this year we went even further

to enrich people's lives

annual report 2020

stc.com.sa

Table of contents

About us

We are a pioneer digital champion, always been focused on innovation and evolution, thinking about future to make it, to stay ahead as a truly meaningful and purposeful organization.

We offer variety of ICT solutions and digital services in several categories including telecommunication, IT, financial technology, digital media, cybersecurity, and other advanced digital solutions, with that we are leading the digital transformation nationally and regionally.

Our vision

We are a world-class digital leader providing innovative services and platforms to our customers and enabling the digital transformation of the MENA region.

Our purpose

We create and bring greater dimension and richness to people's personal and professional lives.

Dynamism

How we become a company that is continuously looking to improve and adopt new and better ways of doing things, with a fresh and ingenious view.

✔ Agile ✔ Collaborativee ✔ Fresh

Devotion

The desire to become a "**customer centric**" company for our clients and our employees.

✔ Caring e ✔ Committede ✔ Trustworthy

Drive

We are "**restless**", looking for the best possible solutions for our clients and our employees.

✔ Proactivee ✔ Inventivee ✔ Inquisitive

Chairman’s Message

In the Name of Allah, the Most Gracious, the Most Merciful

Dear stc Shareholders,

Peace be upon you and Allah's mercy and blessings,
In the middle of challenges lie opportunities. So, **stc** Group has made sure that its strategic plans are in line with the challenges that the industry is facing globally in parallel with the digital information revolution and the conditions of the Covid-19 pandemic during the year 2020. Therefore, our positive performance throughout the year was a real test of the strength of our strategy and our capabilities as a digital enabler for the Kingdom of Saudi Arabia. This is evidenced by our effective contribution to the success of the extraordinary G20 summit hosted by the Kingdom amid huge global challenges. Through our digital partnership for the summit and our cooperation with the Saudi Secretariat of the G20, we succeeded in providing the main telecommunications services to enable digital services for all summit meetings. In this regard, **stc** contributed to the expansion of the 5G network by 130% to absorb the increase in digital services during the summit.

What the world witnessed in light of the exceptional circumstances and measures in 2020 due to the emerging Coronavirus (COVID-19) pandemic, motivates us on a daily basis to boldly develop our strategy to harness all our capabilities to deal with different circumstances in all vitality and in a manner consistent with the position of the Company. Therefore, during the year, we took the initiative to enhance communication services, raise communication capacity, and urgently provide services to a number of entities to enable the digital transformation of all sectors. During the first days of the pandemic, we provided 40,000 free Internet slides for the Digital Giving Initiative, to enable those who cannot access the Internet, and for the educational platforms, and provided access to some educational and health platforms for free. The Company also announced its support through bearing the temporary service discontinuation fees for small and medium enterprises

to alleviate the potential financial effects on this vital sector. In addition, the payment deadline for customers has been extended and the data capacity doubled for free for **stc** current or new customers in order to support the educational process and enable employees of the government and private agencies to continue their work in light of the precautionary measures taken by the Kingdom. In line with its social responsibility, the Company has also contributed to broadcasting more than 2 billion awareness messages to curb the spread of Corona virus, using ten different languages.

The Company has also paid particular attention to the long-term requirements of sustainable development. In this respect, **stc**'s sustainability framework has been prepared based on seven (7) main performance areas that are in line with the Company's strategy, "Dare". In launching its first sustainability report, the Company has strategically focused on ambitiously contributing to a sustainable future. These areas include: doing business with integrity, enhancing economic impacts, enriching lives and experiences, expanding access to technology and communication, promoting innovative digital opportunities, caring for the environment, in addition to empowering manpower. These principles were represented by the launching of the "**stc** Chair for Artificial Intelligence" at the King Saud University, which aims to promote innovation and digital solutions in vital areas such as sustainability, data analysis, and cybersecurity. The chair is expected to represent an incubator for innovation, scientific research, and development in the field of artificial intelligence, which contributes to enriching academic studies and research, as well as contributing to providing sustainable solutions that have an impact on society, the economy, and the environment.

In the area of growth in unconventional paths within our strategy in this regard, we have succeeded through **stc** Pay company in supporting and developing the financial sector in the Kingdom, prompting international companies of the size of Western Union to buy a 15% ownership stake in the amount of SAR 750 million (USD 200 million), making **stc** Pay company the first billionaire (unicorn) company in Saudi Arabia and the Middle East.

In continuation of the Company's progress at the local and global levels, **stc** Group was re-elected to the Board of Directors of the Global System for Mobile Communications (GSMA) after the Company won the elections for the Board, which includes the largest and most important 25 telecommunications companies in the world, thus becoming the first Saudi company to attain and maintain this achievement. Meanwhile, **stc**'s election comes in recognition of its position as a leader in digital transformation and a reflection of the prominent influence of the Kingdom of Saudi Arabia in global and regional policy-making regulating the telecommunications sector, which is in line with the strategies and directions of the telecommunications sector in the Kingdom, in accordance with Vision 2030.

Finally, in recognition of the unlimited support provided by our wise leadership, I would like to take this opportunity to extend my sincere thanks and appreciation to the Custodian of the Two Holy Mosques, King Salman bin Abdul-Aziz, and to the Crown Prince HRH Prince Mohammed bin Salman. Their tremendous support of the communications and information technology sector in the Kingdom contributed to its development and growth, and to the improvement of its infrastructure in record time, thus helping achieve digital transformation in line with the goals of the Saudi Vision 2030. Many thanks also to our esteemed shareholders for their trust and continuous support for the board, to our valued customers who are our success partners, and to my colleagues in the Group inside and outside the Kingdom for their hard work to ensure the continued success of the Group.

Peace be upon you and Allah’s mercy and blessings.

Mohammed bin Khalid Abdullah Al Faisal
Chairman of the Board of Directors

Chief Executive Officer Message

In the Name of Allah, the Most Gracious, the Most Merciful

Dear stc Shareholders,

Peace be upon you and Allah's mercy and blessings,

The year 2020 was absolutely exceptional, especially as the Company achieved the highest annual revenues compared to the previous eight years, an achievement attained, thanks to the efforts of the wonderful **stc** team during the interaction with the increase in demand for the Company's various services and the ability to meet customer requirements quickly and effectively, especially during the Corona pandemic. This contributed to achieving remarkable success in business sustainability in various vital sectors, in addition to the success of the Company's strategic direction to be a leading regional center for digital services through innovative projects and global partnerships. During this year, three huge data centers were simultaneously launched in Riyadh, Jeddah, and Medina, with the aim of enabling the digital transformation of the government and private sectors and strengthening the cloud infrastructure for the local digital economy in the fields of Artificial Intelligence (AI) , Internet of Things (IoT), and cloud computing, in addition to having signed a non-binding Memorandum of Understanding (MoU) of USD 500 million to invest in cloud services with Alibaba Cloud, the digital technology and artificial intelligence arm of the Alibaba Group.

The same year also witnessed the Company's launch of its first sustainability report in order to enhance its strategic role as an enabler of digital transformation in the Kingdom and the region to maximize its positive effects economically, socially, and environmentally, as a commitment to adopting best responsible practices and raising standards in the communications and information technology sector. The report contained significant numbers in the field of sustainability, including fiber optics reaching more than 3 million homes, in addition to innovative digital solutions such as launching **stc** Pay, the largest digital wallet in the region, and providing 100% of the Company's services through a digital platform, my**stc** application.

Moreover, the report included supporting Saudi entrepreneurs through the InspireU program, as the Company incubated 28 emerging companies to support innovation in digital information and communication technology, and contributed to creating about 160,000 permanent and partial job opportunities. Meanwhile, the market value of the projects supported by the incubator amounted to about SAR 300 million, in parallel with our commitment to promoting local content through the Company's "Rawafed" program, whose contribution to raising local content amounted to more than SAR 12 billion during the past years.

The Company continued its leadership during the year 2020 and achieved the highest credit rating by SIMA Rating Agency, represented by "AAA" in the long term and "T1" in the short term. It also ranked first among telecom companies and ranked fifth at the level of all companies listed in the stock market, according to Forbes magazine of companies operating in the Middle East and North Africa (MENA region), in addition to being selected as the most effective brand according to the "MENA Ivy" rating. Undoubtedly, these distinguished positions came as a result of the Company's continuous growth during the past years and its commitment to its values and strategy, and the innovative solutions and services it provides.

The Company won two Speedtest Awards as the fastest and best mobile network coverage in the Kingdom. Moreover, the Company won the Best Customer Experience Program for 2020 (my**stc**) application after competing with major telecom companies in the world. For the fourth year in a row, the Company won the award for the fastest internet on the mobile network, and the award for the best mobile coverage provided by a telecom company in the Kingdom, in addition to winning the award for the fastest mobile network for the fifth generation 5G, from (Ookla). The Company's winning of these awards for the world's most famous platform for measuring internet speeds is evidence of its commitment to providing the best services to its customers in the Kingdom, raising the efficiency of services to society, and providing an ideal customer experience with the Company, especially as it has doubled network capacities, as well as doubled delivery of services and products via the digital application..

As part of our journey to digital transformation and enriching customers' lives, seven (7) million contracts have been digitized annually and paper contracts have been dispensed with, which will contribute to saving 200,000 waiting hours of customer time per year. The Company has also sought to expand the infrastructure of communication towers by building new towers in the Kingdom and keeping pace with technological advances such as the fifth generation and the requirements of improving the network and increasing its speed. Also, the Saudi Digital Payments Company, **stc** Pay, obtained the official license from the Saudi Arabian Monetary Agency (SAMA) as an electronic wallet in the field of fintech, to be the first licensed financial technology company in the Kingdom, as it is today the largest digital financial wallet in the MENA region.

In conclusion, we would like to thank you for your trust and support, and we assure you that the Group today is moving in steady steps to enhance its local and regional leadership and global reputation and to play its pivotal role as a pioneering digital enabler for transformation in the Kingdom in accordance with the goals of the Kingdom's Vision 2030.

Eng. Olayan bin Mohammed Al-Wetaid
stc Group CEO

In the name of Allah, the most gracious, the most merciful

Saudi Telecom Company (the "Company") was established as a Saudi Joint Stock Company pursuant to Royal Decree

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 authorised the transfer of the telegraph and telephone division of the Ministry of Post, Telegraph and Telephone ("MoPTT") with its various components and technical and administrative facilities to the Company, and in accordance with the Council of Ministers' Resolution No. 213 dated 23 Dhul Hijja 1418H (corresponding to 20 April 1998) that approved the Company's by-laws ("By-laws"). The Company was wholly owned by the Government of the Kingdom of Saudi Arabia (the "Government"). Pursuant to the council of Ministers Resolution No. 171 dated 2 Rajab 1423H (corresponding to 9 September 2002), the Government sold 30% of its shares. The ultimate controlling party of the Company is the Government through the Public Investment Fund (PIF) which owns 70% of the total shares of the Company.

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 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.

The Company 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". **The following are the details of the companies:**

Subsidiaries

Name of Subsidiary	Country of incorporation	Shareholding Percentage	
		31-Dec-20	31-Dec-19
Arabian Internet and Communications Services Company Limited ("Solutions by **stc**")	Kingdom of Saudi Arabia	100%	100%
Telecom Commercial Investment Company Limited ("TCIC")	Kingdom of Saudi Arabia	100%	100%
Aqalat Company Limited ("Aqalat")	Kingdom of Saudi Arabia	100%	100%
Saudi Telecom Specialized Company ("Specialized by **stc**")	Kingdom of Saudi Arabia	100%	100%
Sapphire Company Limited ("Sapphire")	Kingdom of Saudi Arabia	100%	100%
Saudi Telecom Channels Company (Channels by **stc**)	Kingdom of Saudi Arabia	100%	100%
Telecommunications Towers Company Ltd. ("TAWAL")	Kingdom of Saudi Arabia	100%	100%
Saudi Digital Payments Company ("**stc** Pay")	Kingdom of Saudi Arabia	100%	100%
Smart Zone Real Estate Company	Kingdom of Saudi Arabia	100%	100%
Advanced Technology and Cybersecurity Company	Kingdom of Saudi Arabia	100%	-
stc Bahrain BSC (C) ("**stc** Bahrain")	Kingdom of Bahrain	100%	100%
Kuwait Telecommunications Company ("**stc** Kuwait")	Kuwait	51.8%	51.8%
stc Turkey Holdings Ltd ("**stc** Turkey")	British Virgin Islands	100%	100%
stc Asia Telecom Holdings Ltd ("**stc** Asia")	British Virgin Islands	100%	100%
stc Gulf Investment Holding S.P.C. ("**stc** Gulf")	Kingdom of Bahrain	100%	100%

Associate Companies

Name of Associate Company	Country of incorporation	Shareholding Percentage	
		31-Dec-20	31-Dec-19
Arab Satellite Communications Organisation ("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%

Joint Ventures

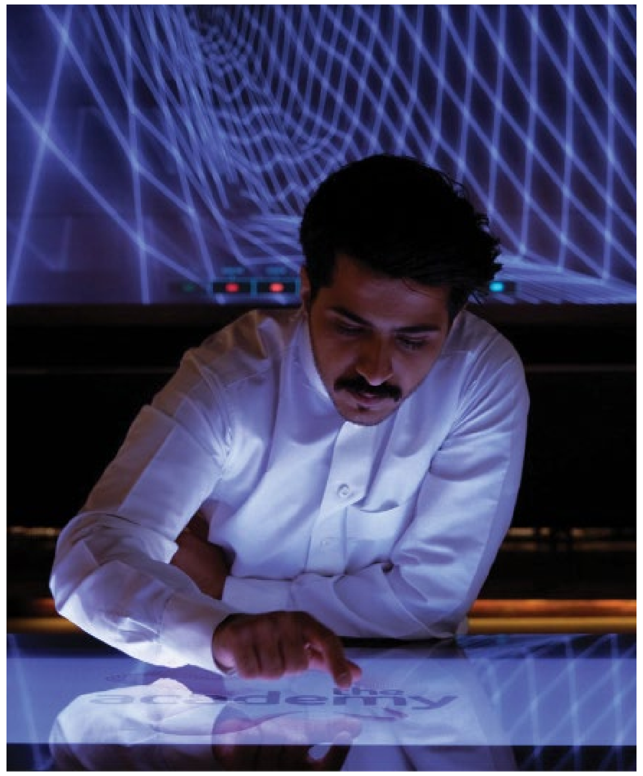
Name of Joint Ventures	Country of incorporation	Shareholding Percentage	
		31-Dec-20	31-Dec-19
Arab Submarine Cables Company Limited	Kingdom of Saudi Arabia	**50%**	50%
Contact Center Company ("CCC")	Kingdom of Saudi Arabia	**49%**	49%
Binariang GSM Holding ("BGSM")	Malaysia	**25%**	25%

The Company's Board of Directors is pleased to submit to the valued shareholders this annual report on the Group's performance, and its results for the fiscal year 2020, reflecting the continued development of the Group's performance in the various aspects of its activities. The report illustrates the Group's role in the promotion and development of the telecommunications sector in the Kingdom of Saudi Arabia so as to serve Saudi society, achieve national development plans, effectively contribute in strengthening the national economy, and achieve rewarding returns for its shareholders, in line with the objectives of National Transformation Program 2020 and Saudi Vision 2030.

Activities of the Group

The main activities of the Company and its subsidiaries (referred to collectively as the "Group") are the provision and introduction 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 the 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, and cloud services, 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 maintain of devices, equipment, and components of different telecom networks including fixed, moving and private networks. In addition, computer programs and the other intellectual properties, in addition to providing services and executing contracting works that are related to different telecom networks.
8. Real estate investment and the resulting activities, such as sale, purchase, lease, management, development and maintenance.
9. Obtain 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, assets 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 payment services.
15. 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 merged 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.

this year
we went
even
further

First

stc Group Performance and Main Activities during the fiscal year 2020

A. Operational Performance

1. Saudi Telecom Company (stc)
Kingdom of Saudi Arabia

| Consumer Unit

B2C exhibited strong performance in 2020 despite unprecedented market circumstances from the COVID-19 pandemic, which shackled markets, industries and entire economies. This strong performance was due to our immediate response to the pandemic, through fast decision making, effective internal operations pivoting, advanced digital capabilities from attraction to fulfilment, targeted based management and a mature marketing engine.

At the onset of the pandemic, strict government precautionary measures from curfews and store closures, to travel restrictions and halts in tourism hindered B2C operations across several fronts:

- Travel and Umrah restrictions impacted inflow and outflow of expats and residents, severely hindering sales and international/ roaming revenues.
- **stc** standalone stores, mobile shops and in-mall stores were subject to curfews, inhibiting sales, recharges, and countless other interactions.
- Supply chain of devices, equipment shipments and other products were interrupted due to travel bans, thus limiting stock levels and ability to sell in the market.
- Call center premises were shut down and employees were forced to work from home abruptly with little to no equipment availability at the time.

Accordingly, B2C took immediate measures to turnaround performance including the following:

- A push on digital channels through digital awareness campaigns, online events and increased menu of digital transactions.
- Adjustments to incentives/ commissions to stimulate digital sales.
- Introduction of additional incentives to delivery, retail and distribution employees to accommodate business needs promptly.
- Sustaining our leadership on devices sales.
- Launch of aggressive products and promotions/ campaigns to push existing and new products and add-ons, promote media streaming and 5G, push recharge promotions and offer upgrades incentives.
- A sales and fulfilment revamp to boost field operations capacity, increase outbound sales/ delivery capability through re-allotment of retail agents, enable wider recharge channels and launch promise-to-delivery.
- An external communications boost through Kingdom-wide Stay-at-Home campaigns, promotions of eSports tournaments, emphasis on safe delivery, and engagement of influencers to push uptake.

To enable these changes, we had to empower our entire operating model to support and stimulate our digital push. Accordingly, this resulted in a complete shift towards digital – 100% of our sales in main cities and more than 70% countrywide came from our market-leading app my**stc**. Our call centers' agents were fully operational to attend to all customer requests from home, which proved to be a solid model to deal with the COVID-19 disruptions.

Overall, despite a temporary impact in the early days of the pandemic, our subscriber base maintained leadership, pushing our base to record figures, given strong sales efforts, healthy digital sales and record retention performance.

As a result of home lockdowns, residential business recorded impressive growth this year, mainly driven by Baity Fiber and Baity 4G/5G sales and upgrades within existing base. Baity Fiber and Baity 4G/5G sales grew significantly through solid promotions throughout the year, supported by incremental improvements in the sales to fulfilment journey.

Devices remain a strategic part of our ecosystem, as they enable us to push customers on higher-end bundles and allow us to better control the future shift to a full e-SIM space. Our devices business delivered exceptional performance this year, fully leveraging our digital acquisition and last mile delivery efforts and capitalizing on tough macro conditions to gain market share through targeted discounts and offers.

Apart from the core business, our suite of digital services performed positively in 2020, validating our strategic focus in doubling down on digital adjacencies through cross-ecosystem bundling and promotions. Jawwy TV subscribers base grew, while viewing hours increased multiple folds, with people hungry for quality local content in the confines of their home lockdowns. **stc** Pay took its subscriber base and transactions to the next level – needless to say, the Western Union deal served as the perfect testimony to its success story.

| Enterprise Unit

During
2020

stc signed an agreement with Alibaba Cloud, the digital technology and artificial intelligence arm of the Alibaba Group, and the eWTP Arabia Capital investment fund, to provide high-performance public cloud services in the Kingdom of Saudi Arabia. In addition, an agreement has also been signed with Saudi Aramco in the field of **supercomputer**, to enable Saudi Aramco to enhance the efficiency of seismic data processing and earth sciences to further improve mining and exploration practices. By providing installation, operation and maintenance of a giant exploration computer and a tier 1 remote computing facility.

In addition, a memorandum of understanding was signed with the Makkah Health Cluster aiming to develop the infrastructure and provide digital solutions and cloud services to implement advanced health services such as intensive care delivery services using TeleICU telemedicine technologies and remote healthcare provision as **"virtual clinics"**. **stc** and NVIDIA signed an agreement to build The first cloud platform for artificial intelligence and deep learning in the Kingdom of Saudi Arabia, which aims to enable the National Program for Artificial Intelligence and build a roadmap for the cloud infrastructure for artificial intelligence in the Kingdom. **stc** also signed a partnership agreement with the General Authority of Meteorology and Environmental Protection to implement the **"Air Quality"** project, which is one of the most important pillars of the Kingdom's Vision 2030 programs. The project includes building and operating an air quality center and stations across the Kingdom in accordance with approved international standards.

Moreover, as part its efforts during the pandemic, **stc** launched many initiatives and services that enable the public and private sectors to continue their business and mitigate the economic impacts. **Among those initiatives are the following:**

- Bear the temporary service suspension fee for SMEs that has temporarily suspended their own services.
- Providing four digital services to help health care providers in the Kingdom contain the Corona virus, as these digital services contribute effectively to facilitating the work of medical staff in hospitals and health facilities, ensuring business continuity while working remotely and following up on patients at any time and anywhere. These services included the **"Virtual Clinic"** service in order to allow communication between patients and doctors, the **"EMI"** service to easily manage, store and display medical x-rays from anywhere, in addition to an **"emergency"** service that allows health facilities to activate alerts for doctors and medical care staff. In addition to the **"SPOT"** service, which allows customers in businesses that require field, security or emergency operations to communicate with each other through **"PTT"** (push to talk) in a safe way.
- Launching several services, including the approved digital signature service for establishments in the Kingdom, which supports the digitization of private and government enterprises' businesses as the first certified remote digital signature. In addition, Vulnerability Management Service, which contributes to bridging security gaps and ensuring business continuity within its range of services in the field of cybersecurity.
- The launch of **"Managed SOC"** services that maximize the overall information security control of facilities and ensure business continuity.
- The launch of **"Filevalt"**, which allows business files to be shared through **stc** Cloud, as it provides complete and secure control, and the user has all the privileges to track, share and organize files.
- The launch of the correspondence management system **"CMS"** service, which is considered the new generation of administrative communication systems that support full digital transformation (paperless environment), through which all official transactions, including incoming and outgoing correspondence, can be followed up, and the system is available as a cloud service or an independent system.
- The launch of the **"Fuel Management"** service for gas station owners, and the **"InfoFi"** service for facilities, an add-on to the facility's Wi-Fi service that provides them with in-depth analytics to understand visitor behavior and customer feedback.
- **stc** introduced the first drones (unmanned aerial vehicles) to the Saudi market, which were designed as an integrated solution for many industries and customers (B2B, B2G, B2C).
- The launch of the **"SAT Backup IP"** satellite communication service, which provides a solution to be used when the main network fails. The service offers an alternative communication channel via satellite to ensure business continuity.

| Wholesale Unit

stc has made qualitative achievements in the field of wholesale services by providing all the international needs and services of the business units within the company from telephone and Internet services as well as to the company's customers from local, regional and international operators and service providers In addition to the regional business segment, **these achievements have been particularly in the following areas:**

International Traffics

- Achieving considerable growth in the conveyed international transit voice traffic for the third consecutive year, which has led to exceeding planned targets.
- Migration of Voice traffic and Services from legacy old four stand-alone EWSD TDM switches to geo-redundant IPX International VoIP Gateway (VIPX-Ribbon Q21\Q50) with centralized routing that passing the international traffic to reach 180,000 concurrent calls.
- Migrated the TDM only carriers to Media Gateway G9, which has the capacity of STM1 x 16 for each location.
- Stablished links with major international operators for Diameter & Sigtran for IP-STP system and Data roaming.
- Successful deployment of CRE SL II (Service Logic enhancement) and NAWAQIL TRM Ph. II that provides A and B routing and Credit control and netting advanced business features.
- Developing the international traffic management systems to accommodate new carriers and operators through adding many capabilities that enable dealing with different types of companies and applying different business models.
- Signed many special agreements to terminate international traffic with a number of international operators, which enabled the company to provide distinctive offers to the company's customers within the Saudi market.

OLO and International Services

- Developed and signed e-SIM agreements with OLOs.
- Signed National Roaming Agreement in USF areas with local operators.
- Signed frame wholesale agreement with **stc** Pay as new WBU customer and started providing WBU services.
- Signed FTTH (open access) agreements with OLOs.
- Defining OA strategy to create value through increasing assets monetization.
- Closed deal of 2x 100G IPLC including IPT with Zain.
- Signed a new deal of 2x 100G IPLC for ITC.
- Signed and implemented IP interconnection Agreement with ITC.
- Signed 1x 10G IPLC to Mazara with ITC.
- Signed amendment for Virtual Services with specialized.

National and International Infrastructure

In term of the international infrastructure, **stc** have maintained its excellence and asserted its international presence with the most advanced and modern network in the MENA region. This was due to the development and expansion of its land and marine cables, which considered the most high-tech in the world.
In 2020 number of achievements has been done, mainly:

- Upgrades both systems IMEWE and SMW-5.
- **stc** investment in 2 Fiber Pair on Simba East with landing in Duba, Yanbu, India and GCC.
- Additional investment on FB Half fiber pair, extending **stc** network reach to East Africa up to South Africa.
- Starting the Saudi Vision Cable project as one of **stc**'s initiatives to support the Kingdom's Vision 2030 with 4 landing stations (Jeddah, Yanbu, Duba and Haql).
- **stc** represented by the wholesale business unit in many international conferences specialized in cable systems and carrier services and operators.

Regional and International Excellency

- WBU sector has activated more than 50% of last year in IGW to adopt the increasing of internet traffic especially due to Covid19 situation.
- Total IGW Capacity has been reached 8.6 T.
- WBU sector have the presence/connectivity with top Internet exchanges points in Europe.
- During 2020, WBU sector implemented an international traffic protection plan, that includes 2 Tbps extra capacity to face the crises during single and dual submarine cable cut.
- The capacity of our connectivity with some regional IXP has been increased, and CDN local capacities increased as well.
- Transferring 100% the international circuits to be work with IPX technology instead of TDM.
- Transferring international circuits for TDM technology to 99% IPX technology to restore international incoming and outgoing traffic with exceptional quality, especially during the Ramadan and Hajj seasons.
- 99% IPX voice traffic outbound for incoming traffic, 99% for outbound traffic, continuous traffic distribution, continuous and service integrity.
- New service brochures has been provided and many other marketing materials.
- The international 5g coverage map and Wholesale international reach map has been released.

International internet services

Cloud Services and Jedix:

New MENA Gateway.	Signed deals with Microsoft, Google, Zenlayer, Kaopu Cloud. CDN, Content, Gaming:	Singed deals with new customers and new Logos with Limelight, MBC, LUMEN (EA Sports), and Subspace.

WBU Growth Initiatives

- Digitization of billing procedures to allow customers to systematically extract invoices through portal to enrich customer experience for WBU customers.
- GS are working on an RFP for NEOM international connectivity project, and **stc** is one of the shortlisted / preferred bidders for NEOM.
- Activating capacity of X100G6 to Europe for Ministry of Education to connect Madrasati platform in cooperation with EBU.
- Multiple new carrier logos on boarded in US region, Asia and Middle East.
- Improvement of Voice traffic QoS.
- Growth with cloud and content services.
- Performed Sim Audit with roaming partners Sims cards and saved 5700 Sims.
- e-SIM Service contracts concluded with both Virgin and Lebara MVNOs.
- Enable the 5G coverage for Virgin existing and new customers.
- Upgrades submarine systems.
- Sigtran agreement with 4 international carriers Orange, Syniverse, Dutch Telecom and TATA.
- Launch 20 5G roaming services with 15 destinations and achieve highest speed under Austria T-Mobile with 1 Giga.
- Total number of roaming services launched for **stc** is 222 and 186 for MVNO Virgin.

| Technology & Operations Unit

stc has worked to maintain its technology strategy through several initiatives and programs to ensure its continued efficiency and ensure the sustainability of its technical and digital leadership, **and smartly over-delivering on our customers' promises and shareholder expectations with the following achievements:**

■ Infrastructure

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

- +3.5k 5G sites deployed in more than 20 cities, reaching 44% populated area coverage in the targeted 5 main cities.
- Deployed the largest Public Wi-Fi Network in the Kingdom with total of 36K AP's providing 115Mbps Average speed distributed in 40 cities and serving 584 public locations across the Kingdom.
- The WBB project target and KPIs have been achieved this year by serving 447K HHs with Wireless BB connectivity providing 10 Mbps throughput, where 2.6 Million population benefits of **stc** coverage in more than~3K localities kingdom wide.
- For achievements of NBB project targets, serve 1,153K HH's with FTTH connectivity (by the deployment of 4,449 FDTs, over 15k km of civil excavation), as will as Deployed +726 P2P fiber connectivity and +32k FTTH home passed in commercial streets for the Business Demand increasing customer satisfaction and revenue generation.
- DC's were built with a shell capacity of 2,400 Racks, with Electro-Mechanical capacity for 1,350 Racks that can be expanded to 2,400 Racks in a quick time frame. The three new Data Centers were built in Riyadh, Madinah and Jeddah. This year 3 halls are built with 450 Racks in the data center located in Riyadh, Jeddah and madinah in order to expand infrastructure capabilities and adopt new technologies, which enables readiness to address new business opportunities.
- Hosted the largest public and private cloud services in the region with planned Virtualized Commercial User Plane capacity reached up to 400 Gbps and capable to serve 1 million subscribers.
- Completion of Technical Solutions Build for Disaster Recovery Program (Phase 1) and perform the drillings which is one of the Business Continuity initiatives.
- **stc** start developing the infrastructure and providing the latest technology for the NEOM area last August, which is the largest future and developed city emanating from the Kingdom's 2030 vision to be a global center for trade, innovation and knowledge.

■ Operations & Technology Performance

Improving and developing capabilities, operational solutions and technical performance to enhance business continuity to reached high efficiency, and contain disasters that threaten the company's services towards the market, through:

- Developing and protecting all the systems and activities to be align with the aspirations of **stc** to work remotely effectively during the COVID-19 pandemic and to support educational platforms and the G20 summit.
- The outstanding performance of **stc** networks (mobile, fixed, data circuits) during Ramadan and Hajj seasons.
- Prepare a strategy for solutions and critical systems.
- Significant improvement in mobile download speed (80.78 Mbps) which exceeded the annual target (55 Mbps) by 25.78 Mbps by 47% through aspiration program adopted by **stc**.
- Significant improvement in fixed broadband (Optical fiber) achieving 92.44Mbps which is exceeding annual target (80Mbps) by 12.44Mbps with ratio of 15%.
- **stc** network ranked number 01 in the kingdom during all months of 2020 from download speed perspective as per Ookla report.
- **stc** has contributed with 60% of Kingdom worldwide global ranking from 13 to position 8 and download throughput increase by 79% from 55.58Mbps to 99.34Mbps.
- **stc** has been awarded the fastest mobile network award in the kingdom from Ookla Speed test in first and second quarters in 2020.
- **stc** has been awarded the fastest 5G mobile network award in the kingdom from Ookla Speed test in the first quarter 2020.
- **stc** network ranked number one (01) in the kingdom from 4G coverage, 4G download / upload throughput and video experience as per Open Signal.
- 5G data volume increase by 8.400% compared to last year 2019.
- Considerable increase in voice HD through Volte technology by 61% compared to last year 2019.

