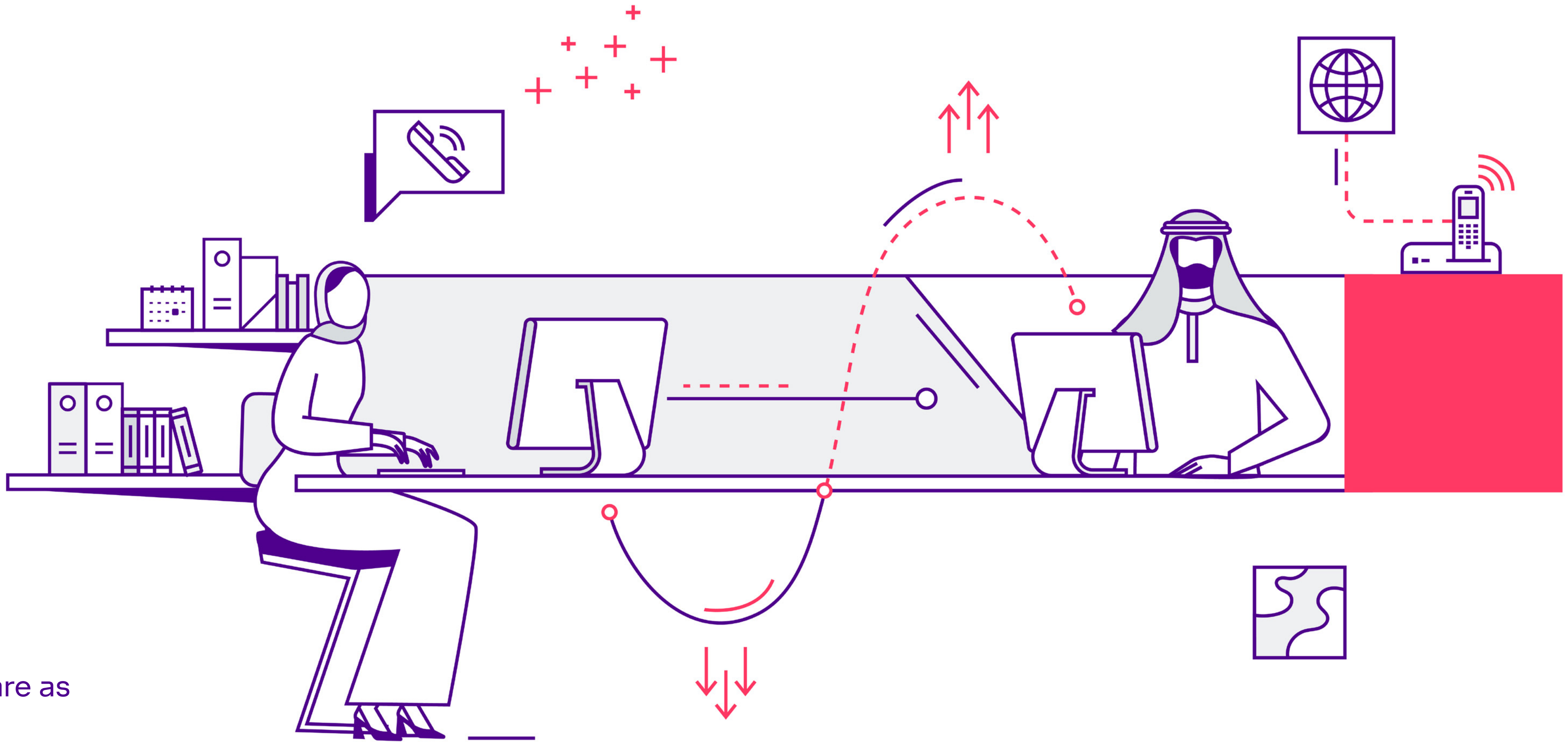
| Statement | SAR Million | Description | Reason |
|---|---|---|---|
| Government Fees | 5,272 | The amounts recorded as an expense to the period for licensing granted to stc for the provision of commercial services and spectrum usage fees | Regulatory requirement |
| Dividends | 5,449 | The amounts 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.

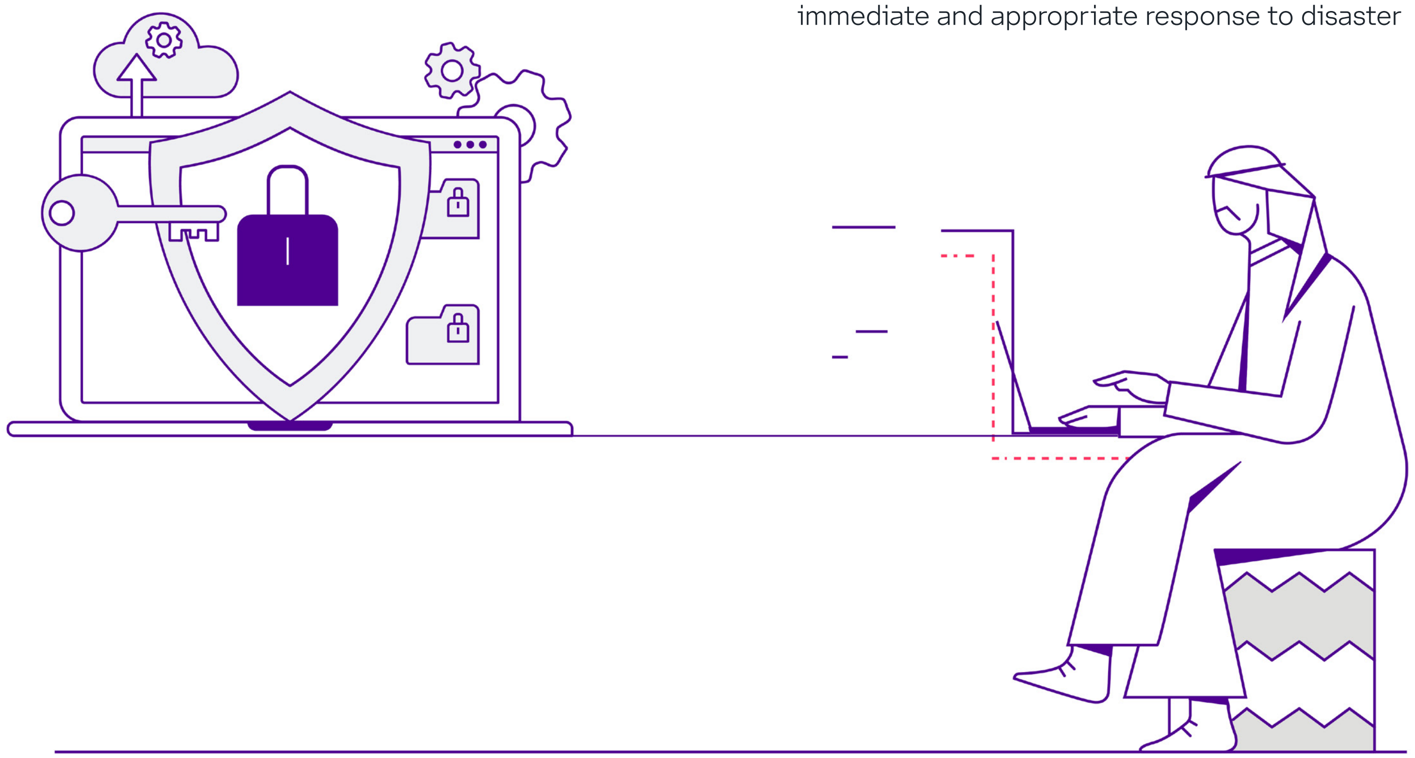
### ■ Risk Management Governance:

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 is assigned 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 | **Cyber Security Threats:**<br>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. | 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.<br>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. |
| Technology | **Data Privacy**<br>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. | 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 |
| Technology | **Resilience following Disaster, Crisis or events impacting Business Continuity:**<br>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. | 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.<br><br>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. |

| Category | Risks | Mitigation Measures |
|---|---|---|
| Compliance | **Unfavorable Regulatory Changes Impacting our Current Business Model**<br>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. | 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. |
| Operational | **Supply chain disruptions:**<br>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. | 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. |
| Corporate | **Strategy Implementation in a Dynamic Market**<br>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. | 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. |

# 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 RiskManagement

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:**

| | Undiscounted Cash Flows | | | |
|---|---|---|---|---|
| **December 31, 2022** (SAR Thousand) | **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) | | | | |
| 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:**

(1) Debt to EBITDA level of 200% or below

(2) 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% |

a- Debt is defined as current and non-current borrowings. (For more details, see note 27 in the annual financial statements).

b- EBITDA is defined as operating profit for the year adjusted for depreciation, amortization and impairment.

c- 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 of the total balance of trade %10 more than 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. (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 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. (Walaa); in which Mr. Jameel A. Al-Mulhem, has an indirect interest being a member of the Board of Directors of stc and Walaa. The disclosed indirect interest is regarding the agreements with Walaa, 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:<br>• Expansion of internal internet network.<br>• 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:**

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

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

04

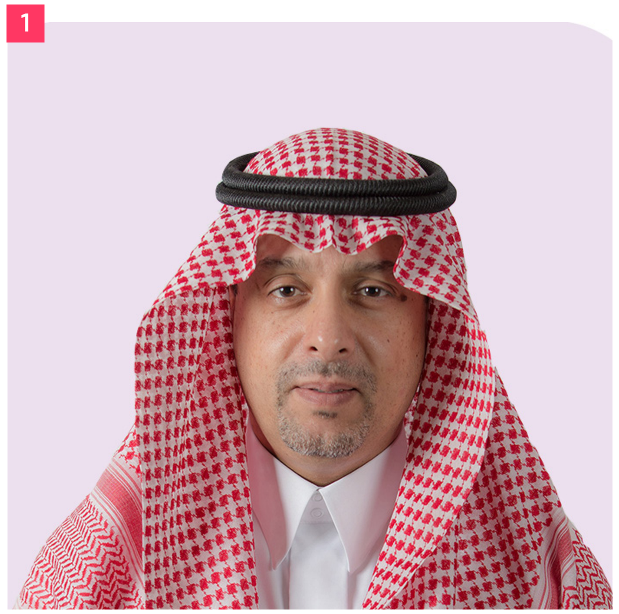
# Driving Digitization

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.



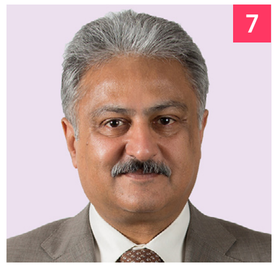
1 HRH Prince Mohammed K. A. Al-Faisal

2 H.E. Dr. Khaled H. Biyari

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

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-Nahhas | 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 |
| 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 Ankari | 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 Huwaij 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

| | Member | # | Companies where stc Board Members are currently Board Members or Executives in | Location: KSA | Location: Abroad | Legal Entity ( Listed, unlisted joint stock company, LCC/ ...) | Companies where stc Board Members were previously Board Members or Executives in | Location: KSA | Location: Abroad | Legal Entity ( Listed, unlisted joint stock company, LCC/ ...) |
|---|---|---|---|---|---|---|---|---|---|---|
| 1 | HRH Prince Mohammed K. A. Al-Faisal Chairman of the Board of Directors. Chairman of the Executive Committee. Chairman of the Investment Committee. | 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 | H.E. Dr. Khaled H. Biyari Member of the Board of Directors. Member of the Executive Committee. | 1 | stc | ✓ | | Listed joint stock | | | | |
| | | 2 | Saudi Information Technology Company (SITE) | ✓ | | Closed Joint-stock | | | | |
| | | 3 | Saudi Arabian Military Industries (SAMI) | ✓ | | Closed Joint-stock | | | | |
| 3 | H.E. Mr. Mohammed T. Al-Nahhas 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<br><br>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<br><br>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 (Adaa) | ✓ | | Government Entity | Samba Bank Limited Global Markets Ltd. | | ✓ | LLC. |
| | | 5 | Regional Voluntary Carbon Market Co. | ✓ | | Closed joint stock | | | | |
| 6 | Mr. Arndt Rautenberg<br><br>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 audiotechnik 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<br><br>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<br><br>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 | | | | |

| | Member | # | Companies where stc Board Members are currently Board Members or Executives in | Location: KSA | Location: Abroad | Legal Entity ( Listed, unlisted joint stock company, LCC/ ...) | Companies where stc Board Members were previously Board Members or Executives in | Location: KSA | Location: Abroad | Legal Entity ( Listed, unlisted joint stock company, LCC/ ...) |
|---|---|---|---|---|---|---|---|---|---|---|
| 8 | Ms. Sarah J. Al-Suhaimi<br>Member of the Board of Directors. Member of the Investment Committee. | 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 | Mr. Jameel A. AlMulhem<br>Member of the Board of Directors. Chairman of the Nomination and Remuneration Committee. | 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 |





| | Member | # | Companies where stc Board Members are currently Board Members or Executives in | Location: KSA | Location: Abroad | Legal Entity ( Listed, unlisted joint stock company, LCC/ ...) | Companies where stc Board Members were previously Board Members or Executives in | Location: KSA | Location: Abroad | Legal Entity ( Listed, unlisted joint stock company, LCC/ ...) |
|---|---|---|---|---|---|---|---|---|---|---|
| 10 | Mr. Waleed I. Shukri<br>Member of the Board of Directors and the Risk Committee. Chairman of the Audit Committee. | 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 | Mr. Ahmed M. Al Omran<br>Member of the Board of Directors and the Risk Committee. | 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 | 6 Mar 16 | 7 Jun 28 | 8 Oct 3 | 9 Dec 22 | Total |
|---|---|---|---|---|---|---|---|
| | | | Number and Date of the Meetings | | | | |
| 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-Nahhas | Member | ✓ | ✓ | ✓ | ✓ | 4 |
| 4 | Mr. Yazeed A. AL-Humied | Vice Chairman of the Board of Directors | ✓ | x | ✓ | ✓ | 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 | 4 Feb 23 | 5 Apr 14 | 6 Jun 6 | 7 Sep 5 | 8 Dec 5 | Total |
|---|---|---|---|---|---|---|---|---|
| | | | Number and Date of the Meetings | | | | | |
| 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-Nahhas | 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:**

| | | | Number and Date of the Meetings | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | 5 | 6 | 7 | 8 | 9 | 10 | |
| # | Name | Membership | Feb 3 | Feb 15 | Jun 9 | Sep 8 | Sep 28 | Dec 8 | Total |
| 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:**





| | | | Number and Date of the Meetings | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | |
| # | Name | Membership | Jan 16 | Feb 20 | Apr 28 | May 26 | Jun 12 | Aug 2 | Sep 13 | Oct 27 | Nov 15 | Total |
| 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 |

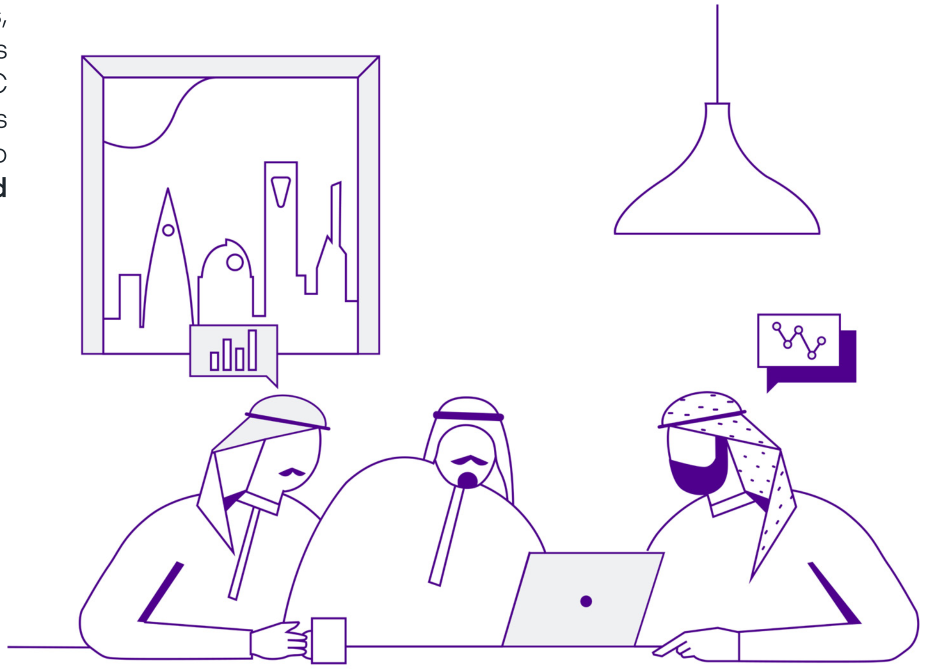
## Investment Committee:

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:**

| | | | Number and Date of the Meetings | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | 7 | 8 | 9 | 10 | 11 | 12 | |
| # | Name | Membership | Feb 24 | Jun 7 | Jun 28 | Sep 6 | Oct 24 | Dec 6 | Total |
| 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 | 5 | 6 | 7 | |
| | | | Feb 6 | Jun 8 | Sep 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:**

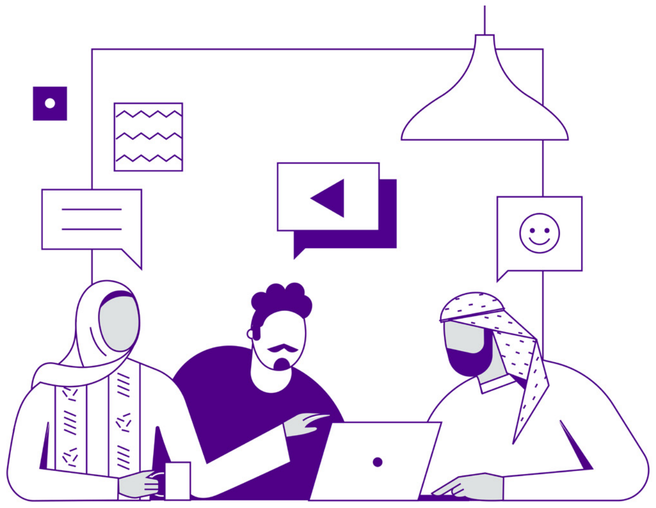
1. Approve appointing the auditor Ernst & Young & Partners (EY) as auditor of stc from the selected candidates based on the Audit Committee's recommendation. The appointed auditor shall examine, review and audit the (second and third) quarters and annual financial statements of the fiscal year 2022, 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-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 | x |
| 9 | Mr. Sanjay Kapoor | x |
| 10 | Ms. Sarah Al-Suhaimi | x |
| 11 | Mr. Ahmed bin Mohammed Al-Omran | x |

* 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-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 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. (Walaa); in which Mr. Jameel A. Al-Mulhem, has an indirect interest being a member of the Board of Directors of stc and Walaa. The disclosed indirect interest is regarding the agreements with Walaa, 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-Nahhas | 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-Nahhas | | 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. Alsaloom | 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. Alsaloom | | 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

# 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.



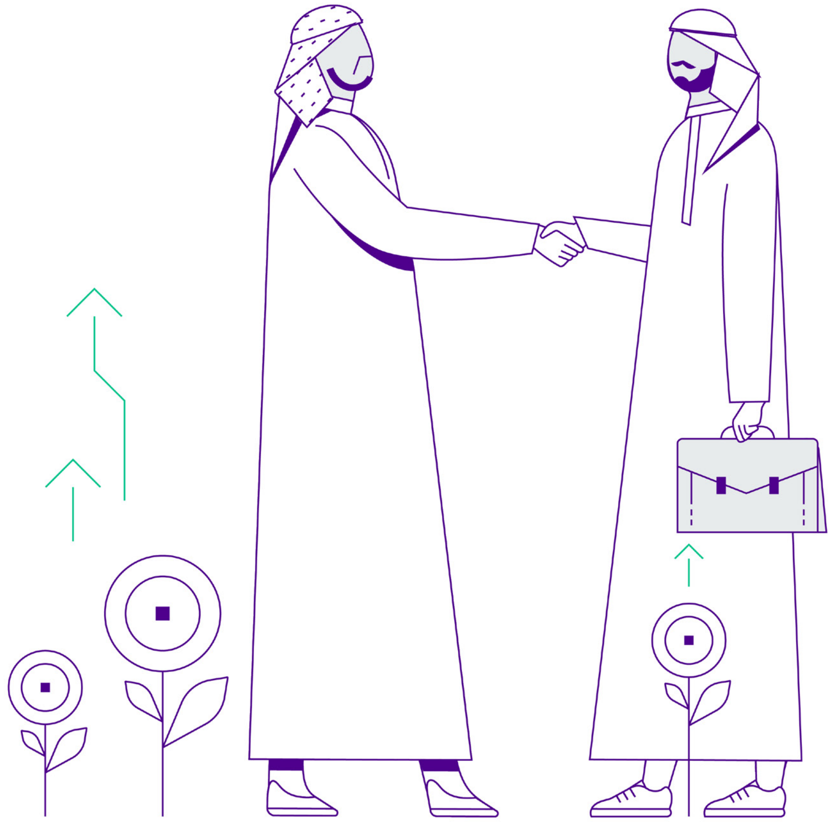


## Remuneration and Compensation of the Board of Directors and Top Five Senior Executives:

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 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 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 | Expense Allowance |
| **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 remuner ation 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<br>• 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<br>• 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<br>• 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 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Salaries | Allowances | In-kind benefits | Total | Periodic remunerations | Revenues | Short-term incentive plans | Long-term incentive plans | Shares granted (value entered) | Total | Indemnity | Board remunerations for executives if applicable | Net 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

1. 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).
2. 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).
3. 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.
4. 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.

**Independent auditor's report**
To the Shareholders of Saudi Telecom Company
(A Saudi Joint Stock Company)

**Opinion**
We have audited the accompanying consolidated financial statements of Saudi Telecom Company (the "Company") and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity for the year then ended, and notes to these consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization for Chartered and Professional Accountants ("IFRS as endorsed by SOCPA").

**Basis for Opinion**
We conducted our audit in accordance with International Standards on Auditing ("ISA") that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards), that are endorsed in the Kingdom of Saudi Arabia, that is relevant to our audit of the consolidated financial statements, and we have fulfilled our other ethical responsibilities in accordance with this Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Key Audit Matters**
Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the consolidated financial statements of the current year. These matters were addressed in the context of the audit of the consolidated financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.