■ Digital transformation

Inspire towards Digital solutions through rationalization, simplification, and enablement of digital customer journeys, inside and outside **stc**, through:

- Built and Deployed the eSIM National platform, locally in Saudi Arabia in **stc** Datacenter, and execute all necessary integrations to ensure a complete working national eSIM solution according to all use-cases specified by GSMA and sponsored by CITC.
- Full digitization and automation of OLOs FTTH requests were implemented.
- Digitizing the full E2E paper contract process for EBU services, as well as Digitized all customer contracts for Fixed & GSM to migration towards a Digital journey.
- CEM for fixed and mobile improved by implementing (11 Customer journeys, 25 Dashboards, 4 Sub Systems (DR/CEM/HAL/ANA), CCA (Customer Care Agent), CCH (Consistency Checks handler), Enhance data network and the visibility of 5G network)
- **stc** has been awarded ISO 8000-61:2016 (Data Quality Management).
- Setting up data protection procedures and applied standard technical and business controls that are compatible with the data regulations.
- Launching the Data Analysis Lab, which is a cloud platform to enable analytical cooperation with subsidiaries and external parties (academia, partners) and to push and develop various initiatives in the field of data analysis that are align with the company's orientations as a digital national provider to promote local development.
- Sharing data governance methods and procedures through various workshops for **stc** Group companies to awareness of the importance of dealing with data as an important asset for enterprises.

■ **Cyber Security**

stc goes the extra mile to implement innovative solution to protect its customers and elevate the level of Cyber Security towards all stc networks and components, through:

- Protect customers' Call, SMS, and internet browsing against external threats where on monthly average (2 M malicious SMS's are blocked, 2.4 M connections to malicious sites are blocked, 300 Hours Prevented down Time from blocked denial of service attacks).
- **stc** promotes the Cyber security culture by raising the awareness to the Public through different channels, Which targets several segments of society in various languages.
- Supported the Kingdom in raising the Global Cyber Security Index through Delivering Initiatives and collaboration nationally and internationally to raising the Kingdom ranking.
- **stc** has been awarded ISO27001:2013 Certification (Information Security Management System)
- **stc** is the 1st Saudi national company to achieve CREST accreditation for Cybersecurity penetration test services.
- Inauguration of **stc** research chair at King Saud University in the area of Artificial Intelligence and Cyber Security.
- Inauguration Telecom Cyber Security Pioneer Program provided by the Saudi Digital Academy for building local expertise in cyber security in the Telecom industry.
- **stc** is a member of several international organizations in the field of cybersecurity, including (World Economic Forum Cyber Security and Digital Trust Platform , First.org for global Forum of Incident Response and Security Teams, GSMA Malware Information Sharing Platform, GSMA security focus groups and in collaboration published anti-fraud and signaling standards and 4G roaming Security guidelines).

2. Local Subsidiaries

Arabian Internet and Communications Services Co. Ltd (stc Solutions)
Kingdom of Saudi Arabia

Arabian Internet and Communications Services Company Limited ("Solutions by **stc**") was established in the Kingdom 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, the Group acquired 100% of share capital of the Arabian Internet and Communications Services Company Limited for SR 100 million. During the year 2020, the share capital of Solutions by **stc** was increased to SR 1,200 million.

Telecom Commercial Investment Company Limited (TCIC)
Kingdom of Saudi Arabia

Telecom Commercial Investment Company (TCIC) was established in the Kingdom in October 2007 with a capital of SR 1 million with the purpose of operating and maintaining of 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.

Aqalat Company Limited
Kingdom of Saudi Arabia

Aqalat Company Limited (Aqalat) was established in the Kingdom in March 2013 with a capital of SR 70 million fully owned by **stc** Company 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. Its head office is located in the Kingdom and it fulfills its operational activity in the Kingdom.

stc Specialized Co (stc Specialized)
Kingdom of Saudi Arabia

Saudi Telecom Specialized Company (Specialized by **stc**) was established in February 2002 in the Kingdom. The Company acquired 100% of the SR 252 million share capital in January 2014. Specialized by **stc** 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.

Sapphire Company Limited (Sapphire)
Kingdom of Saudi Arabia

Sapphire Company Limited (Sapphire) was established in the Kingdom in June 2014 with a capital of SR 100 million fully owned by **stc** Company to operate in the retail and wholesale trade of computer systems and devices, fixed and mobile telecommunication, internet equipment, advertising and publicity material, spare parts, electrical equipment, advance payment devices, points-of-sale devices, telecom operator services, establish telecom sales and service centres, Its head office is located in the Kingdom and it fulfills its operational activity in the Kingdom. In November 2017, the Group's Board of Directors has decided to wind up Sapphire and integrating its business with **stc** starting from 1 January 2018. The legal procedures for the liquidation of the company is expected to be completed during 2021.

stc Channels
Kingdom of Saudi Arabia

Saudi Telecom Channels Company ("Channels by **stc**") was established in the Kingdom in January 2008 and operates 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 centres' maintenance and operation. The Company operates in Saudi Market, its head office is located in the Kingdom, and it fulfills its operational activity in the Kingdom, Bahrain, and Oman through its subsidiaries who are working in the same field. **stc** acquired 60% of Channels SR 100 million share capital in December 2011. On January 2017, the Company acquired the remaining shares in Channels by **stc** by SR 400 million. Accordingly, Channels by **stc** became a wholly-owned subsidiary of Saudi Telecom Company.

Telecommunications Towers Co. Ltd. (TAWAL)
Kingdom of Saudi Arabia

During the first quarter of 2018, **stc** was established Telecommunications Towers Company Ltd. (TAWAL), a limited liability company and 100% owned by **stc**, with a share capital of SR 200 million. 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. During the first quarter of 2019, TAWAL obtained the necessary operating license from the Communications and Information Technology Commission (CITC). During the fourth quarter of 2019, the Company increased the capital of TAWAL with an amount of SR 2,300 million, for a total capital to reach SR 2,500 million.

Saudi Digital Payments Company (stc Pay)
Kingdom of Saudi Arabia

During the fourth quarter of 2017, Solutions by **stc** established Saudi Digital Payments Company (**stc** Pay) in the Kingdom with a capital of SR 100 million and its main activity is to provide digital payments services. During the third quarter of 2019, **stc** Pay ownership was transferred from **stc** Solutions to **stc** Company with no financial impact at the group level. During the fourth quarter of 2019, the Company increased the capital of the **stc** Pay with an amount of SR 300 million, **stc** Pay for a total capital to reach SR 400 million. In January 2020, the Saudi Arabian Monetary Authority (SAMA) licensed **stc** Pay as an electronic wallet company, and its head office is located in the Kingdom and it fulfills its operational activity in the Kingdom.

On 21 November 2020, the Group signed an agreement with Western Union to sell a stake in **stc** Pay with a value of SR 750 million (equivalent to USD 200 million) and the proceeds to be used to finance the capital of **stc** Pay. **The transaction is expected to be completed during 2021 as follows:**

- Upon completion of the transaction, Western Union will Pay SR 500 million (equivalent to USD 133.3 million) for a 10% stake in **stc** Pay.
- Western Union will Pay an amount of SR 250 million (equivalent to USD 66.67 million), in case **stc** Pay obtains a digital banking services license, increasing the shareholding of Western Union to 15%.
- The Group will inject an additional amount of SR 802 million into the capital of **stc** Pay in case **stc** Pay obtains a digital banking services license.

During the fourth quarter of 2020, the Company increased the share capital of **stc** Pay by an amount of SR 548 million (including the transfer of its shareholder's loan amounting to SR 148 million into capital) resulting into a total share capital of **stc** Pay reaching SR 948 million.

Smart Zone Real Estate Company
Kingdom of Saudi Arabia

During the fourth quarter of 2019, **stc** has established a special purpose vehicle subsidiary (Smart Zone Real Estate Company) in the kingdom with a share capital of approximately SR 107 million and its main activity is the development, financing and management of real estate projects, the establishment of facilities, complexes, commercial, office and residential buildings, and Its head office is located in the Kingdom and it fulfills its operational activity in the Kingdom.

Advanced Technology and Cyber Security Company

During the fourth quarter of 2020, **stc** has established Advanced Technology and Cyber Security Company - a limited liability company 100% owned by **stc**, with a cash capital of SR 120 million to provide cybersecurity services, and Its head office is located in the Kingdom and it fulfills its operational activity in the Kingdom.

3. International Subsidiaries

stc Bahrain
Kingdom of Bahrain

stc Bahrain was established in the Kingdom of Bahrain in February 2009 with a capital of BD 75 million equivalent to about SR 746 million at the exchange rate as of that date. **stc** Bahrain provides all mobile telecommunication services, international telecommunications, broadband and other related services in the Bahraini market, and commenced its commercial operation on 3 March 2010, and Its head office is located in Bahrain and it fulfills its operational activity in Bahrain. During the first quarter of 2018, **stc** Bahrain has fully acquired "MENA Telecom Company Limited" in the Kingdom of Bahrain (as a subsidiary). The main activity is to provide Internet services.

Kuwait Telecommunication Company (stc Kuwait) Kuwait

In December 2007, **stc** acquired 26% share capital of Kuwait Telecommunication Company (**stc** Kuwait) for an amount of Kuwaiti Dinar ("KD") 50 million, equivalent to approximately SR 687 million at the exchange rate as at that date. Kuwait Telecommunication Company (**stc** Kuwait) head office is located in Kuwait and it fulfills its operational activity in Kuwait, and operates in the field of mobile services in the Kuwaiti market and commenced its commercial operation on 4 December 2008 and was listed as a joint stock company on the Kuwait Stock Exchange on 14 December 2014.

In November 2015, the Company has submitted a voluntary offer to acquire the issued shares of Kuwait Telecommunication Company (**stc** Kuwait) that not already owned by the Company, which represented 74% of **stc** Kuwait issued shares. The offer presented by the Company to Kuwait Telecommunication Company (**stc** Kuwait) shareholders amounted to KD 1 per share (equivalent to SR 12.37 at the exchange rate as at that date).

The offer ended on 31 January 2016 and the number of shares accepted under the offer amounted to 128,860,518 shares which representing 25.8% of total issued shares to Kuwait Telecommunication Company (**stc** Kuwait). **stc** has thus become owning 51.8% of the total issued shares of **stc** Kuwait.
(For more details, see note 26 in the annual financial statements).

In May 2019, Kuwait Telecommunication Company (**stc** Kuwait) acquired 99% of Qualitynet General Trading and Contracting Company W.L.L. (QualityNet), which operates in Kuwait providing internet services.

stc Turkey Holdings Limited
(stc Turkey)

stc Turkey is a limited liability company which was established under the Commercial Companies Law in the British Virgin Islands on 8 April 2007. 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") USD 3.6 billion share capital, equivalent to approximately SR 13.5 billion, at the exchange rate as at that date, and its head office is located in Dubai, Arab Emirates Ltd.

During 2016, and due to the continuing losses and the depletion of the Group's entire investment balance in OTL, the Group has stopped recognizing its share in OTL additional losses.
(For more details, see note 7-1 in the annual financial statements).

No debt instruments in the form of Sukuk or bonds were issued for the above

stc Asia Holdings Ltd
(stc Asia)

stc Asia is a limited liability company which was established under the Commercial Companies Law in the British Virgin Islands on 24 July 2007 and is a special purpose Company that carries out its operational activity by providing the necessary services and support in relation to the investment activities of the group. It invests in companies operating primarily in the Malaysia. It holds an investment in **stc** Malaysia Holdings Ltd ("**stc** Malaysia"), (a wholly owned subsidiary by **stc** Asia), which was incorporated under the Commercial Companies Law in the British Virgin Islands. The principal activity of both **stc** Asia and its subsidiary is to provide services and support required in respect of investment activities of the Group.

stc Malaysia Holdings Ltd owns the Group's 25% stake in Binariang GSM Holdings ("BGSM") and its head office is located in Malaysia.
For more details, see note 7-2 in the annual financial statements).

stc Gulf Investment Holding S.P.C. (stc Gulf)
Kingdom of Bahrain

stc Gulf was incorporated in the Kingdom of Bahrain on 12 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:

1. **stc Gulf Investment Holding 1 S.P.C.**
2. **stc Gulf Investment Holding 2 S.P.C.**
3. **stc Gulf Investment Holding 3 S.P.C.**

stc Gulf Investment Holding 3 (S.P.C) and **stc** Gulf Investment Holding 2 (S.P.C) have a 100% stake in Integral Holding Company (2018: 100%) Integral Holding Company was incorporated in the Kingdom of Bahrain in June 2009 with a capital of BD 28 million, equivalent to SR 281 million at the exchange rate of that date. Integral Holding Company owns stakes in companies operating in the field of content and digital media services in the GCC. In 2018, the Company increased the capital of Integral Holding Company to BD 101 million, equivalent to SR 1,008 million at the exchange rate of December 31, 2018.

4. Investments

a. Investments registered under the Equity Method

| Investments in Joint Ventures

Arab Submarine Cables Company Limited
Kingdom of Saudi Arabia

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 **stc** acquired 50% of its SR 75 million share capital in September 2002. In November 2016, the company's capital reduced to SR 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 center 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%. Its head office is located in the Kingdom and it fulfills its operational activity in the Kingdom.

Binariang GSM Holding (BGSM)
Malaysia

Binariang group GSM is an investment holding group registered in Malaysia which owns 62% of Maxis Malaysian Holding Group ("Maxis"), a major telecom operator in Malaysia. BGSM also had indirect investments in India, Aircel Limited ("Aircel") which were eliminated in 2018.

In September 2007, the Company acquired (through its subsidiaries **stc** Asia holding and **stc** Malaysia holding) 25% of Binariang group GSM 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 Binariang group holding GSM (joint venture), including the manner in which this investment is being managed and how joint control has been effectively exercised. As a result, the Company signed an amendment to the shareholders' agreement with other shareholders of Binariang group GSM with respect to certain operational matters of Aircel (one of Binariang group subsidiaries). Consequently, the group ceased to account for its investment in Aircel using the equity method effective from the second quarter 2013.

| Investments in Associate Companies

Arab Satellite Communications Organization (Arabsat)
Kingdom of Saudi Arabia

Arab Satellite Communications Organisation ("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 on an annual or monthly basis. In April 1999, **stc** 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).

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. The Company owns 10% of VMSC's share capital. The Group's ability to exercise significant influence is evidenced by the material transactions between VMSC and the Company through the reliance of VMSC's on the Company's technical network. Its head office is located in the Kingdom and it fulfills its operational activity in the Kingdom.

Oger Telecom Limited
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 amounting to approximately USD 3.6 billion, equivalent to approximately SR 13.5 billion at the exchange rate as at that date. On 1 January 2016, the Group's investment in OTL was completely extinguished and the Group discontinued categorized its share of further losses. OTL was facing financial difficulties to settle its borrowings dues and its ability to comply with the financial covenants agreed with lenders. During 2018, OTL has completed necessary procedures to liquidate its main subsidiaries and restructure its investments in Turkey and South Africa in order to meet the financial obligations of the lenders. Liquidation of OTAS (subsidiary of OTL in Turkey) commenced in 2019 while the liquidation of OTL commenced in 2020.

b. Other Investments

stc Venture Capital Fund
(**stc** Ventures)

stc ventures fund is a fund investing in emerging, small and medium-sized companies operating in the field of Communications and Information Technology in Saudi and other global markets. Investment units were valued at SR 186 million as at 31 December 2020 (2019: SR 724 million).

Saudi Technology Ventures
(ST Ventures)

STV LP Fund is a fund investing in internationally in high-growth pioneer private technology companies with total value of SR 1,875 million (equivalent to USD 500 million) financed in five equal instalments of SR 375 million (equivalent to USD 100 million) each. During 2018, the first and second instalments were paid by the Company in total of SR 750 million (equivalent to USD 200 million). During 2020, the third instalment was paid by the Company amounted to SR 375 million (equivalent to USD 100 million). Investment units were valued at SR 934 million as at 31 December 2020 (2019: SR 846 million).

Investments in the Sukuk Issued by the Ministry of Finance

The Group 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)

On 31 December 2007, **stc** Asia Holding Company Limited (a subsidiary) invested in Sukuk issued by Binariang GSM Holding ("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 of 9.25% for subsequent periods. These sukuk are not past due or low in value with a book value of SR 1,408 million as of 31 December 2020 (2019: SR 1,383 million).

B. Financial Performance of the Group

Net profits for the year 2020 amounted to

SR **10,995** million

compared to **SR 10,665 million** for the year 2019, an increase of

3.09%

Earnings per share for 2020 amounted to **SR 5.50** compared to **SR 5.33** for 2019.

Gross profit for 2020 amounted to

SR **33,954** million

compared to **SR 32,391 million** for 2019, an increase of

4.83%

Operating profit for 2020 amounted to **SR 12,731** million compared to **SR 12,480** million for 2019, an increase of 2.01%.

Earnings before Interest, Taxes, Depreciation, and Amortization (EBITDA) for 2020 amounted to

SR **22,090** million

compared to **SR 21,265 million** for 2019, an increase of

3.88%

Total assets amounted to

SR **121,972** million

at the end of 2020 compared to **SR 118,326 million** at the end of 2019, an increase of

3.08%

Commitments amounted to

SR **56,705** million

at the end of 2020 compared to **SR 55,271 million** at the end of 2019, an increase of

2.59%

The Group's shareholders' equity amounted to

SR **63,946** million

at the end of 2020, compared to **SR 61,763 million** at the end of 2019, an increase of

3.53%

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

The Group's main activity is the provision of telecommunication services and related goods. The majority of the Group's revenues, assets, and income related to its operations in the Kingdom (**stc** and channels by **stc**). The Group operates outside the Kingdom through its subsidiaries, associate companies, and joint ventures in multiple countries.

Revenue is allocated to the operating sector based on the entity that submitted the revenue report. Intersectoral sales are calculated at normal business transaction rates.

The sectors that were independently disclosed exceeded 75% of the total revenues. Therefore, the rest of the operating sectors were grouped under **"other operating sectors"**.

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)	**2020**	2019
Revenues [1]		
stc	**42,898,826**	40,259,106
channels by **stc**	**17,527,801**	17,409,802
Other operating segments [2]	**15,733,883**	12,628,185
Eliminations /Adjustments	**(17,207,192)**	(15,929,562)
Total revenues	**58,953,318**	54,367,531
Cost of operations (excluding depreciation and amortization)	**(36,863,318)**	(33,102,551)
Depreciation and amortization	**(9,358,875)**	(8,784,587)
Cost of early retirement program	**(600,000)**	(600,000)
Finance income	**413,873**	639,161
Finance costs	**(623,925)**	(765,154)
Net income (expenses)	**(42,995)**	(76,062)
Net share in results of investments in associates and joint ventures	**52,953**	49,597
Net other (losses) gains	**424,612**	(40,960)
Zakat and income tax	**(1,170,446)**	(762,144)
Net profit	**11,185,197**	10,924,831
Net profit attributable to Equity holders of the Parent Company	**10,994,875**	10,664,666
Non-controlling interests	**190,322**	260,165

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

Item (Thousands of Riyals)	2020	2019
stc	26,736,799	26,299,935
channels by **stc**	1,384,058	1,418,463
Other operating sectors [2]	6,401,124	4,910,725
Eliminations /Adjustments	(567,586)	(237,898)
Total profit	33,954,395	32,391,225

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

Item (Thousands of Riyals)	2020	2019
Assets		
stc	129,915,566	125,104,941
channels by **stc**	5,527,646	4,560,238
Other operating segments [2]	37,788,535	34,355,695
Eliminations /Adjustments	(51,259,647)	(45,694,618)
Total assets	121,972,100	118,326,256
Liabilities		
stc	52,654,060	49,484,795
channels by **stc**	3,943,509	3,122,999
Other operating segments [2]	24,302,252	22,438,203
Eliminations /Adjustments	(24,194,736)	(19,774,787)
Total liabilities	56,705,085	55,271,210

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

Additions to non-current assets		
Item (Thousands of Riyals)	2020	2019
stc	10,104,014	9,109,544
stc channels	185,082	116,352
Other operating sectors [2]	1,646,304	2,535,992
Total	11,935,400	11,761,888

(1). Segment revenue reported above represents revenue generated from external and internal customers. There were SR 17,207 million for the year ended 31 December 2020 (2019: SR 15,930 million,) inter-segment sales and adjustments (between the Group's Companies) which were eliminated at consolidation.

(2). Other operating segments include: stc Kuwait, stc Bahrain, Solutions by stc, Specialized by stc, stc Gulf, Sapphire, Aqalat, Telecommunications Towers Company, Saudi Digital Payments Company (stc Pay) and advanced technology and cybersecurity Company.

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)	**2016 Consolidated Revised**	**2017 Consolidated Revised**	**2018 Consolidated Revised**	**2019* Consolidated Revised**	**2020 Consolidated**
Income statement					
Revenues activity	52,673,659	50,661,335	51,963,243	54,367,531	**58,953,318**
Costs of revenues activity	(23,985,878)	(22,105,926)	(21,490,161)	(21,976,306)	**(24,998,923)**
Total profit of the activity	28,687,781	28,555,409	30,473,082	32,391,225	**33,954,395**
Operating expenses	(18,736,690)	(17,569,398)	(18,227,857)	(19,910,832)	**(21,223,270)**
Profit from operating activity	9,951,091	10,986,011	12,245,225	12,480,393	**12,731,125**
Other revenues and expenses - net	(74,462)	3,362	(417,060)	(793,418)	**(375,482)**
Zakat, taxes, and non-controlling interests	(977,772)	(973,797)	(1,048,394)	(1,022,309)	**(1,360,768)**
Net profit attributable to the Company's shareholders	8,898,857	10,015,576	10,779,771	10,664,666	**10,994,875**
Other comprehensive income					
Net profit including non-controlling interests	9,125,832	10,268,673	11,080,498	10,924,831	**11,185,197**
Total items that will not be reclassified subsequently to the consolidated statement of profit or loss	(64,011)	(26,804)	126,957	(710,054)	**(568,893)**
Total items that will be reclassified subsequently to the consolidated statement of profit or loss	141,248	(23,728)	(257,320)	212,050	**37,809**
Total (comprehensive loss) / other comprehensive income	77,237	(50,532)	(130,363)	(498,004)	**(531,084)**
Total comprehensive income	9,203,069	10,218,141	10,950,135	10,426,827	**10,654,113**
Total comprehensive income attributable to the Company's shareholders	8,980,444	9,958,319	10,651,283	10,163,477	**10,478,455**
Total comprehensive income attributable to noncontrolling interests	222,625	259,822	298,852	263,350	**175,658**
Statement of Financial Position:					
Current assets (A)	40,564,055	44,435,991	46,029,525	44,841,492	**45,858,916**
Current liabilities (B)	29,808,697	33,638,873	29,457,055	32,606,772	**32,891,183**
Working capital (A-B)	10,755,358	10,797,118	16,572,470	12,234,720	**12,967,733**
Current assets	40,564,055	44,435,991	46,029,525	44,841,492	**45,858,916**
Fixed and intangible assets	47,258,997	47,115,191	51,480,528	54,992,030	**58,314,031**
Other non-current assets	13,953,836	16,930,891	11,860,541	18,492,734	**17,799,153**
Total assets	101,776,888	108,482,073	109,370,594	118,326,256	**121,972,100**
Current liabilities	29,808,697	33,638,873	29,457,055	32,606,772	**32,891,183**
Long term loans	4,017,231	4,005,980	3,965,479	8,923,476	**8,637,605**
Other non-current liabilities	6,672,629	7,035,639	9,286,462	13,740,962	**15,176,297**
Total liabilities	40,498,557	44,680,492	42,708,996	55,271,210	**56,705,085**
Paid Capital	20,000,000	20,000,000	20,000,000	20,000,000	**20,000,000**
Reserves, retained earnings and exchange differences	39,941,355	42,862,401	45,513,684	41,762,594	**43,945,782**
Equity attributable to shareholders of the Company	59,941,355	62,862,401	65,513,684	61,762,594	**63,945,782**
Non-controlling interests	1,336,976	939,180	1,147,914	1,292,452	**1,321,233**
Total equity	61,278,331	63,801,581	66,661,598	63,055,046	**65,267,015**
Total liabilities and equity	101,776,888	108,482,073	109,370,594	118,326,256	**121,972,100**
Cash flow statement:					
Net operating cash flow	18,375,096	15,916,051	19,132,416	9,920,626	**28,324,705**
Net investment cash flow	(7,727,704)	(7,005,637)	(5,027,028)	(1,977,126)	**(17,429,177)**
Net financing cash flow	(11,510,566)	(9,980,182)	(8,516,962)	(8,067,645)	**(9,919,218)**
Net cash flow	(863,174)	(1,069,768)	5,588,426	(124,145)	**976,310**
Cash and cash equivalents at the beginning of the year	4,487,827	3,631,202	2,567,044	8,153,865	**8,031,010**
Impact of foreign currency exchange differences	6,549	5,610	(1,605)	1,290	**(3,034)**
Cash and cash equivalents at the end of the year	3,631,202	2,567,044	8,153,865	8,031,010	**9,004,286**

The Group prepared its consolidated financial statements for the years 2020, 2019, 2018, 2017, and 2016 in accordance with the IFRS adopted in the Kingdom of Saudi Arabia and other standards and publications approved by the Saudi Organization for Certified Public Accountants (SOCPA).

**Certain comparative figures for the year ended December 31, 2019, were reclassified to conform with the classification used in the financial statements for the year ended December 31, 2020.*

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

During the year 2020, the Group achieved total revenues of SR 58,953,318 thousand . Foreign investments at the Group's level accounted for 8% of this total. The following table shows their geographical distribution:

Revenues of the Kingdom of Saudi Arabia - Local (Thousands of Riyals)	**Other revenues Non-local** (Thousands of Riyals)	**Total**
stc, Arabian Internet and Communications Services Co. Ltd (stc Solutions), Telecom Commercial Investment Company Limited (TCIC), **stc** channels, **stc** Specialized, Aqalat Company Limited (Aqalat), Sapphire Company Limited, **stc** Pay, Telecommunications Towers Company Limited (TAWAL), and Smart Zone Real Estate Company, Advanced Technology and Cybersecurity Company.	Includes stc Bahrain and stc Kuwait	
54,166,010	4,787,308	58,953,318

As for the local distribution of revenues, a geographical analysis of the company'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 2020 compared to 2019:

Statement (Millions of Riyals)	**2020 Consolidated**	**2019 Consolidated**	**Difference**	**%**
Income statement:				
Revenues	**58,953,318**	54,367,531	4,585,787	8.43%
Cost of revenues	**(24,998,923)**	(21,976,306)	(3,022,617)	13.75%
Total profit	**33,954,395**	32,391,225	1,563,170	4.83%
Total operating expenses	**(21,223,270)**	(19,910,832)	(1,312,438)	6.59%
Operating Profit	**12,731,125**	12,480,393	250,732	2.01%
Other income and expenses	**(375,482)**	(793,418)	417,936	(52.68%)
Zakat and income tax	**(1,170,446)**	(762,144)	(408,302)	53.57%
Net Income	**11,185,197**	10,924,831	260,366	2.38%
Net income attributable to the Company's shareholders	**10,994,875**	10,664,666	330,209	3.10%
Net income attributable to non-controlling interests	**190,322**	260,165	(69,843)	(26.85%)

The increase in the net profit of the year 2020 by SR 330 million compared to the previous year is mainly due to the following reasons:

- The increase in revenues by SR 4,586m, while cost of revenues increased by SR 3,023m, mainly due to the increase in devices sale costs and the increase of government and access charges.
- The increase in operating expenses by SR 1,312m, mainly due to an increase in selling and marketing expenses in an amount of SR 472m which was mainly as a result of the increase in doubtful debt provision in the current period, and the increase in both depreciation and amortization expenses in an amount of SR 574m and general and administration expenses in an amount of SR 266m.
- The booking of other income and (expenses) in an amount of SR (375m) in current period, as compared to SR (793m), mainly due to the gains booked in the current period with respect to selling the company's direct ownership in Careem after completing Uber's acquisition. Further, zakat and income tax increased by SR 408m, mainly due receiving an additional Zakat assessment.

The Group's loans are as follows:

Statement (Millions of Riyals)	**2020 Consolidated**	**2019 Consolidated**
Short term Murabaha	318	327
Long term Murabaha	1,966	2,253
Total Murabaha	2,284	2,580
Sukuk	6,672	6,670
Tawarruq	0	62
Total	8,956	9,312

Sukuk details are as follows:

The company issued a sukuk program with a maximum of SR 5 billion. Sukuk certificates have a nominal value of SR 1 million each, The first tranche of 2 billion Saudi riyals was issued on June 2014 for a period of ten years, 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 in accordance with directly or by establishing a special purpose vehicles that is 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 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 USD 1,250 million (equivalent to SR 4,688 million) For 10 years. This program is an international sukuk in US dollar, with a total number of sukuk 6,250 sukuk with a nominal value of USD 200 thousand for each with an annual return of 3.89% and a maturity of ten years. Below is its information as of December 31, 2020:

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

Loans details are as follows:

All amounts in SR Million								**Paid during the year**		**Outstanding Balance**			
										Current portion		Non-Current portion	
Company	Granting Authority	Type of Financing	Type of Financing	Date of Obtaining Financing	Currency	Value of Financing	Amount Used	**2020**	**2019**	2020	2019	2020	2019
stc -Kingdom Saudi Arabi	Debt Instruments Market	Sukuk	10 years	June 2014	SAR	2,000,000	2,000,000	0	0	0	0	2,000,000	2,000,000
	Debt Instruments Market	Sukuk	10 years	May 2019	USD	4,671,615	4,671,615	0	0	0	0	4,671,615	4,670,038
Total						6,671,615	6,670	6,671,615	0	0	0	6,671,615	6,670,038
Subsidiaries	Local and International Banks	Murabaha & Tawarruq	1 year - 10 years	Since 2011	Mixed	3,571,760	2,832,392	402	351	318,485	389,339	1,965,990	2,253,438
Total Group's Murabahas or Loans						10,243,375	9,504,007	0	0	318,485	389,339	8,637,605	8,923,476

The following is a statement on the due regulatory amounts paid by the Company along with brief descriptions and reasons.

Statement	SR Million	Description	Reason
Government Fees	962	The amounts paid or carried forward to the period for licensing granted to the Company for the provision of commercial services and spectrum usage fees.	Regulatory requirement
Dividends	6,095	The amounts paid or carried forward 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	586	The amounts paid or carried forward to the period pursuant to the provisions of the Kingdom's Labor Law.	Regulatory requirement
Zakat, withholding tax, and others	956	The amounts paid or carried forward 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 due and paid to governmental and semi-governmental authorities	8,599	This represents the due regulatory amounts paid to the Government.	

Sanctions, and reserve restrictions

GAC and CITC violation committee, 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 before 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 not authorized by CITC, using unlicensed frequencies, and decisions that related to customer's complaints Which CITC find **stc**'s directives implementation and information providing processes to be overdue. This is in addition to decisions of imposing equivalent fees for studying customer's complaints, whereas, the cases filed by the company against these decisions reached (2,243) cases by the end of fiscal year 2020 , **with total amount of SR. (957,680,000) detailed as follows:**

- Cases ended with final judgments in favor the company by the end of fiscal year 2020 , the total (340) with total amount of SR. (553,302,250).
- Cases ended with final judgments against the company by the end of fiscal year 2020, the total (1,676) with total amount of SR. (338,597,250).
- Active cases handling in the grievance board by the end fiscal year 2020, (323) cases, with total value of SR. (59,443,250), of which (3) cases initial judgements were issued in favor the company with total value of SR. (25,110,000).

Enterprise Risk Management

The telecommunications sector witnessing rapid changes in many areas, including technical, economic, legal, and others, which lead to the emergence of positive and negative risks, and this requires enterprises to work on to predict the future, interact, increase flexibility, and conduct a comprehensive risk assessment. The Risk Management Department invested its efforts during the year 2020 to contribute to the effectiveness of the risk management system and the application of best practices to ensure that the company's business activities achieving an appropriate balance between the risks that it takes and its returns.

The main pillars for **stc** risk management framework are, sound risk management principles, the organizational structure, and risk measurement and control processes that are consistent with the company's activities to ensure that an acceptable level of risk is maintained. The risk management function is independent and separate from the company's business groups and sectors. The company has frameworks for identifying, measuring, monitoring and managing risks, and it includes the process of managing risks associated with its operations, financial risks, regulatory risks and cyber risks. The company also periodically reviews policies and systems to achieve best practices in this regard to ensure recognition. There is currently a comprehensive risk register that is updated and treatment plans followed-up on a regular basis, through risk champions in each sectors. The Risk Management Department carried out continuous awareness campaigns to enhance the culture of risk management to demonstrate its benefits to the organization and individuals alike. Reports are submitted periodically to the Board of Directors and the Audit Committee.

stc Group seeks to exploit the opportunities and absorb the challenges; In order to reduce the effects of negative risks, and invest the positive ones, also to enhance the group's reputation, preserve shareholders value, and provide the best services to its customer, it has worked on building a risk management strategy to develop practices based on international standards for risk management and the Board aspirations in addition to adopt the upper limits of risks which will contribute to increase the effectiveness of risk assessment and standards. **stc** Group also coordinates with government agencies, including the Ministry of Communications and Information Technology (MCIT), the Communications and Information Technology Commission (CITC), the National Risks Unit (NRU), the Cybersecurity Authority, and other relevant agencies and submits reports containing the necessary recommendations to the Risk Management Committee (RMC) and the Audit Committee (AC).

The company's business continuity, data centers, mobile communications network and other network infrastructure and facilities, and the safety of its employees and customers are among the most important priorities of the company. It has an immediate and appropriate response to disaster and emergency incidences. The company 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. The company's investments have also been benefited from Risk Management by activating the Pandemic plan and the Crisis Management Team (CMT) to confront the Corona (Covid-19) crisis. This crisis that has negatively impacted many countries all over the world in vast numbers of areas.

As part of **stc** 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 the company's position as a national operator and the first enabler of digital transformation.

Accordingly, more than 95% of **stc** employees were able to complete their work from their homes (WFH) without affecting the company's productivity and business. **stc** has also raised the capacity of the network to the maximum capacity to distribute the traffic in a manner that is commensurate with the increase in demand.

Communications services have been enhanced, its capacity increased, and services were urgently provided to a number of entities to enable the Digital Transformation for all sectors. **The company has dealt with the challenges associated with the Corona Pandemic by working on the following plans:**

- Maintaining the safety of employees and customers by communicating with them to make them aware of the current situation, give instructions, and take health measures based on the instructions of the Ministry of Health, to ensure a safe and healthy work environment.
- A clear business plan that identifies scenarios and potential risks and assess the resources available to the business.
- Business Continuity Plan for all critical operations, including people, processes, business, sourcing and financing, and provide strategic direction to help weather the crisis.
- Supply Chain Review. The impact on the supply chain is reviewed in a comprehensive and continuous manner, and the reliability of each supplier is analyzed. All suppliers are also required to provide their company statement that they are in compliance with a potential virus preventive measures.

The table below shows the key risks that have been identified after applying the risk management procedure, and its key mitigation plans. Financial risks have been included in the financial performance section of this report.

Risks	Mitigation Plans
Cyber Security Threats: Cyber-attack on the communication & information channels of the Kingdom caused by domestic and regional political rift and improper security features adoption of new technologies leading to disruption to **stc** and National critical Telecom & IT infrastructure and services.	The 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.
Business Continuity (BC) and Disaster Recovery (DR): The continuity of services and their availability with appropriate efficiency in accordance with international standards is considered a basic goal that **stc** seeks to achieve, by providing an integrated environment, plans and programs to accommodate any emergency that leads to the suspension of all or some of the group's services.	The group is completing its programs that target the most important infrastructure systems and applications. The 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.
Regulatory developments: The organizational environment in the Group's workplace is characterized by continuous development, and directly affects its business, and with the multiplicity of legislative bodies, challenges and opportunities are renewed. It must be dealt with and adhered to in a manner that preserves the gains of the group and the interests of the stakeholders.	The group studies the regulatory legislation on an ongoing basis, coordinates efforts with sectors related to it inside and outside the 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 new administrative organization was also approved for the regulatory affairs sector, to contribute to enhancing the Group's capabilities in the regulatory field
Supply chain disruptions: The group deals with a large number of service providers, and there is a risk of relying on one provider to carry out basic business in the group.	The 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 the group's requirements, in line with technical development and the integrity of their business plans.

Financial Risks

Credit Risk Management

The Group has approved guidelines and policies that allows it to only deal with creditworthy counter parties and limits counter party exposure. The guidelines and policies allow the Group to invest only with those counterparties that have high investment grade credit rating issued by international credit rating agencies and limits the exposure to a single counter party 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 17 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.

On-going evaluation is performed on the financial condition of trade receivable 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 17 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 and instance that the Group will incur any loss with respect to its financial guarantees as the date of the preparation of this consolidated financial statement.

Foreign Currency Risk Management

Saudi Riyal currency 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 detail 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 based on the earliest date on which the Group can be required to pay.

	Undiscounted cash flows			
December 31, 2020 (SR Thousand)	**Carrying amount**	**1 year or less**	**Above 1 – 5 years**	**More 5 years**
Trade and other payables (Note 33)	**20,296,791**	**20,296,791**	-	-
Borrowings (Note 27)	**8,956,090**	**318,485**	**3,985,545**	**4,673,463**
Dividends payable (Note 32)	**2,151,116**	**2,151,116**	-	-
Lease contracts liabilities (Note 29)	**2,980,038**	**742,185**	**2,313,448**	**940,218**
Other financial liabilities (Note 32)	**2,328,580**	**50,041**	**1,836,648**	**1,269,814**
Derivative liabilities (Note 32)	**9,882**	**7,530**	**2,353**	-
December 31, 2019 (SR Thousand)				
Trade and other payables (Note 33)	18,242,158	18,242,158	-	-
Borrowings (Note 27)	9,312,815	389,339	2,931,485	6,053,423
Dividends payable (Note 32)	2,111,161	2,111,161	-	-
Lease contracts liabilities	2,881,177	716,762	2,505,360	483,919
Other financial li	1,618,653	28,592	1,078,141	1,068,815
Derivative liabilities	7,373	5,523	1,243	607

**The above notes are for the annual financial statements*

The Group has unused financing facilities amounting to SR 6,263 million as at 31 December 2020 (2019: SR 4,611 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 the operators, commercial debtors and creditors 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.

The following table presents the recognized financial instruments that are offset or are subject to enforceable master netting agreements and other similar agreements as of:

December 31, 2020 (SR Thousand)	Gross amounts	Amounts set off	Net Amounts
Financial assets | Trade and other receivables	22,035,748	(5,951,332)	16,084,416
Financial liabilities | Trade and other payables	26,248,123	(5,951,332)	20,296,791
December 31, 2019 (SR Thousand)			
Financial assets | Trade and other receivables	26,131,053	(4,758,685)	21,372,368
Financial liabilities | Trade and other payables	23,000,843	(4,758,685)	18,242,158

Changes in liabilities arising from financial activities are as follows:

Item (Thousands of Riyals)	January 1, 2020	Cash flow	Non- monetary changes	December 31, 2020
Short term borrowings	389,339	(402,386)	331,532	318,485
Lease liabilities current	716,762	(831,642)	857,065 (*)	742,185
Long term borrowings	8,923,476	21,363	(307,234)	8,637,605
Lease liabilities non-current	2,164,415	-	73,438	2,237,853
Total	12,193,992	(1,212,665)	954,801	11,936,128
Item (Thousands of Riyals)	January 1, 2019	Cash flow	Non- monetary changes	December 31, 2019
Short term borrowings	320,533	(242,147)	310,953 (*)	389,339
Lease liabilities current	1,471,935	(712,467)	(42,706)	716,762
Long term borrowings	3,965,479	5,272,616	(314,619)	8,923,476
Lease liabilities non-current	895,413	-	1,269,002	2,164,415
Total	6,653,360	4,318,002	1,222,630	12,193,992

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

Profit Rate Risks

The Group's main profit rate risk arises from borrowings and financial assets with variable profit margin rates. Some Group`s companies through the use of profit swap contracts manages the profit rate risk.

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 asset and liabilities, the analysis is prepared assuming the amounts outstanding at the end of the year were outstanding for the whole year. A 20-basis point increase or (decrease) represents management's assessment of the reasonably possible change in profit rates. If profit rates had been 20 basis points higher (lower) and all other variables were held constant, the impact on profit of the Group would have been lower (higher) by SR 13 million (2019: SR 18 million). 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 (For more details, see note 43-2 in the annual financial statements).

Capital Management

The Group manages its capital 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 2020.

The Group reviews the capital structure on 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

(For more details, see note 43-1 in the annual financial statements).

Transactions with Related Parties

Trading Transactions and Balances with Related Entities (Associate Companies and Joint Ventures)

During the year, the Group's trading transactions with related entities for the year ended December 31 were as follows:

Statement (Thousands of Riyals)	2020	2019
Telecommunication services provided	309,161	430,682
Telecommunication services received	71,119	29,050

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

Statement (Thousands of Riyals)	Amounts due from related entities		Amounts due to related entities	
	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
Associate companies	354,554	292,020	63,820	38,910
Joint ventures	47,249	12,215	157,830	168,173
Total	401,803	304,235	221,650	207,083

Trading 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 2020 amounted to SR 9,646 million (2019: SR 7,154 million) and expenses related to transactions with government and government entities for the year ended 31 December 2020 (including government charges) amounted to SR 3,753 million (2019: SR 2,759 million).

As at 31 December 2020, accounts receivable from government entities totaled SR 13,889 million (2019: SR 18,508 million) (For more details, see note 17-2 in the annual financial statements). As at 31 December 2020, accounts payable to government entities SR 1,058 million (2019: SR 953 million). Among the commercial transactions with government entities, the Group invested to SR 3,902 million in the Sukuk issued by the Ministry of Finance during the first quarter of 2019. *(For more details, see note 15-1 in the annual financial statements).*

The total balance of receivables with government related entities as of 31 December 2020: SR 657 million (2019: SR 513 million). The total balance of accounts payable with government related entities as of 31 December 2020: SR 305 million (2019: SR 79 million).

No other clients represent more than 10% of the total balance of trade receivables.

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

Statement (Thousands of Riyals)	31 December 2020	31 December 2019
Less than a year	10,275,707	7,903,051
More than one year to two years	3,153,841	6,393,629
More than two years	459,707	4,211,395
Total	13,889,255	18,508,075

Loans to Related Entities

Statement (Thousands of Riyals)	31 December 2020	31 December 2019
Loans to the Group's Senior Executive Personnel	4,598	5,358

Employees Long-Term Incentives Program

The Company's Board of Directors has approved the purchase of number of Company's shares with a maximum of 5.5 million shares and 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 extraordinary general assembly (EGM) to approve the Program and to purchase the shares within a period of (8) months starting EGM's date of approval. The EGM has voted on the approval of this Program during its meeting held on 20 April 2020. The shares to be purchased will not have the right to vote in the Company's shareholders general assemblies, 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 the executive employees responsible for the achievement of the Group's goals and strategy. The Program provides a share-based payment plan for eligible executives 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.

During the year of 2020, the Group granted the first tranche of the Program as follows:

Grant date	1 July 2020
Total number of shares granted	785 thousand shares
Fair value per share on grant date (*)	SR 94.4
Vesting date	1 July 2021/2022/2023
Settlement method	Equity-based

Total expenses related to the Program during the year ended 31 December 2020 amounted to SR 6.1 million, which were included as part of employees benefits expense in the consolidated profit or loss statement, with the corresponding amount recorded under other reserves within equity in accordance with the requirements of International Financial Reporting Standard (2): Share-based Payment.

(*) The fair value was calculated based on the market price after deducting the expected dividends per share on the grant date.

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. **Therefore, no cash dividends were distributed for the shares that were repurchased during the year of 2020 as follows:**

182 thousand shares — for the **second quarter of 2020** were repurchased before the eligibility of dividend distribution to shareholders.

1,785 thousand shares — for the **third quarter of 2020** *(including above shares).*

2,983 thousand shares — for the **fourth quarter of 2020** *(including the above shares).*

Interests of Related Parties
(Directors and Executive Management)

During 2020 the company has not conducted any business or contracts in which there is a substantial interest for the members of the Board of Directors, CEO, CFO or any person related to any of them, other than the business and contracts that have been signed between the company and Masdr Data Solutions "a subsidiary of the General Organization for Social Insurance (GOSI)". In which Mr. Ahmed bin Mohammed Al-Omran "a member of the Board of Directors" has an indirect interest. The contract involved agreement on linking **stc** with GOSI in the registration processes and updating wages, within the normal business context and without being granted any preferential benefits, for an amount of S.R. (215) thousand, and the General Assembly will therefore be notified of these Businesses and contracts in the recommendations to vote for it.

C. stc Strategy Directions

Across industries, businesses and societies globally, **2020 has undoubtedly been a unique and a challenging year.** It has affected everyone in so many different ways – from loss of life, unemployment, closure of businesses, complexities of government policies and pressure on public health services, impact on education and so on.

In these unfortunate circumstances, **stc** was determined to **play its role as a leading regional ICT company and a national champion to support the Kingdom's Vision 2030,** wider government efforts, business continuity and the community at large. **stc**'s efforts in the wider ICT industry are one important reason for the Kingdom's substantial improvement in Global Competitiveness Index (GCI) ranking.

2020 was a momentous year for **stc**. The company's strong commitment to its strategy helped it to continue delivering strong financial performance and enabled stc to rank top in terms of profitability and return on investment (ROIC) among the leading telcos in the world, as well as bring the group among the top-10 telcos by market capitalization.

Delivery of stc's dare strategy

stc continued the successful execution of its **dare** strategy – with a balanced focus between short-term and long-term – which helped deliver improved year-on-year financial performance, together with investments in strategic initiatives and capabilities. In 2020, despite the Covid-19 pandemic-specific socioeconomic challenges, **stc** was able to continue its profitable growth and prepare itself for the future.

During the pandemic, **stc**'s strategic focus on digital transformation enabled us to continue operations more efficiently and serve our customers through digital channels without compromising on the high level of customer experience.

stc's commitment on digitization and digital services was further evident as the subscriber base for our Fintech venture (**stc** Pay) and media play (Jawwy TV) has increased multiple times. Recent investment in **stc** Pay by a leading global financial services company – Western Union – is a strong success story for a new business line in such a short time. On the backdrop of successful incubation of multiple emerging startups in the Kingdom, we are further broadening the scope of our InspireU program as an incubator and accelerator and our corporate venture fund (STV) also continued its efforts by investing in the right opportunities related to emerging technologies.

These successes were made possible thanks to **stc**'s strategic commitment to technological leadership in the region, coupled by the necessary investments to make it happen. **stc** ranks among top-10 globally in mobile download speeds and at the same time, average broadband download speeds in the Kingdom have multiplied seven times (7x) since 2017. We have continued our leadership in the 5G space with more than 40% coverage already in main cities of the Kingdom enabled by a deployment of almost 4,000 5G sites. Investment in fiber infrastructure, wi-fi hotspots, data centers (recent launch of three new Tier III Data centers), cybersecurity and tower infrastructure (Tawal) are all delivering a strong underlying technology infrastructure necessary for digital the transformation of the Saudi and other regional economies.

Last but not least, our efforts to develop talent continued unabated in 2020. The **stc** Academy built on its earlier success and continued building internal, as well as external digital leaders of the future. Notably, women empowerment and diversity remained high on our agenda with the induction of a high number of women employees in our Talent Incubation Program and many women progressing upwards in the management hierarchy.

stc's strategy for the years ahead (2021-2025)

In preparation for the future and in light of developments in the company's environment, **stc** undertook in 2020 a refresh of its strategy, which will guide the company in the next five years. The fundamental pillars of stc's strategy

While the strategic directions remain the same, considering the evolving external and internal dynamics, **dare 2.0** brings a renewed emphasis on execution of the priorities within the existing businesses, couple with an increased focus on key growth areas. Specifically, **these growth areas include:**

Wider IT services market

In this area, we are building a very 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 our Government and Enterprise customers, as they continue their digitalization journey.

Internet of Things (IoT) market

The second growth priority is in vertical and horizontal solutions and use cases enabled by Internet of Things. Building on existing capabilities, we 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** Pay we will aim to take our capabilities to the next level, within the digital financial services space. We will do so by providing services beyond payments, money transfers and international remittances, to a diverse and strong customer base, built on proven technology platform, leveraging the partnership with Western Union and our advanced digital analytics capabilities

MENA Hub data center and connectivity market

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. Our asset base, geographical location, and regional presence will be key success drivers.

OTT media and content market

Building the success of Jawwy 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 to benefit from a simple interface, rich content catalogue and enhanced personalization. The service offering will continue expanding to address the growing space for gaming with international and local options.

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 regional ambitions.

D Digitization

A Accelerate performance

R Reinvent customer experience

E Expand scale and scope remain the same in the refreshed strategy which is **called dare 2.0.**

Our strategy embodies a quintessential holistic focus on technology infrastructure, digital growth services, accelerated value extraction from core assets and capability build up. We are proud to have the right leadership, progressive workforce and support from all the stakeholders that will collectively ensure achievement of **stc**'s refreshed vision: **'Digital and telco leader, enabling the society and economy to thrive, in KSA and beyond'.** By doing so, driven by our values of **Devotion, Dynamism,** and **Drive,** we will deliver a digitally transformed thriving society as envisioned by the KSA Vision 2030 and other regional national strategies.

D. People Sector

In 2020, People sector focused heavily on its strategy, by initiating strategic programs and projects, aimed at making major improvements to the stc's business along with working increasing its **focus on both customers and employees.**

Increasing the number of roles filled by women by

30%

compared to 2019

which include

3 General Managers
8 Directors
29 section managers

The People sector revised its CARE strategy and introduced **CARE 2.0** that supports and contributes to stc's dare strategy with a focus on digitizing processes, enhancing human capabilities and enriching customer experiences. In line with Saudi Vision 2030 and stc's strategy, employment plans were put in place for the fiscal year 2020 to inject new impetus into the company in an effort to increase the Saudization rate, to employ young national talents and to increase the roles filled by women. **The efforts resulted in the following outcomes:**

Hiring

455

Saudi nationals

205

fresh graduates

Saudization rate

90.7%

Summarized key highlights

■ Center of Excellence

In 2020, Center of Excellence fully activated the new operating model introduced in the end of 2019. Focusing on key operational aspects that enhances employees' outputs through talent development by creating competency career paths, generating new streams of optimization by using workforce practices and increasing sectors performance through organizational designs along with policy/procedure updates to enhance internal customer experience.

■ Business Partners

Business partners have served internal clients in the organization in various ways, including and not limited to providing consultancy and support services regarding human resource practices such as organization design, talent development, redeployment, insourcing/outsourcing and more.

■ Learning and Development

Continuous learning and growth is an essential part of what the people sector offer to its employees. Learning and development general directorate took great measures to ensure that no knowledge gaining opportunity is missed due to COVID-19. In comparison to last year YTY, increase of 24% in digital learning. Digital learning reached 88,900 hours during 2020. **The following key deliverables took place during this year:**

- Successfully launching 18 Technology and Operation programs with Coursera
- Delivering 6 **stc** webinars
- Delivering 10 partner webinars (Gartner, Global Knowledge & Informa)
- Delivered training courses that reached 11,391 employees across KSA
- Activating 6 platforms with unique learning features.

■ People Services

People sector strategy **(CARE 2.0)** revolves around the most important asset in the company, its employees. To ensure employee deliver at the highest level, **the people services have taken a lead in launching the Well-being program that focuses on four main pillars:**

Environmental, Health, Financial and Social Well-being.

As COVID-19 struck by surprise, the people services dedicated its main efforts in creating a safe environment for stc employees by creating the following measures:

- Preparing and publishing the COVID-19 precautionary measures guide for all company employees
- Preparing and publishing violations of noncompliance with the preventive measures against COVID-19
- Development of the COVID-19 disclosure form on iGATE
- Created an Emergency plan for business continuity during Crisis and disasters in coordination with Risk Management

A result of the efforts made during the pandemic, the Ministry of Health granted stc with an awareness award.

■ People Strategy & Experience

To build on the momentum that has established from CARE 2018-2020 and to align with **stc**'s strategy dare. People Strategy & Experience led the exercise of developing CARE 2.0 Strategy from 2020 to 2023 with the support of all the employees in people sector. Aiming to be To Be Recognized as an HR 'Model Of Excellence' In the MENA Region Through Agile, Digital & Innovative Experience By 2023 To achieve the vision. The people sector has a tremendous focus on its most valuable resources **"Our People"** by acquiring individual talents in a fostering environment, developing and retain them through multiple initiatives and projects to provide critical talents, digitizing employee journey and yet maintaining the effectiveness and efficiencies.

People Sector have implemented number of projects aiming in enhancing employee experience and the most notable projects are:

- **stc** HUB.
- E-working policy.
- Empowering women by activating the Women Council chaired by the GCEO and launching the 2nd women forum.

E. Sustainability in stc

stc strives to continue its journey, to participate as a leader in the field of ICT and the main enabler of digital transformation in the region. Its long-term vision aims to maximize its impact on sustainability in seven focus areas of the company, a three-year roadmap for sustainability, and a detailed 2020 business plan in line with the company's strategy **"DARE"**, the Kingdom's Vision 2030, and the United Nations Sustainable Development Goals (SDGs).

stc has worked on setting strategic goals centered around adopting initiatives and projects that support the achievement of sustainability goals and are based on concern for society, environment and the economy, with a focus on the importance of empowering society through technology and harnessing it to serve and develop its institutions and increase its resources and capabilities. The company also continued its commitment towards providing support and care for the less fortunate categories in society, such as orphans and people with special needs.

In the company's unique journey this year, and affirming its commitment to achieving the Sustainable Development Goals and applying the best sustainability practices and leadership in them, the company launched its first sustainability report in line with the standards of the Global Reporting Initiative (GRI), which highlights the sustainability strategy, its activities, its performance and the company's commitment to it. In addition, a **"Sustainability Committee"** was formed, which is the first committee concerned with sustainability in the company headed by the Group CEO, work has also been made to develop a "**Sustainability Platform"** through which everything related to sustainability in the company is known and its activities, services and community initiatives provided by the company. **The platform includes three main community services:**

1 Specialized Volunteering:
It is a service that enables company employees to have the opportunity to volunteer for non-profit entities, in order to enhance their participation in sustainable community development.

2 Technical Package:
It is a service that enables charities and non-profit organizations to transform digitally by providing them with cloud solutions that help them develop and improve their operational processes and increase spending efficiency.

3 Knowledge Sharing:
This service provides training courses in partnership with many specialized agencies in the field of sustainability, with the aim of building capacities and spreading awareness in various fields of sustainability.

Finally, coinciding with International Women's Day and emphasizing the company's commitment to achieving Sustainable Development Goals, **stc** participated in the United Nations Sustainable Markets initiative organized by the Saudi Stock Exchange **"Tadawul"** by signing a **"Statement of Support"** for the Women's Empowerment Principles (WEPs). Through which, **stc** applies the best sustainability practices, which includes supporting and promoting women's empowerment in the labor market and ensuring gender equality.

Here are the most important achievements of the programs, projects and initiatives that stc has achieved in the field of sustainability, in addition to the company's most prominent social initiatives for this year as it is an exceptional year that asks us for a prompt response that reflects the company's responsibility in facing the emerging coronavirus pandemic:

Programs, Projects and Initiatives:

Specialized Volunteering Program

The Specialized Volunteering Program continues to empower the third sector and non-profit entities and build their capabilities in order to achieve and maximize impact through the support of registered employees for this year, which exceeded 1,194 volunteer employees across the Kingdom. Since its establishment, the program has been concerned with spreading the culture of volunteering among employees and emphasizing its importance in the development of society by utilizing the specialized human competencies working in the company. In addition to developing the capabilities of the volunteer through acquiring new skills and understanding from the volunteering experience.

Impact-U Project

The company is eager to spread and strengthen the culture of social entrepreneurship, and for this purpose, it has adopted the **"ImpactU"** project, which is an incubator for social businesses that contribute to developing innovative solutions to modern society problems, or finding opportunities for the development of the local community. The project seeks to enhance the contribution of the community to create sustainable development solutions and establish a culture of social innovation for a societal, economic, or environmental impact. Through this project, ideas submitted go through several stages. Starting with 50 projects, providing them with introductory workshops, in addition to introducing them to the program stages, and then moving to the preliminary incubation stage, where the problem and solution are thoroughly and comprehensively analyzed, and the validity of the business model and action plan is verified. **In the last phase, five projects are incubated with a focus on several basic points, including: legal structure, marketing strategy, financial strategy and building Partnerships.**

▪ Artificial Intelligence Chair Project, in Partnership with King Saud University

The establishment of **stc**'s artificial intelligence chair at the College of Computer Science and Information at King Saud University represents **stc**'s interest and eagerness to invest in Artificial Intelligence and modern technologies. The chair aims to promote innovation and digital solutions in vital areas such as sustainability, data analysis and cybersecurity. It represents an incubator for innovation, scientific research, and development in the field of Artificial Intelligence, which contributes to enriching academic studies and research as well as providing sustainable solutions that have an impact on the society, economy, and the environment.

▪ Leadership Program, in Partnership with Princess Noura bint Abdulrahman University

Driving on the ambitious vision of our country supporting women leaders, and our belief in the important role that Saudi women play in the national development process in all fields, **stc**, in partnership with Princess Noura bint Abdulrahman University, established a leadership program seeking to empower female leaders forward by providing them with the necessary tools and skills to advance against challenges. This system for women empowerment includes the Center of Excellence for the development of women leaders, which is concerned with qualifying Saudi women leaders from different fields, and connecting them to a network of professional women to enhance their role in the labor market.

▪ ERP System Project

Stemming from our belief in the important and influential role of the company in digital empowerment, and the commitment to social responsibility, the company seeks to enable charities by finding technical solutions to help digitize their operations. The ERP system is one of the technical solutions that covers the needs of non-profit entities in the administrative, financial, and operational sectors. The system contains specific features in the fields of human resources, accounting, donation management, and warehouses to increase the efficiency of its operational processes, reduce costs and raise the level transparency. To date, more than 22 charitable societies benefit from the ERP serving hundreds of beneficiaries.

▪ Sensory Rooms Project at King Fahd Medical City

The company has sponsored the construction of a sensory room in King Fahd Medical City, in cooperation with the King Salman Center for Disability Research as one of the founding members of the center. One of the initiatives implemented by the company in cooperation with the center is the establishment of sensory waiting rooms. The room is quipped in a way that simulates different natural environment and supplied with educational and entertainment devices that allow children with disabilities to relax and spend their waiting period in the clinic in a way that suits the nature of their condition.

▪ The "Employees Jood" Initiative to Support "Jood Eskan" Platform

The "Employees Jood" initiative is one of the company's social initiatives that aim to empower the non-profit housing sector to find sustainable housing solutions, and contribute to improving the quality of life of families in the community by meeting the developmental needs of the beneficiaries. Through this initiative, the company provided seven cases of families in need with sustainable housing, with donations amounting to 1.7 million Riyals, and the company's commitment to provide free internet and landline phone service for a period of 12 months.

| stc initiatives and efforts in response to coronavirus pandemic (COVID-19)

1. Providing **40,000** prepaid internet SIM cards free, in cooperation with the Digital Giving Initiative **"Atta"**, to grant disadvantaged group's access to the Internet and educational platforms.
2. Raising network capacity by managing and distributing internet traffic to ensure the continuity of all daily life activities for all our customers, and enabling free access to some health platforms such as, the **"Sehha"** app and the Immunity Forum **"Manaah"**.
3. Enhancing our digital channels by adding greater capabilities to provide all services and maintain service reachability to homes in order to ensure the sustainability of businesses.
4. Supporting small and medium enterprises to manage the potential negative economic impacts during the global Covid-19 pandemic, by promoting their services through the **stc** digital platforms.
5. Eliminating temporary service suspension fees for SMEs in order to mitigate potential economic impacts.
6. Extending payment deadlines for customers due to the current global circumstances.
7. Taking quick actions in response to the current circumstances and collaborating with the Ministry of Health on a number of health campaigns by sending over 1.5 billion awareness messages to all of our customers in multiple languages. The initiative is valued at **SR 40 million.**
8. Providing free Internet and communication services for citizens and residents currently in quarantine, in order to ensure the continuity of their work and daily life activities.
9. Allowing free access to the public Wi-Fi network covering **129 health facilities** around the Kingdom as a part of the support provided to health facilities during COVID-19 global pandemic. Moreover, enhancing the operational efficiency and the role of public awareness for 22 health centers, established by **stc** in various regions of the Kingdom.
10. Providing Customer service free of charge to support responding to individual inquiries through the application of **"Tawakklna"**, supporting 7 million application users.
11. As part of our corporate citizenship and continued efforts to manage covid-19 pandemic impact, we collaborated with **"Bunyan Charity"** to distribute **735 food baskets** to the beneficiaries who were most impacted and unable to reach the stores.
12. In cooperation with Ministry of Health, **stc** launched virtual visits initiative targeting inpatients and their companions to enable them to contact their relatives and friends on Eid al-Adha in light of the pandemic through visual communication by providing free iPad devices equipped with data cards. The number of people who benefited from this initiative reached **733 from (4) hospitals.**
13. Through our device donations initiative, and as part of our recycling practices, we have donated **2,273 devices** to the **"Ertiqa" charity**, in order to fulfill our objective of protecting the environment, and our social responsibility through supporting the community.