**Key Audit Matters (continued)**

| **Key audit matter** | **How our audit addressed the key audit matter** |
|---|---|
| **Revenue recognition** | |
| The Group's revenue consists primarily of telecommunication, data packages and use of the network subscription fees totalling SR 67.4 billion for the year ended 31 December 2022.<br><br>We considered this a key audit matter as the application of accounting standard for revenue recognition in the telecommunication sector includes number of key judgments and estimates.<br><br>Additionally, there are inherent risks about the accuracy of revenues recorded due to the complexity associated with the network environment, dependency on IT applications, large volumes of data, changes caused by price updates and promotional offers affecting the various products and services offered, as well as the materiality of the amounts involved.<br><br>*Refer to note **4.5** for the accounting policy related to revenue recognition and note **35** for the related disclosures.* | Our audit procedures included, among others, the following:<br><br>• Involved our IT specialists to test the design, implementation and operating effectiveness of system internal controls related to revenue recognition.<br>• Assessed the Group's revenue recognition policies, for compliance with IFRS as endorsed by SOCPA.<br>• Inspected a sample of revenues reconciliations prepared by management between the primary billing system and the general ledger.<br>• Tested, on a sample basis, the accuracy of customer invoice generation and tested a sample of the credits and discounts applied to customers invoices.<br>• Tested, on a sample basis, customers cash receipts back to the invoice.<br>• Performed analytical procedures by comparing expectations of revenues with actual results and analysed variances.<br>• Assessed the adequacy of the relevant disclosures in the consolidated financial statement. |

Independent auditor's report (continued)
To the Shareholders of Saudi Telecom Company
(A Saudi Joint Stock Company)

**Key Audit Matters (continued)**

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| **Accounting for withholding tax claim from the Zakat, Tax and Customs Authority ("ZATCA")** | |
| As at 31 December 2022, the Group received the Appeal Committee for Tax Violations and Disputes ("appeal committee") decision with respect to the petition for reconsideration for the withholding tax assessments from ZATCA for the service of renting international operators' networks outside the Kingdom of Saudi Arabia for the years from 2004 to 2015. The Group's management believes that this service should not be subject to withholding tax and has objected against such assessments in prior years.<br><br>During 2022, the Group's petition for reconsideration was rejected, and the Group's management submitted to the appeal committee a second petition for reconsideration based on new development.<br><br>We considered this as a key audit matter as accounting for withholding tax involves management judgment in addition to the materiality of the amounts claimed.<br><br>*Refer to note **4.10** for the accounting policy related to withholding taxes and note **45-5** for the related disclosures.* | Our audit procedures performed included, among others, the following:<br><br>• Inspected correspondences between the Group and ZATCA to determine the amount of the additional assessments made by ZATCA.<br><br>• Inspected the relevant correspondences of government authorities on the applicability and treatment of withholding tax for renting international operators' networks outside the Kingdom of Saudi Arabia.<br><br>• Obtained the opinions of management's tax and legal experts in regard to this case and compared their opinions with management assessment.<br><br>• Attended meetings with those charged with governance and the Group's management to obtain an update on the withholding tax matters and the results of their interactions with the relevant committees.<br><br>• Inspected the decisions from the relevant committee on withholding tax assessments.<br><br>• Involved our specialists in evaluating the key assumptions used by management of the exposures disclosed for withholding tax for the years assessed by ZATCA.<br><br>• Assessed the adequacy of the relevant disclosures included in the consolidated financial statements. |



Independent auditor's report (continued)
To the Shareholders of Saudi Telecom Company
(A Saudi Joint Stock Company)

**Key Audit Matters (continued)**

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| **Allowance for impairment of trade receivable** | |
| As at 31 December 2022, the Group's gross trade receivables amounted to SR 25.6 billion against which an impairment allowance of SR 2.5 billion is maintained.<br><br>The Group uses the expected credit loss model (ECL) as required by IFRS as endorsed by SOCPA to calculate allowance for impairment in trade receivable. Further, the Group perform an assessment based on a set of relevant qualitative factors for some of the customers categories.<br><br>We considered this as a key audit matter as it involves complex calculations and use of assumptions by management in addition to the materiality of the amounts involved.<br><br>*Refer to notes 4.18.3 and 5.2.5 for the accounting and critical judgements policies related to allowance for impairment of trade receivable and note 18 for the related disclosures.* | Our audit procedures performed included, among others, the following:<br><br>• Assessed the design, implementation, and operating effectiveness of the key controls over the following:<br><br>- Recording of trade receivables and settlements.<br>- Trade receivables aging reports.<br><br>• Assessed significant assumptions, including collection rates, recovery rates, impairment ratios and those relating to future economic events that are used to calculate the expected credit loss.<br><br>• Tested the mathematical accuracy of the ECL model.<br><br>• In addition to the above, we also performed the following procedures for certain customers categories where the Group performed a standalone assessment:<br><br>- Inspected the respective meeting minutes for standalone assessments.<br><br>- Obtained an understanding of the latest development and the basis of measuring the allowance and assessed management assumption given the circumstances.<br><br>- Tested, on a sample basis, the calculation performed by management of the allowances.<br><br>• Assessed the adequacy of the relevant disclosures included in the consolidated financial statements. |

Independent auditor's report (continued)
To the Shareholders of Saudi Telecom Company
(A Saudi Joint Stock Company)

**Key Audit Matters (continued)**

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| **Capitalization of property and equipment** | |
| The Group has a substantial capital expenditures plan and therefore incurs significant annual expenditures in relation to the development and maintenance of both infrastructure assets and assets in relation to network and related equipment.<br><br>Costs related to upgrading or enhancing networks are treated as capital expenditures while expenses spent to maintain the network's operating capacity are recognized as expenses in the same year in which they are incurred. Accordingly, the assessment and timing of whether assets meet the capitalisation criteria set out in IAS 16 Property, Plant and Equipment requires judgement.<br><br>We considered this as a key audit matter since it involves management's assumptions as well as the materiality of the amounts involved.<br><br>*Refer to note 4.11 for the accounting policy related to property and equipment and note 10 for the related disclosures.* | Our audit procedures performed included, among others, the following:<br><br>• Tested the design, implementation, and operating effectiveness of key controls in place over the capitalization and depreciation of property and equipment.<br><br>• Performed analytical procedures on depreciation of property and equipment by comparing actual depreciation amounts with expected amounts and analysed variances.<br><br>In addition to the above, we also performed the following procedures on the capitalized cost:<br><br>• Assessed the Group's capitalisation policy, for compliance with IFRS as endorsed by SOCPA.<br><br>• Tested, on a sample basis, the implementation of capital expenditures plan during the year, including the review of minutes of meetings where capital expenditure plan was approved.<br><br>• Tested, on a sample basis, capitalisation of project expenses in compliance with the Group's capitalisation policy including instances where actual costs differed from the expenditure plan.<br><br>• Assessed the adequacy of the relevant disclosures included in the consolidated financial statements. |



Independent auditor's report (continued)
To the Shareholders of Saudi Telecom Company
(A Saudi Joint Stock Company)

**Other information included in The Group's 2022 Annual Report**
Other information consists of the information included in the Group's 2022 annual report, other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information. The Group's 2022 annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

**Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements**
Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization for Chartered and Professional Accountants and the provisions of Companies' Law and Company's By-laws, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

**Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**
Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

| | Note | 31 December 2022 | 31 December 2021 |
|---|---|---|---|
| **Assets** | | | |
| **Non-Current Assets** | | | |
| Property and equipment | 10 | **46,645,266** | 47,205,038 |
| Investment properties | 11 | **293,148** | 70,523 |
| Intangible assets and goodwill | 12 | **11,775,022** | 10,734,798 |
| Right of use assets | 13 | **3,029,824** | 2,951,652 |
| Investments in associates and joint ventures | 8 | **4,635,656** | 5,924,858 |
| Contract costs | 14 | **436,087** | 521,374 |
| Contract assets | 15 | **540,241** | 535,809 |
| Financial assets and others | 16 | **8,931,533** | 8,367,291 |
| **Total non-current assets** | | **76,286,777** | 76,311,343 |
| **Current Assets** | | | |
| Inventories | 17 | **1,022,601** | 917,510 |
| Contract assets | 15 | **6,779,622** | 5,732,865 |
| Trade receivables | 18 | **23,178,587** | 24,857,381 |
| Financial assets and others | 16 | **4,086,580** | 3,734,668 |
| Short term murabahas | 19 | **7,989,420** | 7,944,349 |
| Cash and cash equivalents | 20 | **17,794,393** | 8,281,301 |
| | | **60,851,203** | 51,468,074 |
| Asset held for sale | 48-1 | **82,006** | - |
| **Total current assets** | | **60,933,209** | 51,468,074 |
| **Total assets** | | **137,219,986** | 127,779,417 |
| **Equity And Liabilities** | | | |
| **Equity** | | | |
| Share capital | 22 | **50,000,000** | 20,000,000 |
| Statutory reserve | 23 | **11,217,054** | 10,000,000 |
| Treasury shares | 24 | **(703,838)** | (286,563) |
| Other reserves | 25 | **2,032,239** | 1,572,457 |
| Retained earnings | | **10,954,070** | 37,984,611 |
| **Equity attributable to the equity holders of the Parent Company** | | **73,499,525** | 69,270,505 |
| Non-controlling interests | 26 | **2,526,067** | 2,115,474 |
| **Total equity** | | **76,025,592** | 71,385,979 |





**Saudi Telecom Company** (A Saudi Joint Stock Company)
**Consolidated Statement of Financial Position as at 31 December 2022**
(All Amounts in Saudi Riyals thousands unless otherwise stated)

| | Note | 31 December 2022 | 31 December 2021 |
|---|---|---|---|
| **Liabilities** | | | |
| **Non-Current Liabilities** | | | |
| Long term borrowings | 27 | **10,213,750** | 7,846,606 |
| End of service benefits provision | 28 | **4,871,335** | 5,466,916 |
| Lease liabilities | 29 | **2,383,206** | 2,353,593 |
| Contract liabilities | 30 | **771,915** | 771,915 |
| Provisions | 31 | **489,448** | 550,741 |
| Financial liabilities and others | 32 | **6,064,576** | 5,843,115 |
| **Total non-current liabilities** | | **24,794,230** | 22,832,886 |
| **Current Liabilities** | | | |
| Trade and other payables | 33 | **20,900,153** | 17,114,298 |
| Contract liabilities | 30 | **4,479,205** | 3,591,950 |
| Provisions | 31 | **2,124,132** | 3,647,727 |
| Zakat and income tax | 34 | **2,084,712** | 1,833,840 |
| Short term borrowings | 27 | **276,783** | 1,456,684 |
| Lease liabilities | 29 | **912,914** | 869,574 |
| Financial liabilities and others | 32 | **5,622,265** | 5,046,479 |
| **Total current liabilities** | | **36,400,164** | 33,560,552 |
| **Total liabilities** | | **61,194,394** | 56,393,438 |
| **Total equity and liabilities** | | **137,219,986** | 127,779,417 |

| Chief Financial Officer | Chief Executive Officer | Authorized Board Member | Chairman |
|---|---|---|---|

The accompanying notes from 1 to 51 form an integral part of these consolidated financial statements

**Saudi Telecom Company** (A Saudi Joint Stock Company)
**Consolidated Statement of Profit or Loss for The Year Ended 31 December 2022**
(All Amounts in Saudi Riyals thousands unless otherwise stated)

| | Note | 2022 | 2021 |
|---|---|---|---|
| Revenues | 35 | 67,431,546 | 63,007,986 |
| Cost of revenues | 36 | (30,038,291) | (29,213,957) |
| Gross profit | | 37,393,255 | 33,794,029 |
| Operating Expenses | | | |
| Selling and marketing | 37 | (6,110,238) | (5,585,864) |
| General and administration | 38 | (6,204,350) | (5,367,565) |
| Depreciation, amortisation and impairment | 10,12,13 | (9,990,226) | (9,712,845) |
| **Total operating expenses** | | (22,304,814) | (20,666,274) |
| **Operating profit** | | 15,088,441 | 13,127,755 |
| Other Income And Expenses | | | |
| Cost of early retirement program | | (365,727) | (313,258) |
| Finance income | 39 | 602,463 | 377,911 |
| Finance cost | 40 | (696,602) | (618,956) |
| Net other (expense) income | | (136,220) | 49,996 |
| Net share in results and impairment of investments in associates and joint ventures | 8 | (1,211,924) | (778,028) |
| Net other gains | 41 | 189,666 | 789,643 |
| **Total other expenses** | | (1,618,344) | (492,692) |
| **Net profit before zakat and income tax** | | 13,470,097 | 12,635,063 |
| Zakat and income tax | 34 | (1,083,175) | (1,040,366) |
| **Net profit** | | 12,386,922 | 11,594,697 |
| Net profit attributable to: | | 12,170,537 | 11,311,342 |
| Equity holders of the parent company | 26 | 216,385 | 283,355 |
| Non-controlling interests | | 12,386,922 | 11,594,697 |

**Earnings per share attributable to equity holders of the Parent Company (in Saudi Riyals):**

| | | | |
|---|---|---|---|
| Basic | 42 | 2.44 | 2.27 |
| Diluted | 42 | 2.43 | 2.26 |

| Chairman | Authorized Board Member | Chief Executive Officer | Chief Financial Officer |
|---|---|---|---|

The accompanying notes from 1 to 51 form an integral part of these consolidated financial statements





**Saudi Telecom Company** (A Saudi Joint Stock Company)
**Consolidated Statement of Comprehensive Income**
**For The Year Ended 31 December 2022**
(All Amounts in Saudi Riyals thousands unless otherwise stated)

| | Note | 2022 | 2021 |
|---|---|---|---|
| Net Profit | | 12,386,922 | 11,594,697 |
| Other Comprehensive Income (Loss) | | | |
| **Items that will not be reclassified subsequently to consolidated statement of profit or loss:** | | | |
| Remeasurement of end of service benefit provision | 28 | 828,394 | 312,523 |
| Net share of other comprehensive income of associates and joint ventures | | (9,860) | 5,093 |
| **Total items that may not be reclassified subsequently to consolidated statement of profit or loss** | | 818,534 | 317,616 |
| **Items that may be reclassified subsequently to consolidated statement of profit or loss:** | | | |
| Foreign currency translation differences | | (104,753) | 20,103 |
| Net share of other comprehensive (loss) income of associates and joint ventures | | (69,830) | 79,686 |
| **Total items that may be reclassified subsequently to consolidated statement of profit or loss** | | (174,583) | 99,789 |
| **Total other comprehensive income** | | 643,951 | 417,405 |
| **Total comprehensive income** | | 13,030,873 | 12,012,102 |
| Total comprehensive income attributable to: | | | |
| Equity holders of the Parent Company | | 12,840,311 | 11,717,489 |
| Non-controlling interests | | 190,562 | 294,613 |
| | | 13,030,873 | 12,012,102 |

| Chairman | Authorized Board Member | Chief Executive Officer | Chief Financial Officer |
|---|---|---|---|

The accompanying notes from 1 to 51 form an integral part of these consolidated financial statements

**Saudi Telecom Company** (A Saudi Joint Stock Company)
**Consolidated Statement of Cash Flows For The Year Ended 31 December 2022**
(All Amounts in Saudi Riyals thousands unless otherwise stated)

| | Note | 2022 | 2021 |
|---|---|---|---|
| **Cash Flows From Operating Activities** | | | |
| Net profit before zakat and income tax | | 13,470,097 | 12,635,063 |
| Adjustments for: | | | |
| Depreciation, amortisation and impairment | 10,12,13 | 9,990,226 | 9,712,845 |
| Impairment loss and amortisation of contract costs and contract assets | 36,37 | 411,726 | 492,758 |
| Impairment loss on trade receivables | 37 | 821,993 | 844,027 |
| Allowance for slow moving inventories | | 31,297 | 39,755 |
| Finance income | 39 | (602,463) | (377,911) |
| Finance costs | 40 | 696,602 | 618,956 |
| Provision for end of service benefits and other provisions | | 622,229 | 772,747 |
| Net share in results and impairment of investments in associates and joint ventures | 8 | 1,211,924 | 778,028 |
| Share- based payment expenses | 46 | 112,347 | 42,726 |
| Net other gains | 41 | (189,666) | (789,643) |
| ***Changes in :*** | | | |
| Trade receivables | | 1,534,047 | (11,236,400) |
| Contract costs and contract assets, inventory and others | | (688,366) | 799,109 |
| Trade payables and others | | 1,344,795 | (2,991,346) |
| Contract liabilities and others | | (1,196,958) | 1,341,111 |
| **Cash generated from operations** | | 27,569,830 | 12,681,825 |
| Less: zakat and income tax paid | 34 | (831,308) | (1,106,049) |
| Less: provision for end of service benefits paid | 28 | (384,132) | (355,621) |
| **Net cash generated from operating activities** | | 26,354,390 | 11,220,155 |
| **Cash Flows From Investing Activities** | | | |
| Purchase of property and equipment | | (5,496,469) | (6,030,788) |
| Purchase of intangible assets | | (2,205,345) | (2,179,186) |
| Additions to investment properties | | (232,207) | - |
| Subsidiaries' acquisition of new subsidiaries | 7 | (603,909) | - |
| Proceeds from sale of property and equipment | | 2,365 | 21,171 |
| Proceeds from sale of an associate | | 16,092 | 184,628 |
| Proceeds from the initial public offering of a stake in a subsidiary | 6-1 | - | 3,560,295 |
| Dividends from associates | | 75,241 | 83,087 |
| Proceeds from finance income | | 478,895 | 314,480 |
| Proceeds and payments related to financial assets and others, net | | (613,602) | 2,331,730 |
| **Net cash used in investing activities** | | (8,578,939) | (1,714,583) |
| **Cash Flows From Financing Activities** | | | |
| Dividends paid to the equity holders of the parent Company | | (7,952,099) | (9,954,612) |
| Dividends paid to non-controlling interests | | (273,133) | (184,172) |
| Purchase of treasury shares | 24 | (453,000) | - |
| Payment of lease liabilities | | (1,037,357) | (976,719) |
| Repayment of borrowings | 27 | (133,047) | (731,248) |
| Proceeds from borrowings | 27 | 1,276,988 | 1,123,981 |
| Transactions with non-controlling interests | 6 | 648,300 | 750,000 |
| Finance costs paid | | (332,155) | (262,407) |
| **Net cash used in financing activities** | | (8,255,503) | (10,235,177) |
| **Net increase (decrease) in cash and cash equivalents** | | 9,519,948 | (729,605) |
| **Cash and cash equivalents at beginning of the year** | | 8,281,301 | 9,004,286 |
| Net foreign exchange difference | | (6,856) | 6,620 |
| **Cash and cash equivalents at end of the year** | 20 | 17,794,393 | 8,281,301 |

| Chairman | Authorized Board Member | Chief Executive Officer | Chief Financial Officer |
|---|---|---|---|

The accompanying notes from 1 to 51 form an integral part of these consolidated financial statements

**Saudi Telecom Company** (A Saudi Joint Stock Company)
**Consolidated Statement of Changes In Equity**
**For The Year Ended 31 December 2022**
(All Amounts in Saudi Riyals thousands unless otherwise stated)

**Saudi Telecom Company** (A Saudi Joint Stock Company)
**Consolidated Statement of Changes In Equity**
**For The Year Ended 31 December 2022**
(All Amounts in Saudi Riyals thousands unless otherwise stated)

| | | Total equity attributable to the equity holders of the Parent Company | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Note | Share capital | Statutory reserves | Treasury shares | Other reserves | Retained earnings | Total | Non-controlling interests | Total equity |
| Balance as at 1 January 2021 | | 20,000,000 | 10,000,000 | (300,000) | (3,262,245) | 37,508,027 | 63,945,782 | 1,321,233 | 65,267,015 |
| Net profit | | - | - | - | - | 11,311,342 | 11,311,342 | 283,355 | 11,594,697 |
| Other comprehensive income | | - | - | - | 406,147 | - | 406,147 | 11,258 | 417,405 |
| Total comprehensive income | | - | - | - | 406,147 | 11,311,342 | 11,717,489 | 294,613 | 12,012,102 |
| Dividends to the equity holders of the Parent Company | 47 | - | - | - | - | (9,985,483) | (9,985,483) | - | (9,985,483) |
| Dividends to non-controlling interests | | - | - | - | - | - | - | (181,425) | (181,425) |
| Share-based payment transactions | 24,46 | - | - | 13,437 | 28,187 | - | 41,624 | 1,799 | 43,423 |
| Transactions with non-controlling interests | | - | - | - | 3,631,042 | - | 3,631,042 | 679,254 | 4,310,296 |
| Net share of other reserves of an associate and a joint venture | | - | - | - | 769,326 | (849,275) | (79,949) | - | (79,949) |
| Balance as at 31 December 2021 | | 20,000,000 | 10,000,000 | (286,563) | 1,572,457 | 37,984,611 | 69,270,505 | 2,115,474 | 71,385,979 |
| Balance as at 1 January 2022 | | **20,000,000** | **10,000,000** | **(286,563)** | **1,572,457** | **37,984,611** | **69,270,505** | **2,115,474** | **71,385,979** |
| Net profit | | **-** | **-** | **-** | **-** | **12,170,537** | **12,170,537** | **216,385** | **12,386,922** |
| Other comprehensive income (loss) | | **-** | **-** | **-** | **669,774** | **-** | **669,774** | **(25,823)** | **643,951** |
| Total comprehensive income | | **-** | **-** | **-** | **669,774** | **12,170,537** | **12,840,311** | **190,562** | **13,030,873** |
| Dividends to the equity holders of the Parent Company | **47** | **-** | **-** | **-** | **-** | **(7,984,024)** | **(7,984,024)** | **-** | **(7,984,024)** |
| Dividends to non-controlling interests | | **-** | **-** | **-** | **-** | **-** | **-** | **(273,087)** | **(273,087)** |
| Transfer to statutory reserve | **23** | **-** | **1,217,054** | **-** | **-** | **(1,217,054)** | **-** | **-** | **-** |
| Share-based payment transactions | **24,46** | **-** | **-** | **35,725** | **50,701** | **-** | **86,426** | **5,352** | **91,778** |
| Purchase of treasury shares | **24** | **-** | **-** | **(453,000)** | **-** | **-** | **(453,000)** | **-** | **(453,000)** |
| Bonus shares issued | **22** | **30,000,000** | **-** | **-** | **-** | **(30,000,000)** | **-** | **-** | **-** |
| Transactions with non-controlling interests | **6** | **-** | **-** | **-** | **(262,575)** | **-** | **(262,575)** | **487,766** | **225,191** |
| Net share of other reserves of a joint venture | | **-** | **-** | **-** | **1,882** | **-** | **1,882** | **-** | **1,882** |
| Balance as at 31 December 2022 | | **50,000,000** | **11,217,054** | **(703,838)** | **2,032,239** | **10,954,070** | **73,499,525** | **2,526,067** | **76,025,592** |

| Chairman | Authorized Board Member | Chief Executive Officer | Chief Financial Officer |
|---|---|---|---|

The accompanying notes from 1 to 51 form an integral part of these consolidated financial statements

# 1 - General Information

## A) Establishment of The Company

Saudi Telecom Company (the "Company") was established as a Saudi Joint Stock Company pursuant to Royal Decree No. M/35 dated 24 Dhul Hijja 1418H (corresponding to 21 April 1998) that authorized the transfer of the telegraph and telephone division of the Ministry of Post, Telegraph and Telephone ("MoPTT") with its various components and technical and administrative facilities to the Company, and in accordance with the Council of Ministers' Resolution No. 213 dated 23 Dhul Hijja 1418H (corresponding to 20 April 1998) that approved the Company's by-laws ("By-laws"). The Company was wholly owned by the Government of the Kingdom of Saudi Arabia (the "Government"). The Government sold 30% of its shares pursuant to the Council of Ministers Resolution No. 171 dated 2 Rajab 1423H (corresponding to 9 September 2002). The Public Investment Fund ("PIF") is the ultimate controlling party of the Company through its ownership of 64% after the sale of 6% of the Company's shares through a secondary offering during the year 2021.
The Company commenced its operation as the provider of telecommunications services throughout the Kingdom of Saudi Arabia ("the Kingdom") on 6 Muharram 1419H (corresponding to 2 May 1998) and received its Commercial Registration No. 1010150269 as a Saudi Joint Stock Company on 4 Rabi al-Awal 1419H (corresponding to 29 June 1998). The Company's head office is located in King Abdulaziz Complex, Imam Mohammed Bin Saud Street Al Mursalat Area, Riyadh, Kingdom of Saudi Arabia.