F. stc Academy

Our mission is to provide top Learning and Development services in the ICT industry to our Group and Key customers, utilizing the best tools and methodologies, to enable them to achieve their strategic objectives. This year was challenging because of COVID-19, but there was a lot of inspiring new ways of working to keep our stc's employee learning cycle moving forward.

Technology School

- Active campaign has been in order to enable and promote healthy participation of **stc** in ITU challenge event, this making **stc** one of the top three contributors in ITU challenge program among global ICT providers as confirmed by The ITU challenge organizer.
- More than 15 participants finished nanodegree in Data Driven Business Leader.
- 50 participant registered for the second AIDEA 2.0 Competition, in collaboration with Berkeley.
- DVC and Cyber Security labs: Soft opening of the DVC **"Data Visualizations Cave"** lab for leaders, that visualize all kind of data in one place to help the leaders making inclusive decisions. In addition, the work is in progress to open the Cyber Security Lab that simulates the cyber-attacks and how to deal with it in environment that built for this purpose.
- Established Strategic Partnership with Galvanize and UDACITY.

Technology School Programs

Program Name	Participants
Data Driven Business Leaders	220 sm & Tip
Cybersecurity for **stc** leaders	20 GM
AIDEA competition +AI for Mangers	36 director
Huawei 5g competition/ +	28 students
Digital Guru	80 participants
AI/ML in 5G competition	18 participants
Data Driven Decision Making	20 Directors; 15 GMs
AI Business Strategies and Applications Program/ AIDEA 2.0 Competition	48 Directors & GM
Artificial Intelligence for Business Growth	45 Directors
IoT Application in Smart Cities (IoT &SC)	21 SM
Cybersecurity for Leaders	15 SM
Analytics day Competition/ +	157 participants

Leadership & Business School

- SLP Simulation won the Gold HMC Excellence award by Brandon Hall Group.
- **2 Million SAR** Estimated Savings – Identified and optimizing leadership programs cost.
- **1,134 Participants** from Subsidiaries in Leadership & Business School Programs.
- Agile Leaders Program – Planning and Designing Agile Leaders program in collaboration with **stc** culture and DTO team.
- Hosted first virtual trainings during COVID19 on a sectorial level.
- Hosted first virtual trainings presented to the group and public out of the company **"Chain of Leadership meeting"** and an overall attendance of **4000 participant.**

Learning Business Development

- Increase year-over-year **"YoY"** in digital learning to reach more than 35,000 hours, serving more than 10,000 employees across **stc** with 94% satisfaction rate.
- The number of completed online learning hours is 82,349 hours, the number of completed online course in 2020 is 49,355 completions by 10,172 learners.
- Design and Develop a Competency Based Career Path Framework to build an environment for people development, retention and growth in the Tech and Ops Sector.
- In alignment with Huawei we managed to get +5000 free e-learning account distributed to Tech and Ops employees.
- Business and Functional number of total learners 854, number of programs 59, number of sessions 71 and average of customer satisfaction 90%.
- Established Strategic Partnership with LinkedIn, HRDF, Gartner, Skill-soft, Coursera, Harvard and Marefa Digital Spencer Stuart, Korn Ferry, PSI, Arabian Assessment and Development Center Pearson.

Academy Operations Services

Grand Opening of New Academy branch - Qurtubah Center:

During the challenges of the pandemic of Covid-19, we managed to open the new training center on August 2020, with hosting capacity of 526 trainees. The Academy Qurtubah Center contains 31 classes of 5 different set-ups, Technical labs, Design Thinking rooms, and Digital Learning Studio. In addition, the center consists of employee's offices of all level (75 offices) and 3 different sizes meeting rooms. The center is equipped with smart educational solutions that eases the education process.

G. Serving Pilgrims

stc's role in serving the pilgrims during the Hajj season of 1441 AH

Despite the precautionary measures taken to prevent the spread of Covid19- during the Hajj season of 1441 AH, **stc** recorded a remarkable presence that enabled beneficiaries, both pilgrims and from various support sectors, to seamlessly perform the fifth pillar of Islam, **which reflected the company's active role as a leading digital enabler and reliable success partner.**

Furthermore, stc has increased its 5G network coverage in Makkah and the holy sites during the Hajj season of 1441 AH by %119 compared to last year, in addition to increasing the capacity of the 4G network by %88, with the aim of developing the services provided to Hajj pilgrims and providing innovative digital solutions for government sectors participating in serving pilgrims.

The 5G network has been strengthened in hundreds of locations in different regions within the Holy Lands, in addition to the Holy Sites in Makkah and Madinah, which include the Two Holy Mosques and vital areas that Hajj and Umrah pilgrims frequent. This move reflects the cultural aspect of the Kingdom as a global leader in 5G technology in addition to promoting internal solutions in the areas of Hajj and jamrat to ensure the best communication experience.

In order to ensure reliable communications for the various sectors, stc has provided critical communication devices to the Ministry of Health, and the Ministry of Hajj and Umrah, in addition to the water company to facilitate communication at the holy sites. The total number of distributed devices reached 4,765 devices dedicated to emergency and sensitive services through "Specialized" by stc, which harnessed all its technical and human capabilities towards serving the Hajj pilgrims to ensure the success of the Hajj season in light of these extraordinary circumstances.

This was achieved by providing a special package for critical communications dedicated to emergency and sensitive services, to ensure the best services to the concerned sectors. It also provided coverage networks for TETRA services, and an immediate service (press and talk), which is the next generation of critical communications for facilities that require immediate communication with reliability and safety through broadband technology, and other services in Makkah region.

stc has constructed, developed, and expanded several locations beyond the holy sites. In fact, it established other networks in critical areas of the Kingdom, e.g., most airports and ports of the Kingdom and the Industrial Zone. There is a plan to cover all major cities and critical regions in the Kingdom.

The success of this exceptional Hajj season of 1441 AH has been noted and praised worldwide, especially the level of professionality, organization and commitment to safety procedures and maintaining a safe distance between pilgrims. Moreover, stc has been keen on keeping up with the latest technologies and solutions in the ICT sector in terms of the services provided to pilgrims and the government sectors participating in the service of the pilgrims this year. It is also worth noting that stc has been providing its digital services to pilgrims through the company's "mystc" platform, which provides %100 of stc services to customers. As usual, the company ensured providing a large number of maintenance centers, technical emergency teams, service centers and retail outlets that work around the clock to meet the needs of the Hajj pilgrims.

in the midst
of global
chaos, we

crafted

Second

Board of Directors

Board of Directors

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

Mohammed bin Khalid Al-Abdullah Al-Faisal
Chairman of the Board

Dr. Khaled bin Hussain Biyari
Board Vice Chairman

Mohammed Talal Al-Nahhas
Board member

The Board of Directors shall be composed of nine members as per the Company's Articles of Association. This is in line with the Corporate Governance Regulations issued by the Capital Market Authority. A new Board of Directors was elected on 28/4/2018 for the seventh term for a period of three years.

Mr. Rashid bin Ibrahim Sharif
Board member

Mr. Sanjay Kapoor
Board member

Mr. Roy Chestnutt
Board member

Mr. Ahmed bin Mohammed Al Omran
Board member

Mr. Osama bin Yassin Al-Khiary
Board member

Dr. Ibrahim bin Abdulrahman Kadi
Board member

The following tables list the names of the members of the Board during its 7th term, and their memberships in the Boards of Directors of joint-stock companies listed or non-listed in the Saudi capital market or abroad, along with a description of their portfolios.

Board and Committees members and their membership classification

No.	Name	Membership	Academic Qualifications	Vocational Experience	Current Occupation	Previous Occupation	Membership
1	Mohammed bin Khalid Al-Abdullah Al-Faisal	- Chairman, Board of Directors - Chairman, Executive Committee - Chairman, Investment Committee	MBA	27 years of banking and administrative experience	Chairman, Al Faisaliah Holding Group	Vice President, Al Faisaliah Holding Group	Independent
2	Dr. Khaled bin Hussain Biyari	- Vice Precedent, Board of Directors - Executive Committee	PhD. Electrical Engineering	Associate Professor, King Fahd University of Petroleum and Minerals for 12 years 24 years of business experience	Assistant Secretary of Defense for Executive Affairs - Ministry of Defense	**stc** CEO	Non-executive / non-independent
3	Mohammed Talal Al-Nahhas	- Board of Directors - Investment Committee	Bachelor of Accounting	32 years of banking, business development and administration	Governor of the Public Pension Agency	General Manager of Alinma Bank's Branch Network Operations	Non-executive / non-independent
4	Mr. Rashid bin Ibrahim Sharif	- Board of Directors - Investment Committee	MBA	Experience in financial sector and member in many joint companies	CEO of binding merger of Al-Ahli Commercial with Samba Financial	Head of the General Administration, Saudi Investments - Public Investment Fund	Non-executive / non-independent
5	Mr. Sanjay Kapoor	- Board of Directors - Executive Committee	MBA	12 years of administrative experience	Consultant	Executive President of Micromax	Non-executive / non-independent
6	Mr. Roy Chestnutt	- Board of Directors - Investment Committee	MBA	31 years of administrative experience	Chairman of Grande Communication, Inc.	Executive vice President of Strategy, Verizon Communication	Non-executive / non-independent
7	Dr. Ibrahim bin Abdulrahman Kadi	- Board of Directors - Chairman, Audit Committee - Executive Committee	PhD. Electrical Engineering	26 years as Prof. of Comm. Engineering, King Saud University 36 years in Comm. informatics, strategic planning, risk management, information security, economic and social impacts of technology	Freelance Advisor	Senior Advisor at CITC	Independent
8	Mr. Osama bin Yassin Al-Khiary	- Board of Directors - Chairman, Nomination and Remuneration Committee	MBA	28 years of administrative and technical experience	Freelance Advisor	General Manager & Public Sector Lead, Accenture SA Ltd.	Independent
9	Mr. Ahmed bin Mohammed Al Omran	- Board of Directors - Nomination and Remuneration Committee	Master of Computer Science	19 years of information technology	GOSI Governor Assistant for IT Affairs	GM, IT Infrastructure, GOSI	Non-executive / non-independent

External Members of the Board Committees

No.	Name	Membership	Academic Qualifications	Vocational Experience	Current Occupation	Previous Occupation	Membership
1	Mr. Khalid bin Abdullah Al Ankari	Audit Committee	Bachelor of 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
2	Mr. Medhat Bin Farid 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
3	Dr. Ammr Khalid Kurdi	Audit Committee	PhD in Accounting	9 years in finance and accounting	Chief Corporate Services Officer, DUSSUR	CFO, Amiantit	External Member
4	Eng. Tarek Abdulaziz Alrikhaimi	Audit Committee	Master of Science	27 years in financial, banking services, risks management, operations, strategic planning and projects management	Independent Financial Advisor, Investment and Risk Management Advisorr	CEO, Saudi Kuwaiti Finance House	External Member
5	Mr. Sultan Bin Abdul Malik Al-Sheikh	Executive Committee	Master of Finance	Experience in investment banking operations	Vice President of the Saudi Investment Department, Public Investment Fund	Vice President of the Saudi Investment Department, Public Investment Fund	External Member
6	Eng. Nasser bin Sulaiman Al Nasser	Executive Committee	Bachelor of Electrical Engineering	Experience in telecommunications sector	**stc** CEO	Senior VP, Technology and Operations **stc**	External / executive member
7	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	A key partner at Egon Zehnder	External Member
8	Ms. Huda Mohammed AlGhoson	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
9	Mr. Mazen bin Ahmed Al-Jubeir	Investment Committee	MBA	Experience in managing a number of companies	Managing Director, Jawaris	VP, Amwaj AlKhaleej	External Member

Executive Management Members

No.	Name	Academic Qualifications	Current Occupation (stc)	Previous Occupation	Company
1	Eng. Nasser bin Sulaiman Al Nasser	Bachelor of Electrical Engineering	**stc** CEO	Chief Operations Officer	**stc**
2	Mr. Ameen Fahad Alshiddi	Master of Accounting	Chief Financial Officer (CFO)	VP Finance	**stc**
3	Eng. Emad Aoudah Alaoudah	Bachelor of Information Systems	VP, Procurement and Support Services Sector	NUPCO CEO	NUPCO
4	Eng. Haithem M. Alfaraj	Bachelor of Computer Engineering	SVP, Technology and Operations	Chief Technology Operations Officer	**stc**
5	Eng. Abdullah Mohsen. Alowini	Master of Computer Engineering	VP, Enterprise Architecture	VP, IT Systems	**stc**
6	Mr. Abdul Aziz Abdullah Alqatie	Bachelor of Accounting	VP, Financial Control and Reporting	CFO **stc** Kuwait	**stc** Kuwait
7	Mr. Riyadh Saeed Muawad	Bachelor of Computer Science	SVP, Enterprise Business Unit	VP, Government & Corporate Sales	**stc**
8	Mr. Riyadh Hamdan Alonazi	Bachelor of Information Systems	VP, Customer Experience & Operations	VP, Customer Care Centers	**stc**
9	Eng. Ahmad M. Alghamdi	Bachelor Ind. Engineering	VP, People	GM, HR Planning and Organization Design	**stc**
10	Eng. Mohammed Abdullah Alabbadi	MBA	VP, Wholesale Business Unit	CEO CISCO	CISCO
11	Mr. Sultan Hassan Bin saeed	Bachelor of IT	VP, Business Development	CEO, **stc** Solutions	**stc** Solutions
12	Mr. Markus M. Golder	MBA	VP, Customer Value Management and Analytics	VP, Marketing	**stc**
13	Mr. Wijnand Ernst Van Till	MBA	VP, Business Finance	VP, Strategy	Etisalat, UAE
14	Mr. Abdullah S. Alanizi	Master of Executive Management	Chief Internal Audit	GM, Information Systems and Network Audit	**stc**
15	Mr. Dimitris G. Lioulias	MBA	VP, Strategy	COO	LAP GreenN UAE
16	Mr. Ali Abdullah Alharbi	Master of Accounting	VP, Corporate Finance	CFO	Bahri
17	Eng. Bader A. Allhieb	Bachelor of Electrical Engineering	VP, Operations	GM, Customer Service Operation	**stc**
18	Mr. Yasser Zaben AlOtaibi	Bachelor of Electrical Engineering	VP, Business Operations	GM, Business Development	**stc**

No.	Name	Academic Qualifications	Current Occupation (stc)	Previous Occupation	Company
19	Mr. Khaled Ibrahim Aldharrab	Bachelor Ind. Engineering	VP, Infrastructure	GM, Infrastructure Design	**stc**
20	Eng. Ulaiyan Mohammed Alwetaid	Bachelor of Electrical Engineering	SVP, Consumer Business Unit	CEO, **Stc** Bahrain	**Stc** Bahrain
21	Mr. Othman Dahash Aldahash	MBA	VP, Corporate Development	VP, Research & Development	**stc** Solutions
22	Eng. Abdulaziz Mohammed Alhaider	Bachelor of Electrical Engineering	VP, Enterprise Accounts	GM, Government Accounts	**stc**
23	Mr. Yasser Najeeb Alswailem	Bachelor of Information Systems	VP, Cybersecurity	GM, Information Security	**stc**
24	Mr. Bandar Mosalm Allehyani	MBA	VP, Mobility Services	GM, Mobility Services	**stc**
25	Mr. Munif Nayef Bin Darwish	MBA	VP, Residential Services	VP, Distribution	**stc** Channels
26	Mr. Mathad Faisal Alajmi	MBA	VP and General Counsel, Legal Affairs	Board Member	Sabic
27	Mr. Yazeed Abdulaziz Alfaris	Master of Computer Science	VP, Applications	GM, Applications	**stc**
28	Mr. Amir Abdulaziz Algibreen	Master of Advanced Management	VP, Regulatory Affairs	GM, Regulations and Licensing	CITC
29	Eng. Abdullah Abdulrahman Alkanhl	MBA	SVP, Corporate Affairs	Deputy Minister for Communications and Digital Infrastructure	CITC
30	Mr. Faisal Abdulaziz Albakri	Bachelor in Int'l Business Management	VP, Government Accounts	GM, Government Accounts	**stc**
31	Mr. Mohammed Rahid Aba Alkheel	MBA	SVP, Corporate Operations	GM, Corporate Operations	**stc**
32	Mr. Jose Del Valle	MBA	Chief Strategy Officer	CEO	Telefonica
33	Mr. Jeremy Sell	Master of Geography	Chief Strategy Officer	Group CFO	Mountain Partners AG
34	Mr. Alan F. Whelan	Bachelor of Psychology	VP, Wholesale	Northern Europe Managing Director	Vertiv
35	Eng. Rafat B. Malik	Bachelor of Aerospace Engineering	Dean of **stc** Academy	VP	IE Corporate Learning Alliance
36	Dr. Khalid M. Albarrak	PhD IT	VP, Corporate Analytics and Data	Consultant	AwalNet

Companies where stc Board members are or were Board members or managers' in

	Board member	No	Names of companies Board members are currently Board members or managers in	Location: KSA	Location: Abroad	Legal Entity (Listed, unlisted joint stock company, LLC/ ....)	Names of companies Board members are previously Board members or managers in	Location: KSA	Location: Abroad	Legal Entity (Listed, unlisted joint stock company, LLC/ ....)
1	**Mohammed bin Khalid Al-Abdullah Al-Faisal** Chairman of the Board of Directors Chairman of the Executive Committee Chairman of the Investment Committee	1	**stc**	✔		Listed joint stock	–	–	–	–
		2	Al Faisaliah Group	✔		Closed joint stock				
		3	Al khozama	✔		Closed joint stock				
		4	JP Morgan Saudi Arabia	✔		Closed joint stock				
2	**Dr. Khaled Hussain Biyari** Vice-President of the Board and Member of the Executive Committee	1	**stc**	✔		Listed joint stock	**stc** Kuwait		✔	Listed joint stock
		2	Saudi Information Technology Company (SITE)	✔		Closed Joint-stock	Türk Telekom		✔	Listed joint stock
		3	–	–	–	–	Oger Telecom Company		✔	LLC
		4					**Stc** Solutions	✔		LLC
		5					Sapphire Co., Ltd.	✔		LLC
		6					Gulf Digital Media Company		✔	LLC

	Board member	No	Names of companies Board members are currently Board members or managers in	Location: KSA	Location: Abroad	Legal Entity (Listed, unlisted joint stock company, LLC/ ....)	Names of companies Board members are previously Board members or managers in	Location: KSA	Location: Abroad	Legal Entity (Listed, unlisted joint stock company, LLC/ ....)
3	**Mr. Mohammed Bin Talal Al Nahhas** Member of the Investment Committee	1	**stc**	✔		Listed joint stock	Taiba Holding Company Member of the Board of Directors	✔		Listed joint stock
		2	Public Pension Agency	✔		Unlisted joint stock	Saudi Travel Cheque Company	✔		Unlisted joint stock
		3	Sabic	✔		Listed joint stock	National Center for Privatization	✔		Unlisted joint stock
		4	Riyad Bank	✔		Listed joint stock	–	–	–	–
		5	GOSI	✔		–				
		6	Acwa Power	✔		Unlisted joint stock				
		7	ASMA Capital		✔	Unlisted joint stock				
		8	Al Ra'idah Investment Company	✔		Unlisted joint stock				
		9	Raza Real Estate Company	✔		Unlisted joint stock				
		10	Al Tawuniyah Real Estate Investment Co.	✔		Unlisted joint stock				
		11	Spimaco	✔		Listed joint stock				
		12	Dammam Pharma	✔		Unlisted joint stock				

		No	Names of companies Board members are currently Board members or managers in	Location: KSA	Location: Abroad	Legal Entity (Listed, unlisted joint stock company, LLC/ ....)	Names of companies Board members are previously Board members or managers in	Location: KSA	Location: Abroad	Legal Entity (Listed, unlisted joint stock company, LLC/ ....)
4	**Mr. Rashid Ibrahim Sharif** Member of the Investment Committee	1	**stc**	✔		Listed joint stock	Rua Al Madinah Holding Company	✔		Unlisted joint stock
		2	National Commercial Bank	✔		Listed joint stock	Investment Control Company	✔		Unlisted joint stock
		3	Saudi Electricity Company	✔		Listed joint stock	KAFD Development & Management Company	✔		Unlisted joint stock
		4	Accor Invest Group		✔	Private Company	Sabic	✔		Listed joint stock
		5	The Rea Sea Development Company	✔		Unlisted joint stock	-	-	-	-
5	**Mr. Sanjay Kapoor** Member of the Executive Committee	1	**stc**	✔		Listed joint stock	Bennett Coleman Co., Ltd.		✔	Unlisted joint stock
		2	ObMobile Global Ltd.		✔	Listed joint stock	PVR, Ltd.		✔	Listed joint stock
		3	VLCC Health Care Company Limited		✔	Unlisted joint stock	MicroMax Informatics Ltd.		✔	Unlisted joint stock
		4	Tech-connect Retail Pvt. Ltd.		✔	Unlisted joint stock	Indus Towers Ltd.		✔	Listed joint stock
		5	Tanla Solutions ltd.		✔	Listed joint stock	IFFCO Kisan Sancher Ltd.		✔	Unlisted joint stock
		6	Z-Axis India Management consultants and strategic advisors		✔	Limited liability company	Bharti Cellular Ltd.		✔	Unlisted joint stock
		7	-	-	-	-	GSMA		✔	Unlisted joint stock
		8					IBus Network & Infrastructure Pvt Ltd			Unlisted joint stock

		No	Names of companies Board members are currently Board members or managers in	Location: KSA	Location: Abroad	Legal Entity (Listed, unlisted joint stock company, LLC/ ....)	Names of companies Board members are previously Board members or managers in	Location: KSA	Location: Abroad	Legal Entity (Listed, unlisted joint stock company, LLC/ ....)
6	**Mr. Roy Chestnutt** Member of the Investment Committee	1	**stc**	✔		Listed joint stock	-	-	-	-
		2	Telstra Corporation		✔	Listed joint stock				
		3	Digital Turbine Inc.		✔	Public company				
		4	Blackstone Group Senior Advisor		✔	Public company				
		5	Delta Partners Company (Independent Advisor)		✔	Private company				
		6	LotusFlare (Independent Advisor)		✔	Public Company				
		7	VMware (Senior Advisor)		✔	Public Company				
		8	Boingo Wireless Inc.		✔	Public Company				

	Member	No	Names of companies Board members are currently Board members or managers in	Location KSA	Location Abroad	Legal Entity (Listed, unlisted joint stock company, LLC/ ....)	Names of companies Board members are previously Board members or managers in	Location KSA	Location Abroad	Legal Entity (Listed, unlisted joint stock company, LLC/ ....)
7	**Dr. Ibrahim A. Kadi** Chairman of the Audit Committee Member of the Executive Committee	1	**stc**	✔		Listed joint stock	Maxis Group, Malaysia		✔	Listed joint stock
		2	-	-	-	-	Maxs Communications		✔	Unlisted joint stock
		3					Oger Telecom		✔	Unlisted joint stock
		4					Saudi Stock Exchange (Tadawul) (Risk Committee Independent Member)		✔	Unlisted joint stock
8	**Mr. Osama Al-Khiary** Chairman of Nomination and Remuneration Committee	1	**stc**	✔		Listed joint stock	Accenture SA Ltd (Board member and Managing Director)	✔		LLC
		2	Digital Company	✔		LLC	Accenture ME Ltd. (Board member & Executive Director)		✔	LLC
		3	Namaa Almunawara	✔		LLC	Al Faisaliah Group (Executive Director)	✔		Closed joint stock
		4	Tabadul Company	✔		A wholly owned stock to the Public Investment Fund	-	-	-	-
		5	ARCOM Company	✔		Closed joint stock				
		6	SITE Company (Member of Risk Committee)	✔		A wholly owned stock to the Public Investment Fund				
9	**Mr. Ahmed Al Omran** Member of the Nomination and Remuneration Committee	1	**stc**	✔		Listed joint stock	Saudi Industrial Investment Group	✔		Listed joint stock
		2	Takamul Holding Company	✔		LLC	Saudi Cement	✔		Listed joint stock
		3	Arab National Bank	✔		Listed joint stock	Samba Financial	✔		Listed joint stock
		4	Madad IT Services	✔		LLC	-	-	-	-
		5	Masdar Data Solutions	✔		LLC				
		6	Hassana Investment Company	✔		LLC				

Participation of Members in Board and Committee Meetings

The following tables show the number of Board of Directors meetings and Committee's meetings during the seventh term, as well as members' attendance of these meetings in 2020:

| Meetings of the Board of Directors:

The Board of Directors convened five meetings. The following table shows the number of meetings convened during 2020 and the attendance of members.

No.	Name	Position	The Board 7th term 2020					Total
			10 17 March	11 24 June	12 25 June	13 27 September	14 20 December	
1	Mohammed bin Khalid Al-Abdullah Al-Faisal	Chairman of the Board of Directors	✔	✔	✔	✔	✔	5
2	Dr. Khaled bin Hussain Biyari	Deputy Chairman of the Board	✔	✔	✔	✔	✔	5
3	Mohammed Talal Al-Nahhas	Member	✔	✔	✔	✔	✔	5
4	Mr. Rashid bin Ibrahim Sharif	Member	✔	✔	✔	✔	✔	5
5	Mr. Sanjay Kapoor	Member	✔	✔	✔	✔	✔	5
6	Mr. Roy Chestnutt	Member	✔	✔	✔	✔	✔	5
7	Dr. Ibrahim bin Abdulrahman Kadi	Member	✔	✔	✔	✔	✔	5
8	Mr. Osama bin Yassin Al-Khiary	Member	✔	✔	✔	✔	✔	5
9	Mr. Ahmed bin Mohammed Al Omran	Member	✔	✔	✔	✔	✔	5

| Meetings of Board Committees

In accordance with **stc**'s corporate governance regulations, and the regulations issued by 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 notified in an appropriate manner.
Board committees were formed for the current 7th term as follows:

■ Executive Committee:

The Executive Committee (ExCom) consists of four Board members and two external members. **stc** CEO is one of the two external members. ExCom reviews and approves strategies, estimated annual budgets, and local and international organic and inorganic businesses within board-approved authorities. ExCom held four meetings in 2020:

No.	Name	Position	The Board 7th term 2020				Total
			10 10 March	11 5 May	12 8 September	13 1 December	
1	Mohammed bin Khalid Al-Abdullah Al-Faisal	Chairman	✔	✔	✔	✔	4
2	Dr. Khaled bin Hussain Biyari	Member	✔	✔	✔	✔	4
3	Mr. Sanjay Kapoor	Member	✔	✔	✔	✔	4
4	Dr. Ibrahim bin Abdulrahman Kadi	Member	✔	✔	✔	✔	4
5	Mr. Sultan Bin Abdul Malik Al-Sheikh	Member	✔	✔	✔	✔	4
6	Eng. Nasser bin Sulaiman Al Nasser	Member	✔	✔	✔	✔	4

▪ Nomination and Remuneration Committee:

The Nomination and Remuneration Committee (NRC) consists of two Board members 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. The NRC also reviews the structure of the Board and recommends appropriate amendments. Ensures annually the independence of external members, no conflict of interest of **stc** Board members, especially if they are Board members of other companies. The NRC also reviews and approves Board and Committees remunerations and incentives prior to submission before the Board for ratification. **The NRC held five meetings in 2020:**

No.	Name	Position	The Board 7th term 2020					Total
			9	10	11	12	13	
			12 March	7 May	17 September	11 November	3 December	
1	Mr. Osama bin Yassin Al-Khiary	Chairman	✓	✓	✓	✓	✓	5
2	Mr. Ahmed Bin Mohammed Al Omran	Member	✓	✓	✓	✓	✓	5
3	Mr. John Brand	Member	✓	✓	✓	✓	✓	5
4	Mr. Hoda Mohammed Al Ghoson	Member	×	✓	✓	✓	✓	4

The absence of some members was due to emergency situation.

▪ Audit Committee:

The General Assembly approved the formation of the Audit Committee (AC) for the seventh term of the Board starting 7/6/2018, and approved the Committee's tasks, controls and the remuneration of its members. The Committee consists of one Board member and four external members specialized in financial affairs, accounting and auditing. The Committee is responsible for reviewing the financial and administrative policies and procedures of the Company, and the procedures for preparing financial reports and their outputs. The Committee also reviews internal audit reports and comments, and issues recommendations to the Board on the appointment, dismissal, remuneration and independence of legal accountants. It examines preliminary and annual financial statements before being submitted to the Board of Directors and provides opinions and guidance thereon. It reviews the legal accountant's observations on the statements and reviews the audit plan with the legal accountant, making its observations thereon. It fulfills other works periodically and regularly in order to assess the efficiency and effectiveness of control activities and risk management at the Company. **AC held ten meetings in 2020:**

No.	Name	Position	The Board 7th term 2020										Total
			12	13	14	15	16	17	18	19	20	21	
			22 January	28 January	4 March	21 April	10 June	28 June	20 July	22 July	19 October	21 October	
1	Dr. Ibrahim bin Abdulrahman Kadi	Chairman	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	10
2	Mr. Khalid Bin Abdullah Al Ankari	Member	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	10
3	Mr. Medhat Bin Farid Tawfik	Member	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	10
4	Dr. Ammr Khaled Kurdi	Member	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	10
5	Eng. Tarek Abdulaziz Alrikhaimi	Member	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	10

▪ Investment Committee:

The Investment Committee (IC) consists of four members from the Board of Directors and an external member. The Committee is responsible for reviewing the investments policy according to **stc** strategies. It also reviews and examines strategic investment opportunities and recommends feasible investments. **IC held six meetings in 2020:**

No.	Name	Position	The Board 7th term 2020						Total
			8	9	10	11	12	13	
			11 March	6 May	1 September	9 September	20 October	2 December	
1	Mohammed bin Khalid Al-Abdullah Al-Faisal	Chairman	✓	✓	✓	✓	✓	✓	6
2	Mohammed Talal Al-Nahhas	Member	✓	✓	✓	✓	✓	✓	6
3	Mr. Rashid bin Ibrahim Sharif	Member	✓	✓	✓	✓	✓	✓	6
4	Mr. Roy Chestnutt	Member	✓	✓	✓	✓	✓	✓	6
5	Mr. Mazen bin Ahmed Al-Jubeir	Member	✓	✓	✓	✓	✓	✓	6

Dates of the shareholders' General Assembly meetings held during the fiscal year 2020, and the names of the present board members:

- **The Extraordinary General Assembly**
  on 20/04/2020 Corresponding to 27/08/1441 H:

The Extraordinary General Assembly's meeting held remotely through modern technology via Tadawulaty services on 20/04/2020 corresponding to 27/08/1441 H based on the Capital Market Authority circular, which stipulates that listed companies conduct their general assemblies through modern technology, and suspend the presence until further notice.

The meeting's results were published on Tadawul's website on the next day 21/04/2020. Voting results in the General Assembly's agenda were as follows:

1. Approve the Board of Directors' report for the fiscal year ending on 31/12/2019.
2. Approve the auditor's report for the fiscal year ending on 31/12/2019.
3. Approve the Company's consolidated financial statements for the fiscal year ending on 31/12/2019.
4. Approve the Board of Directors decision to appoint Dr. Ammr Khaled Kurdi and Mr. Tarek Abdulaziz Al Rikhaimi (external members) as members of the audit committee from 18/09/2019 until the end of the current committee's cycle which ends on 27/04/2021. Those appointments represents a replacement of the former committee member, Dr. Khalid D. AlFaddagh (external member) and the appointment of a new audit committee member. The appointment shall take effect as of the date of the recommendation decision on 19/01/1441 (corresponding to 18/09/2019). Those appointments come in accordance with the audit committee's rules & regulations.
5. Approve the purchase of a number of the company's shares with a maximum of 5.5 million shares, and an amount not to exceed SR 300 million to allocate them within the Employee Stock Incentive Plan (The Plan), where the purchase of those shares to be financed thru the Company's own resources. Further, to authorize the Board of Directors or whoever it delegates to complete the purchase within a period of (8) months from the date of the Extraordinary General Assembly approval, as well as to authorize the Board of Directors to execute the plan. 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, the company will follow the rules and procedures stipulated in the relevant laws and regulations.
6. Approve the remuneration and compensation to the members of the Board of Directors for their membership as included in the report of the Board of Directors for the period starting on 1 January 2019 and ending on 31 December 2019.

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

No.	Name	Attendance
1	Mohammed bin Khalid Al-Abdullah Al-Faisal	✔
2	H.E. Dr. Khaled bin Hussain Biyari (Vice Chairman of the Board)	✔
3	H.E. Mr. Mohammed bin Talal Al-Nahhas	✔
4	Mr. Rashid bin Ibrahim Sharif	✔
5	Mr. Sanjay Kapoor	×
6	Mr. Roy Chestnutt	×
7	Dr. Ibrahim bin Abdulrahman Kadi	✔
8	Mr. Osama bin Yassin Al-Khiary	✔
9	Mr. Ahmed bin Mohammed Al-Omran	✔

** The absence of Mr. Sanjay Kapoor and Mr. Roy Chestnutt was due to emergency situation.*

** 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 to approve a policy for evaluating the performance of the Board and its committees on 21/3/2018. This policy aims to define rules and regulations of evaluating the performance of the Board and its committees to follow up, develop performance, fulfill requirements, apply best governance practices, and to strengthen the Board effectiveness. In this endeavor, **stc** hired in September 2019 a specialized advisory firm to study and evaluate the Board in 2019.

Assessment deliverables presented before the Board on 17/3/2020. Board members participated in the evaluation process by giving their feedback on various aspects including (the role and structure of the Board and Committees, interaction between Board members as a team, **stc** plans and strategies and the extent of their implementation, governance mechanism, challenges, risks, and how to mitigate them, and succession plans, etc.).

The Board reviewed the work plan that implemented and the methodology used for the evaluation, bilateral interviews, and the analysis of all relevant data. It also reviewed the results of the evaluation and recommendations, in which it identified strengths and areas of opportunities that could contribute more to enhancing the effectiveness of the performance of the Board and improving and developing the work of the Board and its committees, which will reflect in the company's performance.

The Company's Dividend Distribution Policy

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

1. Spare 10% of net profit to be used for the statutory reserve of the Company. The Ordinary General Assembly may approve the suspension of such a reserve when the said reserve reaches 30% of the paid-up share capital.
2. The Ordinary General Assembly may, on the proposal of the board, put aside a percentage of the annual profits to form an agreed reserve for a purpose or purposes decided upon by the General Assembly.
3. The Ordinary General Assembly may decide to put aside other reserves, to the extent that serves the interests of the Company or ensures the distribution of fixed profits to the shareholders as much as possible. It can also deduct funds from the net profits to create social institutions for the Company's employees or support existing ones.
4. The remainder, representing 5% of the paid-up capital of the Company, shall be distributed to the shareholders.
5. Subject to the provisions of Article 21 of **stc**'s Articles of Association and Article 76 of the Companies Law, the General Assembly may allocate, after the aforementioned, remuneration to members of the Board of Directors, provided that the remuneration is commensurate with the number of meetings attended by the member.
6. Upon the proposal of the Board of Directors, the Ordinary General Assembly may decide to distribute the remainder (if any) to the shareholders as an additional share of the profits.

The Company may also distribute interim profits to its shareholders semiannually or quarterly in accordance with the regulations issued by the competent authority, on the basis of a mandate issued by the Ordinary General Assembly of the Board of Directors to distribute interim profits. Article 46 of **stc**'s Articles of Association stipulates that shareholders shall be entitled to their share of the profits *"in accordance with a General Assembly resolution issued in this regard. The resolution shall specify the maturity and distribution dates, for which shareholders registered up until the specified last day will be eligible. The profits to be distributed to the shareholders shall be paid on the place and date, and through the mechanisms determined by the Board of Directors in accordance with the instructions issued by the competent authorities."*

The Board of Directors approved in its meeting on 9/4/1440 AH (corresponding to 16/12/2018) the dividend distribution policy. The policy was approved at the General Assembly's meeting held on 19/8/1440 H (corresponding to 24/4/2019). It is a distribution policy based on maintaining a minimum dividend per share on a quarterly basis, by distributing SR 1 per quarter for the three years following Q4 2018. The Company will consider making further distributions which shall be subject to the Board of Directors' recommendation upon reviewing the Company's financial position, future prospects, and capital requirements. Such further distributions may vary from one quarter to another depending on the Company's performance. The dividend distribution policy may be changed based on the following:

- Any significant changes in the Company's strategy and business (including the business environment in which the Company operates).
- Laws, regulations, legislation, and controls governing the sector and to which the Company is subject.
- Any obligations or undertakings towards banking or finance entities, or needed to meet the requirements of credit rating agencies, which may be binding on the Company from time to time.

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 (7th term).

No.	Board Member	Beginning of 2020		Ending of 2020		Net Difference	Percentage
		No. of Shares	Debt Instruments	No. of Shares	Debt Instruments		
1	Mohammed bin Khalid Al-Abdullah Al-Faisal	1,000	0	1,000	0	0	0%
2	Dr. Khaled bin Hussain Biyari	2,000	0	2,000	0	0	0%
3	Mr. Mohammed bin Talal Al-Nahhas	0	0	0	0	0	0%
4	Mr. Rashid bin Ibrahim Sharif	0	0	0	0	0	0%
5	Mr. Sanjay Kapoor	0	0	0	0	0	0%
6	Mr. Roy Chestnutt	0	0	0	0	0	0%
7	Dr. Ibrahim bin Abdulrahman Kadi	2,666	0	2,666	0	0	0%
8	Mr. Osama bin Yassin Al-Khiary	0	0	0	0	0	0%
9	Mr. Ahmed bin Mohammed Al-Omran	0	0	0	0	0	0%

Description of any interest, contractual papers, or subscription rights owned by the Board members or their families, in the form of shares or debt instrument in **stc** Subsidiaries (7th term).

No.	Board Member	Start of 2020		End of 2020		Net difference	Change percentage
		Shares	Debt instrument	Shares	Debt instrument		
1	Mohammed bin Khalid Al-Abdullah Al-Faisal	-	-	-	-	-	-
2	Dr. Khaled bin Hussain Biyari	-	-	-	-	-	-
3	Mr. Mohammed Bin Talal Al Nahhas	-	-	-	-	-	-
4	Mr. Rashid bin Ibrahim Sharif	-	-	-	-	-	-
5	Mr. Sanjay Kapoor	-	-	-	-	-	-
6	Mr. Roy Chestnutt	-	-	-	-	-	-
7	Dr. Ibrahim bin Abdulrahman Kadi	-	-	-	-	-	-
8	Mr. Osama bin Yassin Alkhiary	-	-	-	-	-	-
9	Mr. Ahmed bin Mohammed Al Omran	-	-	-	-	-	-

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

No.	Name	Beginning of 2020		Ending of 2020		Net difference	Percentage
		No. of Shares	Debt Instruments	No. of Shares	Debt Instruments		
1	Eng. Nasser bin Sulaiman Al Nasser	0	0	0	0	0	0%
2	Mr. Ameen bin Fahd Alshiddi	0	0	0	0	0	0%
3	Eng. Emad A. Alaoudah	0	0	0	0	0	0%
4	Eng. Haithem M. Alfaraj	0	0	0	0	0	0%
5	Mr. Abdullah M. Alowini	0	0	0	0	0	0%
6	Mr. Abdulaziz A. Alqatie	4,500	0	7,243	0	2,743	60.96%
7	Mr. Riyadh S. Muawad	0	0	0	0	0	0%
8	Mr. Riyadh H. Alonazi	0	0	0	0	0	0%
9	Eng. Ahmad M. Alghamdi	0	0	0	0	0	0%
10	Eng. Mohammed A. Alabbadi	0	0	0	0	0	0%
11	Mr. Sultan H. Binsaeed	0	0	0	0	0	0%
12	Mr. Markus M. Golder	0	0	0	0	0	0%
13	Mr. Wijnand E. Van Till	0	0	0	0	0	0%
14	Mr. Abdullah S. Alanizi	0	0	0	0	0	0%
15	Dimitris Lioulias	0	0	0	0	0	0%
16	Ali A. Alharbi	0	0	0	0	0	0%
17	Bader A. Allhieb	0	0	0	0	0	0%
18	Yasser Z. Al Otaibi	0	0	0	0	0	0%
19	Khaled I. Aldharrab	0	0	0	0	0	0%
20	Ulaiyan M. Alwetaid	0	0	0	0	0	0%
21	Othman D. Aldahash	0	0	0	0	0	0%
22	Abdulaziz M. Alhaider	0	0	0	0	0	0%
23	Yasser N. Alswailem	0	0	0	0	0	0%
24	Bandar M. Allehyani	0	0	0	0	0	0%
25	Munif Nayef Bin Darwish	0	0	0	0	0	0%
26	Mathad F. Alajmi	0	0	0	0	0	0%
27	Yazeed A. Alfaris	1,200	0	1,200	0	0	0%
28	Amir A. Algibreen	0	0	0	0	0	0%
29	Abdullah A. Alkanhl	0	0	0	0	0	0%
30	Faisal A. Albakri	0	0	0	0	0	0%
31	Mohammed Abaalkheil	0	0	0	0	0	0%
32	Jose D. Valle	0	0	0	0	0	0%
33	Jeremy Sell	0	0	0	0	0	0%
34	Mr. Alan F. Whelan	0	0	0	0	0	0%
35	Rafat B. Malik	0	0	0	0	0	0%
36	Dr. Khalid M. Albarrak	0	0	0	0	0	0%

Description of any interest, contractual papers, or subscription rights owned by the STC Executives or their families, in the form of shares or debt instruments in STC Subsidiaries (7th term).

No.	Executive name	Start of 2020		End of 2020		Net difference	Change percentage
		Shares	Debt instrument	Shares	Debt instrument		
1	Eng. Nasser bin Sulaiman Al Nasser	0	0	0	0	0	0%
2	Mr. Ameen Fahad Alshiddi	0	0	0	0	0	0%
3	Eng. Emad Aoudah Alaoudah	0	0	0	0	0	0%
4	Eng. Haithem M. Alfaraj	0	0	0	0	0	0%
5	Eng. Abdullah Mohsen. Alowini	0	0	0	0	0	0%
6	Mr. Abdul Aziz Abdullah Alqatie	0	0	0	0	0	60,96%
7	Mr. Riyadh Saeed Muawad	0	0	0	0	0	0%
8	Mr. Riyadh Hamdan Alonazi	0	0	0	0	0	0%
9	Eng. Ahmad M. Alghamdi	0	0	0	0	0	0%
10	Eng. Mohammed Abdullah Alabbadi	0	0	0	0	0	0%
11	Mr. Sultan Hassan. Bin saeed	0	0	0	0	0	0%
12	Mr. Markus M. Golder	0	0	0	0	0	0%
13	Mr. Wijnand Ernst Van Till	0	0	0	0	0	0%
14	Mr. Abdullah S. Alanizi	0	0	0	0	0	0%
15	Mr. Dimitris G. Lioulias	0	0	0	0	0	0%
16	Mr. Ali Abdullah Alharbi	0	0	0	0	0	0%
17	Eng. Bader A. Allhieb	0	0	0	0	0	0%
18	Mr. Yasser Zaben AlOtaibi	0	0	0	0	0	0%
19	Mr. Khaled Ibrahim Aldharrab	0	0	0	0	0	0%
20	Eng. Ulaiyan Mohammed Alwetaid	0	0	0	0	0	0%
21	Mr. Othman Dahash Aldahash	0	0	0	0	0	0%
22	Eng. Abdulaziz Mohammed Alhaider	0	0	0	0	0	0%
23	Mr. Yasser Najeeb Alswailem	0	0	0	0	0	0%
24	Mr. Bandar Mosalm Allehyani	0	0	0	0	0	0%
25	Mr. Munif Nayef Bin Darwish	0	0	0	0	0	0%
26	Mr. Mathad Faisal Alajmi	0	0	0	0	0	0%
27	Mr. Yazeed Abdulaziz Alfaris	0	0	0	0	0	0%
28	Mr. Amir Abdulaziz Algibreen	0	0	0	0	0	0%
29	Eng. Abdullah Abdulrahman Alkanhl	0	0	0	0	0	0%
30	Mr. Faisal Abdulaziz Albakri	0	0	0	0	0	0%
31	Mr. Mohammed Rashid Aba Alkheel	0	0	0	0	0	0%
32	Jose Del Valle	0	0	0	0	0	0%
33	Mr. Jeremy Sell	0	0	0	0	0	0%
34	Mr. Alan F. Whelan	0	0	0	0	0	0%
35	Eng. Rafat B. Malik	0	0	0	0	0	0%
36	Dr. Khalid M. Albarrak	0	0	0	0	0	0%

Corporate Governance and Complince

stc Group’s Board of Directors has been keen to establish an effective Governance System and considers it an integral part of the Company's Administrative and Financial systems. A Governance system is responsible for regulating internal business by clarifying the relationship between the Board of Directors and the Shareholders’ Association (General Assembly), as well as between the Board of Directors and the Executive Management. **stc**’s Governance system regulates external business & interactions by managing its relationships with Government Sectors, Legislative Bodies, Suppliers and Contractors in order to achieve high efficiency and effectiveness to ensure the achievement of **stc**'s strategic and operational goals. **stc** is also keen to comprehensively regulate the business rules and regulations related to Transparency, Accountability, Fairness, and Independence in order to comply with the Companies Law issued by the Ministry of Commerce and the Corporate Governance Regulations issued by the Board of Directors of the Capital Market Authority, in addition to other relevant regulations and legislation in force within the KSA, while making sure to benefit from the best local and international practices applied in this domain.

stc's Governance System is aligned with its Strategic Plan, DARE 2.0 and the approved Corporate Governance Strategy for the years 2020-2022. This includes programs and strategic objectives to enable the Governance System to properly manage and correctly implement Company decisions, develop internal and external communication mechanisms and strive to implement the best governance practices locally and internationally. All this is in addition to implementing many strategic initiatives such as the ones related to the development of the overall Governance Framework in **stc**, the Framework for governing Management Committees as well as organizing agreements and contracts related to the Company's business with external parties.

stc’s Governance System has enabled the Company to achieve the highest levels of targeted sustainability, one of the main pillars of the **stc**’s Group Strategy, by regulating and documenting the Company's business and its activities as required by the regulatory and legislative authorities within the KSA. **These items include, but are not limited to**

- **stc** Incorporation Document approved by the Ministry of Commerce
- **stc** Dividend Policy approved by the General Assembly of the Company
- Conflict of Interest Policy and Code of Conduct Policy approved by the Board of Directors
- The Board of Directors and its Committees Charters, such as
  1. Audit Committee Charter
  2. Nominations and Remuneration Committee Charter approved by the General Assembly
  3. **stc** Governance Regulations approved by the Board of Directors in addition to many other governance documents.

stc has also worked on developing and documenting a matrix for delegating Strategic and Financial Authorities to support the governance of strategic and financial decision-making mechanisms at all levels including the General Assembly of Shareholders, Board of Directors and its Committees in addition to the members of the Executive Management of the Company represented by the Group CEO and the occupants of leadership positions such as General Managers and Directors of Departments.

On the implementation of the highest levels of transparency, **stc** is committed to publish all documents that conform to Corporate Governance requirements on the Company's website (www.stc.com.sa). This includes the Corporate Governance mission and objectives in addition to the following Corporate Governance Documents:

- Company's Incorporation Document.
- Corporate Governance Regulations.
- Board and its Committees Charters (Board of Directors Charter, Audit Committee Charter, Nomination and Remuneration Committee Charter, Executive Committee Charter and Investment Committee Charter).
- Strategic policies (Nomination and Remuneration Policy, Code of Conduct Policy, Conflict of Interest Policy and Fraud and Corruption Whistle Blowing Policy).

Financial information and Investor Reports are also published on the Company's website. These include financial statements, quarterly and annual financial performance reports, Company’s Annual Reports and minutes of the General Assembly meetings. In an effort to enhance digital communication, an Investor Relations application (**stc** IR) was launched to provide information about the Company's shares, financial information and various publications related to investor relations. The purpose of the app is to build trust and enhance communication with investors and financial analysts. In terms of excellence, **stc** has achieved many awards including the ‘Excellence in Governance’ Award for two consecutive years (2018 and 2019), presented by the Corporate Governance Center, which is supervised by the Capital Market Authority and the General Investment Authority, and managed by Al-Faisal University.

stc Governance System has played a major role with the blessings of Allah Almighty in the Company's handlings of the Corona Pandemic, which has affected the economies of countries worldwide. The Company's Board of Directors and Executive Management have dealt with the situation professionally and the existence of an effective Governance System helped reduce the effects of the pandemic on **stc** business and its financial results. The Company has fully adopted a remote working policy for all of its employees who are not required to physically attend work sites. The Company was able to achieve this by developing and implementing policies that govern these businesses in an unprecedented professional manner, supported by advanced digital platforms that made it easier for all employees to perform their work effectively and efficiently.

This approach has also been accompanied by the launch of **stc**'s Compliance Program which is aligned with international standards and best practices. As part of this Compliance Program, **stc** has introduced a new Code of Ethics and Business Conduct titled 'Integrity takes us forward'. The Code covers 16 integrity risk areas and provides clear guidance and practical advice to **stc** employees, customers, business partners, suppliers and other stakeholders on the ethical manner in which **stc** and its representatives should act.

The Compliance program also enabled the Company to take proactive steps to elevate **stc**'s culture of Integrity. Despite COVD-19 restrictions, from July to December 2020, a half day In-Person Ethical Leadership workshop was organized across the Company. The sessions were conducted, taking into consideration all precautionary measures and covered nearly 600 of **stc**'s top leaders. The importance the Company places on Ethical Leadership was evident as the inaugural sessions were attended by the Group CEO and the executive leadership team. Additionally, to ensure leaders engaged in dialogue with their teams about the Code of Ethics, every **stc** leader organized session with their direct reports where they discussed the different risk areas in the Code. Finally to ensure all **stc** leaders and employees had a clear understanding of the integrity risk areas in the Code as well as **stc**'s expectation of all staff and staff responsibilities for each risk area, a mandatory online integrity training covering all the risk areas in the Code of Ethics was launched for all Company staff, together with an annual acknowledgement, that has been completed by all employees.

The Corporate Governance Regulations requirements issued by the Capital Market Authority (CMA) in Article (90) under Paragraph No. 1, clearly stipulate the need to implement the provisions of the Company Governance Regulations and to provide the reasons in case of a non-implementation. The Company acknowledges the application of all the provisions mentioned In the Corporate Governance Regulations issued by the CMA except for Article (50) of the Corporate Governance Regulations concerning the formation of Committees, which stipulates that the Board of Directors should assume the responsibility of formation of specialized Committees in accordance with the Company's needs, circumstances and conditions in order to enable it to perform its duties effectively, the Company's Board of Directors has formed an Executive Committee (non-binding regulation), board Executive Committee has total of 6 members; four members from the Board, two external members and one of whom is the CEO of the Company.

Due to the volume of business and the responsibilities assigned to this Committee, which are to follow up on the business and performance of the Company and also to implement the approved strategy.

Internal Control

The 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 the Company's ability to continue its activities.

The Audit Committee oversees the compliance, risk management, internal audit, and the external audit, which regularly review 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 2020, the Audit Committee held 10 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 and procurement, and IT systems, among other issues relevant to **stc** businesses. This is during the presence of the Executive Management and the Internal Audit.

Internal Audit

The Internal Audit provides independent and objective assurance and advisory services for the purpose of adding value, improving operations and achieving **stc** main objectives. The Internal Audit supports **stc** in adopting methods to improve the risk management and the internal control. The internal audit conducted periodical audits as per its annual plan, which is approved by the Audit Committee. This aims to give the necessary assurance about the effectiveness and efficiency of internal controls and risk management, with emphasis on high risk activities and functions. The annual audit plan included, for example, reviewing policies and procedures related to procurement, strategic affairs, HR, information technology, business units and the finance sector. The Internal Audit department also provides consulting services to contribute, alongside the Executive Management, to more efficient and effective operations, higher revenue and cost reductions, in addition to contributing to the review of annual financial statements and the coordination of the work done by external auditors. The executed internal audits have resulted in no material observations. The Audit Committee reviewed the maturity level of the internal audit, which concluded that the internal audit is complying with the standards regulating their work, utilizing the best practices in this regard.

Shareholders Register

Shareholders Register Requests for registration were made 14 times to stc shareholders by the Securities Depository Center (Edaa) in 2020 for the following purposes:

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

No.	Date of request of the shareholders register	Reasons for the request
1	30/1/2020	Updating the shareholders register monthly.
2	27/2/2020	Updating the shareholders register monthly.
3	31/3/2020	Updating the shareholders register monthly.
4	20/4/2020	General Assembly
5	20/4/2020	Quarterly Dividend Distribution for Q4 2019
6	28/4/2020	Quarterly Dividend Distribution for Q1 2020
7	31/5/2020	Updating the shareholders register monthly
8	30/6/2020	Updating the shareholders register monthly
9	28/7/2020	Quarterly Dividend Distribution for Q2 2020
10	31/8/2020	Updating the shareholders register monthly
11	2/10/2020	Updating the shareholders register monthly
12	28/10/2020	Quarterly Dividend Distribution for Q3 2020
13	30/11/2020	Updating the shareholders register monthly
14	31/12/2020	Updating the shareholders register monthly

The following is details of the company's shareholders:

Shareholders Category				
	2020		2019	
Description	**shareholders Numbers**	**% Ownership**	shareholders Numbers	% Ownership
Financial institutions & Funds	771	92.43%	643	92.89%
Individuals	57,282	7.57%	49,464	7.11%
Total	58,053	100%	50,107	100%

shareholders Nationality				
	2020		2019	
Description	**shareholders Numbers**	**% Ownership**	shareholders Numbers	% Ownership
Saudi	56,740	93.96%	49,160	95.23%
GCC	249	0.52%	212	0.47%
Others	1,064	5.52%	735	4.30%
Total	58,053	100%	50,107	100%

this was the ideal year to not just match but **exceed**

Third

Dividends, Remuneration and Board Recommendations

Distribution of Dividends:

The Company announced the distribution of cash dividends amounting to SR 2,000 million to shareholders for Q4 2020, In addition to additional one-time distributions for the year 2020, amounting to SR 2,000 million, with SR 1 per share. The Company also distributed cash dividends amounting to SR 2,000 million to shareholders for Q1, Q2, and Q3 2020, with SR 1 per share. This action was in line with the dividend distribution policy approved by **stc**'s Board of Directors 9 Rabee Al-Thani 1440 AH (corresponding to December 16, 2018) and by the General Assembly held during 2019.

Accordingly, the total distributed dividends for the year 2020, after the assembly's approval, amounts to 5 SAR per share (2019: 4 SAR per share). The following is a breakdown of the 2020 distributions:

Statement	Total Distribution (SR Million)	Earnings per share (SR)	Date of announcement	Due Date	Payment Date
Cash dividends for Q1 2020	2,000	1	21/04/2020	28/04/2020	19/05/2020
Cash dividends for Q2 2020	2,000	1	22/07/2020	28/07/2020	25/08/2020
Cash dividends for Q3 2020	2,000	1	21/10/2020	28/10/2020	18/11/2020
Cash dividends for Q4 2020	2,000	1	21/01/2021	To be determined	To be determined
Additional dividends for the year 2020*	2,000	1	25/03/2021	To be determined	To be determined
Total Distributions	10,000	5			

** The Board of Directors has recommended in its meeting held on 25/03/2021 corresponding to 12/08/1442 H to pay additional dividend of SAR (1) for the year 2020 to stc shareholders, and it will be presented to the General Assembly at its next meeting for approval.*

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

On 24/4/2019 the General Assembly resolved to approve amending the remuneration policy of the Board of Directors, the Committees, and the Executives Management and to amend the Audit Committee Charter, tasks, roles, responsibilities, and remunerations. Each Board member receives a remuneration of SR 200,000 for his membership in the Board and a remuneration of SR 200,000 for being a member of the Board committees. Each member of the Audit Committee also receives an additional allowance of Saudi Riyals 150,000 for being a member of the Audit Committee, while the external member in the other committees receives an allowance of SR 100,000 for his membership. Members are paid a flat rate attendance allowance of Saudi Riyals 5,000 for each meeting they attend.

The remuneration and allowances of Board members received for attending the Board and the committees' meetings in 2020, **in addition to stc top five Executives, including the CEO and the CFO, are as follows:**

Remuneration and Compensation of Directors for the Seventh Term in 2019

(SR)	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 First: Independent members	**Total**	Percentage of profits	Periodic bonus	Short-term incentive plans	Long-term incentive plans	Shares granted	**Total**	**Indemnity**	**Total**	**Expense Allowance**
First: Independent members															
Mohammed bin Khaled Al-Abdullah Al-Faisal	200,000	25,000				225,000						-		225,000	
Dr. Ibrahim bin Abdul Rahman Al-Qadi	200,000	25,000				225,000						-		225,000	
Mr. Osama bin Yassin Al-Khairy	200,000	25,000				225,000						-		225,000	
Total	**600,000**	**75,000**				**675,000**						**-**		**675,000**	
Second: Non-executive members															
Dr. Khaled Hussain Biyari *	200,000	25,000				225,000						-		225,000	-
Mr. Mohammed bin Talal Al-Nahhas	200,000	25,000				225,000						-		225,000	-
Mr. Rashid bin Ibrahim Sharif **	200,000	25,000				225,000						-		225,000	-
Mr. Sanjay Kapoor *	200,000	25,000				225,000						-		225,000	-
Mr. Roy Chestnutt *	200,000	25,000				225,000						-		225,000	-
Mr. Ahmed bin Mohammed Al-Omran	200,000	25,000				225,000						-		225,000	-
Total	**1,200,000**	**150,000**				**1,350,000**						**-**		**1,350,000**	**-**
Third: Executive members															
None	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net total	1,800,000	225,000	-	-	-	2,025,000	-	-	-	-	-	-		2,0250,000	

On 13/3/2017 the Board of Directors resolved to approve amending the remuneration of the Chairman of the Board to be one hundred thousand (100,000) Saudi Riyals per month. And on 8/5/2018 the Board of Directors resolved to approve amending the remuneration of the Deputy Chairman of the Board to be one hundred thousand (100,000) Saudi Riyals per month.