## B) Group Activities

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

1. Establish, manage, operate and maintain fixed and mobile telecommunication networks, systems and infrastructure.
2. Deliver, provide, maintain and manage diverse telecommunication and information technology (IT) services to customers.
3. Prepare the required plans and necessary studies to develop, implement and provide telecommunication and IT services covering all technical, financial and administrative aspects. In addition, prepare and implement training plans in the field of telecommunications and IT, and provide consultancy services.





# 1 - General Information (Continued)

## B) Group Activities (continued)

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

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

# 2 - Basis of Preparation and Consolidation

## 2.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS") endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization for Chartered and Professional Accountants ("SOCPA") ("IFRS endorsed in the Kingdom").

The consolidated financial statements have been prepared on a historical cost basis, unless stated otherwise in the below accounting policies.

The consolidated financial statements are presented in Saudi Riyals ("SR"), which is the functional currency for the Group, and all values are rounded to the nearest thousand Saudi Riyals, except when otherwise indicated.

The Group has prepared the consolidated financial statements on the basis that it will continue to operate as a going concern

The preparation of the consolidated financial statements in accordance with IFRS as endorsed in the Kingdom requires the use of certain significant accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

The significant accounting policies (Note 4) applied in preparing these consolidated financial statements are consistent with those applied in comparative periods presented except for the policy related to principal versus agent considerations in computer software sales contracts (Note 5-1-2).

## 2.2 Basis of consolidation

The consolidated financial statements of the Group comprise the financial information of the Company and its subsidiaries (Note 6).

Subsidiaries are companies controlled by the Group. Control is achieved when the Group has:

- Power over the investee (i.e. existing rights that give the Group the current ability to direct the relevant activities of the investee)
- Exposure to risk, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

In general, there is a presumption that a majority of voting rights result in control. In support of this assumption, when the Group has less than a majority of the voting rights or similar rights in the investee, the Group takes into consideration all relevant facts and circumstances when determining whether it





# 2 - Basis of Preparation and Consolidation (Continued)

## 2.2 Basis of consolidation (continued)

exercises control over the investee, including:

- Arrangement(s) with other voting rights holders in the investee company.
- Rights arising from other contractual arrangements.
- Group's voting rights and potential voting rights.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the elements of control mentioned above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired (or disposed) of during the year are included (or derecognized) in the consolidated financial statements from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the equity holders of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the equity holders of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intragroup assets and liabilities, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Changes in the Group's ownership interests in subsidiaries that do not result in losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries.

Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognized in the consolidated statement of profit or loss and is calculated as the difference between (1) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (2) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognized in other

## 2 - Basis of Preparation and Consolidation (Continued)

### 2.2 Basis of consolidation (continued)

comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets and liabilities of the subsidiary (i.e. reclassified to the consolidated statement of profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9, and when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

## 3 - New Standards, Interpretations and Amendments Adopted by The Group

### 3.1 New ifrs standards, issued and adopted

Amendments to IFRS that were applied by the Group on 1 January 2021 and had no material impact are as follows:

| Amendments and interpretations |
|---|
| Amendments to IAS 37: Onerous Contracts – Cost of Fulfilling a Contract |
| Amendments to IFRS 3: Reference to Conceptual Framework |
| Amendments to IAS 16: Property, Plant, and Equipment: Proceeds before Intended Use |
| Amendments to IFRS 1: First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter |
| Amendments to IFRS 9: Financial Instruments – Fees in the "10%" test for derecognition of financial liabilities |

### 3.2 Other amendments of relevant IFRS's Issued but not yet effective

The standards and amendments that are issued, but not yet effective, as of 31 December 2022 are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective. These standards are not expected to have a material impact on the Group at their effective dates.





## 3 - New Standards, Interpretations and Amendments Adopted by The Group (Continued)

### 3.2 Other amendments of relevant IFRS's Issued but not yet effective (continued)

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

## 4 - Summary of Significant Accounting Policies

### 4.1 Business combinations and goodwill measurement

Business combinations are accounted for using the acquisition method upon transfer of control to the Group. The consideration transferred is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognized in the consolidated statement of profit or loss as incurred.

When the Group acquires a business, it assesses the identifiable assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair value with limited exceptions.

Goodwill is initially measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value at the acquisition-date of the acquirer's previously held equity interest

## 4 - Summary of Significant Accounting Policies (Continued)

### 4.1 Business combinations and goodwill measurement (continued)

in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date fair values of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts recognized at the acquisition date.

If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then a gain on bargain purchase at a differential price is recognized in the consolidated statement of profit or loss.

After initial recognition, goodwill is measured at cost less accumulated impairment losses. For the purpose of impairment testing for goodwill acquired from the business combination and from the date of acquisition, it will be allocated to cash-generating units ("CGU") that are expected to benefit from the consolidation regardless of whether the other assets or liabilities acquired have been allocated to those units.

If goodwill is not allocated to designated cash-generating units because of an incomplete initial calculation, the initial impairment loss will not be tested unless impairment indicators are available to enable the Group to distribute the carrying amount of the goodwill to the cash generating units or the group of cash generating units expected to benefit from business combination. Where goodwill is allocated to the cash generating unit and part of the operations of that unit are disposed of, goodwill associated with the discontinued operation will be included in the carrying amount when determining the gain or loss on disposal of the operation. The goodwill in such circumstances is measured on the basis of the value of a similar disposed operation and the remaining portion of the cash-generating unit.

Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at





## 4 - Summary of Significant Accounting Policies (Continued)

### 4.1 Business combinations (continued)

the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another relevant IFRS approved in Kingdom.

Any contingent consideration to be paid (if any) will be recognized at fair value at the acquisition date and classified as equity or a financial liability. Contingent consideration classified as a financial liability is subsequently remeasured at fair value with the changes in fair value recognized in the consolidated statement of profit or loss. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to its acquisition-date fair value and the resulting gain or loss, if any, is recognized in the consolidated statement of profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognized in other comprehensive income are reclassified to the consolidated statement of profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for the business combination is not completed by the end of the reporting period which constitutes the period in which the combination occurred, the Group presents the items whose value calculation has not been completed in a temporary manner in the consolidated financial statements. During the measurement period, which is not more than one year from the acquisition date, the temporary value recognized on the acquisition date is retroactively adjusted to reflect the information obtained about the facts and circumstances that existed at the date of acquisition and if it is determined that this will affect the measurement of amounts recognized as of that date.

The Group recognizes additional assets or liabilities during the measurement period if new information becomes available about facts or circumstances that existed at the date of the acquisition and if it will result in recognition of assets or liabilities from that date. The measurement period ends once the group obtains all information that existed at the acquisition date or as soon as it becomes sure of the absence of more information.
An associate is an entity over which the Group has significant influence but does not have control or joint control over. Significant influence is the Group's ability to participate in the financial and operating policy decisions

## 4 - Summary of Significant Accounting Policies (Continued)

### 4.2 Investments in associates and joint ventures

of the investee but not to control or jointly control those policies.

A joint venture is a joint arrangement whereby the Group has joint control of the arrangement and has rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the governing body of the investee.

Factors to determine significant influence include holding directly or indirectly voting power of the investee, representation on the board of directors or equivalent governing body of the investee, participation in policy-making processes including participation in decisions about dividends or other distributions, material transactions between the entity and the investee, interchange of managerial personnel or provision of essential technical information.

The investment in associates or joint ventures are accounted for in the consolidated financial statements of the Group using the equity method of accounting. The investment in associates or joint ventures in the consolidated statement of financial position are initially recognized at cost and adjusted thereafter to recognize the Group's share of the profit and loss and other comprehensive income of the associate or joint venture adjusted for any impairment in the value of the net investment. In addition, when there has been a change recognized directly in the equity of the associate or joint venture, the Group recognizes its share of any changes, when applicable, in the consolidated statement of changes in equity. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognizing its share of further losses.

Additional losses are recognized and recorded as liabilities only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

Unrealized gain or losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture.

On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets





## 4 - Summary of Significant Accounting Policies (Continued)

### 4.2 Investments in associates and joint ventures (continued)

and liabilities of the investee is recognized as goodwill, which is included within the carrying amount of the investment.

Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognized immediately in the consolidated statement of profit or loss in the acquisition year.

The requirements of IFRSs endorsed in Kingdom are applied to determine whether it is necessary to recognize any impairment loss with respect to the Group's investment in an associate or a joint venture. The carrying amount of the investment in an associate or a joint venture is tested for impairment in accordance with the policy described in Note (5-2-1).

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate or a joint venture, or when the investment is classified as held for sale.

When the Group reduces its ownership interest in an associate or a joint venture but the Group continues to use the equity method, the Group reclassifies to the consolidated statement of profit or loss the gain or loss that had previously been recognized in other comprehensive income relating to that reduction in ownership interest if that gain or loss includes the disposal of the related assets or liabilities.

When any entity within the Group transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognized in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

## 4 - Summary of Significant Accounting Policies (Continued)

### 4.3 Shared-based payment transactions

The Company's executive employees receive remuneration in the form of share-based payments under the employee long term incentives program, whereby employees render services as consideration for the Company's shares (equity-settled transactions). The cost of equity-settled transactions is determined by the fair value of the equity instrument at the grant date. The grant date is the date on which the Company and the employee agree on the share-based agreement, so that a common understanding of the terms and conditions of the agreement exists between the parties.

Share-based payment expense is included as part of employee benefit expenses over the period in which the service and the performance conditions are fulfilled (the vesting period), with the corresponding amount recorded under other reserves within equity in accordance with the requirements of the International Financial Reporting Standard (2): Share-based Payment. The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of shares that will ultimately vest. The expense or credit in the consolidated statement of profit or loss for a period represents the movement in cumulative expense recognized from the beginning to the end of that period.

### 4.4 Treasury shares

Own equity instruments that are repurchased (treasury shares) are recognized at cost and deducted from equity. No gain or loss is recognized in the consolidated statement of profit or loss on the purchase, sale, issue or cancellation of the shares. Any difference between the carrying amount of the shares and the consideration, if reissued, is recognized in other reserves within equity.

### 4.5 Revenue recognition

The Group recognizes revenue from contracts with customers based on a five-step model as set out in IFRS 15. Revenue is recognized based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognizes revenue when it transfers control over a product or services to a customer.

The timing of revenue recognition is either at a point in time or over time depending upon the satisfaction of the performance obligation by transferring control of goods or services to the customer.

When there is a high degree of uncertainty about the possibility of collection from certain customers, the Group recognizes revenue only upon collection.

The Group principally earns revenue from airtime usage, messaging, data services, interconnect fees, connection fees and device sales. Products and services may be sold separately or in bundled packages.





## 4 - Summary of Significant Accounting Policies (Continued)

### 4.5 Revenue recognition (continued)

| Products and services | Nature and timing of satisfaction of performance obligation |
|---|---|
| Mobile Telecommunication services | Mobile telecommunication services include voice, data, messaging, and valued added services. The Group recognizes revenues as and when these services are provided (i.e. actual usage by the customer). |
| Fixed telecommunication services | Fixed telecommunication services include voice, broadband, internet, and data connectivity services. The Group recognizes revenues as and when these services are provided (i.e. actual usage by the customer). |
| Enterprise solutions services | Enterprise solutions services include system integration, IT managed services, cyber security, data and cloud, outsourcing and digital services. The Group recognizes revenues when control transfers to the customer (over time or at a point in time). |
| Bundled packages | Arrangements involving multiple products and services are separated into individual items and revenue is recognized on the basis of the fair value (standalone selling prices) of the individual items by allocating the total arrangement consideration to the individual items on the basis of the relative value of the selling prices of the individual items. Items are separable if they are of separate value to the customer. |
| Mobile and other devices | The Group recognizes revenues when the control of the device is transferred to the customer. This usually occurs at the contract inception when the customer takes the possession of the device. |

A contract modification exists when the parties to a contract approve a modification that creates new or changes existing rights and obligations of the parties to the contract. Revenue recognition under the existing contract is continued until the contract modification is approved.

## 4 - Summary of Significant Accounting Policies (Continued)

### 4.5 Revenue recognition (continued)

If the Group has a contract that is onerous, the present obligation under the contract is recognized and measured as a provision. However, before a separate provision for an onerous contract is established, the Group recognizes any impairment loss that has occurred on assets dedicated to that contract.

#### 4.5.1 Variable consideration

In determining the transaction price, the Group considers the effects of variable consideration. If the consideration in a contract includes a variable amount, the Group estimates the amount of consideration to which it will be entitled in exchange for transferring the products and services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognized will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

#### 4.5.2 Significant financing component

If a customer can pay for purchased equipment or services over a period of time, IFRS 15 requires judgement to determine if the contract includes a significant financing component. If it does, then the transaction price is adjusted to reflect the time value of money.

#### 4.5.3 Contract balances

##### 4.5.3.1 Contract Assets

A contract asset is the Group's right to consideration in exchange for goods and services transferred by the Group to the customer. If the Group transfers goods or services to a customer before the customer pays any consideration or before payment is due, a contract asset is recognized for the earned consideration that is conditional.

##### 4.5.3.2 Trade receivables

A Trade receivable is recognized if the amount of consideration due from the customer is unconditional (if only the passage of time is required before payment of that consideration is due).

##### 4.5.3.3 Contract Costs

Contract costs relate to incremental costs of obtaining a contract and certain costs to fulfil a contract to be recognized as an asset when:

- The costs relate directly to the contract (or to a specified anticipated contract)
- The costs generate or enhance resources of the Group that will be used in satisfying (or in continuing to satisfy) performance obligations in the future.
- The costs are expected to be recovered





## 4 - Summary of Significant Accounting Policies (Continued)

### 4.5 Revenue recognition (continued)

##### 4.5.3.3 Contract Costs (continued)

Contract costs recognized by the Group are amortized on a systematic basis that is consistent with the Group's transfer of related goods or services to the customer.

##### 4.5.3.4 Contract Liabilities

A contract liability is recognized if a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognized as revenue when the Group performs under the contract (i.e. transfers control of the related goods or services to the customer).

### 4.6 Lease contracts

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of a similar asset for a period of time in exchange for consideration.

#### ■ The Group as a lessee

At the commencement date, the Group recognizes a right of use asset representing the Group's right to use
the underlying asset and a lease liability representing the Group's obligation to make lease payments.

At commencement date, the right of use asset is initially measured at cost (based on the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date less any lease incentives received, initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, as per lease terms).

The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives
receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under
residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably
certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term
reflects the Group exercising the option to terminate.

After the commencement date, the right of use asset is measured using the cost model (cost less any accumulated depreciation and any accumulated impairment losses and adjusted for any remeasurement of
the related lease liability).

At commencement date, the lease liability is measured at the present value of the

## 4 - Summary of Significant Accounting Policies (Continued)

### 4.6 Lease contracts (continued)

#### ■ The Group as a lessee (continued)

lease payments that are not paid at that date, discounted using the interest rate implicit in the lease, if that rate can be readily determined; otherwise the Group's incremental borrowing rate is used instead.

After the commencement date, the lease liability is measured by:

(a) increasing the carrying value to reflect interest on the lease liability.
(b) reducing the carrying value to reflect the lease payments made.
(c) remeasuring the carrying value to reflect any reassessment or lease modifications, or to reflect revised in-substance fixed lease payments.

The amount of the remeasurement of the lease liability is recorded as an adjustment to the right of use asset. However, if the carrying amount of the right of use asset is reduced to zero and there is a further reduction in the measurement of the lease liability, then any remaining amount of the remeasurement is recognized in the consolidated statement of profit or loss.

The Group has elected to apply the practical expedient not to recognize right of use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The lease payments associated with these leases are recognized as an expense on a straight-line basis over the lease term.

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation on related right of use assets is calculated using the estimated useful life of the leased asset.

#### ■ The Group as a lessor

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Operating lease income is recognized in the consolidated statement of profit or loss on a straight-line basis over the lease term. Any benefits granted as an incentive to enter into an operating lease, are distributed in a straight-line basis over the lease term. Total benefits from incentives are recognized as a reduction in rental income on a straight-line basis, unless there is another basis that better represents the period of time in which the economic benefits of the leased asset are exhausted.

The amounts due from the finance leases are recorded as lease receivables at an amount equal to the net investment of the Group in the lease. The lease payments to be received are distributed into two components:
(1) a reimbursement of the original amount (2)





## 4 - Summary of Significant Accounting Policies (Continued)

### 4.6 Lease contracts (continued)

#### ■ The Group as a lessor (continued)

a financing income to compensate the Group for its investment and services. The additional costs directly attributable to negotiating the lease contract are included in the amounts due, which in return, will reduce the finance income portion from the contract.

### 4.7 Foreign currencies

The financial information and disclosures are presented in Saudi Riyals (the functional currency of Saudi Telecom Company – the Parent Company). For each subsidiary, the Group determines the functional currency, which is defined as the currency of the primary economic environment in which the entity operates, and items included in the financial statements of each subsidiary are measured using that functional currency.

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are translated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of gain or loss on change in fair value of the item to which it relates. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Gains or losses arising on settlement or translation of monetary items are recognized in profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment in a foreign operation. These are recognized in OCI until the net investment is disposed of, at which time, the cumulative amount is reclassified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recognized in OCI.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into Saudi Riyals using exchange rates prevailing at the reporting date. Income and expense items are translated at the average exchange rates for the reporting period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in equity (and attributed to non-controlling

## 4 - Summary of Significant Accounting Policies (Continued)

### 4.7 Foreign currencies (continued)

interests as appropriate).

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the spot rate of exchange at the reporting date.

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint venture or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the Company's shareholders are reclassified to the consolidated statement of profit or loss.

For all partial disposals of associates or joint ventures that do not result in the Group losing significant influence or joint control, the proportionate share of the accumulated exchange differences is reclassified to the consolidated statement of profit or loss.

### 4.8 Government grants

Government grants are not recognized until there is reasonable assurance that the Group will comply with the attached conditions and that the grants will be received.

Government grants are recognized in the consolidated statement of profit or loss on a systematic basis over the periods in which the Group recognizes as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognized as deferred revenue in the consolidated statement of financial position and transferred to the consolidated statement of profit or loss on a systematic and rational basis over the useful lives of the related assets.

When the Group receives government grants as compensation for expenses or losses already incurred or immediate financial support with no future related costs, these are recognized in the profit or loss in the period in which they become receivable.

### 4.9 Employee benefits

#### 4.9.1 Retirement benefit costs and end of service benefits

Payments to defined contribution schemes are charged as an expense as they fall due. Payments made to state-managed pension schemes are dealt with as payments to defined contribution schemes where the Group's obligations under the schemes are equivalent to those arising in a defined contribution





## 4 - Summary of Significant Accounting Policies (Continued)

### 4.9 Employee benefits (continued)

#### 4.9.1 Retirement benefit costs and end of service benefits (continued)

scheme.

Employee's end of service benefits provision is calculated annually by actuaries in accordance with the projected unit credit method as per (IAS 19) Employee Benefits, taking into consideration the labour law of the respective country in which the subsidiary operates. The provision is recognized based on the present value of the defined benefit obligations.

The present value of the defined benefit obligations is calculated using assumptions on the average salary incremental rate, average employees' years of service and an appropriate discount rate. The assumptions used are calculated on a consistent basis for each period and reflect management's best estimate.

Due to the fact that the Kingdom does not have a deep market in high quality corporate bonds, the discount rate is determined based on available information of Saudi Arabia sovereign bond yields with a term consistent with the estimated term of the defined benefit obligation as at the reporting date.

Remeasurement of net liabilities that includes actuarial gains and losses arising from the changes in assumptions used in the calculation, is recognized directly in other comprehensive income. Remeasurements are not reclassified to the consolidated statement of profit and loss in subsequent periods.

The cost of past services (if any) is recognized in the consolidated statement of profit or loss before:

- Date of modification of the program or labour downsizing; and
- The date on which the Group recognizes the related restructuring costs.

Net interest cost is calculated using the discount rate to net defined benefit assets or liabilities. The Group recognizes the following changes in the net benefit obligation identified under "cost of revenue", "general and administrative expenses" and "selling and marketing expenses" in the consolidated statement of profit or loss (by function):

- Service costs that include the current service costs, past service costs, profits and losses resulting from labour downsizing and non-routine payments.
- Net finance cost.

#### 4.9.2 Other short and long-term employee benefits

A liability is recognized for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period in which the related service is rendered at

## 4 - Summary of Significant Accounting Policies (Continued)

### 4.10 Zakat and Taxation (continued)

the undiscounted amount of the benefits expected to be paid in exchange for that service. Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

### 4.10 Zakat and Taxation

#### 4.10.1 Zakat

The Group calculates and records the zakat provision based on the zakat base in its consolidated financial statements in accordance with Zakat rules and principles in the Kingdom of Saudi Arabia. Adjustments arising from final zakat assessment are recorded in the reporting period in which such assessment is approved by the Zakat, Tax, and Customs Authority ("ZATCA").

#### 4.10.2 Current and deferred taxes

Tax related to subsidiaries located outside the Kingdom is calculated in accordance with tax laws applicable in those countries.

Deferred income tax provisions for foreign entities are calculated using the liability method, based on temporary differences at the end of the financial year between the tax base of assets and liabilities and their carrying values for financial reporting purposes. Deferred tax liabilities and deferred tax assets are measured at the tax rates expected to be applied in the reporting period in which the obligation is settled, or the assets is realized.

Deferred tax assets of foreign entities are recognized only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilized. This involves a judgement relating to the future financial performance of the foreign entity in which the deferred tax assets have been recognized. Deferred tax liabilities are generally recognized for all temporary differences that are taxable. The current income tax is recognized in the consolidated statement of profit or loss.

#### 4.10.3 Value Added Tax ("VAT")

Expenses and assets are recognized net of the amount of VAT, except:

- When the VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the VAT is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable; and/or





## 4 - Summary of Significant Accounting Policies (Continued)

### 4.10 Zakat and Taxation (continued)

#### 4.10.3 Value Added Tax ("VAT") (continued)

- When receivables and payables are stated with the amount of VAT included.

The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the consolidated statement of financial position.

### 4.11 Property and equipment

Property and equipment are stated in the consolidated statement of financial position at their cost, less any accumulated depreciation and accumulated impairment losses.

The cost of telecommunication network and equipment comprises all expenditures incurred up to the customer connection point, including contractors' charges, direct materials and labour costs to the date the relevant assets are placed into service.

Assets under construction are carried at cost, less any recognized impairment loss. Depreciation of these assets commences when the assets are ready for their intended use.

When parts of an item of property and equipment have different useful lives, they are accounted for as separate items.

When significant parts of a property and equipment are to be replaced (except land), the Group recognizes such parts as individual assets with a specific useful life. All other repairs and maintenance costs are charged to the consolidated statement of profit or loss during the reporting period in which they are incurred, except to the extent that they increase productivity or extend the useful life of an asset, in which case they are capitalized.

Depreciation is charged and reduces the cost of assets, other than land, using mainly the straight-line method, over their estimated useful lives. An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in the consolidated statement of profit or loss within other operating income or expenses.

The residual values, useful lives and methods of depreciation of property and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

### 4.12 Investment Properties

Investment properties are non-current assets (land or building - or part of it - or both) for the purpose of achieving rental income or capital development or both. These investment properties are not for sale in the normal course of the Group business, or for use in providing

## 4 - Summary of Significant Accounting Policies (Continued)

### 4.12 Investment properties

services or for administrative purposes.

Investment property is recognized as an asset when it is probable that future economic benefits will flow to the Group, associated with the property and can be measured reliably. Investment properties are initially measured at cost, including transaction costs. It is subsequently measured after recognition according to the "cost model", i.e. at cost minus accumulated depreciation and accumulated impairment losses, if any. Except for land, it is not depreciated.

Regular repair and maintenance costs that do not materially extend the estimated useful life of the asset are recognized in the consolidated statement of profit or loss when incurred.

Investment properties are derecognized upon disposal (that is, on the date of losing control over them) and no future economic benefit is expected upon disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the consolidated statement of profit or loss during the period of disposal.

Transfers from / to investment property to / from property and equipment are made only when the company changes the purpose of using the property.

The Group appoints an independent external valuer approved by the Saudi Authority for Accredited Valuers (Taqeem) to obtain fair value estimates for investment properties annually for the purpose of determining if there is a decrease in the value and also for the purpose of related disclosures in the consolidated financial statements of the Group.

### 4.13 Intangible assets other than goodwill

Intangible assets are presented in the consolidated statement of financial position at cost less accumulated amortization and accumulated impairment losses. The cost of intangible assets acquired in a business combination represents their fair value as at the date of acquisition. The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite lives are amortized over the useful economic life and the estimated useful life and amortization method are reviewed at the end of each financial year, with the effect of any changes in estimate being accounted for on a prospective basis.

Intangible assets with indefinite lives are not amortized, but are tested for impairment annually. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

#### 4.13.1 Software

Computer software licenses are capitalized based on the cost incurred to acquire the





## 4 - Summary of Significant Accounting Policies (Continued)

### 4.13 Intangible assets other than goodwill (continued)

specific software and bring it into use. Amortization is charged to the consolidated statement of profit or loss on a straight line basis over the estimated useful life from the date the software is available for use.

#### 4.13.2 Licence and frequency spectrum fees

Amortization periods for licence and frequency spectrum fees are determined primarily by reference to the unexpired licence period, the conditions for licence renewal and whether licences are dependent on specific technologies. Amortization is charged to the consolidated statement of profit or loss on a straight-line basis over the estimated useful lives when the related network services are available for use.

#### 4.13.3 Indefeasible Rights of Use ("IRU")

IRUs correspond to the right to use a portion of the capacity of a terrestrial or submarine transmission cable granted for a fixed period. IRUs are recognized at cost as an asset when the Group has the specific indefeasible right to use an identified portion of the underlying asset, generally optical fibres or dedicated wavelength bandwidth, and the duration of the right is for the major part of the underlying asset's economic life.

They are amortized on a straight line basis over the shorter of the expected period of use and the life of the contract which ranges between 10 to 20 years.

#### 4.13.4 Derecognition of intangible assets

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from its use or on disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognized in the consolidated statement of profit or loss.

### 4.14 Impairment of tangible and intangible assets other than goodwill

At the end of each finical year, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of other assets (cash-generating unit).

Recoverable amount is the higher of fair value less costs of disposal and the present value of the estimated future cash flows expected to be derived from the asset (value in use). In assessing value in use, the

## 4 - Summary of Significant Accounting Policies (Continued)

### 4.14 Impairment of tangible and intangible assets other than goodwill (continued)

estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in the consolidated statement of profit or loss.

An assessment is made at each reporting date to determine whether there is an indication that previously recognized impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statement of profit or loss.

Tangible and intangible assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each financial year.

### 4.15 Inventories

Inventories are stated at the lower of cost or net realizable value. Costs of inventories are determined using the weighted average method. Net realizable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

### 4.16 Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and the obligation can be measured reliably.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the financial year, after taking into account the risks and uncertainties





## 4 - Summary of Significant Accounting Policies (Continued)

### 4.18 Financial instruments (continued)

surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material). When discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost in the consolidated statement of profit or loss.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

### 4.17 Assets' decommissioning liabilities

The Group recognizes obligations on decommissioning of assets when there is a legal or constructive obligation arising from past events and it is likely to result in an outflow of resources to settle the obligation and if the obligation can be reliably measured.

The Group calculates a provision with the value of future costs related to the removal and decommissioning of the network and other assets. Upon initial recognition of the obligation, the present value of the expected costs (using a discount rate for future cash flows) is added to the value of the concerned network and other assets. Changes in the discount rate, timing and cost of removing and decommissioning assets are accounted for prospectively by adjusting the carrying amount of the provision and the carrying amount of the network and other assets.

### 4.18 Financial instruments

#### 4.18.1 Classification, recognition, and presentation

Financial instruments are recognized in the consolidated statement of financial position when and only when the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial instruments at initial recognition.

The Group classifies its financial assets within the following categories:

a) at fair value (either through other comprehensive income, or through profit or loss)
b) at amortized cost.

The classification depends on the entity's business model for managing the financial assets (for debt instruments) and the contractual terms of the cash flows.

In order for a financial asset to be classified and measured at amortized cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred

## 4 - Summary of Significant Accounting Policies (Continued)

### 4.18 Financial instruments (continued)

#### 4.18.1 Classification, recognition, and presentation (continued)

to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortized cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at fair value through OCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

Derivatives embedded in host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of host contracts and the host contracts are not measured at fair value recognized in the consolidated statement of profit or loss.

### 4.18.2 Measurement

#### 4.18.2.1 Initial measurement

Financial assets and financial liabilities are initially measured at fair value plus transaction costs that are directly attributable to the acquisition of financial assets and issue of financial liabilities or, where appropriate, deducted from them. (Except for financial assets and financial liabilities classified at fair value where transaction costs directly attributable to the acquisition of financial assets or financial liabilities are recognized directly in the consolidated statement of profit or loss).
Purchases or sales of financial assets that require delivery of assets within a timeframe established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

#### 4.18.2.2 Subsequent measurement of financial assets

The subsequent measurement of the non-derivative financial assets depends on their classification as follows:

a. Financial assets measured at amortized cost:

Assets that are held to collect contractual cash flows are measured at amortized cost using the effective interest rate ('EIR')





## 4 - Summary of Significant Accounting Policies (Continued)

### 4.18 Financial instruments (continued)

#### 4.18.2.2 Subsequent measurement of financial assets (continued)

method where those cash flows represent solely payments of principal and interest. Interest income from these financial assets is included in finance income.

b. Financial assets measured at fair value through profit or loss

Financial assets measured at fair value through profit or loss ("FVTPL") are measured at each reporting date at fair value without the deduction of transaction costs that the Group may incur on sale or disposal of the financial asset in the future.

c. Financial assets measured at fair value through other comprehensive income

Financial assets measured at fair value through other comprehensive income ("FVOCI") are measured at each reporting date at fair value without the deduction of transaction costs that the Group may incur on sale or disposal of the financial asset in the future.

When a financial asset is derecognized, the accumulated gain or loss recognized previously in the consolidated statement of comprehensive income is reclassified to the consolidated statement of profit and loss. However, there is no subsequent reclassification of fair value gains and losses to the consolidated statement of profit and loss in the case of equity instruments.

## 4 - Summary of Significant Accounting Policies (Continued)

### 4.18 Financial instruments (continued)

#### 4.18.2.2 Subsequent measurement of financial assets (continued)

The recognition and presentation of gains and losses for each measurement category are as follows:

| Measurement category | Recognition and presentation of gains and losses |
|---|---|
| At amortized cost | The following items are recognized in the consolidated statement of profit or loss:<br>- finance income using the effective interest method<br>- expected credit losses (or reversals of such losses)<br>- foreign exchange gains and losses.<br>When the financial asset is derecognized, the gain or loss is recognized in the consolidated statement of profit or loss. |
| At FVOCI | Gains and losses are recognized in the consolidated statement of comprehensive income, except for the following items, which are recognized in consolidated statement of profit or loss in the same manner as for financial assets measured at amortized cost:<br>- finance income using the average effective interest method<br>- expected credit losses (or reversals of such losses)<br>- foreign exchange gains and losses. |
| Equity instruments – gain or loss– presented in consolidated statement of comprehensive income | Gains and losses are recognized in the consolidated statement of comprehensive income. Dividends are recognized in the consolidated statement of profit or loss unless they clearly represent a repayment of part of the cost of the investment. The amounts recognized in the consolidated statement of comprehensive income are not reclassified to the consolidated statement of profit or loss under any circumstances. |
| At FVTPL | Gains and losses, both on subsequent measurement and derecognition, are recognized in consolidated statement of profit or loss. |





## 4 - Summary of Significant Accounting Policies (Continued)

### 4.18 Financial instruments (continued)

#### 4.18.2.2 Subsequent measurement of financial assets (continued)

The Group considers a financial asset in default at various past due days depending on the classification of financial assets and their contractual payments terms. In certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

#### 4.18.2.3 Subsequent measurement of financial liabilities

##### a. Amortized cost

The Group should classify all financial liabilities at amortized cost and remeasure subsequently as such, except for:

1. financial liabilities at FVTPL
2. financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or is accounted for using the continuing involvement approach
3. commitments to provide a loan at a below-market interest rate and not measured at fair value though profit or loss
4. financial guarantee contracts
5. contingent consideration recognized at fair value by the Group in a business combination to which IFRS 3 applies (shall subsequently be measured at fair value with changes recognized in the consolidated statement of profit or loss).

Financial liabilities classified at amortized cost are measured using the effective interest rate method. When the financial liabilities are derecognized, the gain or loss is recognized in consolidated statement of profit or loss.

##### b. Liabilities at fair value through profit or loss

Financial liabilities falling under this category include:

1. liabilities held for trading
2. derivative liabilities not designated as hedging instruments
3. those designated as at FVTPL

After initial recognition, the Group measures financial liabilities at fair value with changes recognized in the consolidated statement of profit or loss.

Gains or losses on a financial liability designated as at FVTPL are generally split and presented as follows:

## 4 - Summary of Significant Accounting Policies (Continued)

### 4.18 Financial instruments (continued)

#### 4.18.2.3 4.18.3 Subsequent measurement of financial liabilities (continued)

1. the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that financial liability is presented in the consolidated statement of comprehensive income
2. the remaining amount of change in the fair value of the financial liability is presented in the consolidated statement of profit or loss.

#### c. Financial guarantees

A financial guarantee is a contract that requires the Group to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.

Financial guarantees are measured initially at their fair values and, if not designated as FVTPL and do not arise from a transfer of an asset, are measured subsequently at the higher of:

1. the amount of ECL determined in accordance with IFRS 9; and
2. the amount recognized initially less, where appropriate, cumulative amortization recognized in accordance with the revenue recognition policy described in the accounting policies.

#### 4.18.3 Impairment of financial assets

The Group recognizes allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognized in 2 stages. For credit exposures for which there has not been significant increase in credit risk since initial recognition, ECLs are provided for credit losses that will result from default events that are possible within the next 12 months (a 12 month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead





## 4 - Summary of Significant Accounting Policies (Continued)

### 4.18 Financial instruments (continued)

#### 4.18.3 Impairment of financial assets (continued)

recognizes an allowance base on lifetime ECLs at each reporting date. The Group established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. For government, related parties and key private customers, the Group estimates the loss allowance based on the internal assessment to evaluate the collectability of the balances and such assessment is done based on the available information and negotiations underway. An estimate of the collectible amount is made when collection of the amount is no longer probable. For certain customer categories, this estimate is performed on an individual basis while other customer categories are assessed collectively and an allowance is applied according to the length of time past due.

The Group employs statistical models to analyse the data collected and generate estimates of the probability of default of exposures with passage of time. The analysis includes the identification for any changes between default rates and key macro-economic factors across various geographies of the Group. For trade receivables, the average credit terms vary by customer type.

#### 4.18.4 Derecognition of financial assets

Financial assets are derecognized from the consolidated statement of financial position when the rights to receive cash flows from the financial assets have expired, or when the financial asset or all its risks and rewards of ownership have been transferred to another party. The difference between the financial asset's book value and its transferred proceeds will be recorded in the consolidated statement of profit or loss.

#### 4.18.5 Derecognition of financia liabilities

Financial liabilities are derecognized when and only when the underlying obligations are extinguished, cancelled or expires.

#### 4.18.6 Offsetting between financial assets and financial liabilities

A financial asset and a financial liability are offset and presented as a net amount in the consolidated statement of financial position when, and only when, both of the following conditions are satisfied:

1. The Group currently has a legal enforceable right to offset the recognized amounts of the asset and liability; and
2. The Group intends to settle on a net basis

# 4 - Summary of Significant Accounting Policies (Continued)

## 4.18 Financial instruments (continued)

### 4.18.6 Offsetting between financial assets and financial liabilities (continued)

exists, or to realize the asset and settle the liability simultaneously.

### 4.18.7 Modifications of financial assets

#### ■ Financial assets

If the terms of a financial asset are modified, the Group evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognized and a new financial asset is recognized at fair value.

If the cash flows of the modified asset carried at amortized cost are not substantially different, then the modification does not result in derecognition of the financial asset. In this case, the Group recalculates the gross carrying amount of the financial asset and recognizes the amount arising from adjusting the gross carrying amount as a modification gain or loss in the consolidated statement of profit or loss.

If such a modification is carried out because of financial difficulties of the borrower, then the gain or loss is presented together with impairment losses. In other cases, it is presented as financing income.

#### ■ Financial liabilities

The Group derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognized at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognized in consolidated statement of profit or loss.

## 4.18 Cash and cash equivalents

Cash and cash equivalents in the consolidated statement of financial position comprise cash at banks and short term murabahas with a maturity of three months or less, which are subject to an insignificant risk of changes in value.

### 4.18.8 Derivative financial instruments and hedge accounting

The Group uses profit rate swaps to hedge its profit rate risks. These derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

For the purpose of hedge accounting,





# 4 - Summary of Significant Accounting Policies (Continued)

## 4.18 Cash and cash equivalents (continued)

### 4.18.8 Derivative financial instruments and hedge accounting (continued)

hedges are classified as cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognized firm commitment.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge.

A hedging relationship qualifies for hedge accounting if it meets the effectiveness requirements. The effective portion of the gain or loss on the hedging instrument is recognized in other comprehensive income in the cash flow hedge reserve, while any ineffective portion is recognized immediately in the consolidated statement of profit or loss. The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item. The amount accumulated in other comprehensive income is reclassified to profit or loss as a reclassification adjustment in the period or periods during which the hedged cash flows affect profit or loss.

If cash flow hedge accounting is dis continued, the amount that has been accumulated in other comprehensive income must remain in accumulated other comprehensive income if the hedged future cash flows are still expected to occur. Otherwise, the amount will be immediately reclassified to profit or loss as a reclassification adjustment.

## 4.19 Cash and cash equivalents

Cash and cash equivalents in the consolidated statement of financial position comprise cash at banks and short term murabahas with a maturity of three months or less, which are subject to an insignificant risk of changes in value.

## 4.20 Fair values

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics, nature and risks of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure in the consolidated financial statements is determined on such a basis, except for leasing transactions that are within the scope of IFRS 16, and measurements that have some similarities to fair value but are not fair value, such as net realizable value in IAS 2 or value in use in IAS 36.

## 4 - Summary of Significant Accounting Policies (Continued)

### 4.20 Fair values (continued)

The Group uses valuation techniques appropriate to current circumstances that provide sufficient data to measure fair value, providing the maximum opportunity for the use of relevant inputs that are observable and the minimum use of inputs that are not observable. In addition, for financial reporting purposes, fair value measurements are categorized into Level 2 ,1 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

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

For assets and liabilities that are recognized in the financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

### 4.21 Segmental Information

The specific operating segments of the Group are identified based on internal reports, which are regularly reviewed by the Group's main decision makers (chief operating decision maker) for the purpose of resource allocation among segments and performance assessment.

### 4.22 Cash dividends

The Company's dividends policy is approved by the General Assembly and the Company recognizes a liability to pay a dividend when the distribution is authorized. A corresponding amount is recognized directly in equity.





## 4 - Summary of Significant Accounting Policies (Continued)

### 4.23 Current vs non-current classification

The Group presents assets and liabilities in the consolidated statement of financial position based on a current/non-current classification (continued). An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realized within twelve months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non- current.

A liability is current when:

- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Group classifies all other liabilities as non-current.

### 4.24 Non current asset held for sale

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell. Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

## 5 - Significant Accounting Judgements, Estimates And Assumptions

In the application of the Group's accounting policies, which are described in Note (4), the management of the Group are required to make judgements about the carrying amounts of assets and liabilities and the accompanying disclosures that are not readily apparent from other sources. The estimates and assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

## 5 - Significant Accounting Judgements, Estimates and Assumptions

The estimates are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods.

### 5.1 Significant accounting judgements

#### 5.1.1 Determining the lease term of contracts with renewal and termination options – Group as lessee

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in the circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate the contract.

#### 5.1.2 Revenue recognition

■ Gross versus net presentation

When the Group sells goods or services as a principal, revenue and payments to suppliers are reported on a gross basis in revenue and operating costs. If the Group sells goods or services as an agent, revenue and payments to suppliers are recorded in revenue on a net basis, representing the margin earned.

Whether the Group is considered to be the principal or an agent in the transaction depends on an analysis by management of both the legal form and substance of the agreement between the Group and its business partners; such judgements impact the amount of reported revenue and operating expenses but do not impact reported assets, liabilities or cash flows.

During the year 2022, the International Financial Reporting Standards Interpretations Committee issued an Agenda Decision ("Interpretation"), in which the interpretation added some clarifications related to principal versus agent considerations in computer software sales contracts. Accordingly, the Group evaluated and amended the accounting policy related to these contracts, which resulted in a reclassification of some contracts that were previously considered contracts as principal to contracts as agent; therefore, the recognition of those contracts are reported on a net basis to comply with the interpretation





## 5- Significant Accounting Judgements, Estimates and Assumptions (Continued)

### 5.1 Significant accounting judgements (continued)

#### 5.1.2 Revenue recognition(Continued)

(Note 49).

#### 5.1.3 Arrangements with multiple deliverables

In revenue arrangements where more than one good or service is provided to the customer, customer consideration is allocated between the goods and services using relative fair value principles. The Group generally determines the fair value of individual elements based on prices at which the deliverable is regularly sold on a stand-alone basis. Revision to the estimates of these fair values may significantly affect the allocation of total arrangement consideration among the individual elements.

### 5.2 Significant accounting estimates and assumptions

#### 5.2.1 Impairment of non-financial assets

An impairment exists when the carrying value of an asset or CGU exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length for similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow (DCF) model. The cash flows are derived usually from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested. The recoverable amount is most sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

#### 5.2.2 Customer activation service fees

Customer activation service fees are deferred and recognized over the average of customer retention period (period of contract or anticipated contract). The estimation of the expected average duration of the relationship is based on historical turnover. If the Group's estimates are revised, material differences may result in the amount of revenue and timing of revenue for any period.

#### 5.2.3 Provisions

In respect of provisions including decommissioning provision, the Group provides for anticipated outflows of resources considered probable. Estimates are used in assessing the likely amount of the settlement.

## 5- Significant Accounting Judgements, Estimates and Assumptions (Continued)

### 5.2 Significant accounting estimates and assumptions (continued)

#### 5.2.3 Provisions (continued)

The ultimate liability may vary from the amounts provided and would be dependent on the eventual outcome. See Note 31 for details. Provisions are recorded by discounting the future cash flows at a current pre-tax rate that reflects the risks specific to the liability. The unwinding of the discount is recognized in the consolidated statement of profit or loss as a finance cost.

#### 5.2.4 Useful lives for property and equipment, software and other intangible assets

The annual depreciation and amortization charge is sensitive to the estimated lives allocated to each type of asset. Asset lives are assessed annually and changed where necessary to reflect current circumstances in light of technological change, network investment plans and physical conditions of the assets concerned.

#### 5.2.5 Provision for impairment losses on trade receivables and contract assets

The Group uses a provision matrix to calculate expected credit loss on trade receivables and contract assets. The provision matrix is initially based on the Group's historical observed default rates. The Group calibrates the matrix to adjust the historical loss experience with forward looking information. At the end of each reporting date, the Group updates its historical default rates and reflects that in future estimates.

The Group recognizes an allowance for impairment loss of 100% against all trade receivables that are aged over 365 days, except for balances with related parties and balances still collectable where credit quality did not deteriorate based on historical experience of the Group.

For government, related parties and key private customers, the Group estimates the loss allowance based on the internal assessment to evaluate the collectability of the balances and such assessment is done based on the available information and negotiations underway. An estimate of the collectible amount is made when collection of the amount is no longer probable. For certain customer categories, this estimate is performed on an individual basis while other customer categories are assessed collectively and an allowance is applied according to the length of time past due.

#### 5.2.6 Leases - Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in a lease, therefore, it uses its incremental borrowing rate (IBR) to





## 5- Significant Accounting Judgements, Estimates and Assumptions (Continued)

#### 5.2.5 Provision for impairment losses on trade receivables and contract assets (Continued)

measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease.
The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates.

#### 5.2.7 Fair value measurement of financial instruments

When the fair values of financial assets and financial liabilities recorded in the consolidated statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the discounted cash flow (DCF) model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, creditrisk and market volatility.

(All Amounts in Saudi Riyals thousands unless otherwise stated)

# 6 - Subsidiaries

## Subsidiaries owned directly by the Company are as follows:

| Name of subsidiary | | Country of incorporation | Effective shareholding percentage 31 December 2022 | Effective shareholding percentage 31 December 2021 |
|---|---|---|---|---|
| Arabian Internet and Communications Services Company ("Solutions") | (1) | Kingdom of Saudi Arabia | 80% | 80% |
| Telecom Commercial Investment Company Limited ("TCIC") | (2) | Kingdom of Saudi Arabia | 100% | 100% |
| stc Bahrain BSC (c) ("stc Bahrain) | (3) | Kingdom of Bahrain | 100% | 100% |
| Aqalat Limited Company ("Aqalat") | (4) | Kingdom of Saudi Arabia | 100% | 100% |
| Public Telecommunications Company ("Specialized") | (5) | Kingdom of Saudi Arabia | 100% | 100% |
| stc Turkey Holding Ltd ("stc Turkey") | (6) | British Virgin Islands | 100% | 100% |
| stc Asia Telecom Holding Ltd ("stc Asia") | (7) | British Virgin Islands | 100% | 100% |
| stc Gulf Investment Holding ("stc Gulf") | (8) | Kingdom of Bahrain | 100% | 100% |
| Gulf Digital Media Model Company Ltd ("GDMM") ("Intigral") | (9) | Kingdom of Saudi Arabia | 100% | 100% |
| Saudi Telecom Channels Company ("Channels") | (10) | Kingdom of Saudi Arabia | 100% | 100% |
| Kuwait Telecommunications Company ("stc Kuwait") | (11) | State of Kuwait | 51.8% | 51.8% |
| Telecommunications Towers Company ("TAWAL") | (12) | Kingdom of Saudi Arabia | 100% | 100% |
| stc Bank ("stc Pay") | (13) | Kingdom of Saudi Arabia | 85% | 85% |
| Smart Zone Real Estate Company | (14) | Kingdom of Saudi Arabia | 100% | 100% |
| Advanced Technology and Cybersecurity Company ("sirar") | (15) | Kingdom of Saudi Arabia | 100% | 100% |
| stc GCC Cables System W.L.L. | (16) | Kingdom of Bahrain | 100% | 100% |
| Innovation Fund Investment Company | (17) | Kingdom of Saudi Arabia | 100% | 100% |
| Digital Centers for Data and Telecommunications ("Center3") | (18) | Kingdom of Saudi Arabia | 100% | - |
| Internet of Things Information Technology Company ("IoTsquared") | (19) | Kingdom of Saudi Arabia | 50% | - |
| General Cloud Computing Company for Information Technology ("SCCC") | (20) | Kingdom of Saudi Arabia | 55% | - |





# 6 - Subsidiaries (Continued)

1. 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. In December 2007, the Group acquired 100% of the share capital of Solutions.