** STC Board membership annual remuneration and the attendance allowance of STC meetings of PIF representatives shall be transferred directly to PIF.*

*** STC Remunerations and attendance allowances of PIF representatives (currently PIF employees) shall be transferred directly to PIF.*

Remuneration of Committees' Members in the Seventh Term in 2020

Members name	Committee	Fixed Remunerations (without meetings attendance allowance)	meetings attendance allowance	Total
Mohammed bin Khalid Al-Abdullah Al-Faisal	ExCom / Investment	200,000	50,000	**250,000**
Dr. Khaled bin Hussain Biyari	ExCom	200,000	20,000	**220,000**
Mr. Mohammed Bin Talal Al Nahhas	Investment	200,000	30,000	**230,000**
Mr. Rashid bin Ibrahim Sharif *	Investment	200,000	30,000	**230,000**
Mr. Sanjay Kapoor	ExCom	200,000	20,000	**220,000**
Mr. Roy Chestnutt	Investment	200,000	30,000	**230,000**
Dr. Ibrahim bin Abdulrahman Kadi	ExCom / Audit	350,000	70,000	**420,000**
Mr. Osama bin Yassin Al-Khiary	Nomination and Remuneration	200,000	25,000	**225,000**
Mr. Ahmed bin Mohammed Al-Omran	Nomination and Remuneration	200,000	25,000	**225,000**
Dr. Khalid bin Dawood al-Faddagh	Audit (External Member)	41,410	-	**41,410**
Mr. Khalid bin Abdullah Al Ankari	Audit (External Member)	150,000	50,000	**200,000**
Mr. Medhat Bin Farid Tawfik	Audit (External Member)	150,000	50,000	**200,000**
Dr. Ammr Khalid Kurdi	Audit (External Member)	91,020	50,000	**141,020**
Eng. Tarek Abdulaziz Alrikhaimi	Audit (External Member)	91,020	50,000	**141,020**
Mr. Sultan bin Abdulmalek Al Sheikh *	ExCom (External Member)	100,000	20,000	**120,000**
Eng. Nasser bin Suleiman AlNasser	ExCom (External Member)	100,000	20,000	**120,000**
Mr. John Brand	Nomination and Remuneration (External Member)	100,000	25,000	**125,000**
Mrs. Hoda Mohammed Al Ghoson	Nomination and Remuneration (External Member)	100,000	20,000	**120,000**
Mr. Mazen Bin Ahmed Al-Jubair	Investment (External Member)	100,000	30,000	**130,000**
Total		**2,973,450**	**615,000**	**3,588,450**

** stc Remunerations and attendance allowances of PIF representatives (currently PIF employees) shall be transferred directly to PIF.*

Remunerations of the Top Five Senior Executives
(Including the CEO and the CFO in 2020)

(SR)	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	13,370,761.41	4,896,329.33	-	18,267,090.74	-	-	25,630,629.17	-	-	25.630.629.17	-	1,862,794.53	45,760,514.44

Board of Directors' Acknowledgment:

- The accounting records have been prepared correctly.
- The internal control system is well established and effectively implemented.
- The Board has no doubt about **stc**'s ability to continue its activities.
- The consolidated financial statements for the year ending on 31 December 2020 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 2020.
- No debt instruments were convertible into shares or option rights, warrants or similar rights issued or granted by **stc** 2020.
- There were no refunds, purchases or cancellations by **stc** in 2020 for any redeemable debt instrument.
- There was no arrangement or agreement whereby a Board member or a senior executive waived any salary or compensation.
- There was no arrangement or agreement whereby a shareholder waived any rights to profits.
- **stc** did not provide cash loans of any kind to Board members 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 members, senior executives, their spouses or their minor children.
- **stc** External Audit has expressed their opinion without any reservations on 2020 consolidated financial statements.
- There are no recommendations from the Audit Committee that there is a conflict between the committee and the decisions of the Board of Directors, or the Board's refusal to consider them regarding the appointment of the company's auditor, dismissing him, determining his fees and evaluating his performance or appointing the internal auditor.

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 clients and shareholders for their trust, and to 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.

Ernst & Young & Co. (Certified Public Accountants)
General Partnership
Head Office
Al Faisaliah Office Tower, 14th Floor
King Fahad Road
P.O. Box 2732
Riyadh 11461, Kingdom of Saudi Arabia

Registration No. 45/11/323
C.R. No. 1010383821
Tel: +966 11 215 9898, +966 11 273 4740
Fax: +966 11 273 4730

ey.ksa@sa.ey.com
ey.com/mena

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 **stc** (the "Company") and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated statement of financial position as at 31 December 2020, 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 2020, 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 Certified Public Accountants.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing 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 professional code of conduct and ethics endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the consolidated financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. 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 our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming 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.

Ernst & Young & Co. (Certified Public Accountants)
General Partnership
Head Office
Al Faisaliah Office Tower, 14th Floor
King Fahad Road
P.O. Box 2732
Riyadh 11461, Kingdom of Saudi Arabia

Registration No. 45/11/323
C.R. No. 1010383821
Tel: +966 11 215 9898, +966 11 273 4740
Fax: +966 11 273 4730

ey.ksa@sa.ey.com
ey.com/mena

Independent auditor's report

To the Shareholders of Saudi Telecom Company - *(continued)*

(A Saudi Joint Stock Company)

Key Audit Matters *(continued)*

Key audit matter	How our audit addressed the key audit matter
Revenue recognition	
The Group's revenue consists primarily of subscription fees for telecommunication, data packages and use of the network totalling SR 59 billion for the year ended 31 December 2020. 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. 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 during the accounting period, as well as the materiality of the amounts involved. *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:** ▪ Involved our IT specialists in testing the design, implementation and operating effectiveness of system internal controls related to revenue recognition. ▪ Evaluated the appropriateness of revenue recognition policies. ▪ Reviewed a sample of revenue reconciliations prepared by management between the primary billing system and the general ledger. ▪ Tested the accuracy of customer invoice generation on a sample basis and tested a sample of the credits and discounts applied to customer invoice. ▪ Tested cash receipts for a sample of customers back to the invoice. ▪ Performed analytical procedures by comparing expectations of revenue with actual revenue and analysing variances. ▪ Assessed the appropriateness of the relevant disclosures in the consolidated financial statement.

Ernst & Young & Co. (Certified Public Accountants)
General Partnership
Head Office
Al Faisaliah Office Tower, 14th Floor
King Fahad Road
P.O. Box 2732
Riyadh 11461, Kingdom of Saudi Arabia

Registration No. 45/11/323
C.R. No. 1010383821
Tel: +966 11 215 9898, +966 11 273 4740
Fax: +966 11 273 4730

ey.ksa@sa.ey.com
ey.com/mena

Independent auditor's report

To the Shareholders of Saudi Telecom Company - *(continued)*

(A Saudi Joint Stock Company)

Key Audit Matters *(continued)*

Key audit matter	How our audit addressed the key audit matter
Accounting for zakat and withholding tax claims from the General Authority of Zakat and Tax (GAZT)	
December 2020, the Group received the following claims from GAZT, relating to Zakat and withholding tax: **Zakat:** The Group received zakat assessments for the years ended 31 December 2008, 2009 and from 2015 to 2017 with additional zakat claimed by GAZT which was challenged by the Group. **Withholding Tax:** The Group received withholding tax assessments from GAZT 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 which are still underway before the relevant committee. We considered this as a key audit matter as accounting for zakat and withholding tax involves management estimates in addition to the materiality of the additional amounts claimed. *Refer to note 4.10 for the accounting policy related to zakat and withholding taxes and notes 34 and 45-E for the related disclosures.*	**Our audit procedures performed included, among others, the following:** ▪ Reviewed correspondences between the Group and GAZT to determine the amount of the additional assessments made by GAZT. ▪ Attended meetings with those charged with governance and the Group's management to obtain an update on the zakat and withholding tax matters and the results of their interactions with the relevant committees. ▪ Involved our specialist to assess the appropriateness of the exposures disclosed for both zakat and withholding tax for the years assessed by GAZT and judgements made by management in this matter. ▪ Reviewed prior year's decisions from the relevant committee on zakat assessment. ▪ Assessed the appropriateness of the relevant included in the consolidated financial statements.

Ernst & Young & Co. (Certified Public Accountants)
General Partnership
Head Office
Al Faisaliah Office Tower, 14th Floor
King Fahad Road
P.O. Box 2732
Riyadh 11461, Kingdom of Saudi Arabia

Registration No. 45/11/323
C.R. No. 1010383821
Tel: +966 11 215 9898, +966 11 273 4740
Fax: +966 11 273 4730

ey.ksa@sa.ey.com
ey.com/mena

Independent auditor's report

To the Shareholders of Saudi Telecom Company - *(continued)*

(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 2020, the Group's trade receivables amounted to SR 17.6 billion against which an impairment allowance of SR 2.9 billion is maintained. The Group uses the expected credit loss model (ECL) as required by International Financial Reporting Standard 9 (Financial Instrument) (IFRS 9) 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. 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. *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 17 for the related disclosures.*	**Our audit procedures performed included, among others, the following:** ▪ Assessed the design, implementation, and operating effectiveness of the key controls over the following: - Recording of trade receivables and settlements. - Trade receivables aging reports. ▪ Tested a sample of trade receivables to assess whether ECL has been recorded on a timely manner. ▪ 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. ▪ Tested the mathematical accuracy of the ECL model. ▪ Tested on sample basis, the calculation performed by management of allowances done for some of the customers categories. Also obtained an understanding of the latest development and the basis of measuring the allowance and considered whether key judgments were appropriate given the circumstances. ▪ Assessed the appropriateness of the relevant disclosures included in the consolidated financial statements.

Ernst & Young & Co. (Certified Public Accountants)
General Partnership
Head Office
Al Faisaliah Office Tower, 14th Floor
King Fahad Road
P.O. Box 2732
Riyadh 11461, Kingdom of Saudi Arabia

Registration No. 45/11/323
C.R. No. 1010383821
Tel: +966 11 215 9898, +966 11 273 4740
Fax: +966 11 273 4730

ey.ksa@sa.ey.com
ey.com/mena

Independent auditor's report

To the Shareholders of Saudi Telecom Company - *(continued)*

(A Saudi Joint Stock Company)

Key Audit Matters *(continued)*

Key audit matter	How our audit addressed the key audit matter
Capitalization and useful lives of property, plant and equipment (PPE)	
The Group has a substantial capital expenditure plan and therefore incurs significant annual expenditure in relation to the development and maintenance of both infrastructure assets and assets in relation to network and related equipment. Costs related to upgrading or enhancing networks are treated as capital expenditures. Expenses spent to maintain the network's operating capacity are recognized as expenses in the same year in which they are incurred. Capital projects often contain a combination of enhancement and maintenance activities that are difficult to separate, and therefore the distribution of costs between capital and operation depends heavily on management assumptions. Further, there are a number of areas where management judgments impacts the carrying values and depreciation of PPE which include: ▪ Decision to capitalize or expense costs; ▪ Review of the useful lives of PPE including the impact of changes in the Group's strategy; and ▪ The timing of commencement of depreciation based on when they are ready for their intended use. We considered this as a key audit matter since it involves management's assumptions and estimates as well as the materiality of the amounts involved. Refer to note 4.11 for the accounting policy related to property, plant and equipment and note 9 for the related disclosures.	**Our audit procedures performed included, among others, the following:** ▪ Tested the effectiveness of the key controls in place over the capitalization and depreciation of PPE and assessed the Group's policies. ▪ Performed analytical procedures on depreciation of PPE by comparing actual depreciation rates with expected rates and analysed variances. ▪ Tested, on a sample basis, the reasonableness of useful lives estimation performed by the management. **In addition to the above, we also performed the following procedures on the capitalized cost:** ▪ Assessed the Group's capitalisation policy for compliance with relevant accounting standards; ▪ Tested, on a sample basis, the implementation of expenditure policy during the year, including the review of minutes of meetings where capital expenditure plan was approved. ▪ 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. ▪ Assessed the appropriateness of the relevant disclosures included in the consolidated financial statements.

Ernst & Young & Co. (Certified Public Accountants)
General Partnership
Head Office
Al Faisaliah Office Tower, 14th Floor
King Fahad Road
P.O. Box 2732
Riyadh 11461, Kingdom of Saudi Arabia

Registration No. 45/11/323
C.R. No. 1010383821
Tel: +966 11 215 9898, +966 11 273 4740
Fax: +966 11 273 4730

ey.ksa@sa.ey.com
ey.com/mena

Independent auditor's report

To the Shareholders of Saudi Telecom Company - (continued)

(A Saudi Joint Stock Company)

Key Audit Matters (continued)

Key audit matter	How our audit addressed the key audit matter
Capitalization and useful lives of property, plant and equipment (PPE)	
As at 31 December 2020, the Group's consolidated financial position included property, plant and equipment amounting to SR 47.9 billion and intangible assets amounting to SR 10.5 billion. At each reporting date, the Group perform an assessment of the recoverable value of these assets, or relevant cash-generating units ('CGUs') for any indication of impairment. This involves significant judgment in respect of factors such as technological changes, challenging economic conditions, changing regulatory environment and restrictions, operating or capital costs and other economic assumptions used by the Group. We considered this as a key audit matter as it involves management's assumptions and estimates as well as the materiality of the amounts involved. *Refer to notes 4.14 and 5.1.2 for the accounting and critical judgements policies related to valuation of property, plant and equipment and intangible assets.*	**Our audit procedures performed included, among others, the following:** ▪ Reviewed management's impairment indicator testing. ▪ Assessed management's assumptions and estimates used to determine the recoverable value of the assets based on our knowledge of the Group and the industry it operates in. ▪ Assessed management's methods of identifying individual CGUs. ▪ Assessed mathematical accuracy of cash flow models. ▪ Assessed the appropriateness of the relevant disclosures included in the consolidated financial statements.

Ernst & Young & Co. (Certified Public Accountants)
General Partnership
Head Office
Al Faisaliah Office Tower, 14th Floor
King Fahad Road
P.O. Box 2732
Riyadh 11461, Kingdom of Saudi Arabia

Registration No. 45/11/323
C.R. No. 1010383821
Tel: +966 11 215 9898, +966 11 273 4740
Fax: +966 11 273 4730

ey.ksa@sa.ey.com
ey.com/mena

Independent auditor's report

To the Shareholders of Saudi Telecom Company - *(continued)*

(A Saudi Joint Stock Company)

Other Information Included in the Group's 2020 Annual Report

Other information consists of the information included in the Group's 2020 annual report, other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information in its annual report. The Group's 2020 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.

When we read the Group's 2020 annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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 Certified Public 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

Ernst & Young & Co. (Certified Public Accountants)
General Partnership
Head Office
Al Faisaliah Office Tower, 14th Floor
King Fahad Road
P.O. Box 2732
Riyadh 11461, Kingdom of Saudi Arabia

Registration No. 45/11/323
C.R. No. 1010383821
Tel: +966 11 215 9898, +966 11 273 4740
Fax: +966 11 273 4730

ey.ksa@sa.ey.com
ey.com/mena

Independent auditor's report

To the Shareholders of Saudi Telecom Company - *(continued)*

(A Saudi Joint Stock Company)

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements *(continued)*

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.

Ernst & Young & Co. (Certified Public Accountants)
General Partnership
Head Office
Al Faisaliah Office Tower, 14th Floor
King Fahad Road
P.O. Box 2732
Riyadh 11461, Kingdom of Saudi Arabia

Registration No. 45/11/323
C.R. No. 1010383821
Tel: +966 11 215 9898, +966 11 273 4740
Fax: +966 11 273 4730

ey.ksa@sa.ey.com
ey.com/mena

Independent auditor's report

To the Shareholders of Saudi Telecom Company - *(continued)*

(A Saudi Joint Stock Company)

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements *(continued)*

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Ernst & Young & Co. (Certified Public Accountants)
General Partnership
Head Office
Al Faisaliah Office Tower, 14th Floor
King Fahad Road
P.O. Box 2732
Riyadh 11461, Kingdom of Saudi Arabia

Registration No. 45/11/323
C.R. No. 1010383821
Tel: +966 11 215 9898, +966 11 273 4740
Fax: +966 11 273 4730

ey.ksa@sa.ey.com
ey.com/mena

Independent auditor's report

To the Shareholders of Saudi Telecom Company - *(continued)*

(A Saudi Joint Stock Company)

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements *(continued)*

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Riyadh: 17 Sha'aban 1442H
(30 March 2021)

شركة ارنست ويونغ وشركاهم محاسبون قانونيون
EY
PROFESSIONAL LICENCE No. 45
ERNST & YOUNG & Co. PUBLIC ACCOUNTANTS

for Ernst & Young & Co.
(Certified Public Accountants)

Rashid S. AlRashoud
Certified Public Accountant
License No. 366

(All Amounts in Saudi Riyals thousands unless otherwise stated)
(All Amounts in Saudi Riyals thousands unless otherwise stated) 125

	Notes	31 December 2020	31 December 2019
Assets			
Non-current assets			
Property and equipment	9	47,847,623	45,085,342
Investment properties	10	36,980	-
Intangible assets and goodwill	11	10,466,408	9,906,688
Right of use assets	12	2,892,814	2,887,933
Investments in associates and joint ventures	7	6,704,947	6,618,526
Contract costs	13	637,470	922,922
Contract assets	14	457,657	648,069
Financial assets and others	15	7,069,285	7,415,284
Total non-current assets		76,113,184	73,484,764
Current assets			
Inventories	16	1,008,645	1,721,530
Trade and other receivables	17	16,084,416	21,372,368
Short term murabahas	18	10,433,849	2,181,416
Cash and cash equivalents	19	9,004,286	8,031,010
Contract assets	14	6,059,440	6,793,755
Financial assets and others	15	3,268,280	4,473,685
		45,858,916	44,573,764
Assets held for sale	20	-	267,728
Total current assets		45,858,916	44,841,492
Total assets		121,972,100	118,326,256
Equity and liabilities			
Equity			
Issued capital	22	20,000,000	20,000,000
Statutory reserves	23	10,000,000	10,000,000
Treasury shares	24	(300,000)	-
Other reserves	25	(3,262,245)	(2,745,608)
Retained earnings		37,508,027	34,508,202
Equity attributable to the equity holders of the parent company		63,945,782	61,762,594
Non-controlling interests	26	1,321,233	1,292,452
Total equity		65,267,015	63,055,046

Liabilities			
Non-current liabilities			
Long term borrowings	27	8,637,605	8,923,476
End of service benefits provision	28	5,239,313	4,812,805
Lease liabilities	29	2,237,853	2,164,415
Provisions	30	725,625	891,210
Contract liabilities	31	771,915	771,915
Financial liabilities and others	32	6,201,591	5,100,617
Total non-current liabilities		23,813,902	22,664,438
Current liabilities			
Trade and other payables	33	20,296,791	18,242,158
Provisions	30	4,158,923	5,411,404
Contract liabilities	31	1,901,237	2,917,989
Zakat and income tax	34	1,903,791	1,482,278
Lease liabilities	29	742,185	716,762
Short term borrowings	27	318,485	389,339
Financial liabilities and others	32	3,569,771	3,446,842
Total current liabilities		32,891,183	32,606,772
Total liabilities		56,705,085	55,271,210
Total equity and liabilities		121,972,100	118,326,256

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

(All Amounts in Saudi Riyals thousands unless otherwise stated)

	Notes	2020	2019
Revenues	35	58,953,318	54,367,531
Cost of revenues	36	(24,998,923)	(21,976,306)
Gross profit		33,954,395	32,391,225
Operating expenses			
Selling and marketing	37	(6,053,632)	(5,581,969)
General and administration	38	(5,810,763)	(5,544,276)
Depreciation and amortisation	9, 11,12	(9,358,875)	(8,784,587)
Total operating expenses		(21,223,270)	(19,910,832)
Operating profit		12,731,125	12,480,393
Other income and expenses			
Cost of early retirement program		(600,000)	(600,000)
Finance income	39	413,873	639,161
Finance cost	40	(623,925)	(765,154)
Net other expenses		(42,995)	(76,062)
Net share in results of investments in associates and joint ventures		52,953	49,597
Net other gains (losses)	41	424,612	(40,960)
Total other expenses		(375,482)	(793,418)
Net profit before zakat and income tax		12,355,643	11,686,975
Zakat and income tax	34	(1,170,446)	(762,144)
Net profit		11,185,197	10,924,831
Net profit attributable to:		10,994,875	10,664,666
Equity holders of the parent company		190,322	260,165
Non-controlling interests		11,185,197	10,924,831

Earnings per share, based on net profit attributable to equity holders of the Parent Company (in Saudi Riyals):

Basic	42	5.50	5.33
Diluted	42	5.50	5.33

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

(All Amounts in Saudi Riyals thousands unless otherwise stated)

	Notes	2020	2019
Net profit		11,185,197	10,924,831
Other comprehensive income (loss)			
Item that will not be reclassified subsequently to consolidated statement of profit or loss:			
Re-measurement of end of service benefit provision	28	(568,893)	(710,054)
Items that may be reclassified subsequently to consolidated statement of profit or loss:			
Foreign currency translation differences		(16,542)	(1,479)
Fair value changes from cash flow hedges		1,820	(484)
Net share of other comprehensive income of associates and joint ventures		52,531	214,013
Total items that may be reclassified subsequently to consolidated statement of profit or loss		37,809	212,050
Total other comprehensive loss		(531,084)	(498,004)
Total comprehensive income		10,654,113	10,426,827
Total comprehensive income attributable to:			
Equity holders of the parent company		10,478,455	10,163,477
Non-controlling interests		175,658	263,350
		10,654,113	10,426,827

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

(All Amounts in Saudi Riyals thousands unless otherwise stated)
(All Amounts in Saudi Riyals thousands unless otherwise stated) 129

	Notes	2020	2019
Cash flows from operating activities			
Net profit before zakat and income tax		12,355,643	11,686,975
Adjustments for:			
Depreciation and amortisation	9, 11,12	9,358,875	8,784,587
Impairment loss and amortisation of contract costs and contract assets		623,652	506,951
Impairment loss on trade receivables	37	1,072,959	662,043
Allowance for slow moving inventories	16	3,433	57,086
Finance income	39	(413,873)	(639,161)
Finance costs	40	623,925	765,154
Provision for end of service benefits and other provisions		560,627	935,304
Net share in results of investments in associates and joint ventures		(52,953)	(49,597)
Share- based payment expenses	47	6,116	-
Net other (gains) losses	41	(424,612)	40,960
Movements in :			
Trade receivables and others		4,215,494	(7,574,857)
Inventories		709,452	(988,430)
Contract costs		(220,515)	(296,936)
Contract assets		807,042	(1,573,106)
Other assets		921,405	(2,317,470)
Trade payables and others		605,602	4,714,301
Contract liabilities		(564,499)	(130,160)
Other liabilities		(434,684)	(3,469,086)
Cash generated from operations		29,753,089	11,114,558
Less: zakat and income tax paid	34	(750,643)	(742,882)
Less: provision for end of service benefits paid	28	(677,741)	(451,050)
Net cash generated from operating activities		28,324,705	9,920,626
Cash flows from investing activities			
Additions to property and equipment		(9,150,117)	(9,426,711)
Additions to intangible assets		(1,690,470)	(1,941,453)
Proceeds from sale of property and equipment		16,748	140,307
Proceeds from sale of an associate		760,862	-
Dividends from associates		-	37,931
Acquisition of a new subsidiary		-	(232,669)
Proceeds from finance income		516,006	642,431
Proceeds and payments related to financial assets, net		(7,882,206)	8,803,038
Net cash used in investing activities		(17,429,177)	(1,977,126)
Cash flows from financing activities			
Dividends paid to the equity holders of the parent company		(7,973,418)	(12,001,610)
Dividends paid to non-controlling interests		(102,781)	(104,104)
Purchase of treasury shares		(300,000)	-
Repayment of lease liabilities		(831,642)	(712,467)
Repayment of borrowings	27	(402,386)	(350,948)
Proceeds from borrowings	27	21,363	5,381,417
Finance costs paid		(330,354)	(279,933)
Net cash used in financing activities		(9,919,218)	(8,067,645)
Net increase (decrease) in cash and cash equivalents		976,310	(124,145)
Cash and cash equivalents at beginning of the year		8,031,010	8,153,865
Net foreign exchange difference		(3,034)	1,290
Cash and cash equivalents at end of the year	19	9,004,286	8,031,010

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 Changes In Equity For The Year Ended 31 December 2020
(All Amounts in Saudi Riyals thousands unless otherwise stated)

			Total equity attributable to the equit holders of the parent company						
	Notes	**Issued Capital**	**Statutory reserves**	**Treasury shares**	**Other Reserves**	**Retained earnings**	**Total**	**Non-controlling interests**	**Total equity**
Balance as at 1 january 2019		20,000,000	10,000,000	-	(1,903,878)	37,417,562	65,513,684	1,147,914	66,661,598
Net profit		-	-	-	-	10,664,666	10,664,666	260,165	10,924,831
Other comprehensive loss		-	-	-	(501,189)	-	(501,189)	3,185	(498,004)
Total comprehensive income		-	-	-	(501,189)	10,664,666	10,163,477	263,350	10,426,827
Dividends to the equity holders of the parent company		-	-	-	-	(14,000,000)	(14,000,000)	-	(14,000,000)
Dividends to non-controlling interests	49	-	-	-	-	-	-	(118,812)	(118,812)
Share of changes in other reserves of a joint venture's equity		-	-	-	85,433	-	85,433	-	85,433
Transfers		-	-	-	(425,974)	425,974	-	-	-
Balance as at 31 december 2019		20,000,000	10,000,000	-	(2,745,608)	34,508,202	61,762,594	1,292,452	63,055,046
Balance as at 1 january 2020		20,000,000	10,000,000	-	(2,745,608)	34,508,202	61,762,594	1,292,452	63,055,046
Net profit		-	-	-	-	10,994,875	10,994,875	190,322	11,185,197
Other comprehensive loss		-	-	-	(516,420)	-	(516,420)	(14,664)	(531,084)
Total comprehensive income		-	-	-	(516,420)	10,994,875	10,478,455	175,658	10,654,113
Dividends to the equity holders of the parent company		-	-	-	-	(7,995,050)	(7,995,050)	-	(7,995,050)
Dividends to non-controlling interests	49	-	-	-	-	-	-	(144,327)	(144,327)
Share-based payment transactions	47	-	-	-	6,116	-	6,116	-	6,116
Purchase of treasury shares	24	-	-	(300,000)	-	-	(300,000)	-	(300,000)
Acquisition of a share in non-controlling interest		-	-	-	(4,369)	-	(4,369)	(2,550)	(6,919)
Share of changes in other reserves of a joint venture's equity		-	-	-	(1,964)	-	(1,964)	-	(1,964)
Balance as at 31 december 2020		20,000,000	10,000,000	(300,000)	(3,262,245)	37,508,027	63,945,782	1,321,233	65,267,015

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

(All Amounts in Saudi Riyals thousands unless otherwise stated)

1. General Information

a) Establishment Of The Company

stc (the "Company") was established as a Saudi Joint Stock Company pursuant to Royal Decree No. M/35 dated 24 Dhul Hijja 1418H (corresponding to 21 April 1998) that authorised the transfer of the telegraph and telephone division of the Ministry of Post, Telegraph and Telephone ("MoPTT") with its various components and technical and administrative facilities to the Company, and in accordance with the Council of Ministers' Resolution No. 213 dated 23 Dhul Hijja 1418H (corresponding to 20 April 1998) that approved the Company's by-laws ("By-laws"). The Company was wholly owned by the Government of the Kingdom of Saudi Arabia (the "Government"). Pursuant to the council of Ministers Resolution No. 171 dated 2 Rajab 1423H (corresponding to 9 September 2002), the Government sold 30% of its shares. The ultimate controlling party of the Company is the Government through the Public Investment Fund (PIF) which owns 70% of the total shares of the Company.

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 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 (the "Group") comprise the provision and introduction 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 the 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, and cloud services, 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 maintain of devices, equipment, and components of different telecom networks including fixed, moving and private networks. In addition, computer programs and the other intellectual properties, in addition to providing services and executing contracting works that are related to different telecom networks.
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, assets 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 payment services.
15. 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 merged 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.

Chief Financial Officer	Chief Executive Officer	Authorized Board Member	Chairman

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 Certified Public Accountants ("SOCPA") ("IFRS endorsed by SOCPA").

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 preparation of the consolidated financial statements in accordance with IFRS as endorsed by SOCPA 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 (See Note 4) applied in preparing these consolidated financial statements are consistent with those applied in comparative periods presented.

2-2 Basis of consolidation

The consolidated financial statements of the Group comprises the financial information of the Company and its subsidiaries (see 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, 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 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

2. Basis Of Preparation And Consolidation *(continued)*

2-2 Basis of consolidation *(continued)*

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 derecognised) 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 recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in the consolidated statement of profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other 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, 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 and IFRIC that were applied by the Group with effective date on 1 January 2020 and had no material impact as follows:

Amendments and interpretations
Amendments on some references to the Conceptual Framework for Financial Reporting
Amendments to IAS 39, IFRS 7 and IFRS 9 - Interest Rate Benchmark Reform
Amendments to IFRS 3 – Definition of a Business
Amendments to IAS 1 and IAS 8 – Definition of Material
Amendments to IFRS 16 – Covid19- Related Rent Concessions (effective 1 June 2020)

3-2 Other Amendments of relevant IFRS's issued but not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2020 reporting periods and have not been early adopted by the Group. These standards are not expected to have a material impact on the Group at their effective dates.

4. Summary Of Significant Accounting Policies

4-1 Business combinations

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 recognised in the consolidated statement of profit or loss as incurred.

4. Summary Of Significant Accounting Policies *(continued)*

4-1 Business combinations *(continued)*

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 recognised 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 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 recognised 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 recognised 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 on the cash generating units or the group of cash generating units expected to benefit of the benefits of business combination. Where goodwill is allocated to the cash generating unit and part of the operations of that unit is 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 a value of similar disposed operation and the remaining portion of the cash-generating unit.

4. Summary Of Significant Accounting Policies *(continued)*

4-1 Business combinations *(continued)*

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 recognised. 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 the non-controlling interests' proportionate share of the recognised 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 IFRS.

Any contingent consideration to be paid (if any) will be recognised at fair value at the acquisition date and classified as equity or financial liability. Contingent consideration classified as financial liability is subsequently remeasured at fair value with the changes in fair value recognised 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 recognised in the consolidated statement of profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised 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 present 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 about facts or circumstances 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 those information existed at the acquisition date or as soon as it becomes sure of the lack of access to more information.

4. Summary Of Significant Accounting Policies *(continued)*

4-2 Investments in associates and joint ventures

An associate is an entity over which the Group has significant influence but does not have control or joint control over it. Significant influence is the Group ability to participate in the financial and operating policies decisions of the investee but is not control.

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 governing body of the investee, participation in policy-making, including participation in decisions about dividends or other distributions; material transactions between the Group and its 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 statement of the Group using the equity method of accounting. The investment in associates or joint ventures in the consolidated statement of financial position is initially recognized at cost and adjusted thereafter to recognise 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 net investment. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises 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 recognising its share of further losses.

Additional losses are recognised 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.

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

4. Summary Of Significant Accounting Policies *(continued)*

4-2 Investments in associates and joint ventures *(continued)*

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 recognised immediately in the consolidated statement of profit or loss in the acquisition year.

The requirements of IFRSs are applied to determine whether it is necessary to recognise 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 (5.1.2).

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 recognised 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 recognised 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.

4-3 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 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.

4. Summary Of Significant Accounting Policies *(continued)*

4-3 Shared-based payment transactions *(continued)*

Share-based payment expense is included as part of employees benefits expense 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 as at the beginning and 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 amount 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 revenues 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
Telecommunication services	Telecommunication services include voice, data and text services. The Group recognizes revenues as and when these services are provided (i.e. actual usage by the customer).
Bundled packages	Arrangements involving multiple products and services are separated into individual items and revenues is recognized on the basis of 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.
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.

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.

4-6 Lease contracts

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).

4. Summary Of Significant Accounting Policies *(continued)*

4-6 Lease contracts *(continued)*

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 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 is 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.