   In September 2021, the Group completed the initial public offering "IPO" for 20% of its shareholding in Solutions in the Saudi Stock Exchange Market and 1% of the share capital of Solutions was allocated to be granted as part of its own employees' long-term incentive plan (Note 46-2).

   As at 31 December 2022, Solution's share capital is SR 1,200 million (2021: SR 1,200 million).

2. TCIC was established in October 2007 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 with share capital of SR 1 million as at 31 December 2022 (2021: SR 1 million).

3. stc Bahrain was established in February 2009 with the purpose of providing all mobile telecommunication services, international telecommunications, broadband and other related services in the Bahraini market. with share capital of BD 75 million as at 31 December 2022 (2021: BD 75 million).

4. Aqalat was established in March 2013 with 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 the Company with share capital of SR 70 million as at 31 December 2022 (2021: SR 70 million).

5. Specialized was established in February 2002 with the purpose of operating 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 with share capital of SR 252 million as at 31 December 2022 (2021: SR 252 million).

6. 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 the 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 (Note 8-1).

7. stc Asia is a limited liability company which

## 6 - Subsidiaries (Continued)

was established under the Commercial Companies Law in the British Virgin Islands in July 2007 and is a special purpose vehicle. It owns a subsidiary (a wholly owned subsidiary) 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") (Note 8-2) that invests in companies operating primarily in Malaysia. The principal activity of both stc Asia and stc Malaysia is to provide services and support required in respect of investment activities of the Group.

8. stc Gulf was incorporated in March 2008 and has wholly-owned subsidiaries in the Kingdom of Bahrain, as listed below. The primary objective of this company and its following subsidiaries is to provide services and support required in respect of investment activities of the Group:
   a. stc Gulf Investment Holding 1 W.L.L.
   b. stc Gulf Investment Holding 2 W.L.L.
   c. stc Gulf Investment Holding 3 W.L.L.
9. Intigral is a limited liability company was established in March 2002 with the purpose of providing broadcasting and media production services with share capital of SR 811 million as at 31 December 2022 (2021:
10. Channels was established in January 2008 with the purpose of operating in the
SR 811 million).

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 centres' maintenance and operation. The Company operates in the Saudi Market with subsidiaries in Bahrain, Oman, and Kuwait whom are working in the same field with share capital of SR 100 million as at 31 December 2022 (2021: SR 100 million).

11. stc Kuwait was established in July 2008 with the purpose of operating in the field of mobile services in the Kuwaiti market. stc Kuwait was listed as a joint stock company on the Kuwait Stock Exchange on 14 December 2014 with share capital of KD 100 million as at 31 December 2022 (2021: KD 50 million).
12. TAWAL, a closed joint stock company, was established In January 2018. TAWAL is responsible for owning, constructing, operating, leasing and commercializing telecom towers in the Kingdom with share capital of SR 2,500 million as at 31 December 2022 (2021: SR 2,500 million).

    During October 2022, the Company received a non-binding offer from the Public Investment Fund (PIF) (a related party: the ultimate controlling party- note 1-A) to acquire 51% of the shares of Telecommunications Towers Company (Tawal), while stc will maintain 49% of the





## 6 - Subsidiaries (Continued)

shares of Tawal. Tawal was valued at SR 21,940 million (100% enterprise value on cash free and debt free basis).The offer does not represent any binding commitment on both parties and it remains subject to completing the due diligence and reaching final and binding agreement which will be conditional upon obtaining all regulatory approvals from relevant authorities including the approval from the General Authority for Competition, internal approvals of the respective parties, and any other conditions that may be agreed between the parties.

13. stc Bank ,a closed joint stock company, was established in November 2017 and its main activity is to provide digital payments services. During 2020, Saudi Central Bank licensed Saudi Digital Payments Company as an electronic wallet company. During the year 2021, the Council of Ministers approved granting Saudi Digital Payments Company a digital banking services license to become a digital bank with share capital of SR 2.5 billion.
14. Smart Zone Real Estate Company – a limited liability company was established in September 2019 and its main activity is the development, financing and management of real estate projects, the establishment of facilities, complexes, commercial, office and residential buildings with share capital of SR 312 million as at 31 December 2022 (2021: SR 107 million).
15. Sirar was established in November 2020 to provide cybersecurity services with share capital of SR 250 million as at 31 December 2022 (2021: SR 120 million).
16. stc GCC Cable Systems W.L.L. - a limited liability company was established in April 2021 with the purpose of the sale and installation of telecommunications equipment and the construction of utilities projects. stc GCC Cable Systems W.L.L. 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 with share capital of BD 32 million as at 31 December 2022 (2021: BD 18.9 million).
17. Innovation Fund Investment Company - a limited liability company was established in August 2021 with the purpose of providing administrative services and IT and telecommunication support and with share capital of SR 56.2 million as at 31 December 2022 (2021: SR 56.2 million).
18. Center3, a limited liability company, was established in February 2021 with the purpose of providing services related to big data, data analytics and cloud computing with share capital of SR 100 million as at 31 December 2022.
19. IoTsquared, a limited liability company, was established in May 2022 by signing a partnership agreement with the Public Investment Fund for the purpose of establishing a company specialized in the field of Internet of Things with share capital amounting to SR 492 million with 50% shareholding for each. The Group is

(All Amounts in Saudi Riyals thousands unless otherwise stated)

## 6 - Subsidiaries (Continued)

accounting for this entity as a subsidiary as it has the right to appoint the majority of board of directors and key management personnel.

20. SCCC, a limited liability company, was established In May 2022 by signing a shareholder agreement 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") specializing in cloud computing services with share capital amounting to SR 894 million (Note 32-1).

## 7 - Business Combinations

1. In October 2022, Solutions acquired an 88.19% stake in Giza Systems, in addition to acquiring 34% in Giza Arabia Systems Ltd., a subsidiary of Giza Systems. The value of the acquisition amounted to USD 124.2 million (equivalent to SR 465.6 million).
2. In April 2022, stc Kuwait acquired a 100% stake in E-Portal Holding Company K.S.C. ("E-Portal"). The acquisition value amounted to KD 22 million (equivalent to SR 270.5 million).

The following table shows fair value of total assets acquired and liabilities assumed at acquisition date:





## 7 - Business Combinations (Continued)

| | Solution's acquisition of Giza Systems Company | stc Kuwait acquisition of E-Portal Holding Company | Total |
|---|---|---|---|
| Assets | | | |
| Property and equipment | 21,507 | 5,533 | 27,040 |
| Intangible assets (1) | 159,540 | 147,240 | 306,780 |
| Right of use assets | 2,312 | 4,678 | 6,990 |
| Trade receivables | 376,206 | 117,394 | 493,600 |
| Cash and cash equivalents | 93,821 | 38,421 | 132,242 |
| Contract assets | 117,148 | - | 117,148 |
| Inventory | 101,347 | 737 | 102,084 |
| Other assets | 85,461 | 55,999 | 141,460 |
| **Total assets** | 957,342 | 370,002 | 1,327,344 |
| **Liabilities** | | | |
| Trade and other payables | 252,976 | 61,256 | 314,232 |
| Contract liabilities | 77,159 | - | 77,159 |
| Lease liabilities | 2,219 | 4,458 | 6,677 |
| End of service benefits provision | 15,058 | 12,527 | 27,585 |
| Borrowings | 119,698 | 6,464 | 126,162 |
| Other liabilities | 186,190 | 41,675 | 227,865 |
| **Total liabilities** | 653,300 | 126,380 | 779,680 |
| **Total identifiable net assets at fair value** | 304,042 | 243,622 | 547,664 |
| Non-controlling interests | (31,816) | - | (31,816) |
| Goodwill arising on acquisition (2) | 193,425 | 26,878 | 220,303 |
| **Purchase consideration** | 465,651 | 270,500 | 736,151 |

(All Amounts in Saudi Riyals thousands unless otherwise stated)

## 7 - Business Combinations (Continued)

(1) Comprises of intangible assets from Solutions' acquisition of Giza amounting to SR 159.5 as follows:

| Intangible assets from acquisition | Amount recognized on acquisition | Valuation approach |
|---|---|---|
| Customer relationships | 72,004 | Multiperiod excess earnings method |
| Backlog | 48,368 | Multiperiod excess earnings method |
| Tradename / trademarks | 35,190 | Relief from royalty |
| Technology | 3,978 | Relief from royalty |
| **Total** | **159,540** | |

(2) Goodwill resulted from stc Kuwait's acquisition of E-Portal Holding Company represents a provisonal goodwill until the completion of the price purchase allocation reports (Note 12).

## 8 - Investments In Associates and Joint Ventures

### 8.1 Investments in associates

Investments in all associates are accounted for in the Group's consolidated financial statements in accordance with the equity method.





## 8 - Investments In Associates and Joint Ventures (Continued)

### 8.1 Investments in associates (continued)

#### 8.1.1 Details of associates

Details of each of the Group's associates at the end of the year are as follows:

| Name of Associates | | Country of incorporation | Proportion of ownership interest / voting rights | |
|---|---|---|---|---|
| | | | 31 December 2022 | 31 December 2021 |
| Arab Satellite Communications ("Organisation ("Arabsat | 1 | Kingdom of Saudi Arabia | 36.66% | 36.66% |
| Virgin Mobile Saudi Consortium ("VMSC") | 2 | Kingdom of Saudi Arabia | 10% | 10% |
| Oger Telecom Limited ("OTL") | 3 | United Arab Emirates | 35% | 35% |
| Virgin Mobile Kuwait | 4 | State of Kuwait | 10% | 10% |
| Giza Systems Company for Electromechanical Contracting | 5 | Egypt | 50.01% | - |
| Edu Apps | 6 | Egypt | 40% | - |

1) Arabsat was established in April 1976 by the members of the League of Arab States. 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, Saudi Telecom Company acquired 36.66% of Arabsat's USD 500 million share capital (equivalent to approximately SR 1,875 million at the exchange rate as of that date).

2) VMSC was established during 2013 as a mobile virtual network operator and started its operations during the year of 2014. The Company owns 10% of VMSC's share capital. The Group's ability to exercise significant influence is evidenced by the reliance of VMSC's on the Company's technical network.

3) OTL is a holding company registered in

(All Amounts in Saudi Riyals thousands unless otherwise stated)

## 8 - Investments In Associates and Joint Ventures (Continued)

### 8.1 Investments in associates (continued)

#### 8.1.1 Details of associates (continued)

Dubai, the United Arab Emirates. In April 2008, Saudi Telecom Company 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.

4) Virgin Mobile Kuwait is indirectly owned through stc Kuwait with 10% ownership.

5) 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.

6) Edu Apps is indirectly owned through Solutions with 40% ownership.





## 8 - Investments In Associates and Joint Ventures (Continued)

### 8.1 Investments in associates (continued)

#### 8.1.2 Financial information of material associates

Summarized financial information of the Group's material associate is set out below:

| **Arabsat** | **31 December 2022 (*)** | **31 December 2021 (**)** |
|---|---|---|
| **Statement of financial position** | | |
| Current assets | 1,316,698 | 1,467,416 |
| Non-current assets | 4,008,575 | 4,061,857 |
| Current liabilities | (381,346) | (477,694) |
| Non-current liabilities | (1,624,374) | (1,668,545) |
| | For the year ended 31 December | |
| **Statement of income and other comprehensive income** | **2022 (*)** | **2021 (**)** |
| Revenue | 844,644 | 834,641 |
| Net income (loss) for the year | 153,124 | (1,624,781) |
| Other comprehensive income (other compre-hensive ) for the year | 12,638 | (57,543) |
| Total comprehensive income (loss) for the year | 165,762 | (1,682,324) |
| The Group's share in net loss and impairment for the year (***) | (23,265) | (554,050) |

(*) As at 31 December 2022, Group recorded its share in Arabsat results for the year ended 31 December 2022 based on the latest available financial information.

(**) 2021 figures were amended to reflect Arabsat 2021 audited financial statements issued during 2022.

(***) During 2022, impairement of SR 79.4 million has been recorded as a result of completing impairment test of Arabsat assets and issuance of Arabsat financial statements of the year ended 31 December 2021 during 2022.

(All Amounts in Saudi Riyals thousands unless otherwise stated)

## 8 - Investments In Associates and Joint Ventures (Continued)

### 8.1 Investments in associates (continued)

#### 8.1.2 Financial information of material associates (continued)

The following is the reconciliation of the above-summarized financial information to the carrying amount of the Group's interest in Arabsat:

| | 31 December 2022 | 31 December 2021 |
|---|---|---|
| Net assets of the associate | 3,319,553 | 3,383,034 |
| Proportion of the Group's ownership interest in Arabsat | 36.66% | 36.66% |
| Carrying amount of the Group's interest in Arabsat | 1,216,948 | 1,240,220 |

#### 8.1.3 Financial information on not individually material associates

The following is the aggregate information of associates that are not individually material for the year ended 31 December:

| | 2022 | 2021 |
|---|---|---|
| The Group's share in net profit (loss) | 1,052 | (151,296) |
| Aggregate carrying amount of the Group's interests in these associates | 10,438 | 5,363 |

#### 8.1.4 Carrying amount of the Group's investment in associates:

The following is the carrying amount of the Group's investment in associates as at 31 December:

| | 2022 | 2021 |
|---|---|---|
| Material associate (Note 2-1-8) | 1,216,948 | 1,240,220 |
| Not individually material associates (Note 3-1-8) | 10,438 | 5,363 |
| Total carrying amount of the Group's interest in associates | 1,227,386 | 1,245,583 |





## 8 - Investments In Associates and Joint Ventures (Continued)

### 8.2 Investments in joint ventures

Investments in all joint ventures mentioned below are accounted for in the Group's consolidated financial statements in accordance with the equity method.

#### 8.2.1 Details of joint ventures

Below is the detail of joint ventures as at:

| | | | Proportion of ownership interest/ voting rights | |
|---|---|---|---|---|
| Name of joint venture | | Country of incorporation | 31 December 2022 | 31 December 2021 |
| Arab Submarine Cables Company Limited | 1 | Kingdom of Saudi Arabia | 50% | 50% |
| Contact Centres Company ("CCC") | 2 | Kingdom of Saudi Arabia | 49% | 49% |
| Binariang GSM Sdn Bhd ("BGSM") | 3 | Malaysia | 25% | 25% |

1) Arab Submarine Cables Company Limited was established on 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 Saudi Telecom Company acquired 50% of its SR 75 million share capital in September 2002. In November 2016, the company's capital was reduced to SR 25 million.

2) Contact Centres Company was established to provide call centre services and answer directory queries with Aegis Company at the end of December 2010 in the Kingdom, with a share capital of SR 4.5 million. The Company acquired 50% of its share capital. During the fourth quarter of 2015, the Company sold 1% of its stake in CCC to the other partners according to the terms of the partners' agreement, thus making the Company's share 49%. During the fourth quarter of 2022, "Solutions by stc" has signed a binding offer with stc and ESM Holding Company, LLC, to acquire all of their shares in Call Centers Company "CCC". The total value of "CCC" has been determined at SR 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

(All Amounts in Saudi Riyals thousands unless otherwise stated)

## 8 - Investments In Associates and Joint Ventures (Continued)

### 8.2 Investments in joint ventures (continued)

#### 8.2.1 Details of joint ventures (continued)

is subject to a number of pre-closing conditions, including -but not limited to- obtaining the approval from the relevant authorities such as the approval of the General Authority for Competition, as well as other regulatory and commercial conditions.

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

During 2013, the Company conducted a review of its foreign investment in BGSM (joint venture), including the manner in which this investment was being managed and how joint control had been effectively exercised. As a result, the Company 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, the group ceased to account for its investment in Aircel using the equity method effective from the second quarter of 2013.





## 8 - Investments In Associates and Joint Ventures (Continued)

### 8.2 Investments in joint ventures (continued)

#### 8.2.2 Financial information of material joint ventures

Summarized financial information in respect of the Group's material joint venture is set out below:

- Binariang GSM Sdn Bhd

| Statement of financial position | 31 December 2022 | 31 December 2021 |
|---|---|---|
| Current assets | **3,416,444** | 2,786,944 |
| Non-current assets | **26,840,930** | 27,416,907 |
| Current liabilities | **(3,986,564)** | (5,303,591) |
| Non-current liabilities | **(15,501,884)** | (13,548,950) |

The above amounts of assets and liabilities include the following:

| Statement of financial position | 31 December 2022 | 31 December 2021 |
|---|---|---|
| Cash and cash equivalents | **1,626,723** | 1,312,023 |
| Current financial liabilities (excluding trade and other payables and provisions) | **(1,154,190)** | (1,920,470) |
| Non-current financial liabilities (excluding trade and other payables and provisions) | **(12,606,767)** | (12,186,947) |

(All Amounts in Saudi Riyals thousands unless otherwise stated)

## 8 - Investments In Associates and Joint Ventures (Continued)

### 8.2 Investments in joint ventures (continued)

#### 8.2.2 Financial information of material joint ventures (continued)

| Statement of income and other comprehensive income | For the year ended 31 December 2022 | 2021 |
|---|---|---|
| Revenues | 8,264,249 | 8,154,210 |
| Net profit for the year | 493,374 | 640,914 |
| Other comprehensive income for the year | 5,091 | 11,078 |
| Total comprehensive income for the year | 498,465 | 651,992 |
| Depreciation and amortization | (1,547,736) | (1,648,136) |
| Finance income | 37,828 | 55,165 |
| Finance cost | (764,413) | (873,790) |
| Income tax expense | (477,935) | (383,240) |
| **Net profit for the year after non-controlling interest** | 148,647 | 234,376 |
| **The Group's share in net loss for the year (*)** | (1,221,305) | (117,974) |

(*) Through out the year 2022, the Group conducted an impairment assessment against its investment in Binaryang GSM Holding Group as a result of the decline in market conditions and quoted share price of key underlying investment and accordingly the Group has recorded an impairment provision of SR 1,259 million (2021: SR 177 million). The Group determined the recoverable amount of its investment in BGSM Holding Group using the value in use method considering five years long range plan and applied a weighted average cost of capital of 6.1% - 7.2% and a terminal growth rate of 2.3% - 2.6% in its business model (2021: fair value less cost of disposal method within Level 2 fair value tiers based on significant observable valuation inputs).





## 8 - Investments In Associates and Joint Ventures (Continued)

### 8.2 Investments in joint ventures (continued)

#### 8.2.2 Financial information of material joint ventures (continued)

The following is the reconciliation of the above summarized financial information to the carrying amount of the Group's interest in Binariang GSM Sdn Bhd ("BGSM"):

| | 31 December 2022 | 31 December 2021 |
|---|---|---|
| Net assets of BGSM (excluding non-controlling interest share) | 320,160 | 481,454 |
| Proportion of the Group's ownership interest in the joint venture | 80,040 | 120,364 |
| Adjustments: the carve-out of losses of Aircel Group and others | 3,449,989 | 3,442,065 |
| (Impairment provision)/Goodwill and net fair value adjustments | (251,391) | 1,007,502 |
| Carrying amount of the Group's interest in the joint venture | 3,278,638 | 4,569,931 |

#### 8.2.3 Financial information of not individually material joint ventures

The following is the aggregate information of joint ventures that are not individually material for the year ended 31 December:

| | 2022 | 2021 |
|---|---|---|
| The Group's share of net profit | 31,594 | 45,292 |
| The Group's share of other comprehensive loss | (9,806) | (5,687) |
| The Group's share of total comprehensive income | 21,788 | 39,605 |
| Aggregate carrying amount of the Group's interests in these joint ventures | 129,632 | 109,344 |

(All Amounts in Saudi Riyals thousands unless otherwise stated)

## 8 - Investments In Associates and Joint Ventures (Continued)

### 8.2 Investments in joint ventures (continued)

#### 8.2.4 Carrying amount of the Group's investment in the joint ventures

The following is the carrying amount of the Group's investment in joint ventures as at 31 December:

| | 2022 | 2021 |
|---|---|---|
| Material joint venture (Note 2-2-8) | 3,278,638 | 4,569,931 |
| Not individually material joint ventures (Note 3-2-8) | 129,632 | 109,344 |
| Total carrying amount of the Group's share in the joint ventures | 3,408,270 | 4,679,275 |

## 9 - Segment Information

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

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

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





## 9 - Segment Information (Continued)

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

| | 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) |
| Finance income | 602,463 | 377,911 |
| Finance cost | (696,602) | (618,956) |
| Net other (expenses) income | (136,220) | 49,996 |
| Net share in results and impairment of investments in associates and joint ventures | (1,211,924) | (778,028) |
| Net other 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 | 12,170,537 | 11,311,342 |
| Non-controlling interests | 216,385 | 283,355 |
| | 12,386,922 | 11,594,697 |

(All Amounts in Saudi Riyals thousands unless otherwise stated)

## 9 - Segment Information (Continued)

Following is the gross profit analysis on a segment basis for the year ended 31 December:

| | 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 segments [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 assets and liabilities on a segment basis as at:

| Assets | 31 December 2022 | 31 December 2021 |
|---|---|---|
| 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 |





## 9 - Segment Information (Continued)

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

| Liabilities | 31 December 2022 | 31 December 2021 |
|---|---|---|
| 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 |

### ■ Additions to property and equipment, intangible assets and goodwill

Following are the additions to property and equipment, intangible assets and goodwill (Notes 10 and 12) based on the segments for the year ended 31 December:

| | 2022 | 2021 |
|---|---|---|
| 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 |
| | 9,597,832 | 8,835,856 |

(All Amounts in Saudi Riyals thousands unless otherwise stated)

## 9 - Segment Information (Continued)

(1) Segment revenue reported above represents revenue generated from external and internal customers. There were SR 13,066 million for the year ended 31 December 2021) 2022: SR 20,421 million,) inter-segment sales and adjustments (between the Group's Companies) which were eliminated at consolidation.

(2) During 2022, the Company entered into a new framework agreement with Channels by stc (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 SR 10,190 million had this new agreement (i.e. Channels as an agent) been effective in 2021.

(3) 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 (Note 6).

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.

### ■ Information about major customers

Included in revenues arising from sales to major customers are revenues of approximately SR 12,240 million for the year ended 31 December 2022 (2021: SR 11,465 million) resulting from sales to Government entities (Note 21-2). No other single customers contributed 10% or more to the Group's revenues.

### ■ Information about geographical segmentation





## 9 - Segment Information (Continued)

Geographical segmentation of revenues (Note 35) and non-current assets are as follows:

| | Revenues for the year ended | | Non-current assets as at | |
|---|---|---|---|---|
| | **31 December 2022** | 31 December 2021 | **31 December 2022** | 31 December 2021 |
| Kingdom of Saudi Arabia | **60,929,840** | 57,067,798 | **66,491,333** | 65,627,955 |
| Outside the Kingdom of Saudi Arabia | **6,501,706** | 5,940,188 | **9,795,444** | 10,683,388 |
| | **67,431,546** | 63,007,986 | **76,286,777** | 76,311,343 |

## 10 - Property and Equipment

| | Land and buildings | Telecommunication network and equipment | Other assets [4] | Capital work in progress | Total |
|---|---|---|---|---|---|
| Cost | | | | | |
| As at 1 January 2022 | 16,417,378 | 102,806,208 | 9,720,848 | 2,674,499 | 131,618,933 |
| Additions during the year | 1,250 | 572,692 | 111,764 | 6,103,781 | 6,789,487 |
| Effect of acquisition of new subsidiaries (Note 7) | 18,607 | 16,676 | 33,028 | 891 | 69,202 |
| Disposals / transfers during the year | (1,336,815) | 3,709,916 | (597,925) | (5,215,090) | (3,439,914) |
| Effect of foreign currency exchange differences | (3,301) | (58,894) | (4,561) | (1,494) | (68,250) |
| **As at 31 December 2022** | 15,097,119 | 107,046,598 | 9,263,154 | 3,562,587 | 134,969,458 |
| Accumulated depreciation and impairment | | | | | |
| As at 1 January 2022 | 9,267,603 | 69,035,341 | 6,110,951 | - | 84,413,895 |
| Depreciation during the year | 396,924 | 5,919,862 | 485,940 | - | 6,802,726 |
| Effect of acquisition of new subsidiaries (Note 7) | 3,408 | 13,429 | 25,325 | - | 42,162 |
| Disposals / transfers during the year | (530,972) | (1,849,151) | (516,596) | - | (2,896,719) |
| Effect of foreign currency exchange differences | (606) | (36,977) | (289) | - | (37,872) |
| **As at 31 December 2022** | 9,136,357 | 73,082,504 | 6,105,331 | - | 88,324,192 |
| **Net book value as at 31 December 2022** | 5,960,762 | 33,964,094 | 3,157,823 | 3,562,587 | 46,645,266 |

(All Amounts in Saudi Riyals thousands unless otherwise stated)

## 10 - Property and Equipment (Continued)

| | Land and buildings | Telecommunication network and equipment | Other assets (4) | Capital work in progress | Total |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| As at 1 January 2021 | 15,606,229 | 98,022,839 | 9,005,334 | 4,418,968 | 127,053,370 |
| Additions during the year | 1,074 | 81,840 | 95,598 | 6,279,331 | 6,457,843 |
| Disposals / transfers during the year | 809,912 | 4,661,375 | 619,633 | (8,025,295) | (1,934,375) |
| Effect of foreign currency exchange differences | 163 | 40,154 | 283 | 1,495 | 42,095 |
| As at 31 December 2021 | 16,417,378 | 102,806,208 | 9,720,848 | 2,674,499 | 131,618,933 |
| **Accumulated depreciation and impairment** | | | | | |
| As at 1 January 2021 | 8,956,776 | 64,465,473 | 5,783,498 | - | 79,205,747 |
| Depreciation during the year | 422,526 | 5,788,448 | 482,124 | - | 6,693,098 |
| Impairment during the year | - | - | 622 | - | 622 |
| Disposals / transfers during the year | (111,737) | (1,243,197) | (155,539) | - | (1,510,473) |
| Effect of foreign currency exchange differences | 38 | 24,617 | 246 | - | 24,901 |
| As at 31 December 2021 | 9,267,603 | 69,035,341 | 6,110,951 | - | 84,413,895 |
| Net book value as at 31 December 2021 | 7,149,775 | 33,770,867 | 3,609,897 | 2,674,499 | 47,205,038 |

Property and equipment are depreciated using the following estimated useful lives:

| | |
|---|---|
| **Buildings** | 10 - 50 years |
| **Telecommunication network and equipment** | 3 - 30 years |
| **Other assets** | 3 - 20 years |





## 10 - Property and Equipment (Continued)

1) Land and buildings include land with a total value of SR 2,207 million as at 31 December 2022 (2021: SR 2,204 million). This includes land with ongoing ownership transfer to the Company with a value of SR 141 million as at 31 December 2022 (2021: SR 179 million).

2) Pursuant to Royal Decree No. M/35 Dated 24 Dhu al-Hijjah 1418 (corresponding to 21 April 1998), referred to in Note (1-A), ownership of the assets was transferred to the Company on 2 May 1998, but the transfer of legal title for some land are still ongoing. The value of land with legal titles transferred to the Company up to 31 December 2022 amounted to SR 1,959 million (2021: SR 1,921 million). Ownership transfer of the remaining land with total value of SR 85 million (2021: SR 123 million) is ongoing, which constitutes part of the amount referred to in paragraph above.

3) A land with a carrying value of SR 82 million as at 31 December 2022 has been reclassified as an asset held for sale (Note 48-1).

4) Other assets include furniture, fixtures, motor vehicles, computers and tools.

5) During the year, the Group disposed of assets with a net book value of SR 183 million (2021: SR 55 million) resulting in a loss amounting to SR 181 million (2021: SR 34 million) (Note 41).

6) Additions include Non-cash additions amounted to SR 1,293 million (2021: SR 427 million).

7) The following table shows the breakdown of depreciation and impairment expense if allocated to operating cost items for the year ended 31 December:

| | 2022 | 2021 |
|---|---|---|
| Cost of revenues | **5,622,501** | 5,505,382 |
| Selling and marketing expenses | **8,390** | 9,244 |
| General and administrative expenses | **1,171,835** | 1,179,094 |
| | **6,802,726** | 6,693,720 |

(All Amounts in Saudi Riyals thousands unless otherwise stated)

# 11 - Investment Properties

| | 31 December 2022 | 31 December 2021 |
|---|---|---|
| Land | 36,980 | 36,980 |
| Work in-progress | 256,168 | 33,543 |
| | 293,148 | 70,523 |

The fair value of the land amounted to SR 269 million as at 31 December 2022 2021): SR 254 million), which was valued by Esnad Real Estate appraisal Company License No. (323/18/784) appointed as an independent, professionally qualified valuer accredited by the Saudi Authority for Accredited Valuers (Taqeem). The fair value measurement is classified within level 3 based on valuation techniques applied (residual value method).

# 12 - Intangible Assets and Goodwill

| | Computer software | Telecommunication Licenses | Goodwill(1) | Others(2) | Total |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| As at 1 January 2022 | 14,786,097 | 8,904,494 | 143,222 | 3,355,981 | 27,189,794 |
| Additions during the year | 170,061 | 79,173 | - | 2,559,111 | 2,808,345 |
| Effect of acquisition of new subsidiaries (Note 7) | - | - | 220,303 | 341,780 | 562,083 |
| Disposals/Transfers during the year | 1,142,950 | (45,325) | - | (1,952,467) | (854,842) |
| Effect of foreign currency exchange differences | (1,494) | (2,265) | (40,243) | (2,233) | (46,235) |
| **As at 31 December 2022** | 16,097,614 | 8,936,077 | 323,282 | 4,302,172 | 29,659,145 |



## 12 - Intangible Assets and Goodwill (Continued)

| | Computer software | Telecommunication Licenses | Goodwill(1) | Others(2) | Total |
|---|---|---|---|---|---|
| **Accumulated amortization and impairment** | | | | | |
| As at 1 January 2022 | 11,492,906 | 3,602,422 | 25,395 | 1,334,273 | 16,454,996 |
| Amortization during the year | 1,414,644 | 519,464 | - | 353,899 | 2,288,007 |
| Effect of acquisition of new subsidiaries (Note 7) | - | - | - | 35,000 | 35,000 |
| Disposals/Transfers during the year | (604,448) | (37,617) | - | (247,033) | (889,098) |
| Effect of foreign currency exchange differences | (1,014) | (345) | (278) | (3,145) | (4,782) |
| **As at 31 December 2022** | 12,302,088 | 4,083,924 | 25,117 | 1,472,994 | 17,884,123 |
| **Net book value as at 31 December 2022** | 3,795,526 | 4,852,153 | 298,165 | 2,829,178 | 11,775,022 |

| | Computer software | Telecommunication Licenses | Goodwill(1) | Others(2) | Total |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| As at 1 January 2021 | 13,146,495 | 8,863,972 | 142,723 | 2,908,390 | 25,061,580 |
| Additions during the year | 204,714 | 41,263 | - | 2,132,036 | 2,378,013 |
| Disposals/Transfers during the year | 1,434,214 | (3,593) | - | (1,686,381) | (255,760) |
| Effect of foreign currency exchange differences | 674 | 2,852 | 499 | 1,936 | 5,961 |
| As at 31 December 2021 | 14,786,097 | 8,904,494 | 143,222 | 3,355,981 | 27,189,794 |

(All Amounts in Saudi Riyals thousands unless otherwise stated)

## 12 - Intangible Assets and Goodwill (Continued)

| | Computer software | Telecommunication Licenses | Goodwill[1] | Others[2] | Total |
|---|---|---|---|---|---|
| Accumulated amortization and impairment | | | | | |
| As at 1 January 2021 | 10,207,738 | 3,117,533 | - | 1,269,901 | 14,595,172 |
| Amortization during the year | 1,290,038 | 484,569 | - | 313,852 | 2,088,459 |
| Impairment during the year | - | - | 25,402 | - | 25,402 |
| Disposals/Transfers during the year | (5,554) | (230) | - | (249,880) | (255,664) |
| Effect of foreign currency exchange differences | 684 | 550 | (7) | 400 | 1,627 |
| As at 31 December 2021 | 11,492,906 | 3,602,422 | 25,395 | 1,334,273 | 16,454,996 |
| Net book value as at 31 December 2021 | 3,293,191 | 5,302,072 | 117,827 | 2,021,708 | 10,734,798 |

1) Consists of:
- Goodwill resulted from the Company's acquisition of Solutions amounting to SR 75.6 million (2021: SR 75.6 million).
- Goodwill resulted from stc Kuwait's acquisition of Qualitynet (currently Solutions by stc) to SR 42.2 million (2021: SR 42.2 million).
- Goodwill resulted from stc Kuwait's acquisition of E-Portal Holding Company amounting to SR 26.9 million (2021: Nil).
- Goodwill resulted from Solutions's acquisition of Giza to SR 193.4 million (before foreign currency exchange losses effect of SR 40 million as at 31 December 2021) (2022: Nil).
- No impairment on goodwill recorded during 2021) 2022: SR 25 million).

2) Includes contractual intangible assets such as submarine cable networks, content agreements, indefeasible rights of use (IRU) and computer software under development.

3) Non-cash additions amounted to SR 603 million (2021: SR 199 million).





## 12 - Intangible Assets and Goodwill (Continued)

Intangible assets are amortized using the following estimated useful lives:

| | |
|---|---|
| **Computer software** | 5 – 7 years |
| **Telecommunication licenses** | 15 – 25 years |
| **Others** | 3 – 20 years |

The following table shows the breakdown of amortization and impairment expense if allocated to operating costs items for the year ended 31 December:

| | 2022 | 2021 |
|---|---|---|
| Cost of revenues | 635,598 | 597,337 |
| Selling and marketing expenses | 32,171 | 3,732 |
| General and administrative expenses | 1,620,238 | 1,512,792 |
| | 2,288,007 | 2,113,861 |

The following are the net book value and expiry dates of the main mobile operating licenses and frequency spectrum as at:

| Country | End of amortization period | 31 December 2022 | 31 December 2021 |
|---|---|---|---|
| Kingdom of Saudi Arabia | 2034 / 2033 / 2032 / 2029 | 2,628,315 | 2,891,739 |
| State of Kuwait | 2039 / 2033 / 2022 | 1,604,981 | 1,749,402 |
| Kingdom of Bahrain | 2038 / 2034 / 2031 | 618,857 | 660,931 |
| | | 4,852,153 | 5,302,072 |

(All Amounts in Saudi Riyals thousands unless otherwise stated)

## 12 - Intangible Assets and Goodwill (Continued)

The following are the type, cost and expiry dates of the main mobile operating licenses and frequency spectrum as at:

| Country | License type | End of amortization period | 31 December 2022 | 31 December 2021 |
|---|---|---|---|---|
| Kingdom of Saudi Arabia | Frequency spectrum: (1930-1980)/(2150-2170) Megahertz | 2029 | 753,750 | 753,750 |
| Kingdom of Saudi Arabia | Frequency spectrum 1: (703-718)/(758-773) MHZ (1727-1735)/(1822-1830) MHZ | 2032 | 2,175,673 | 2,175,673 |
| Kingdom of Saudi Arabia | Frequency spectrum 2: (718-723)/(773-778) MHZ (1735-1745)/(1830-1840) MHZ | 2033 | 470,606 | 470,606 |
| Kingdom of Saudi Arabia | Frequency spectrum 3: (2300-2400)MHZ | 2034 | 279,573 | 279,573 |
| Kingdom of Saudi Arabia | Frequency spectrum 4: (3600-3700)MHZ | 2034 | 587,586 | 587,586 |
| | | | 4,267,188 | 4,267,188 |
| State of Kuwait | Frequency spectrum 2 | 2022 | 79,492 | 41,238 |
| State of Kuwait | Kuwait License | 2033 | 3,256,133 | 3,256,133 |
| State of Kuwait | Frequency spectrum 1 | 2039 | 236,178 | 238,792 |
| | | | 3,571,803 | 3,536,163 |
| Kingdom of Bahrain | MT - TRA Licenses | 2031 | 78,086 | 78,040 |
| Kingdom of Bahrain | Spectrum 800 & 2600 MHz | 2034 | 44,193 | 44,167 |
| Kingdom of Bahrain | TRA Mobile License Services | 2038 | 894,549 | 894,024 |
| Kingdom of Bahrain | LTE Spectrum Fees | 2038 | 66,140 | 66,101 |
| Kingdom of Bahrain | Others | 2038 | 14,118 | 18,811 |
| | | | 1,097,086 | 1,101,143 |
| | | | 8,936,077 | 8,904,494 |





## 13 - Right of Use Assets

| | Lands and Buildings | Motor Vehicles | Leased Towers | Total |
|---|---|---|---|---|
| At 1 January 2022 | 2,788,762 | 96,049 | 66,841 | 2,951,652 |
| Additions during the year (*) | 1,082,861 | - | - | 1,082,861 |
| Effect of acquisition of new subsidiaries | 6,990 | - | - | 6,990 |
| Depreciation during the year | (828,681) | (50,466) | (20,346) | (899,493) |
| Terminations and modifications during the year | (112,186) | - | - | (112,186) |
| At 31 December 2022 | 2,937,746 | 45,583 | 46,495 | 3,029,824 |
| At 1 January 2021 | 2,644,603 | 151,047 | 97,164 | 2,892,814 |
| Additions during the year (*) | 1,365,689 | - | - | 1,365,689 |
| Depreciation during the year | (819,943) | (54,998) | (30,323) | (905,264) |
| Terminations and modifications during the year | (401,587) | - | - | (401,587) |
| At 31 December 2021 | 2,788,762 | 96,049 | 66,841 | 2,951,652 |

(*) Non-cash additions amounted to SR 1,083 million (2021:SR 1,366 million).

Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

| | |
|---|---|
| **Land and Buildings** | 2 – 31 years |
| **Motor vehicles** | 3 – 5 years |
| **Leased towers** | 2 – 10 years |

(All Amounts in Saudi Riyals thousands unless otherwise stated)

## 13 - Right of Use Assets (Continued)

The Group elected not to recognize right-of-use assets for short-term and low-value leases, and hence the lease payments associated with these contracts were recognized as expenses during the year in the consolidated statement of profit or loss and amounted to SR 127 million (2021: SR 154 million).

The following table shows the breakdown of depreciation expense if allocated to operating costs items for the year ended 31 December:

| | 2022 | 2021 |
|---|---|---|
| Cost of revenues | 695,983 | 706,262 |
| Selling and marketing expenses | 9,862 | 14,630 |
| General and administrative expenses | 193,648 | 184,372 |
| | 899,493 | 905,264 |

## 14 - Contract Costs

Contract costs consist of the following:

| | 31 December 2022 | 31 December 2021 |
|---|---|---|
| Costs to obtain the contracts [1] | 111,475 | 114,566 |
| Costs to fulfil the contracts [2] | 324,612 | 406,808 |
| | 436,087 | 521,374 |

1. Costs to obtain contracts relate to incremental commission fees and additional incentives paid to intermediaries, dealers and employees as a result of obtaining contracts with customers. These costs are amortized on a straight line basis over the period of the contract/anticipated contract.
2. Costs to fulfil contracts are installation costs and are amortized on a straight line basis over the period of the contract/anticipated contact.





## 14 - Contract Costs (Continued)

The following table shows the allocation of contract costs amortization and impairment losses among operating costs items for the year ended 31 December:

| | 2022 | 2021 |
|---|---|---|
| Cost of revenues (Note 36) | 171,647 | 234,002 |
| Selling and marketing expenses (Note 37) | 117,200 | 140,319 |
| | 288,847 | 374,321 |

## 15 - Contract Assets

| | 31 December 2022 | 31 December 2021 |
|---|---|---|
| Unbilled revenue | 7,525,919 | 6,483,901 |
| Less: allowance for impairment loss | (206,056) | (215,227) |
| | 7,319,863 | 6,268,674 |
| Current [1] | 6,779,622 | 5,732,865 |
| Non-current [2] | 540,241 | 535,809 |
| | 7,319,863 | 6,268,674 |

(1) Contract assets are initially recognized for revenue earned from rendering of telecom services, sale of devices, and networks installation contracts unbilled yet. Upon completion of a billing cycle, the amounts recognized as contract assets are reclassified to trade receivables. The majority of balances are billed within one calendar month except for balances subject to settlement agreements with telecom operators which could be extended to one year or more.

(2) Non-current contract assets represent balances related to unbilled receivables on sold devices. The term of the contracts for the sold devices ranges between 18 and 24 months.

(3) The average expected credit loss rate on contract assets for the year ended 31 December 2022 is 3% (2021: 3.1%).

(4) Significant changes in contract assets balances: contract assets increased by SR 117 million as a result of the acquisition of new subsidiaries.

(All Amounts in Saudi Riyals thousands unless otherwise stated)

## 15 - Contract Assets (Continued)

### Movement of allowance for impairment loss of contract assets during the year ended 31 December as follows:

| | 2022 | 2021 |
|---|---|---|
| Balance at 1 January | 215,227 | 184,227 |
| Charge during the year (Note 37) | 122,879 | 118,437 |
| Effect of acquisition of new subsidiaries | 3,178 | - |
| Written off during the year | (135,228) | (87,437) |
| Balance at 31 December | 206,056 | 215,227 |

## 16 - Financial Assets and Others

### 16.1 Financial assets

| | 31 December 2022 | 31 December 2021 |
|---|---|---|
| **Financial assets measured at FVTPL (1)** | 2,929,065 | 2,135,246 |
| **Financial assets at amortized cost** | | |
| Sukuk (2) (3) | 5,234,375 | 5,315,129 |
| Customers' trust accounts of stc Bank (4) | 1,781,098 | 1,151,208 |
| Loans to employees (5) | 382,541 | 353,076 |
| Others | 1,271,996 | 1,276,674 |
| | 8,670,010 | 8,096,087 |
| | 11,599,075 | 10,231,333 |

| | 31 December 2022 | 31 December 2021 |
|---|---|---|
| Current | 2,763,111 | 1,935,704 |
| Non-current | 8,835,964 | 8,295,629 |
| | 11,599,075 | 10,231,333 |

1) Financial assets at fair value through profit or loss consist of the following:
- 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 SR 41 million as at 31 December 2021) 2022: SR 77 million).





## 16 - Financial Assets and Others (Continued)

### 16.1 Financial assets (Continued)

- STV LP Fund which is a fund investing internationally in high-growth pioneer private technology companies with total value of SR 1,875 million (equivalent to USD 500 million) fully funded.
  During 2022, the Company signed an agreement with STV LP Fund to allocate SR 1,125 million (equivalent to USD 300 million) additional investment in the fund out of which SR 64 million (equivalent to USD 17 million) was injected. Investment units were valued at SR 2,888 million as at 31 December 2022 2021): SR 2,058 million).

2) The Group invested in Sukuk issued by the Ministry of Finance during the first quarter of 2019 as the following:

| | Tranche I | Tranche II |
|---|---|---|
| Nominal Investment value | 1,762,000 | 2,140,000 |
| Investment duration | 5 years | 10 years |
| Yield | 3.17% | 3.9% |

3) 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 (equivalent to SR 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 9.25% for subsequent periods. These sukuks are not past due or low in value with a book value of SR 1,287 million as of 31 December 2022 (2021: SR 1,360 million).

4) Customers' trust accounts of stc Bank represent restricted cash received and recorded against customers' deposits (Note 32-1).

5) The Company has provided its employees interest-free loans to acquire residential housing and motor vehicles for a period of 15 years and 4 years, respectively. The repayment is made in equal instalments over the term of the loan duration while the employee remains in service, otherwise, they are required to be repaid in full upon the employee leaving the Company. Any new housing loans provided to an employee after June 2016 are being funded through a local commercial bank and are guaranteed by the Company. The Company bears the finance cost of the loans.

(All Amounts in Saudi Riyals thousands unless otherwise stated)

## 16 - Financial Assets and Others (Continued)

### 16.2 Other assets

| | 31 December 2022 | 31 December 2021 |
|---|---|---|
| Advances | 660,063 | 1,416,336 |
| Prepaid expenses | 287,831 | 237,979 |
| Deferred expenses | 191,517 | 147,935 |
| Others | 279,627 | 68,376 |
| | 1,419,038 | 1,870,626 |
| Current | 1,323,469 | 1,798,964 |
| Non-current | 95,569 | 71,662 |
| | 1,419,038 | 1,870,626 |

## 17 - Inventories

| | 31 December 2022 | 31 December 2021 |
|---|---|---|
| Goods held for resale* | 1,254,232 | 1,201,005 |
| Less: allowance for slow moving inventories | (231,631) | (283,495) |
| | 1,022,601 | 917,510 |

*The Group's inventories mainly consist of telecom devices.

### The following is an analysis of the allowance for slow moving inventories for the year:

| | 2022 | 2021 |
|---|---|---|
| Balance at 1 January | 283,495 | 361,716 |
| Charge during the year | 31,297 | 39,755 |
| Effect of acquisition of new subsidiaries | 1,002 | - |
| Write off/adjustment during the year | (84,163) | (117,976) |
| Balance at 31 December | 231,631 | 283,495 |





## 18 - Trade Receivables

| | 31 December 2022 | 31 December 2021 |
|---|---|---|
| Trade receivables | 25,633,279 | 27,615,744 |
| Less: allowance for impairment loss | (2,454,692) | (2,758,363) |
| | 23,178,587 | 24,857,381 |

### Ageing analysis of trade receivables as follows (*):

| | 31 December 2022 | | | 31 December 2021 | | |
|---|---|---|---|---|---|---|
| | Gross Amounts | Allowance for impairment loss | ECL Rate | Gross Amounts | Allowance for impairment loss | ECL Rate |
| **Not past due** | 3,746,101 | (332,506) | 8.9% | 2,861,958 | (245,041) | 8.6% |
| **Past due:** | | | | | | |
| 1 – 30 days | 527,723 | (31,853) | 6.0% | 1,651,819 | (158,928) | 9.6% |
| 31 – 90 days | 2,074,871 | (192,051) | 9.3% | 2,536,254 | (230,422) | 9.1% |
| 91 – 150 days | 2,776,183 | (247,167) | 8.9% | 1,385,023 | (182,246) | 13.2% |
| 151 – 365 days | 7,861,864 | (825,507) | 10.5% | 8,421,967 | (874,223) | 10.4% |
| <365 days | 8,646,537 | (825,608) | 9.5% | 10,758,723 | (1,067,503) | 9.9% |
| | 25,633,279 | (2,454,692) | 9.6% | 27,615,744 | (2,758,363) | 10.0% |

(*) The amounts above include balances with government and government related entities.