4. Summary Of Significant Accounting Policies *(continued)*

4-6 Lease contracts *(continued)*

The Group as a lessor

Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. The group as a Lessor will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 does not have an impact for leases where the Group is the 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) 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 information and disclosures are presented in Saudi Riyals (the functional currency of **Stc** – 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 recognised 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. Non-monetary items that are measured

4. Summary Of Significant Accounting Policies *(continued)*

4-7 Foreign currencies *(continued)*

in terms of historical cost in a foreign currency are not retranslated. 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.

Differences arising on settlement or translation of monetary items are recognised 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 recognised 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 recognised in OCI.

For the purposes of presenting the consolidated financial statement, 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 recognised in other comprehensive income and accumulated in equity (and attributed to non-controlling 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. Summary Of Significant Accounting Policies *(continued)*

4-8 Government grants

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

Government grants are recognised in the consolidated statement of profit or loss on a systematic basis over the periods in which the Group recognises 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 recognised 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 are recognised 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 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 recognised 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.

4. Summary Of Significant Accounting Policies *(continued)*

4-9 Employee benefits *(continued)*

4-9-1 Retirement benefit costs and end of service benefits *(continued)*

Re-measurement 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. Re-measurements 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 interest cost or income.

4-9-2 Other short and long -term employee benefits

A liability is recognised 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 the undiscounted amount of the benefits expected to be paid in exchange for that service. Liabilities recognised 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 General Authority of Zakat and Tax ("GAZT").

4. Summary Of Significant Accounting Policies *(continued)*

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 provision for foreign entities is calculated using the liability method, and it is used for the 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 recognised 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 recognised. 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 recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable; and/or
- 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.

4. Summary Of Significant Accounting Policies *(continued)*

4-11 Property and equipment *(continued)*

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

Assets under construction are carried at cost, less any recognised 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 property and equipment are to be replaced (except land), the Group recognises such parts as individual assets with 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 cases they are capitalized.

Depreciation is charged and reduces the cost of assets, other than land, using the straight-line method, over their estimated useful lives. An item of property and equipment is derecognised 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 recognised 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 services or for administrative purposes. In addition.

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.

4. Summary Of Significant Accounting Policies *(continued)*

4-12 Investment properties *(continued)*

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

Investment properties are derecognised 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 financial position at cost less accumulated amortisation 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 amortised over the useful economic life and the estimated useful life and amortisation method are reviewed at the end of each financial year end, 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 capitalised based on the cost incurred to acquire the specific software and bring it into use. Amortisation 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. Summary Of Significant Accounting Policies *(continued)*

4-13-2 Licence and frequency spectrum fees

Amortisation 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. Amortisation 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 recognised 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 amortised 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 derecognised on disposal, or when no future economic benefits are expected from use or 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 recognised 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).

4. Summary Of Significant Accounting Policies *(continued)*

4-14 Impairment of tangible and intangible assets other than goodwill *(continued)*

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 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 recognised immediately in the consolidated statement profit or loss.

An assessment is made at each reporting date to determine whether there is an indication that previously recognised 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 recognised 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 recognised. 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 recognised for the asset in prior years. Such reversal is recognised 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 realisable value. Costs of inventories are determined using the weighted average method of costing. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

4. Summary Of Significant Accounting Policies *(continued)*

4-16 Provisions

Provisions are recognised 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 recognised 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 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 recognised 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 recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

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 recognised 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 recognised 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 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 prospectively by adjusting the carrying amount of the provision and the carrying amount of the network and other assets.

4. Summary Of Significant Accounting Policies *(continued)*

4-18 Financial instruments

4-18-1 Classification, recognition, and presentation

Financial instruments are recognised in the consolidated 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 amortised 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 amortised 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 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 amortised 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 with changes in fair value recognised in the consolidated statement of profit or loss.

4. Summary Of Significant Accounting Policies *(continued)*

4-18 Financial instruments

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 time frame established by regulation or convention in the market place (regular way trades) are recognised 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 amortised cost:**
Assets that are held to collect contractual cash flows are measured at amortised cost using the effective interest rate ('EIR') 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**
The 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**
The 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.

4. Summary Of Significant Accounting Policies *(continued)*

4-18-2 Measurement *(continued)*

4.18.2.2 Subsequent measurement of financial assets (continued)

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

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

4. Summary Of Significant Accounting Policies *(continued)*

4-18-2 Measurement *(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. Amortised cost

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

- financial liabilities at FVTPL
- 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
- commitments to provide a loan at a below-market interest rate and not measured at fair value though profit or loss
- financial guarantee contracts
- contingent consideration recognised at fair value by the Group in a business combination to which IFRS 3 applies (shall subsequently be measured at fair value with changes recognised 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 derecognised, the gain or loss is recognised in consolidated statement of profit or loss.

b. Liabilities at fair value through profit or loss

Financial liabilities falling under this category include:

- liabilities held for trading
- derivative liabilities not designated as hedging instruments
- those designated as at FVTPL

4. Summary Of Significant Accounting Policies *(continued)*

4-18-2 Measurement *(continued)*

4-18-2-3 Subsequent measurement of financial liabilities (continued)

After initial recognition, the Group measures financial liabilities at fair value with changes recognised 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:

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

4-18-3 Impairment of financial instruments

With respect to impairment of financial assets, IFRS 9 requires the use of the expected credit loss (ECL) model instead of the incurred credit loss model under IAS 39, whereby, the Group assesses the expected credit losses associated with its assets carried at amortised cost and debt instrument carried at FVOCI. The impairment methodology applied depends on whether there has been a significant increase in the credit risk of the financial instrument since initial recognition. Accordingly, the provision for impairment of financial instruments is measured by the amount of the expected credit losses over the life of the financial instrument. If credit risk of the financial instrument has not increased significantly since initial recognition, then 12 month ECL is used to provide for impairment loss. For trade receivables and contact assets, the Group applies a simplified approach to measure the provision for impairment loss in an amount equal to the expected credit loss over the life of the financial instrument.

4-18-4 Derecognition of financial assets

The financial assets are derecognised from the consolidated statement of financial position when the rights to receive cash flows from the financial assets have expired, or when the financial assets 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. Summary Of Significant Accounting Policies *(continued)*

4-18-5 Derecognition of financial liabilities

The financial liabilities are derecognised 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 offsetted 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 recognised amounts of the asset and liability; and
2. The Group intends to settle on a net basis exists, or to realise the asset and settle the liability simultaneously.

4-18-7 Modifications of financial assets and financial liabilities

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 income. 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 income.

4. Summary Of Significant Accounting Policies *(continued)*

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, 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 recognised assets or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised 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 recognised in other comprehensive income in the cash flow hedge reserve, while any ineffective portion is recognised 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 the cash flow hedge accounting is discontinued, 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 period or less, which are subject to an insignificant risk of changes in value.

4. Summary Of Significant Accounting Policies *(continued)*

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 purposes 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 realisable value in IAS 2 or value in use in IAS 36.

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

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

For assets and liabilities that are recognised 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. Summary Of Significant Accounting Policies *(continued)*

4-21 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. When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale. When the Group is committed to a sale plan involving disposal of an investment in an associate or, a portion of an investment

4-22 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.

4-23 Cash dividends

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

4-24 Current versus non-current classification

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

- Expected to be realised or intended to be sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised 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

4. Summary Of Significant Accounting Policies *(continued)*

4-24 Current versus non-current classification (continued)

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 terms of the liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

The Group classifies all other liabilities as non-current.

5. Significant Accounting Estimates And Key Sources Of Estimation Uncertainty

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.

The estimates are reviewed on an ongoing basis. Revisions to accounting estimates are recognised 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 estimates in applying accounting policies

The following are the significant estimates, apart from those involving uncertain estimations (See Note 5.2 below), that the management have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statement.

5 . Significant Accounting Estimates And Key Sources Of Estimation Uncertainty *(continued)*

5-1 Significant estimates in applying accounting policies (continued)

5-1-1 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 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.

5-1-2 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 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. goods or services as an agent, revenue and payments to suppliers are recorded in revenue on a net basis, representing the margin earned.

5-2 Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

5 . Significant Accounting Estimates And Key Sources Of Estimation Uncertainty *(continued)*

5-2 Key sources of estimation uncertainty *(continued)*

5-2-1 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.

5-2-2 Customer activation service fees

Customer activation service fees are deferred and recognised 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. The ultimate liability may vary from the amounts provided and would be dependent on the eventual outcome. See Note 30 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 recognised 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 amortisation charge is sensitive to the estimated lives allocated to each type of asset. Assets 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.

(All Amounts in Saudi Riyals thousands unless otherwise stated)
(All Amounts in Saudi Riyals thousands unless otherwise stated) 167

5. Significant Accounting Estimates And Key Sources Of Estimation Uncertainty *(continued)*

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 Group's historical observed defaults 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 on 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 of which credit quality did not deteriorate based on historical experience of the Group.

5-2-6 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.

5-2-7 Leases - Estimating the incremental borrowing rate

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

5-2-8 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, credit risk and market volatility.

6. Subsidiaries

Subsidiaries owned directly by the Company are as follows:

			Effective shareholding percentage	
Name of subsidiary		**Country of incorporation**	**31 December 2020**	31 December 2019
Arabian Internet and Communications Services Company Limited ("Solutions by **stc**)	1	Kingdom of Saudi Arabia	**100%**	100%
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 Company Limited ("Aqalat")	4	Kingdom of Saudi Arabia	**100%**	100%
Saudi Telecom Specialized Company ("Specialized by **stc**")	5	Kingdom of Saudi Arabia	**100%**	100%
Sapphire Company Limited ("Sapphire")	6	Kingdom of Saudi Arabia	**100%**	100%
stc Turkey Holdings Ltd ("**stc** Turkey")	7	British Virgin Islands	**100%**	100%
stc Asia Telecom Holdings Ltd ("**stc** Asia")	8	British Virgin Islands	**100%**	100%
stc Gulf Investment Holding S.P.C. ("**stc** Gulf")	9	Kingdom of Bahrain	**100%**	100%
Saudi Telecom Channels Company (Channels by **stc**)	10	Kingdom of Saudi Arabia	**100%**	100%
Kuwait Telecommunications Company ("**stc** Kuwait")	11	Kuwait	**51.8%**	51.8%
Telecommunications Towers Company Ltd. ("TAWAL")	12	Kingdom of Saudi Arabia	**100%**	100%
Saudi Digital Payments Company ("**stc** Pay")	13	Kingdom of Saudi Arabia	**100%**	100%
Smart Zone Real Estate Company	14	Kingdom of Saudi Arabia	**100%**	100%
Advanced Technology and Cybersecurity Company	15	Kingdom of Saudi Arabia	**100%**	-

6. Subsidiaries *(continued)*

1. 1Arabian Internet and Communications Services Company Limited ("Solutions by **stc**") was established in the Kingdom 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 share capital of the Arabian Internet and Communications Services Company Limited for SR 100 million. During the year 2020, the share capital of Solutions by **stc** was increased to SR 1,200 million.

2. Telecom Commercial Investment Company (TCIC) was established in the Kingdom in October 2007 with a capital of SR 1 million with the purpose of operating and maintaining of 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.

3. tc Bahrain was established in the Kingdom of Bahrain in February 2009 with a capital of BD 75 million equivalent to about SR 746 million at the exchange rate as of that date. **stc** Bahrain provides all mobile telecommunication services, international telecommunications, broadband and other related services in the Bahraini market, and commenced its commercial operation on 3 March 2010. During the first quarter of 2018, **stc** Bahrain has fully acquired "MENA Telecom Company Limited" in the Kingdom of Bahrain (as a subsidiary). The main activity is to provide Internet services.

4. Aqalat was established in the Kingdom in March 2013 with a capital of SR 70 million fully owned by the Company 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.

5. Saudi Telecom Specialized Company (Specialized by **stc**) was established in February 2002 in the Kingdom. The Company acquired 100% of the SR 252 million share capital in January 2014. Specialized by **stc** 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.

6. Sapphire was established in the Kingdom in June 2014 with a capital of SR 100 million fully owned by the Company to operate in the retail and wholesale trade of computer systems and devices, fixed and mobile telecommunication, internet equipment, advertising and publicity material, spare parts, electrical equipment, advance payment devices, points-of-sale devices, telecom operator services, establish telecom sales and service centres. In November 2017, the Group's Board of Directors has decided to wind up Sapphire and integrating its business with **stc** starting from 1 January 2018. The legal procedures for the liquidation of the company is expected to be completed during 2021.

7. **stc** Turkey is a limited liability company which was established under the Commercial Companies Law in the British Virgin Islands on 8 April 2007. 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") USD 3.6 billion share capital, equivalent to approximately SR 13.5 billion, at the exchange rate as at that date.

   During 2016, and due to the continuing losses and the depletion of the Group's entire investment balance in OTL, the Group has stopped recognizing its share in OTL additional losses. (See Note 7.1)

8. **stc** Asia is a limited liability company which was established under the Commercial Companies Law in the British Virgin Islands on 24 July 2007 and is a special purpose vehicle that invests in companies operating primarily in the Malaysia. It holds an investment in **stc** Malaysia Holdings Ltd ("**stc** Malaysia"), (a wholly owned subsidiary by **stc** Asia), which was incorporated under the Commercial Companies Law in the British Virgin Islands.

   stc Malaysia Holdings Ltd in turn holds the Group's 25% stake in Binariang GSM Holdings ("BGSM") (See Note 7.2). The principal activity of both **stc** Asia and its subsidiary is to provide services and support required in respect of investment activities of the Group.

9. **stc** Gulf was incorporated in the Kingdom of Bahrain on 12 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:

   1. **stc** Gulf Investment Holding 1 S.P.C.
   2. **stc** Gulf Investment Holding 2 S.P.C.
   3. **stc** Gulf Investment Holding 3 S.P.C.

   stc Gulf Investment Holding 3 S.P.C. and **stc** Gulf Investment Holding 2 S.P.C. holds 100% (2019: 100%) in Intigral Holding BSC (C) ("Intigral Holding"). Intigral Holding was established in the Kingdom of Bahrain in June 2009 with a share capital amounting to BD 28 million which is equivalent to approximately SR 281 million at the exchange rate as at that date. Intigral Holding is a holding company which owns shares in companies operating in the field of content services and digital media in Gulf countries. During 2018, the company increased its capital to reach BD 101 million equivalent to SR 1.008 million at the exchange rate as at 31 December 2018.

Saudi Telecom Company (A Saudi Joint Stock Company)
Notes To The Consolidated Financial Statements For The Year Ended 31 December 2020 *(Continued)*
(All Amounts in Saudi Riyals thousands unless otherwise stated)

6. Subsidiaries *(continued)*

10. Saudi Telecom Channels Company ("Channels by **stc**") was established in the Kingdom in January 2008 and operates 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 centres' maintenance and operation. The Company operates in Saudi Market with subsidiaries in Bahrain and Oman whom are working in the same field. **stc** acquired 60% of Channels SR 100 million share capital in December 2011. On January 2017, the Company acquired the remaining shares in Channels by **stc** by SR 400 million. Accordingly, Channels by **stc** became a wholly-owned subsidiary of **Stc**.

11. In December 2007, the Company acquired 26% share capital of **stc** Kuwait for an amount of Kuwaiti Dinar ("KD") 50 million, equivalent to approximately SR 687 million at the exchange rate as at that date. **stc** Kuwait operates in the field of mobile services in the Kuwaiti market and commenced its commercial operation on 4 December 2008 and was listed as a joint stock company on the Kuwait Stock Exchange on 14 December 2014.

    In November 2015, the Company has submitted a voluntary offer to acquire the issued shares of **stc** Kuwait not already owned by the Company, which represented 74% of **stc** Kuwait issued shares. The offer presented by the Company to **stc** Kuwait's shareholders amounted to KD 1 per share (equivalent to SR 12.37 at the exchange rate as at that date).

    The offer ended on 31 January 2016 and the number of shares accepted under the offer amounted to 128,860,518 shares which representing 25.8% of total issued shares to **stc** Kuwait. **stc** has thus become owning 51.8% of the total issued shares of **stc** Kuwait. (See Note 26)

    In May 2019, **stc** Kuwait acquired 99% of Qualitynet General Trading and Contracting Company W.L.L. (QualityNet), which operates in Kuwait providing internet services.

12. During the first quarter of 2018, the Company established Telecommunications Towers Company Ltd. (TAWAL), a limited liability company and 100% owned by **stc**, with a share capital of SR 200 million. TAWAL is responsible for owning, constructing, operating, leasing and commercializing telecom towers in the Kingdom. During the first quarter of 2019, TAWAL obtained the necessary operating license from the Communications and Information Technology Commission (CITC). During the fourth quarter of 2019, the Company increased the capital of TAWAL with an amount of SR 2,300 million, for a total capital to reach SR 2,500 million.

6. Subsidiaries *(continued)*

13. During the fourth quarter of 2017, Solutions by **stc** established Saudi Digital Payments Company (**stc** Pay) in the Kingdom with a capital of SR 100 million and its main activity is to provide digital payments services. During the third quarter of 2019, **stc** Pay ownership was transferred from **stc** Solutions to the Company with no financial impact at the group level. During the fourth quarter of 2019, the Company increased the capital of the **stc** Pay with an amount of SR 300 million, **stc** Pay for a total capital to reach SR 400 million. In January 2020, the Saudi Arabian Monetary Authority (SAMA) licensed **stc** Pay as an electronic wallet company.

    On 21 November 2020, the Group signed an agreement with Western Union to sell a stake in **stc** Pay with a value of SR 750 million (equivalent to USD 200 million) and the proceeds to be used to finance the capital of **stc** Pay. The transaction is expected to be completed during 2021 as follows:

    - Upon completion of the transaction, Western Union will pay SR 500 million (equivalent to USD 133.3 million) for a 10% stake in **stc** Pay.
    - Western Union will pay an amount of SR 250 million (equivalent to USD 66.67 million), in case **stc** Pay obtains a digital banking services license, increasing the shareholding of Western Union to 15%.
    - The Group will inject an additional amount of SR 802 million into the capital of **stc** Pay in case **stc** Pay obtains a digital banking services license.

      During the fourth quarter of 2020, the Company increased the share capital of **stc** Pay by an amount of SR 548 million (including the transfer of its shareholder's loan amounting to SR 148 million into capital) resulting into a total share capital of **stc** Pay reaching SR 948 million.

14. During the fourth quarter of 2019, the Company established a special purpose vehicle subsidiary (Smart Zone Real Estate Company) in the kingdom with a share capital of approximately SR 107 million and its main activity is the development, financing and management of real estate projects, the establishment of facilities, complexes, commercial, office and residential buildings.

15. During the fourth quarter of 2020, the Company established Advanced Technology and Cyber Security Company - a limited liability company 100% owned by **stc**, with a cash capital of SR 120 million to provide cybersecurity services.

(All Amounts in Saudi Riyals thousands unless otherwise stated)
(All Amounts in Saudi Riyals thousands unless otherwise stated) 173

7. Investments In Associates And Joint Ventures

7.1 Investments in associates

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

7.1.1 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 2020	31 December 2019
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%

1. Arab Satellite Communications Organisation ("Arabsat") was established on 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, **stc** 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. Virgin Mobile Saudi Consortium ("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 material transactions between VMSC and the Company through the reliance of VMSC's on the Company's technical network.

7. Investments In Associates And Joint Ventures *(continued)*

7.1 Investments in associates *(continued)*

7.1.1 Details of associates *(continued)*

3. 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 amounting to approximately USD 3.6 billion, equivalent to approximately SR 13.5 billion at the exchange rate as at that date. On 1 January 2016, the Group's investment in OTL was completely extinguished and the Group discontinued recognising its share of further losses. OTL was facing financial difficulties to settle its borrowings dues and its ability to comply with the financial covenants agreed with lenders. During 2018, OTL has completed necessary procedures to liquidate its main subsidiaries and restructure its investments in Turkey and South Africa in order to meet the financial obligations of the lenders. During 2019, liquidation of OTAS (subsidiary of OTL in Turkey) commenced while the liquidation of OTL commenced in 2020.

7.1.2 Financial information of material associates

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

Arabsat

Statement of financial position	31 December 2020	31 December 2019
Current assets	1,504,156	1,605,861
Non-current assets	6,035,861	5,665,128
Current liabilities	(466,154)	(441,864)
Non-current liabilities	(2,118,849)	(1,833,238)

Statement of income and other comprehensive income	For the year ended 31 December	
	2020	2019
Revenue	846,166	945,228
Profit for the year	56,211	182,622
Other comprehensive income (loss) for the year	71,153	(28,294)
Total comprehensive income for the year	127,364	154,328

(All Amounts in Saudi Riyals thousands unless otherwise stated)
(All Amounts in Saudi Riyals thousands unless otherwise stated) 175

7. Investments In Associates And Joint Ventures *(continued)*

7.1 Investments in associates *(continued)*

7.1.2 Financial information of material associates *(continued)*

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

	31 December 2020	31 December 2019
Net assets of the associate	4,955,014	4,995,887
Proportion of the Group's ownership interest in Arabsat	36.66%	36.66%
Carrying amount of the Group's interest in Arabsat	1,816,508	1,831,492

7.1.3 Financial information on not individually material associates

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

	2020	2019
The Group's share of gain from continued operations	722	1,301
Aggregate carrying amount of the Group's interests in these associates	4,104	3,382

Carrying amount of the Group's interest in associates:

	31 December 2020	31 December 2019
Material associate (7.1.2)	1,816,508	1,831,492
Not individually material associates (7.1.3)	4,104	3,382
Total carrying amount of the Group's interest in associates	1,820,612	1,834,874

7. Investments In Associates And Joint Ventures *(continued)*

7.2 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

7.2.1 Details of joint ventures

Below is the detail of joint ventures as at:

			Proportion of ownership interest / voting rights	
Name of Associates		**Country of incorporation**	**31 December 2020**	31 December 2019
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 Holding ("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 **stc** 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%.

3. Binariang group GSM is an investment holding group registered in Malaysia which owns 62% of Maxis Malaysian Holding Group ("Maxis"), a major telecom operator in Malaysia. BGSM also had indirect investments in India, Aircel Limited ("Aircel") which were eliminated in 2018.

4. In September 2007, the Company acquired (through its subsidiaries **stc** Asia holding and **stc** Malaysia holding) 25% of Binariang group GSM MYR 20.7 billion share capital, equivalent to approximately SR 23 billion at the exchange rate as at that date.

(All Amounts in Saudi Riyals thousands unless otherwise stated)
(All Amounts in Saudi Riyals thousands unless otherwise stated) 177

7. Investments In Associates And Joint Ventures *(continued)*

7.2 Investments in joint ventures *(continued)*

7.2.1 Details of joint ventures *(continued)*

5. During 2013, the Company conducted a review of its foreign investment in Binariang group holding GSM (joint venture), including the manner in which this investment is being managed and how joint control has been effectively exercised. As a result, the Company signed an amendment to the shareholders' agreement with other shareholders of Binariang group GSM 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 2013.

7.2.2 Financial information of material joint ventures

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

Binariang group Holding GSM

Statement of financial position	31 December 2020	31 December 2019
Current assets	3,085,413	3,794,720
Non-current assets	27,709,097	27,175,812
Current liabilities	(5,055,081)	(5,769,520)
Non-current liabilities	(13,690,970)	(13,671,417)

The above amounts of assets and liabilities include the following:

	31 December 2020	31 December 2019
Cash and cash equivalents	939,249	1,342,939
Current financial liabilities *(excluding trade and other payables and provisions)*	(1,159,860)	(1,057,839)
Non-current financial liabilities *(excluding trade and other payables and provisions)*	(12,919,626)	(13,067,091)

7. Investments In Associates And Joint Ventures *(continued)*

7.2 Investments in joint ventures *(continued)*

7.2.2 Financial information of material joint ventures *(continued)*

Statement of income and other comprehensive income	For the year ended 31 December	
	2020	2019
Revenues	8,502,456	8,338,076
Profit for the year	725,187	426,750
Other comprehensive loss for the year	(8,985)	(5,306)
Total comprehensive income for the year	716,202	421,444
Depreciation and amortisation	(1,294,595)	(1,292,642)
Finance income	88,900	85,337
Finance cost	(911,640)	(945,861)
Income tax expense	(436,868)	(451,076)

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

	31 December 2020	31 December 2019
Net assets of BGSM (excluding non-controlling interest share and share of other shareholders in Aircel)	376,046	364,400
Proportion of the Group's ownership interest in the joint venture	94,012	91,100
Goodwill and fair value adjustments, net	1,184,070	1,184,070
Adjustments: the carve-out of Aircel Group and others	3,535,414	3,443,422
Carrying amount of the Group's interest in the joint venture	4,813,496	4,718,592

(All Amounts in Saudi Riyals thousands unless otherwise stated)
(All Amounts in Saudi Riyals thousands unless otherwise stated) 179

7. Investments In Associates And Joint Ventures *(continued)*

7.2 Investments in joint ventures *(continued)*

7.2.3 Financial information on 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:

	2020	2019
The Group's share of profit from operations	12,208	6,060
The Group's share of other comprehensive (loss) income	(6,428)	1,341
The Group's share of total comprehensive income	5,780	7,401
Aggregate carrying amount of the Group's interests in these joint ventures	70,839	65,060

Carrying amount of the Group's share in the joint ventures

	31 December 2020	31 December 2019
Material joint venture (7.2.2)	4,813,496	4,718,592
Not individually material joint ventures (7.2.3)	70,839	65,060
Total carrying amount of the Group's share in the joint ventures	4,884,335	4,783,652

8. Segment Information

The Group is engaged mainly in providing telecommunication services and related products. Majority of the Group's revenues, income and assets relate to its operations within the Kingdom (**stc** and Channels by **stc**). 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% threshold and therefore all other operating segments are combined and disclosed as "Other segments".

8. Segment Information *(continued)*

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

	2020	2019
Revenues [1]		
Saudi Telecom Company	42,898,826	40,259,106
Channels by **stc**	17,527,801	17,409,802
Other operating segments [2]	15,733,883	12,628,185
Eliminations / adjustments	(17,207,192)	(15,929,562)
Total revenues	58,953,318	54,367,531
Cost of operations (excluding depreciation and amortisation)	(36,863,318)	(33,102,551)
Depreciation and amortisation	(9,358,875)	(8,784,587)
Cost of early retirement program	(600,000)	(600,000)
Finance income	413,873	639,161
Finance cost	(623,925)	(765,154)
Net other expenses	(42,995)	(76,062)
Net share in results of investments in associates and joint ventures	52,953	49,597
Net other gains (losses)	424,612	(40,960)
Zakat and income tax	(1,170,446)	(762,144)
Net profit	11,185,197	10,924,831
Net profit attributable to:		
Equity holders	10,994,875	10,664,666
Non-controlling interests	190,322	260,165
	11,185,197	10,924,831

(All Amounts in Saudi Riyals thousands unless otherwise stated)
(All Amounts in Saudi Riyals thousands unless otherwise stated) 181

8. Segment Information *(continued)*

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

	31 December 2020	31 December 2019
Saudi Telecom Company	26,736,799	26,299,935
Channels by **stc**	1,384,058	1,418,463
Other operating segments (2)	6,401,124	4,910,725
Eliminations / adjustments	(567,586)	(237,898)
Gross profit	33,954,395	32,391,225

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

Assets	31 December 2020	31 December 2019
Saudi Telecom Company	129,915,566	125,104,941
Channels by **stc**	5,527,646	4,560,238
Other operating segments (2)	37,788,535	34,355,695
Eliminations / Adjustments	(51,259,647)	(45,694,618)
Total Assets	121,972,100	118,326,256

Liabilities	31 December 2020	31 December 2019
Saudi Telecom Company	52,654,060	49,484,795
Channels by **stc**	3,943,509	3,122,999
Other operating segments (2)	24,302,252	22,438,203
Eliminations / Adjustments	(24,194,736)	(19,774,787)
Total Liabilities	56,705,085	55,271,210

Additions to Property and equipment, intangible assets and goodwill

Following are the additions to Property and equipment and Intangible assets with goodwill (See Notes 9 and 11) based on the segments for the year ended 31 December:

8. Segment Information *(continued)*

	2020	2019
Saudi Telecom Company	10,104,014	9,109,544
Channels by **stc**	185,082	116,352
Other operating segments (2)	1,646,304	2,535,992
	11,935,400	11,761,888

(1) Segment revenue reported above represents revenue generated from external and internal customers. There were SR 17,207 million for the year ended 31 December 2020 (2019: SR 15,930 million,) inter-segment sales and adjustments (between the Group's Companies) which were eliminated at consolidation.

(2) Other operating segments include: stc Kuwait, stc Bahrain, Solutions by stc, Specialized by stc, stc Gulf, Sapphire, Aqalat, Telecommunications Towers Company, Saudi Digital Payments Company (stc Pay) and advanced technology and cybersecurity Company. (See 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 9,252 million for the year ended 31 December 2020 (2019: SR 6,873 million) resulting from sales to the Government and Government entities (See Note 21.2). No other single customers contributed 10% or more to the Group's revenues.

Information about geographical segmentation

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

	Revenues for the year ended		Non-current assets as at	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Kingdom of Saudi Arabia	54,166,010	49,970,303	64,689,191	62,160,408
Others (*)	4,787,308	4,397,228	11,423,993	11,324,356
	58,953,318	54,367,531	76,113,184	73,484,764

(*) "Others" includes: state of Kuwait and kingdom of Bahrain.