### Movement of trade receivables' allowance for impairment loss during the year was as follows:

| | 2022 | 2021 |
|---|---|---|
| Balance at 1 January | 2,758,363 | 2,859,566 |
| Charge during the year (Note 37) | 821,993 | 844,027 |
| Effect of acquisition of new subsidiaries | 51,012 | - |
| Written off and recovered during the year | (1,176,676) | (945,230) |
| Balance at 31 December | 2,454,692 | 2,758,363 |

(All Amounts in Saudi Riyals thousands unless otherwise stated)

## 18 - Trade Receivables (Continued)

The expected credit loss is estimated as per approved accounting policies which consider, in determining the recoverability of a trade receivable, any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of the financial year. The concentration of credit risk is limited due to the fact that the customer base is large and unrelated.

Trade receivables balance from Government entities amounted to SR 19,311 million as at 31 December 2022 (2021: SR 21,616 million) (Note 21-2). No other clients represent more than 10% of the total balance of trade receivables.

### Receivable aging from government entities is as follows:

| | 31 December 2022 | 31 December 2021 |
|---|---|---|
| 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 |
| | 19,310,653 | 21,616,288 |

## 19 - Short Term Murabahas

The Group invests part of its excess cash in murabahas that have maturity of more than three months but less than a year with several banks, with a profit rate ranging from 1.18% to 5.5% (2021: 0.25% to 3.35%).

## 20 - Cash and Cash Equivalents

| | 31 December 2022 | 31 December 2021 |
|---|---|---|
| Short term murabaha (with three months maturity or less)* | 14,166,570 | 4,499,705 |
| Cash at banks and in hand | 3,627,823 | 3,781,596 |
| | 17,794,393 | 8,281,301 |

* The Group invests a part of its surplus cash in murabahas with maturities of three months or less with several banks with a profit rate ranging from 0.35% to 5.5% (2021: 0.20% -1.20%).





## 21 - Related Party Transactions

### 21.1 Trading transactions and balances with related parties (Associates and Joint Ventures – Note 8)

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

| | 2022 | 2021 |
|---|---|---|
| **Services provided** | | |
| Associates | 336,571 | 325,354 |
| Joint ventures | 7,659 | 4,260 |
| | 344,230 | 329,614 |
| **Services received** | | |
| Associates | 13,331 | 15,029 |
| Joint ventures | 427,745 | 375,999 |
| | 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:

| | Amounts due from related parties | | Amounts due to related parties | |
|---|---|---|---|---|
| | 31 December 2022 | 31 December 2021 | 31 December 2022 | 31 December 2021 |
| Associates | 254,377 | 292,223 | 44,532 | 72,006 |
| Joint ventures | 13,185 | 27,717 | 178,872 | 158,634 |
| | 267,562 | 319,940 | 223,404 | 230,640 |

In addition, the Group has an investment in sukuk issued by a joint venture entity (BGSM) amounting to RM 1,508 million (equivalent to SR 1,383 million) with a book value of SR 1,287 million as of 31 December 2022 (2021: SR 1,360 million) (Note 16-1).

(All Amounts in Saudi Riyals thousands unless otherwise stated)

## 21 - Related Party Transactions (Continued)

### 21.2 Trade transactions and related parties' balances (government and government related entities)

Revenues related to transactions with government and government entities for the year ended 31 December 2022 amounted to SR 13,847 million (2021: SR 12,194 million) and expenses related to transactions with government and government entities for the year ended 31 December 2022 (including government charges) amounted to SR 6,098 million (2021: SR 6,405 million).

As at 31 December 2022, accounts receivable from government entities totalled SR 19,311 million (2021: SR 21,616 million) (Note 18-2) and as at 31 December 2022, accounts payable to government entities amounted to SR 1,142 million (2021: SR 1,062 million). Among the balances with government entities, the Group invested SR 3,902 million in the Sukuk issued by the Ministry of Finance during the first quarter of 2019. (Note 16-1).

The total balance of receivables with government related entities as of 31 December 2022 was SR 1,451 million (2021: SR 931 million). The total balance of accounts payable with government related entities as of 31 December 2022 was SR 1,621 million (2021: SR 120 million).

### 21.3 Loans to related parties

| | 31 December 2022 | 31 December 2021 |
|---|---|---|
| Loans to senior executives | 5,355 | 4,762 |

### 21.4 Benefits, remuneration and compensation of Board of Directors and senior executives

The remuneration and compensation of board members and senior executives during the year ended 31 December were as follows:

| | 2022 | 2021 |
|---|---|---|
| Short-term benefits and remuneration | 467,522 | 367,534 |
| Provision for leave and end of service benefits | 178,305 | 120,020 |
| Share-based payments | 112,292 | 33,811 |
| Others | 13,664 | 25,209 |





## 22 - Share Capital

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

| | 2022 | 2021 |
|---|---|---|
| **Authorized, issued and fully paid capital comprises** | | |
| 5 billion fully paid ordinary shares at SR 10 each (2021: 2 billion fully paid ordinary shares at SR 10 each) | 50,000,000 | 20,000,000 |

## 23 - Statutory Reserve

In accordance with the companies' law in the Kingdom of Saudi Arabia effective as at 31 December 2022, and the Company's By-law, and due to share capital increase during the year 2022 (Note 22), 10% of the net income is transfered to statutory reserve and such transfer should cease once the reserve equals 30% of the share capital. It is worth mentioning that the Company has ceased the transfer to statutory reserve previously since it reached half of the capital before the capital increase. This reserve is not available for distribution to the Company's shareholders.

## 24 - Treasury Shares

During the year 2020, the Company started the purchase of its own shares with an amount of SR 300 million to be allocated to the Employees' Long-term Incentives Program (Note 46).

## 24 - Treasury Shares (Continued)

In addition, during the year 2022, the Company completed the purchase of additional shares with an amount of SR 453 million to be allocated to the same incentives program (Note 46).

### The following is the number of treasury shares (in thousands) during the year:

| | 2022 | 2021 |
|---|---|---|
| Treasury shares as at 1 January | 2,851 | 2,983 |
| Treasury shares re-issued during the year | (357) | (132) |
| Treasury shares before effect of bonus issue | 2,494 | 2,851 |
| Effect of bonus issue | 3,740 | 4,276 |
| | 6,234 | 7,127 |
| Treasury shares purchased during the year | 11,588 | - |
| Treasury shares as at 31 December | 17,822 | 7,127 |





## 25 - Other Reserves

| | Foreign currency translation reserve | Cash flow hedge reserve | Investments at FVOCI reserve | Other reserves (*) | Total |
|---|---|---|---|---|---|
| **As at 1 January 2022** | **(16,231)** | **-** | **-** | **1,588,688** | **1,572,457** |
| Remeasurement of the end of service benefit provision (Note 28) | - | - | - | 825,288 | 825,288 |
| Share-based payment transactions | - | - | - | 50,701 | 50,701 |
| Transactions with non-controlling interest (Note 6) | - | - | - | (262,575) | (262,575) |
| Exchange difference on translation of foreign operations | (74,569) | - | - | - | (74,569) |
| Share from associates and joint ventures | (72,163) | 2,333 | - | (9,233) | (79,063) |
| **As at 31 December 2022** | **(162,963)** | **2,333** | **-** | **2,192,869** | **2,032,239** |
| As at 1 January 2021 | 6,591 | (141,390) | (46,084) | (3,081,362) | (3,262,245) |
| Transactions with non-controlling interest (Note 6) | - | - | - | 3,631,042 | 3,631,042 |
| Remeasurement of the end of service benefit provision (Note 28) | - | - | - | 308,678 | 308,678 |
| Exchange difference on translation of foreign operations | 12,690 | - | - | - | 12,690 |
| Share from associates and joint ventures | (35,512) | 141,390 | 46,084 | (67,183) | 84,779 |
| Share-based payment transactions | - | - | - | 28,187 | 28,187 |
| Share from joint ventures | - | - | - | 769,326 | 769,326 |
| As at 31 December 2021 | (16,231) | - | - | 1,588,688 | 1,572,457 |

(*) Comprises mainly of other reserve resulting from remeasurement of the end of service benefit provision and transactions with non-controlling interests.

(All Amounts in Saudi Riyals thousands unless otherwise stated)

# 26 - Non-Controlling Interests

Details of non-wholly owned subsidiaries that have material non-controlling interests

The table below shows details of non-wholly owned subsidiaries of the Group that has material non-controlling interests as at:

| Name of Subsidiary | Proportion of ownership and voting rights acquired by non-controlling interests | | Non-controlling share of profit (loss) for the year ended 31 December | | No-controlling interests as of 31 December | |
|---|---|---|---|---|---|---|
| | **2022** | 2021 | **2022** | 2021 | **2022** | 2021 |
| **stc Kuwait** | **48.2%** | 48.2% | **195,597** | 268,375 | **1,428,779** | 1,417,989 |
| **Solutions** | **20.0%** | **20.0%** | **210,743** | 22,885 | **564,611** | 453,941 |
| **Others (*)** | - | - | **(189,955)** | (7,905) | **532,677** | 243,544 |
| | | | **216,385** | 283,355 | **2,526,067** | 2,115,474 |

(*) Includes the Group's investment in stc Bank, IoTsquared and SCCC (Note 6).

The following is a summary of the financial statements of individually material subsidiaries which is non- wholly owned by the Group and have material non-controlling interests:

| | As at 31 December 2022 | |
|---|---|---|
| | stc Kuwait | Solutions |
| **Statement of financial position** | | |
| Current assets | 2,529,645 | 9,383,268 |
| Non-current assets | 2,681,090 | 899,068 |
| Current liabilities | (1,736,347) | (6,656,330) |
| Non-current liabilities | (510,116) | (802,948) |
| **Net assets** | 2,964,272 | 2,823,058 |
| Group's share of net assets | 1,535,493 | 2,258,447 |
| Non-controlling interests' share of net assets | 1,428,779 | 564,611 |





# 26 - Non-Controlling Interests (Continued)

| | For the year ended 31 December 2022 | |
|---|---|---|
| | stc Kuwait | Solutions |
| **Statement of income and other comprehensive income** | | |
| Revenues | 4,113,509 | 8,805,091 |
| Profit for the year | 406,123 | 1,053,713 |
| Other comprehensive income (loss) for the year | 10,835 | (86,313) |
| Total comprehensive income for the year | 416,958 | 967,400 |
| Group's share of comprehensive income | 215,984 | 773,920 |
| Non-controlling interests' share of comprehensive income | 200,974 | 193,480 |
| Dividends paid to non controlling interests | 147,219 | 95,040 |
| **Statement of cash flows** | | |
| Operating activities | 971,581 | 2,106,500 |
| Investing activities | (571,206) | (3,206,525) |
| Financing activities | (266,342) | 56,884 |
| Net increase (decrease) in cash and cash equivalents | 134,033 | (1,043,141) |

| | As at 31 December 2021 | |
|---|---|---|
| | stc Kuwait | Solutions |
| **Statement of financial position** | | |
| Current assets | 2,833,163 | 6,440,942 |
| Non-current assets | 2,055,692 | 726,453 |
| Current liabilities | (1,715,100) | (4,628,906) |
| Non-current liabilities | (229,110) | (267,921) |
| **Net assets** | 2,944,645 | 2,270,568 |
| Group's share of net assets | 1,526,656 | 1,816,627 |
| Non-controlling interests' share of net assets | 1,417,989 | 453,941 |

(All Amounts in Saudi Riyals thousands unless otherwise stated)

## 26 - Non-Controlling Interests (Continued)

| | For the year ended 31 December 2021 | |
|---|---|---|
| | stc Kuwait | Solutions |
| **Statement of income and other comprehensive income** | | |
| Revenues | 3,679,666 | 7,208,337 |
| Profit for the year | 557,239 | 832,919 |
| Other comprehensive income for the year | 1,068 | 85,645 |
| Total comprehensive income for the year | 558,307 | 918,564 |
| Group's share of comprehensive income | 289,203 | 734,851 |
| Non-controlling interests' share of comprehensive income | 269,104 | 183,713 |
| **Statement of cash flows** | | |
| Operating activities | 851,325 | 1,373,444 |
| Investing activities | (555,302) | (154,758) |
| Financing activities | (513,142) | (609,956) |
| Net (decrease) increase in cash and cash equivalents | (217,119) | 608,730 |

## 27 - Borrowings

Total loans repaid during the year ended 31 December 2022 amounted to SR 133 million (2021: SR 731 million). Total loans received during the year ended 31 December 2022 amounted to SR 1,277 million (2021: SR 1,124 million). A list of the loans are as follows:



## 27 - Borrowings (Continued)

| | | | | | Current portion | | Non-current portion | |
|---|---|---|---|---|---|---|---|---|
| **Nature of borrowing** | **Date of borrowing** | **Date of final instalment** | **Currency** | **Profit rate** | **Balance as at 31 December 2022** | Balance as at 31 December 2021 | **Balance as at 31 December 2022** | Balance as at 31 December 2021 |
| Sukuk (1) | May 2019 | May 2029 | US Dollar | 3.89% | - | - | **4,674,892** | 4,673,254 |
| Sukuk (2) | June 2014 | June 2024 | Saudi Riyal | 3 month SAIBOR + 0.70% | - | - | **2,000,000** | 2,000,000 |
| Murabaha (3) (4) | December 2022 | December 2027 | Malaysian Ringgit | 6 months KLIBOR + 0.65% | - | 1,359,561 | **1,287,156** | - |
| Murabaha (4) | September 2021 | August 2026 | US Dollar | 6 months LIBOR + 0.75% | - | - | **697,357** | 696,948 |
| Murabaha (5) | March 2021 | November 2029 | US Dollar | 1.27% | **79,078** | 60,635 | **401,110** | 331,658 |
| Murabaha(4) | February 2019 | December 2025 | Saudi Riyal | 3 months SAIBOR + 0.55% | - | - | **155,000** | 102,000 |
| Murabaha (5) | May 2019 | April 2023 | Kuwaiti Dinar | 2.25% | - | 33,424 | - | 28,649 |
| Murabaha (5) | March 2022 | March 2028 | Kuwaiti Dinar | 2.30% | - | - | **282,409** | - |
| Mudarabha (5) | December 2018 | May 2026 | Bahraini Dinar | 2.10% | **3,317** | 3,064 | **10,695** | 14,097 |
| Murabaha (4) | August 2022 | August 2036 | Saudi Riyal | 4.1% | - | - | **101,393** | - |
| Murabaha (4) | December 2022 | August 2036 | Saudi Riyal | 5.79% | - | - | **101,723** | - |
| Murabaha (4) | June 2022 | June 2027 | Saudi Riyal | 6 months SAIBOR + 0.45% | - | - | **498,878** | - |
| Others | | | | | **194,388** | - | **3,137** | - |
| Total | | | | | 276,783 | 1,456,684 | 10,213,750 | 7,846,606 |

(All Amounts in Saudi Riyals thousands unless otherwise stated)

## 27 - Borrowings (Continued)

(1) At the General Assembly meeting on 19 Shaaban of 1440 H (corresponding to April 24, 2019), the Company approved the establishment of an international sukuk program and the issuance of sukuk either directly or by establishing special purpose vehicles that are established and used to issue primary or secondary sukuk in one or several parts or one or several stages, or through a series of issues in US dollars, not exceeding the amount of USD 5,000 million for the total value of the sukuk issues and parts of the sukuk program referred to above at any time.

Based on the above, 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) launched the first issue of the sukuk program in the amount of SR 4,688 million (equivalent to USD 1,250 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.

(2) The Company issued a sukuk program with a maximum of SR 5 billion. Sukuk certificates have a nominal value of SR 1 million each, and they were issued with a nominal value for a period of 10 years.

(3) stc Asia Holding Limited has extended its syndicated variable commission loan's repayment date from December 2022 to December 2027.

(4) These facilities are secured.

(5) These facilities are unsecured.





## 28 - Retirement Benefits Plans

### End of service benefit provision

The Group provides end of service benefits to its employees. The entitlement is based upon the employees' final salary and length of service, subject to the completion of a minimum number of service years, calculated under the provisions of the Labour Law of the respective country and is payable upon resignation or termination of the employee. The expected costs of these benefits are accrued over the years of employment.

The Group's plan is exposed to actuarial risks such as discount rate and salary risk.

| | |
|---|---|
| Discount rate risk | A decrease in the discount rate will increase the end of service benefits plan liability. |
| Change in salaries risk | The present value of the end of service benefit plan liability is calculated by reference to the estimated future salaries of plan participants. As such, an increase in the salaries of the plan participants will increase the plan's liability. |

Calculation of end of service benefit provision was done using the most recent actuarial valuation as at 31 December 2022. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the projected unit credit method.

The significant actuarial assumptions during 2022, used in determining the end of service benefit obligation, represent the discount rate of (4.3 %-5.2 %) and the expected increase in salary (3.0 %-5.0 %) (2021: discount rate of (2.1 %-3.7 %) and the expected increase in salary (2.2 %-4.5 %)). The change in these assumptions during the year resulted into a recognition of actuarial gains amounting to SR 828 million (2021: actuarial gain amounting to SR 313 million).

### The net expenses recognized in the consolidated statement of profit or loss are as follows for the year ended 31 December:

| | **2022** | 2021 |
|---|---:|---:|
| Services cost | **441,196** | 489,718 |
| Interest cost | **144,236** | 106,770 |
| | **585,432** | 596,488 |

(All Amounts in Saudi Riyals thousands unless otherwise stated)

## 28 - Retirement Benefits Plans (Continued)

### End of service benefit provision (continued)

### Movements of end of service benefit provision for the year ended 31 December is as follow:

| | 2022 | 2021 |
|---|---|---|
| Balance at 1 January | 5,466,916 | 5,239,313 |
| Expenses recognized in the consolidated statement of profit or loss | 585,432 | 596,488 |
| Effect of acquisition of new subsidiaries | 27,585 | - |
| Actuarial gains recognized in the consolidated statement of comprehensive income during the year resulting from: | | |
| - Changes in financial assumptions | (933,809) | (357,971) |
| - Experience adjustments | 105,415 | 45,448 |
| Paid during the year | (384,132) | (355,621) |
| Exchange differences and others | 3,928 | 299,259 |
| Balance at 31 December | 4,871,335 | 5,466,916 |

### The following table shows the maturity profile of the Group's undiscounted defined benefit obligations as at 31 December:

| | 2022 | 2021 |
|---|---|---|
| One year or less | 101,177 | 75,095 |
| Above one year but less than five years | 612,516 | 380,014 |
| Above five years | 7,000,163 | 6,767,690 |
| | 7,713,856 | 7,222,799 |

### The following table shows the change in defined benefit obligation balance based on increase / decrease in the below assumptions:

| | 2022 | | Defined benefit obligation | |
|---|---|---|---|---|
| | Change in Assumption | Base Value | After increase in assumption | After decrease in assumption |
| Discount rate | 100 basis points | 4,871,335 | 4,446,236 | 5,269,254 |
| Salary change rate | 100 basis points | 4,871,335 | 5,270,763 | 4,438,310 |





## 28 - Retirement Benefits Plans (Continued)

### End of service benefit provision (continued)

| | 2021 | | Defined benefit obligation | |
|---|---|---|---|---|
| | Change in Assumption | Base Value | After increase in assumption | After decrease in assumption |
| Discount rate | 100 basis points | 5,466,916 | 4,954,001 | 6,009,299 |
| Salary change rate | 100 basis points | 5,466,916 | 5,998,503 | 4,951,714 |

The sensitivity analysis presented above may not be representative of the actual change in the end of service benefit provision as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

### Defined contribution plans

The Group participates in pension schemes for its employees which are managed by government institutions in the countries concerned. The amount recognized as an expense for defined contribution plans for the year ended 31 December 2022 is SR 586 million (2021: SR 471 million).

### Early retirement plan

The Group has early retirement plan for its employees . The amount recognized as an expense early retirement plan for the year ended 31 December 2022 is SR 366 million (2021: SR 313 million).

## 29 - Lease Liabilities

### Following is the movement on lease liabilities:

| | 2022 | 2021 |
|---|---|---|
| **Balance as at 1 January** | 3,223,167 | 2,980,038 |
| Additions during the year | 1,224,574 | 1,318,068 |
| Effect of acquisition of new subsidiaries | 6,677 | - |
| Payments during the year | (1,037,357) | (976,719) |
| Financing costs (Note 40) | 83,447 | 92,736 |
| Other adjustments | (204,388) | (190,956) |
| **Balance as at 31 December** | 3,296,120 | 3,223,167 |
| Current | 912,914 | 869,574 |
| Non-current | 2,383,206 | 2,353,593 |
| | 3,296,120 | 3,223,167 |

(All Amounts in Saudi Riyals thousands unless otherwise stated)

## 30 - Contract Liabilities

| | 31 December 2022 | 31 December 2021 |
|---|---|---|
| **Deferred revenue from services** | 4,735,560 | 3,797,416 |
| Customer loyalty programme | 515,560 | 566,449 |
| | 5,251,120 | 4,363,865 |

| | | |
|---|---|---|
| Current [1] | 4,479,205 | 3,591,950 |
| Non-current [2] | 771,915 | 771,915 |
| | 5,251,120 | 4,363,865 |

(1) The current portion of contract liabilities relates to unearned revenue pertaining to unutilized prepaid card units sold and the value of customer loyalty program points not yet redeemed. Revenue recognized during the year that was included in the contract liability balance at the beginning of the year amounted to SR 3,591 million (2021: SR 1,901 million).

(2) The non-current portion of contract liabilities relates to amounts received by one of the Group subsidiaries from a key customer to construct a fibre optic network for which capital work completed amounted to SR 591 million (Note 45-3).

(3) Significant changes in contract liabilities balances: contract liabilities increased by SR 77 million as a result of the acquisition of new subsidiaries.





## 31 - Provisions

| | 31 December 2022 | 31 December 2021 |
|---|---|---|
| **Legal and regulatory provisions** [1] | 2,450,092 | 4,095,264 |
| Decommissioning provision [2] | 163,488 | 103,204 |
| | 2,613,580 | 4,198,468 |

| | | |
|---|---|---|
| Current | 2,124,132 | 3,647,727 |
| Non-current | 489,448 | 550,741 |
| | 2,613,580 | 4,198,468 |

| | 2022 | 2021 |
|---|---|---|
| **Legal and regulatory provision** [1] | | |
| Balance as at 1 January | 4,095,264 | 4,672,859 |
| Charge during the year | 172,122 | 268,617 |
| Changes from the acquisition of a new subsidiary | 24,265 | - |
| Reversal of provision | (1,369,240) | - |
| Payment / settlements during the year | (472,319) | (846,212) |
| Balance as at 31 December | 2,450,092 | 4,095,264 |

| | | |
|---|---|---|
| **Decommissioning provision** [2] | | |
| Balance as at 1 January | 103,204 | 211,689 |
| Charge during the year | 8,910 | 6,817 |
| Adjustment | 51,374 | (115,302) |
| Balance as at 31 December | 163,488 | 103,204 |

1) The Company is considered a party to a number of legal and regulatory claims. The Group, after taking independent legal advice, has established provisions after taking into account the facts for each case.

2) In the course of the Company's normal activities, a number of sites and other assets are utilized which are expected to have costs associated with restoration of the assets. The associated cash outflows are expected to occur primarily in years up to ten years from the date when the assets are brought in use

(All Amounts in Saudi Riyals thousands unless otherwise stated)

# 32 - Financial Liabilities and Others

## 32.1 Financial liabilities

| | 31 December 2022 | 31 December 2021 |
|---|---|---|
| **Dividends payable** | 2,223,109 | 2,193,995 |
| Financial liabilities related to frequency spectrum licenses | 1,849,838 | 2,017,113 |
| Customers' deposits – stc Bank (Note 16-1) | 1,781,098 | 1,197,294 |
| Government charges | 1,198,765 | 1,170,805 |
| Other financial liabilities (*) | 523,469 | 85,503 |
| | 7,576,279 | 6,664,710 |

| | | |
|---|---|---|
| Current | 5,257,941 | 4,619,656 |
| Non-current | 2,318,338 | 2,045,054 |
| | 7,576,279 | 6,664,710 |

(*) The Group has granted a put option to non-controlling interest shareholders in General Cloud Computing company in which the Group commits to purchase 27% shareholding in the subsidiary at fair value at the exercise date of the option. As a result, the Group has recorded a non-current financial liability of SR 469 million against the reduction in non controlling interests of SR 206 million and other reserves of SR 263 million.

The fair value of the non current liability resulting from the put option has been determined using discounted cashflow valuation method and is classified within level 3 of fair value measurement. At each reporting date, the difference between the fair value of the non current liability resulting from the put option and the non controlling interests will be recognized in equity.





# 32 - Financial Liabilities and Others (Continued)

## 32.2 Other liabilities

| | 31 December 2022 | 31 December 2021 |
|---|---|---|
| **Deferred income (*)** | 3,757,569 | 3,793,616 |
| Others | 352,993 | 431,268 |
| | 4,110,562 | 4,224,884 |

| | | |
|---|---|---|
| Current | 364,324 | 426,823 |
| Non-current | 3,746,238 | 3,798,061 |
| | 4,110,562 | 4,224,884 |

(*) The details of deferred income are as follows:

| | 31 December 2022 | 31 December 2021 |
|---|---|---|
| Government grants (**) | 3,722,846 | 3,733,250 |
| Others | 34,723 | 60,366 |
| | 3,757,569 | 3,793,616 |

(**) The government grants represent grants provided by Communication and Information Technology Commission ("CITC") to the Company to build telecommunication networks in different areas in the Kingdom (Note 4-8).

# 33 - Trade And Other Payables

| | 31 December 2022 | 31 December 2021 |
|---|---|---|
| **Accrued expenses** | 10,674,740 | 8,092,963 |
| Trade payables | 4,546,557 | 4,028,562 |
| Notes payable | 2,340,614 | 1,913,691 |
| Employee accruals | 1,725,276 | 1,484,657 |
| Others | 1,612,966 | 1,594,425 |
| | 20,900,153 | 17,114,298 |

No interest is charged on the trade payables. The Group has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

(All Amounts in Saudi Riyals thousands unless otherwise stated)

# 34 - Zakat and Income Text

| | 31 December 2022 | 31 December 2021 |
|---|---|---|
| **Zakat provision (a)** | 2,044,356 | 1,805,742 |
| Income tax provision (b) | 40,356 | 28,098 |
| | 2,084,712 | 1,833,840 |

a. Zakat provision

The Group calculates and records the zakat provision based on the zakat base in accordance with the zakat rules and principles in the Kingdom as follows:

| | 2022 | 2021 |
|---|---|---|
| Share capital – beginning of the year | 20,000,000 | 20,000,000 |
| Additions: | | |
| Retained earnings, reserves , provisions and others – beginning of the year | 86,266,243 | 83,470,161 |
| Adjusted net profit | 10,501,592 | 11,098,358 |
| Adjusted total shareholders' equity | 116,767,835 | 114,568,519 |
| Deductions: | | |
| Net property (adjusted) and investments | 65,889,099 | 64,532,306 |
| Dividends paid | 7,984,024 | 9,954,612 |
| Deferred expenses and other balances | 3,902,000 | 3,933,133 |
| Total adjusted deductions | 77,775,123 | 78,420,051 |
| Zakat base | 38,992,712 | 36,148,468 |
| Zakat on wholly owned companies for the year | 996,951 | 923,172 |
| Zakat adjustments during the year | (57,666) | 20,275 |
| Add: zakat on partially owned companies for the year | 117,639 | 77,684 |
| Total zakat provision charged during the year | 1,056,924 | 1,021,131 |





## 34 - Zakat and Income Text (Continued)

a. Zakat (continued)

| | 2022 | 2021 |
|---|---|---|
| **Balance at 1 January** | 1,805,742 | 1,878,148 |
| Charge during the year | 1,056,924 | 1,021,131 |
| Reversal / Settlements during the year | (6,876) | (3,914) |
| Amounts paid during the year | (811,434) | (1,089,623) |
| Balance at 31 December | 2,044,356 | 1,805,742 |

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

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

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

(All Amounts in Saudi Riyals thousands unless otherwise stated)

## 34 - Zakat and Income Text (Continued)

b. Income tax provision

Income tax provision is calculated in accordance with the prevailing tax regulations in the countries of some subsidiaries.

### The following is the movement of income tax provision:

| | 2022 | 2021 |
|---|---|---|
| **Balance at 1 January** | 28,098 | 25,643 |
| Charge during the year | 26,251 | 19,235 |
| Effect of acquisition of new subsidiaries | 12,211 | - |
| foreign currency exchange differences effect / Settlements during the year | (6,330) | (1,519) |
| Amounts paid during the year | (19,874) | (15,261) |
| Balance at 31 December | 40,356 | 28,098 |

## 35 - Revenues

| | For the year ended 31 December | |
|---|---|---|
| | 2022 | 2021 |
| Rendering of services | 57,505,321 | 53,125,263 |
| Sale of devices | 9,806,060 | 9,764,612 |
| Others | 120,165 | 118,111 |
| | 67,431,546 | 63,007,986 |
| **Timing of revenue recognition** | | |
| Recognized over time | 57,625,486 | 53,243,374 |
| At a point in time | 9,806,060 | 9,764,612 |
| | 67,431,546 | 63,007,986 |

Geographical segmentation of revenues is provided in the operating segments note (Note 9).

Disaggregation of revenues from government and government related entities are disclosed in related party transactions (Note 21-2). The aggregate amount of unsatisfied or partially unsatisfied performance obligations related to contracts with customers amounted to SR 5,251 million as at 31 December 2022 (2021: SR 4,364 million). The Group expects to recognize approximately 85% (2021: 82%) of these obligations as revenues during the following reporting period.





## 36 - Cost of Revenues

| | For the year ended 31 December | |
|---|---|---|
| | 2022 | 2021 |
| Cost of devices, equipment and software | 10,713,020 | 9,640,406 |
| Government charges | 5,535,445 | 5,847,718 |
| Network access charges (*) | 4,406,390 | 4,967,631 |
| Employees costs | 3,947,000 | 3,570,015 |
| Repairs and maintenance | 2,165,786 | 2,342,891 |
| Amortization and impairment of contract costs (Note 14) | 171,647 | 234,002 |
| Others | 3,099,003 | 2,611,294 |
| | 30,038,291 | 29,213,957 |

(*) Network access charges for the year ended 31 December 2022 includes a non-recurring item that represents a reversal of a provision amounting to SR 1,079 million. This reversal has been made based on recent developments on this matter.

"Others" comprises mainly: direct cost related to stc Bank operations and rent of properties and equipment.

### The details of government charges are as follows:

| | For the year ended 31 December | |
|---|---|---|
| | 2022 | 2021 |
| Commercial service provisioning fees | 4,720,484 | 4,522,983 |
| License fees | 446,428 | 417,331 |
| Frequency spectrum fees | 311,142 | 351,025 |
| Others | 57,391 | 556,379 |
| | 5,535,445 | 5,847,718 |

(All Amounts in Saudi Riyals thousands unless otherwise stated)

## 37 - Selling and Marketing Expenses

| | For the year ended 31 December | |
|---|---|---|
| | **2022** | 2021 |
| Employee costs | 2,778,197 | 2,656,374 |
| Advertising, publicity and sales commissions | 1,553,291 | 1,039,972 |
| Impairment loss on trade receivables (Note 18) | 821,993 | 844,027 |
| Call center expenses | 257,482 | 275,046 |
| Impairment loss on contract assets (Note 15) | 122,879 | 118,437 |
| Amortization of contract costs (Note 14) | 117,200 | 140,319 |
| Others | 459,196 | 511,689 |
| | 6,110,238 | 5,585,864 |

"Others" comprises mainly: repairs and maintenance, consultancy, security and safety

## 38 - General and Administrative Expenses

| | For the year ended 31 December | |
|---|---|---|
| | **2022** | 2021 |
| Employees costs | 3,991,597 | 3,672,348 |
| Repairs and maintenance | 703,754 | 592,607 |
| Consultancy and other contracted services | 607,419 | 409,356 |
| Utilities and cleaning | 149,035 | 103,214 |
| Security and safety | 139,197 | 126,315 |
| Rent | 50,639 | 51,173 |
| Others | 562,709 | 412,552 |
| | 6,204,350 | 5,367,565 |

"Others" comprises mainly: insurance premiums and postage and courier expenses.





## 39 - Finance Income

| | For the year ended 31 December | |
|---|---|---|
| | **2022** | 2021 |
| Income from murabaha | 317,482 | 94,840 |
| Income from sukuk | 284,981 | 283,071 |
| | 602,463 | 377,911 |

## 40 - Finance Cost

| | For the year ended 31 December | |
|---|---|---|
| | **2022** | 2021 |
| Financing costs relating to sukuk | 274,850 | 224,127 |
| Financing costs relating to murabaha | 84,173 | 53,179 |
| Financing cost relating to lease liabilities (Note 29) | 83,447 | 92,736 |
| Unwinding of discounts on provisions and financial liabilities | 254,132 | 248,914 |
| | 696,602 | 618,956 |

## 41 - Net Other Gains

| | For the year ended 31 December | |
|---|---|---|
| | **2022** | 2021 |
| Net gains arising on financial assets measured at FVTPL | 398,359 | 813,208 |
| Gain on sale of equity investments | 27,903 | 38,767 |
| Loss on sale/disposal of property and equipment | (180,705) | (34,032) |
| Net foreign exchange losses and others | (55,891) | (28,300) |
| | 189,666 | 789,643 |

# 42 - Earnings Per Share

The following is the calculation of basic and diluted earnings per share for the year ended 31 December:

| | 2022 | 2021 |
|---|---|---|
| Net profit attributable to equity holders of the Parent Company | 12,170,537 | 11,311,342 |
| Number of shares "in thousands": | | |
| Weighted average number of ordinary shares for the purposes of calculating basic earnings per share | 4,991,503 | 4,992,808 |
| Weighted average number of repurchased ordinary shares | 8,497 | 7,192 |
| Weighted average number of ordinary shares for the purposes of calculating diluted earnings per share | 5,000,000 | 5,000,000 |
| Earnings per share attributable to equity holders of the Parent Company (in Saudi Riyals): | | |
| - Basic | 2.44 | 2.27 |
| - Diluted | 2.43 | 2.26 |

The following is the number of outstanding shares (in thousands) as at:

| | 2022 | 2021 |
|---|---|---|
| Outstanding shares as at the beginning of the year | 1,997,149 | 1,997,017 |
| Outstanding shares issued | 357 | 132 |
| Effect of bonus shares issuance | 2,996,260 | 2,995,724 |
| | 4,993,766 | 4,992,873 |
| Treasury shares purchased during the year | (11,588) | - |
| Outstanding shares as at the end of the year | 4,982,178 | 4,992,873 |





# 43 - Financial Instruments

## 43.1 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:

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

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

(All Amounts in Saudi Riyals thousands unless otherwise stated)

## 43 - Financial Instruments (Continued)

### 43.1 Capital management (continued)

| | 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% |

a. Debt is defined as current and non-current borrowings (Note 27).
b. EBITDA is defined as operating profit for the year adjusted for depreciation, amortization and impairment.
c. Equity is defined as total equity including share capital, reserves, retained earnings and non-controlling interest.

### 43.2 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 (Note 4-20).

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.





## 43 - Financial Instruments (Continued)

### 43.2 Fair value of financial instruments (continued)

#### Financial assets and liabilities measured at fair value:

| 31 December 2022 | 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 16-1) | 2,929,065 | - | - | 2,929,065 |
| **Financial liabilities** | | | | |
| At fair value through profit or loss: Other financial liabilities | - | - | - | - |

| 31 December 2021 | 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 16-1) | 2,135,246 | - | - | 2,135,246 |
| **Financial liabilities** | | | | |
| At fair value through profit or loss: Other financial liabilities (Note 32-1) | 675 | - | 675 | - |

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 cashflow valuation method and is classified within level 3 of fair value measurement (Note 32-1).

The fair value of the Group's investment in the units of stc Ventures Fund and STV LP Fund (the "Funds") is obtained from the net asset value ("NAV") reports received from the Funds' managers. The Funds' managers deploy various techniques (such as recent round of finance, discounted cash flow models and multiples method) for the valuation of underlying financial instruments classified under level 3 of the respective Fund's fair value hierarchy. Significant unobservable inputs embedded in the models used by the Funds' managers include risk adjusted discount rates and lack of marketability discount. An increase/(decrease) of 10% in the discount rate would lead to a (decrease)/increase of (SR 152 million)/ SR 255 million in estimated value.

(All Amounts in Saudi Riyals thousands unless otherwise stated)

## 43 - Financial Instruments (Continued)

### 43.2 Fair value of financial instruments (continued)

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

| | 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) | 397,569 | 813,208 |
| Net asset value as at 31 December | 2,929,065 | 2,135,246 |

- Financial assets and liabilities measured at amortized cost:

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 | 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 | 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 | - |





## 43 - Financial Instruments (Continued)

### 43.2 Fair value of financial instruments (continued)

- Financial assets and liabilities measured at amortized cost (continued):

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.

### 43.3 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 SR 39 million (2021: SR 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.

### 43.4 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.
The Group has approved guidelines and policies that allows it to only deal with

(All Amounts in Saudi Riyals thousands unless otherwise stated)

## 43 - Financial Instruments (Continued)

### 43.5 Credit risk management

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, 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 (Note 18).

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 (Note 45).

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

The credit rating of the Company'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) (Note 16-1).

The carrying value of financial assets represent the maximum exposure to credit risk.

The Group has established a comprehensive liquidity risk management framework





## 43 - Financial Instruments (Continued)

### 43.6 Liquidity risk management

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 has been drawn up based on the undiscounted cash flows of financial liabilities.

| | | Undiscounted Cash Flows | | |
|---|---|---|---|---|
| **31 December 2022** | Carrying amount | One year or less | Above one year but less than five years | Above five 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** |
| **31 December 2021** | | | | |
| 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 |

(All Amounts in Saudi Riyals thousands unless otherwise stated)

## 43 - Financial Instruments (Continued)

### 43.6 Liquidity risk management (continued)

The Group has unused financing facilities amounting to SR 5,843 million as at 31 December 2021) 2022: SR 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:

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

### 43.7 Changes in liabilities arising from financial activities

Changes in liabilities arising from financial activities are as follows:

| | 1 January 2022 | Cash flows | Non-monetary changes | 31 December 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 |
| | 12,526,457 | 106,584 | 1,153,612 | 13,786,653 |





## 43 - Financial Instruments (Continued)

### 43.7 Changes in liabilities arising from financial activities (continued)

| | 1 January 2021 | Cash flows | Non-monetary changes | 31 December 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 |
| | 11,936,128 | (583,986) | 1,174,315 | 12,526,457 |

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

## 44 - Capital Commitments

1. One of the subsidiaries has an agreement to invest in a fund aiming to improve the telecommunication and internet environment for SR 806 million (equivalent to USD 215 million) as at 31 December 2022 (31 December 2021: SR 1,125 million (equivalent to USD 300 million ) (Note 6-17).

2. The Group has contractual commitments for the acquisition of property and equipment and intangible assets amounting to SR 4,709 million as at 31 December 2022 (31 December 2021: SR 4,193 million).

3. During 2022, the Company allocated an additional SR 1,125 million (equivalent to USD 300 million) to invest in STV LP Fund.

# 45 - Contingent Assets And Liabilities

1. The Group has outstanding letters of guarantee on behalf of the parent and its subsidiaries amounting to SR 5,181 million as at 31 December 2022 (2021: SR 4,695 million).

2. The Group has outstanding letters of credit as at 31 December 2022 amounting to SR 1,544 million (2021: SR 1,394 million).

3. On 21 March 2016, the Company received a letter from a key customer requesting a refund for paid balances amounting to SR 742 million related to construction of a 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 Company's financial position or on the results of its operations as reflected in these 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 SR 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 CITC related to imposing government fees on devices sold in instalments for the period from 2018 until the end of the first quarter of 2021, totalling SR 782 million. The Group has objected to these claims within the statutory deadline and an appeal court ruling was issued in favor of the Group in regards to one of the claims amounting to SR 641 million. CITC 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 SR 141 million. An appeal court ruling was issued in favor of the Group for part of the claims (SR 83 million) and another appeal court ruling was issued in favour of CITC for the remaining claims (SR 58 million).





# 46 - Employees Long-Term Incentives Program

## 46.1 Group's long-term incentives program

The Board of Directors approved on 17 March 2020 (corresponding to 22 Rajab 1441H) to repurchase a number of the Company's shares for an amount not to exceed SR 300 million to be allocated for the employees long-term incentives program (the Program). The Board raised its recommendation to the 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 2020 (corresponding to 27 Shaban 1441 H).

The Board of Directors approved on 28 June 2022 (corresponding to 29 Thul-Qi'dah 1443H) to repurchase a number of the Company's shares for an amount not to exceed SR 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 Company's shareholders General Assembly ("GA"), and will not be entitled to any dividends while the shares still under the Company's possession.

The Program intends to attract, motivate and retain employees responsible for the achievement of the Group's goals and strategy. The Program provides a share-based payment plan for eligible employees participating in the Program by granting them shares in the Company upon completing the duration of service and performance requirements and achieving the targets determined by the Group.

The program is generally equity-settled. However, in certain circumstances, the awards are settled in cash. Shares are granted to employees over three cycles with three tranches each.

(All Amounts in Saudi Riyals thousands unless otherwise stated)

## 46 - Employees Long-Term Incentives Program (Continued)

### 46.1 Group's long-term incentives program (Continued)

The grant and vesting dates, respectively 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:

| | 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 SR 42.8 per share (taken into consideration the effect of bonus shares issuance) (2021: SR 128.6 per share). Total expenses related to the Program for the year ended 31 December 2022 amounted to SR 85 million (31 December 2021: SR 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 (Note 24).





## 46 - Employees Long-Term Incentives Program (Continued)

### 46.2 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 a fixed number of its own shares. The total expense in relation to this program amounted to SR 28 million (2021: SR 9 million).

## 47 - Dividends

On 27 September 2021 (corresponding to 20 Safar 1443H) the Board of Directors have approved the Company's dividends policy for the next three years starting from the fourth quarter of 2021, which was approved by the GA on 30 November 2021 (corresponding to 25 Rabi al-Thani 1443H). The objective of the dividends policy is based on maintaining a minimum level of dividend of SR 1 per share on a quarterly basis. The Company will consider and pay additional dividend subject to the Board of Directors recommendation to the GA after assessment and determination of the Company's financial situation, outlook and capital expenditure requirements. It is probable that additional dividends are likely to vary on a quarterly basis depending on the Company's performance.

The dividends policy will remain subject to:
1. Any material changes in the Company's strategy and business (including the commercial environment in which the Company operates).
2. Laws, regulations and legislation governing the sector in which the Company operates.
3. Any banking, other funding or credit rating covenants or commitments that the Company may be bound to follow from time to time.

In line with the same policy, the Company distributed cash dividends to the shareholders of the Company for the fourth quarter of 2021, first quarter of 2022 and second quarter of 2022 at a rate of SR 1 per share, per quarter.

The Board of Directors recommended on 11 June 2022 (corresponding to 12 Thul-Qi'dah 1443H) to the GA to amend the dividends policy to reflect the proposed capital increase (note 22) which is:

The objective of the policy is based on maintaining a minimum dividend of SR 0.40 per share on a quarterly basis, for the same period covered by the current

(All Amounts in Saudi Riyals thousands unless otherwise stated)

## 47 - Dividends (Continued)

policy. The Board's recommendation was approved by the EGA on 30 August 2022 (corresponding to 3 Safar 1444H). The Company will consider and pay additional dividend subject to the Board of Directors recommendation to the GA after assessment and determination of the Company's financial situation, outlook and capital expenditure requirements. It is probable that additional dividends are likely to vary on a quarterly basis depending on the Company's performance.

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

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

## 48 - Subsequent Events

1. On January 17, 2023, the Company sold a land owned by it, with a book value of SR 82 million through a public auction, at a value of SR 1.378 million. This land has been reclassified as an asset held for sale as at 31 December 2022 (Note 10).
2. On 11 January 2023, Solutions signed the sale and purchase agreement to acquire 100% of Contact Center Company ("CCC") which is subject to a number of pre-closing conditions, including -but not limited to- obtaining the approval from the relevant authorities such as the approval of the General Authority for Competition, as well as other regulatory and commercial conditions (Note 8-2-1).
3. In January 2023, Saudi Central Bank lifted the restrictions on the deposited capital of stc Bank for the amount of SR 1.552 million, which was deposited for the conversion of the Bank from a limitied liability company to a closed joint stock company.
4. On January 23, 2023, the Company obtained licenses to provide internet service on board aircraft, as well as mobile communications service via satellite in the Kingdom of Saudi Arabia, for a financial consideration of SR 427 million for a period of 15 years, starting from 2023.





## 49 - Comparative Figures

Certain figures have been reclassified as listed below to conform with the classification used for the year ended 31 December 2022. These reclassifications listed below have no impact on previously reported net income, retained earnings or cash positions:

| | As previously reported | Amount of reclassification | Reclassified amounts |
|---|---|---|---|
| **Consolidated statement of financial position as at 31 December 2021** | | | |
| Trade receivables | 25,464,155 | (606,774) | 24,857,381 |
| Financial assets and others (current) | 3,127,894 | 606,774 | 3,734,668 |
| **Consolidated statement of profit or loss for the year ended 31 December 2021** | | | |
| Revenues (Note 5-1-2) | 63,416,977 | (408,991) | 63,007,986 |
| Cost of revenues (Note 5-1-2) | (29,622,948) | 408,991 | (29,213,957) |
| Selling and marketing | (5,463,336) | (122,528) | (5,585,864) |
| General and administration | (5,490,093) | 122,528 | (5,367,565) |

## 50 - Approval of The Consolidated Financial Statements

The Board of Directors approved the consolidated financial statements for the year ended 31 December 2022 on 29 Rajab 1444H (corresponding to 20 February 2023).