Saudi Telecom Company (A Saudi Joint Stock Company)
Notes To The Consolidated Financial Statements For The Year Ended 31 December 2020 *(Continued)*
(All Amounts in Saudi Riyals thousands unless otherwise stated) 183

9. Property And Equipment

	Lands and buildings	Telecommunication network and equipment	Other assets [3]	Capital work in progress	Total
Cost					
As at 1 January 2020	15,324,054	90,480,495	8,894,524	4,790,492	119,489,565
Additions	184,558	224,868	113,668	8,717,317	9,240,411
Disposals / transfers	97,605	7,338,364	(2,444)	(9,087,094)	(1,653,569)
Effect of foreign currency exchange differences	12	(20,888)	(414)	(1,747)	(23,037)
As at 31 December 2020	15,606,229	98,022,839	9,005,334	4,418,968	127,053,370
Accumulated depreciation					
As at 1 January 2020	8,813,521	59,916,331	5,674,371	-	74,404,223
Depreciation for the year	412,413	5,648,627	228,309	-	6,289,349
Disposals / transfers	(269,161)	(1,087,313)	(118,802)	-	(1,475,276)
Effect of foreign currency exchange differences	3	(12,172)	(380)	-	(12,549)
As at 31 December 2020	8,956,776	64,465,473	5,783,498	-	79,205,747
Net book value as at 31 December 2020	**6,649,453**	**33,557,366**	**3,221,836**	**4,418,968**	**47,847,623**

Saudi Telecom Company (A Saudi Joint Stock Company)
Notes To The Consolidated Financial Statements For The Year Ended 31 December 2020 *(Continued)*
(All Amounts in Saudi Riyals thousands unless otherwise stated)

9. Property And Equipment *(continued)*

	Lands and buildings	Telecommunication network and equipment	Other assets [3]	Capital work in progress	Total
Cost					
As at 1 January 2019	14,892,365	83,769,469	8,461,774	3,672,535	110,796,143
Additions	82,187	192,850	72,192	8,921,089	9,268,318
Additions related to the acquisition of a new subsidiary	-	127,979	17,593	7,589	153,161
Disposals / transfers	349,868	6,385,512	342,993	(7,811,160)	(732,787)
Effect of foreign currency exchange differences	(366)	4,685	(28)	439	4,730
As at 31 December 2019	15,324,054	90,480,495	8,894,524	4,790,492	119,489,565
Accumulated depreciation					
As at 1 January 2019	8,524,319	54,880,178	5,471,237	-	68,875,734
Additions related to the acquisition of a new subsidiary	-	119,262	3,739		123,001
Depreciation for the year	373,337	5,363,373	340,838	-	6,077,548
Disposals / transfers	(84,075)	(449,106)	(141,437)	-	(674,618)
Effect of foreign currency exchange differences	(60)	2,624	(6)	-	2,558
As at 31 December 2019	8,813,521	59,916,331	5,674,371	-	74,404,223
Net book value as at 31 December 2019	6,510,533	30,564,164	3,220,153	4,790,492	45,085,342

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

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

(All Amounts in Saudi Riyals thousands unless otherwise stated)
(All Amounts in Saudi Riyals thousands unless otherwise stated) 187

9. Property And Equipment *(continued)*

1. Lands and buildings include lands with total value of SR 2,204 million as at 31 December 2020 (2019: SR 2,203 million). This includes lands with ongoing ownership transfer to the Company with a value of SR 187 million (2019: SR 200 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, the ownership of the assets was transferred to the Company on 2 May 1998, but the transfer of legal title for some lands are still ongoing. The value of lands with legal titles transferred to the Company up to 31 December 2020 amounted to SR 1,895 million (2019: SR 1,879 million). Ownership transfer of the remaining lands with total value of SR 128 million (2019: SR 144 million) is ongoing, which constitutes part of the amount referred to in paragraph (a) above.
3. Other assets include furniture, fixtures, motor vehicles, computers and tools.
4. During the year, the Group disposed of assets with a net book value of SR 167 million (2019: SR 465 million) resulting in a loss amounting to SR 150 million (2019: SR 325 million) (See Note 41).
5. Non-cash additions amounted to SR 90 million (2019: 18 million).
6. Property and equipment include land and building owned by **stc** Bahrain that are pledged against murabaha borrowings amounting to SR 27 million (2019: SR 54 million). (See Note 27)
7. The following table shows the breakdown of depreciation expense if allocated to operating costs items for the year ended 31 December:

	2020	2019
Cost of revenues	**5,127,663**	4,931,664
Selling and marketing expenses	**6,500**	16,239
General and administrative expenses	**1,155,186**	1,129,645
	6,289,349	6,077,548

10. Investment Properties

	31 December 2020	31 December 2019
Lands (*)	**36,980**	-

(*) During the fourth quarter of 2020, the Group transferred a land with a book value of SR 37 million from property and equipment to investment properties for the purpose of real estate development and investment.

For the purpose of disclosure requirements in accordance with International Accounting Standard No. (40) "Investment properties", the Group has appointed Century 21 Saudi Company License No. (752/18/323) as an independent, professionally qualified valuer accredited by the Saudi Authority for Accredited Valuers (Taqeem) for the purpose of estimating the fair value of this land as at 31 December 2020, which amounted to SR 148 million. The fair value measurement is classified into level 3 based on valuation techniques applied i.e. residual and market comparable approaches.

Saudi Telecom Company (A Saudi Joint Stock Company)
Notes To The Consolidated Financial Statements For The Year Ended 31 December 2020 *(Continued)*
(All Amounts in Saudi Riyals thousands unless otherwise stated)

11. Intangible Assets And Goodwill

	Computer software	Telecommunication Licenses	Goodwill [1]	Others [2]	Total
Cost					
As at 1 January 2020	11,648,737	7,975,574	143,038	2,773,783	22,541,132
Additions	155,836	18,677	-	2,520,476	2,694,989
Disposals/Transfers	1,341,983	870,753	-	(2,385,393)	(172,657)
Effect of foreign currency exchange differences	(61)	(1,032)	(315)	(476)	(1,884)
As at 31 December 2020	13,146,495	8,863,972	142,723	2,908,390	25,061,580
Accumulated depreciation					
As at 1 January 2020	8,832,150	2,668,854	-	1,133,440	12,634,444
Amortisation for the year	1,390,056	448,658	-	296,282	2,134,996
Disposals/Transfers	(14,415)	-	-	(159,439)	(173,854)
Effect of foreign currency exchange differences	(53)	21	-	(382)	(414)
As at 31 December 2020	10,207,738	3,117,533	-	1,269,901	14,595,172
Net book value as at 31 December 2020	**2,938,757**	**5,746,439**	**142,723**	**1,638,489**	**10,466,408**

Saudi Telecom Company (A Saudi Joint Stock Company)
Notes To The Consolidated Financial Statements For The Year Ended 31 December 2020 *(Continued)*
(All Amounts in Saudi Riyals thousands unless otherwise stated) 191

11. Intangible Assets And Goodwill

	Computer software	Telecommunication Licenses	Goodwill (1)	Others (2)	Total
Cost					
As at 1 January 2019	10,410,881	7,695,620	75,613	1,994,841	20,176,955
Additions	103,182	43,705	-	1,859,295	2,006,182
Additions related to the acquisition of a new subsidiary	-	238,141	67,425	28,661	334,227
Disposals/Transfers	1,134,674	-	-	(1,109,051)	25,623
Effect of foreign currency exchange differences	-	(1,892)	-	37	(1,855)
As at 31 December 2019	11,648,737	7,975,574	143,038	2,773,783	22,541,132
Accumulated depreciation					
As at 1 January 2019	7,497,478	2,277,146	-	842,212	10,616,836
Amortisation for the year	1,309,535	392,398	-	249,138	1,951,071
Disposals/Transfers	25,137	-	-	42,021	67,158
Effect of foreign currency exchange differences	-	(690)	-	69	(621)
As at 31 December 2019	8,832,150	2,668,854	-	1,133,440	12,634,444
Net book value as at 31 December 2019	2,816,587	5,306,720	143,038	1,640,343	9,906,688

(1) Goodwill pertains to the Company acquisition of Solutions by stc amounting to SR 75.6 million (2019: SR 75.6 million) and stc Kuwait acquisition of Qualitynet amounting to SR 67.1 million (2019: SR 67.4 million).

(2) Others 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 1,005 million (2019: SR 399 million).

(All Amounts in Saudi Riyals thousands unless otherwise stated)
(All Amounts in Saudi Riyals thousands unless otherwise stated) 193

11. Intangible Assets And Goodwill *(continued)*

Intangible assets are amortized using the following estimated useful lives:

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

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

Country	End of amortisation period	31 December 2020	31 December 2019
Saudi Arabia	2026 / 2030 / 2032 / 2033 / 2034	**3,149,093**	2,540,590
Kuwait	2021 / 2033 / 2039	**1,890,077**	2,033,350
Bahrain	2025/2031/2034/2038	**707,269**	732,780
		5,746,439	5,306,720

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

	2020	2019
Cost of revenues	**634,581**	641,036
Selling and marketing expenses	**2,429**	3,493
General and administrative expenses	**1,497,986**	1,306,542
	2,134,996	1,951,071

12. Right Of Use Assets

	Lands and Buildings	Motor Vehicles	Leased Towers	Total
At 1 January 2020	**2,551,155**	**202,947**	**133,831**	**2,887,933**
Additions	**1,139,274**	**7,463**	**-**	**1,146,737**
Depreciation	**(842,254)**	**(55,609)**	**(36,667)**	**(934,530)**
Disposal and others	**(203,572)**	**(3,754)**	**-**	**(207,326)**
At 31 December 2020	**2,644,603**	**151,047**	**97,164**	**2,892,814**
At 1 January 2019				
Additions	2,375,639	8,281	171,604	2,555,524
Depreciation	1,012,209	212,075	-	1,224,284
Disposal and others	(700,786)	(17,409)	(37,773)	(755,968)
At 31 December 2019	(135,907)	-	-	(135,907)
	2,551,155	202,947	133,831	2,887,933

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:

Buildings	years 31 – 2
Motor Vehicles	years 5 – 3
Others	years 10-2

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 amounted to SR 148 million (2019: SR 329 million).

(All Amounts in Saudi Riyals thousands unless otherwise stated)
(All Amounts in Saudi Riyals thousands unless otherwise stated) 195

12. Right Of Use Assets *(continued)*

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

	2020	2019
Cost of revenues	733,622	562,514
Selling and marketing expenses	10,798	7,539
General and administrative expenses	190,110	185,915
	934,530	755,968

13. Contract Costs

Contract costs consist of the following:

	31 December 2020	31 December 2019
Costs to obtain the contracts [1]	145,878	299,118
Costs to fulfil the contracts [2]	491,592	623,804
	637,470	922,922

(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 amortised on a straight line basis over the period of contract/anticipated contract.

(2) Costs to fulfil contracts are installation costs and are amortised on a straight line basis over the period of contract/anticipated contact.

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

	2020	2019
Cost of revenues (See Note 36)	268,352	315,797
Selling and marketing expenses (See Note 37)	237,614	88,346
	505,966	404,143

14. Contract Assets

	2020	2019
Unbilled revenue	6,701,324	7,596,729
Less: Allowance for impairment losses	(184,227)	(154,905)
	6,517,097	7,441,824
Current [1]	6,059,440	6,793,755
Non-current [2]	457,657	648,069
	6,517,097	7,441,824

(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. Majority of balances are billed within 31 days except for balances subject for settlement agreements with telecom operators which could be extended to one year.

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

15. Financial Assets And Others

15-1 Financial assets

	31 December 2020	31 December 2019
Financial assets measured at FVTPL [1]	1,119,413	1,550,869
Financial assets at amortised cost	5,371,446	5,355,659
Sukuk [2] [3]	411,665	438,481
Loans to employees [4]	167,498	355,013
Others [5]	5,950,609	6,149,153
	7,070,022	7,700,022
Current	180,397	376,589
Non-current	6,889,625	7,323,433
	7,070,022	7,700,022

(All Amounts in Saudi Riyals thousands unless otherwise stated)
(All Amounts in Saudi Riyals thousands unless otherwise stated) 197

15. Financial Assets And Others *(continued)*

1) During 2019, the Group reclassified its investment in the units of stc Ventures Fund and STV LP Fund from financial assets measured at fair value through OCI (FVOCI) to financial assets measured at fair value through profit or loss (FVTPL).

- *stc Ventures Fund is a fund investing in emerging, small and medium-sized companies operating in the field of Communications and Information Technology in Saudi and other global markets. Investment units were valued at SR 186 million as at 31 December 2020 (2019: SR 724 million).*
- *STV LP Fund is a fund investing in internationally in high-growth pioneer private technology companies with total value of SR 1,875 million (equivalent to USD 500 million) financed in five equal instalments of SR 375 million (equivalent to USD 100 million) each. During 2018, the first and second instalments were paid by the Company in total of SR 750 million (equivalent to USD 200 million). During 2020, the third instalment was paid by the Company amounted to SR 375 million (equivalent to USD 100 million). Investment units were valued at SR 934 million as at 31 December 2020 (2019: SR 846 million).*

2) The Group invested in Sukuk that 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) On 31 December 2007, stc Asia Holding Company Limited (a subsidiary) invested in Sukuk issued by Binariang GSM Holding ("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 of 9.25% for subsequent periods. These sukuk are not past due or low in value with a book value of SR 1,408 million as of 31 December 2020 (2019: SR 1,383 million).

4) The Company has provided its employees interest-free loans to acquire residential housing and motor vehicles for a period of 25 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 loans' finance cost.

15. Financial Assets And Others *(continued)*

5) Mainly represent a Group subsidiary customers retentions amounting to SR 80 million as at 31 December 2020 (2019: SR 80 million).

15-2 Other assets

	31 December 2020	31 December 2019
Advances	2,366,620	3,062,320
Prepaid expenses	498,020	508,362
Deferred expenses	128,578	95,494
Others	274,325	522,771
	3,267,543	4,188,947
Current	3,087,883	4,097,096
Non-current	179,660	91,851
	3,267,543	4,188,947

16. Inventories

	31 December 2020	31 December 2019
Goods held for resale	1,370,361	2,113,405
Less: Allowance for slow moving inventories	(361,716)	(391,875)
	1,008,645	1,721,530

The following is an analysis of the allowance for slow moving inventories for the year ended 31 December:

	2020	2019
Balance at 1 January	391,875	340,998
Reversal/adjustment during the year	(33,592)	(6,209)
Charged during the year	3,433	57,086
Balance at 31 December	361,716	391,875

(All Amounts in Saudi Riyals thousands unless otherwise stated)

17. Trade And Other Receivables

	31 December 2020	31 December 2019
Trade receivables	17,660,288	22,375,635
Less: allowance for impairment loss	(2,859,566)	(2,818,056)
	14,800,722	19,557,579
- Non trade receivables	1,283,694	1,814,789
	16,084,416	21,372,368

17.1 Trade receivables

Ageing analysis of trade receivables as follows:

	31 December 2020		31 December 2019	
	Gross amount	Allowance for impairment loss	Gross amount	Allowance for impairment loss
Not past due	1,857,114	(93,817)	3,249,052	(105,185)
Past due:				
1 – 30 days	1,741,599	(86,989)	1,437,935	(104,748)
31 – 90 days	1,915,619	(176,347)	1,473,426	(221,096)
91 – 150 days	1,347.984	(260,365)	1,194,900	(395,545)
151 – 365 days	5,961,701	(451,239)	4,232,337	(518,467)
<365 days	4,836,271	(1,790,809)	10,787,985	(1,473,015)
	17,660,288	(2,859,566)	22,375,635	(2,818,056)

Movement of trade receivables' allowance for impairment loss during the year ended 31 December as follows:

	2020	2019
Balance at 1 January	2,818,056	2,475,741
Allowance for impairment loss for the year (Note 37)	1,072,959	662,043
Amounts written off	(760,045)	(128,647)
Amounts recovered	(271,404)	(191,081)
Balance at 31 December	2,859,566	2,818,056

17. Trade And Other Receivables *(continued)*

17.1 Trade receivables *(continued)*

The average expected credit loss during the year ended 31 December 2020 was 16.2% (31 December 2019: 12.6%). 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. The impairment assessment on customers accounts is done on a collective basis. While the assessment for impairment in relation to key customers and related parties is done on an individual basis.

17.2 Government and government related entities

Trade receivables balance from Government entities amounted to SR 13,889 million as at 31 December 2020 (2019: SR 18,508 million) (See Note 21.2). No other clients represent more than 10% of the total balance of trade receivables.

Receivable aging from government entities and government related entities is as follows:

	31 December 2020	31 December 2019
Less than a year	10,275,707	7,903,051
More than one year to two years	3,153,841	6,393,629
More than two years	459,707	4,211,395
	13,889,255	18,508,075

18. Short Term Murabahas

The Group invests part of its excess cash in Murabahas that have maturity of 91 days or more but less than a year with several banks, with an annual profit rate ranging from 0.53% to 2.63 % (2019: 2.00% to 5.00%).

(All Amounts in Saudi Riyals thousands unless otherwise stated)

19. Cash And Cash Equivalents

	31 December 2020	31 December 2019
Short term murabaha (with 3 months maturity or less)	7,350,738	6,476,407
Cash at banks	1,616,677	1,494,694
Cash in hand and checks under collections	36,871	59,909
	9,004,286	8,031,010

The Group invests a part of its surplus cash in murabahas three months or less with several banks with a profit rate ranging between 0.05 % -2.52 % (2019: 1.00%-3.70%).

20. Assets Held For Sale

On 26 March 2019, Uber Technologies (Uber) signed an assets purchase agreement with Careem (the Group holds a direct share of 8.88%) to acquire the net assets of Careem for about SR 11.6 billion (equivalent up to USD 3.1 billion) subject to modifications.
The total financial consideration of the agreement consists of the following:

- About SR 6.4 billion (equivalent up to USD 1.7 billion) of convertible bonds, unsecured and without interest.
- About SR 5.2 billion (equivalent up to USD 1.4 billion) in cash.

The acquisition was completed by Uber on 2 January 2020 after obtaining the approval of most of the regulatory authorities in the relevant countries with a holdback of an equivalent of 25% of the deal value until all regulatory and indemnity requirements accomplished. The impact of this acquisition on the Group's results from the sale of its direct investment in Careem was recognized during the first quarter of 2020 that resulted in a profit of SR 496 million (equivalent to approximately USD 132 million) excluding the holdback.

Based on the information received by the Group during the second quarter of 2020 related to the holdback amount that is related to regulatory, tax and indemnity requirements necessary to finish the acquisition deal, the Group has assessed the recoverability of the holdback amount and recognized an amount of SR 152 million (equivalent to USD 41 million) as profit during the second quarter of 2020.

The profit recognized is included within net other gains (losses) item in the consolidated statement of profit or loss (see Note 41).

21. Related Party Transactions

21.1 Trading transactions and balances with related parties (Associates and Joint Ventures – See Note 7)

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

	2020	2019
Telecommunication services provided	309,161	430,682
Telecommunication services received	71,119	29,050

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 2020	31 December 2019	31 December 2020	31 December 2019
Associates	354,554	292,020	63,820	38,910
Joint ventures	47,249	12,215	157,830	168,173
	401,803	304,235	221,650	207,083

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 2020 amounted to SR 9,646 million (2019: SR 7,154 million) and expenses related to transactions with government and government entities for the year ended 31 December 2020 (including government charges) amounted to SR 3,753 million (2019: SR 2,759 million).

21. Related Party Transactions

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

As at 31 December 2020, accounts receivable from government entities totalled SR 13,889 million (2019: SR 18,508 million) (See Note 17.2) and as at 31 December 2020, accounts payable to government entities SR 1,058 million (2019: SR 953 million). Among the commercial transactions with government entities, the Group invested to SR 3,902 million in the Sukuk issued by the Ministry of Finance during the first quarter of 2019. (See Note 15.1).

The total balance of receivables with government related entities as of 31 December 2020: SR 657 million (2019: SR 513 million). The total balance of accounts payable with government related entities as of 31 December 2020: SR 305 million (2019: SR 79 million).

21.3 Loans to related parties

	31 December 2020	31 December 2019
Loans to senior executives	**4,598**	5,358

21.4 Benefits, remuneration and compensation of board members and senior executives

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

	2020	2019
Short-term benefits and remunerations	**311,146**	280,381
Provision for leave and end of service benefits	**88,794**	60,061
Share-based payments	**6,116**	-
Termination and other benefits	**1,535**	2,884

22. Issued Capital

	31 December 2020	31 December 2019
Issued and fully paid capital comprises		
2 billion fully paid ordinary shares	**20,000,000**	20,000,000

23. Statutory Reserve

In accordance with the companies law in the Kingdom of Saudi Arabia and the Company's By-law, 10% of the net income was taken as statutory reserve until it reached 50% of the share capital. Based on the approval of the Ordinary General Assembly of Shareholders at its meeting on 23 Rabi Thani 1432H corresponding to 28 March 2011 it was resolved to cease the transfer to statutory since it reached half of the capital. Although the recent change in the companies law, include the cease of transfer to statutory reserve when it reaches 30% as minimum instead of 50% of the share capital, the Company maintained the accumulated reserve at 50%. This reserve is not available for distribution to the Company's shareholders.

24. Treasury Shares

During the year the Company completed the purchase of 2,982,700 of its own shares with an amount of SR 300 million to be allocated to the Employees' Long-term Incentives Program (see Note 47).

The following is the number of outstanding shares (in thousands) during the year ended 31 December 2020:

The number of outstanding shares as at 1 January 2020	**2,000,000**
The number of treasury shares purchased during the year	**(2,983)**
The number of outstanding shares as at 31 December 2020	**1,997,017**

The following is the number of treasury shares (in thousands) during the year ended 31 December 2020:

The number of treasury shares as at 1 January 2020	-
The number of treasury shares purchased during the year	2,983
The number of treasury shares as at 31 December 2020	2,983

Saudi Telecom Company (A Saudi Joint Stock Company)
Notes To The Consolidated Financial Statements For The Year Ended 31 December 2020 *(Continued)*
(All Amounts in Saudi Riyals thousands unless otherwise stated)

25. Other Reserves

	Foreign currency translation reserve	Cash flow hedge reserve	Investments at FVOCI reserve	Other reserves	Total
As at 1 January 2020	12,924	(143,210)	-	(2,615,322)	(2,745,608)
Re-measurement of the end of service benefit provision (See Note 28)	-	-	-	(564,438)	(564,438)
Exchange difference on translation of foreign operations	(6,333)	-	-	-	(6,333)
Net gain on cash flow hedges	-	1,820	-	-	1,820
Share from associates and joint ventures	-	-	-	52,531	52,531
Acquisition of a share in non-controlling interest	-	-	-	(4,369)	(4,369)
Share-based payment transactions	-	-	-	6,116	6,116
Share of changes in other reserves of a joint venture's equity	-	-	-	(1,964)	(1,964)
As at 31 December 2020	6,591	(141,390)	-	(3,127,446)	(3,262,245)
As at 1 January 2019	14,403	(142,726)	425,974	(2,201,529)	(1,903,878)
Assets measured at FVOCI	-	-	(425,974)	-	(425,974)
Re-measurement of the end of service benefit provision (See Note 28)	-	-	-	(708,582)	(708,582)
Exchange difference on translation of foreign operations	(1,479)	-	-	-	(1,479)
Net loss on cash flow hedges	-	(484)	-	-	(484)
Share from associates and joint ventures	-	-	-	294,789	294,789
As at 31 December 2019	12,924	(143,210)	-	(2,615,322)	(2,745,608)

(All Amounts in Saudi Riyals thousands unless otherwise stated)
(All Amounts in Saudi Riyals thousands unless otherwise stated) 207

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 have material non-controlling interests as at:

Name of Subsidiary	Proportion of ownership and voting rights acquired by non-controlling interests		Profit allocated to non-controlling interests for the year ended 31 December		Non-controlling interests as of 31 December	
	2020	2019	**2020**	2019	**2020**	2019
stc Kuwait	48.2%	48.2%	190,067	259,545	1,319,615	1,285,155
Individually immaterial subsidiaries			255	620	1,618	7,297
			190,322	260,165	1,321,233	1,292,452

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

	31 December 2020	31 December 2019
Statement of financial position		
Current assets	**2,131,676**	2,345,244
Non-current assets	**2,688,227**	2,749,547
Current liabilities	**(1,797,803)**	(2,114,100)
Non-current liabilities	**(284,310)**	(314,393)
Net assets	**2,737,790**	2,666,298
Group's share of net assets	**1,418,175**	1,381,143
Non-controlling interests	**1,319,615**	1,285,155

26. Non-Controlling Interests *(continued)*

	For the year ended in 31 December	
	2020	2019
Statement of income and other comprehensive income		
Revenues	**2,131,676**	
Profit for the year	**(1,797,803)**	(2,114,100)
Other comprehensive loss for the year	**(284,310)**	(314,393)
Total comprehensive income for the year	**2,737,790**	2,666,298
Group's share of comprehensive income	**1,418,175**	1,381,143
Non-controlling interests of comprehensive income	**1,319,615**	1,285,155

	For the year ended in 31 December	
	2020	2019
Statement of cash flows		
Operating activities	**801,906**	1,168,667
Investing activities	**(94,577)**	(1,254,811)
Financing activities	**(500,318)**	(74,581)
Net increase (decrease) in cash and cash equivalents	**207,011**	(160,725)

Saudi Telecom Company (A Saudi Joint Stock Company)
Notes To The Consolidated Financial Statements For The Year Ended 31 December 2020 *(Continued)*
(All Amounts in Saudi Riyals thousands unless otherwise stated)

27. Borrowings

Total loans paid during the year ended 31 December 2020 amounted to SR 402 million (2019: SR 351 million). Total loans received during the year ended 31 December 2020 amounted to SR 21 million (2019: SR 5,381 million). **A list of the loans are as follows:**

					Current portion		Non-current portion	
Nature of borrowing	**Date of borrowing**	**Date of final instalment**	**Currency**	**Profit rate**	**Balance as at 31 December 2020**	Balance as at 31 December 2019	**Balance as at 31 December 2020**	Balance as at 31 December 2019
Sukuk (1)	June 2014	June 2024	SAR	3 months SAIBOR + 0.7%	**2,000,000**	2,000,000	-	-
Sukuk (2)	May 2019	May 2029	USD	3.89%	**4,670,038**	4,671,615	-	-
Murabaha (3)	May 2009	December 2021	BHD	month BIBOR + 0.25% 1	**26,829**	-	**26,828**	26,829
Murabaha (4)	July 2017	May 2022	BHD	1 month BIBOR + 1.60%	**504,623**	254,981	**251,137**	250,447
Murabaha	December 2018	November 2025	BHD	2.10%	**18,673**	16,167	**3,062**	3,291
Murabaha (5)	December 2017	December 2022	MYR	6 months KLIBOR + 0.65%	**1,383,358**	1,407,530	-	-
Murabaha (6)	February 2019	February 2022	SAR	SAIBOR + 0.65%	**180,673**	202,000	-	-
Murabaha	May 2019	April 2023	KWD	3.75%	**139,282**	85,312	**46,427**	37,918
Tawaruq	May 2019	February 2020	KWD	3.5%	-	-	**61,885**	-
Total					**8,923,476**	**8,637,605**	**389,339**	**318,485**

(All Amounts in Saudi Riyals thousands unless otherwise stated)

27. Borrowings *(Continued)*

1. 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.
2. 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 in accordance with directly or by establishing a special purpose vehicles that is 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 sukuk program referred to above at any time.
3. 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 USD 1,250 million (equivalent to SR 4,688 million) For 10 years. This program is an international sukuk in US dollar, with a total number of sukuk 6,250 sukuk with a nominal value of USD 200 thousand for the sukuk with an annual return of 3.89% and a maturity of ten years.
4. **stc** Bahrain has murabaha facilities secured by a land and a building. The risk of return has been hedged for a large portion of the Murabaha facility. (See Note 9)
5. **stc** Bahrain has an unsecured Murabaha facility of BD 84.8 million (equivalent to SR 844 million). **stc** Bahrain has entered into cash flow hedging arrangements to hedge the profit rate risk. The book value of murabaha facilities is not materially different from their fair value because the effect of discount, credit risk and other market risks are not considered material. The facility is repayable in 13 instalments starting from June 2019 and ending in May 2022.
6. **stc** Asia Holding Limited acquired a variable commission loan on 28 December 2017 from several banks on a five year repayment period. These facilities are secured by a letter of guarantee provided by the Company.
7. These facilities are secured by a letter of guarantee provided by the Company.

28. Retirement Benefites 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 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 2020. During the financial year, Actuarial assumptions relating to the discount rate have been updated, resulting in an increase in the present value of the defined benefit obligations (DBO).

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 2020, used in determining the end of service benefit obligation, represent the discount rate of (2.1 %-3.5 %) and the expected increase in salary (2.0 %-5.0 %) (2019: discount rate of (3.2%-4.3%) and the expected increase in salary (2.7%-5.7%). The change in these assumptions during the year 2020 resulted into a recognition of actuarial losses amounting to SR 569 million (2019: 710 million).

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

	2020	2019
Services cost	**452,615**	367,423
Interest cost	**100,457**	193,490
	553,072	560,913

(All Amounts in Saudi Riyals thousands unless otherwise stated)

28. Retirement Benefites Plans *(Continued)*

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

	2020	2019
Balance at 1 January	4,812,805	3,919,362
Expenses recognized in the consolidated statement of profit or loss	553,072	560,913
Actuarial losses recognised in the consolidated statement of comprehensive income	568,893	710,054
paid during the year	(677,741)	(451,050)
Exchange differences and others	(17,716)	73,526
Balance at 31 December	5,239,313	4,812,805

The following table shows the change in DBO balance based on increase / decrease in the below assumptions:

	2020		Impact on defined benefit obligation	
	Change in Assumption	**Base Value**	**Increase in assumption**	**Decrease in assumption**
Discount rate	basis points 25	5,239,313	5,103,985	5,381,525
Salary change rate	basis points 25	5,239,313	5,379,518	5,105,003

	2019		Impact on defined benefit obligation	
	Change in Assumption	Base Value	Increase in assumption	Decrease in assumption
Discount rate	basis points 25	4,812,805	4,685,595	4,940,015
Salary change rate	basis points 25	4,812,805	4,939,579	4,686,031

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.

28. Retirement Benefites Plans *(Continued)*

Defined contribution plans

The Group is participating in a pension schemes for its employees which are managed by government institutions in the countries concerned. The amount recognised as an expense for defined contribution plans for the year ended 31 December 2020 is SR 457 million (2019: SR 443 million).

29. Lease Liabilities

Following is the movement on lease liabilities:

	2020	2019
Balance as at 1 January	2,881,177	2,367,348
Additions during the year	1,329,097	1,174,990
Payments during the year	(831,642)	(712,467)
Annual interest costs	99,162	137,576
Other adjustments	(497,756)	(86,270)
Balance as at 31 December	2,980,038	2,881,177
Current	742,185	716,762
Non-current	2,237,853	2,164,415
	2,980,038	2,881,177

(All Amounts in Saudi Riyals thousands unless otherwise stated)
(All Amounts in Saudi Riyals thousands unless otherwise stated) 215

30. Provisions

	31 December 2020	31 December 2019
Legal and regulatory provisions (1)	4,672,859	6,064,510
Decommissioning provision (2)	211,689	238,104
	4,884,548	6,302,614
Current	4,158,923	5,411,404
Non-current	725,625	891,210
	4,884,548	6,302,614

	2020	2019
Legal and regulatory provision (1)		
Balance as at 1 January	6,064,510	7,336,057
Additions during the year	121,340	507,825
Payment / settlements during the year	(1,512,991)	(1,779,372)
Balance as at 31 December	4,672,859	6,064,510
Decommissioning provision (2)		
Balance as at 1 January	238,104	381,205
Additions during the year	64,737	172,226
Reductions / adjustment resulting from re-measurement and others	(91,152)	(315,327)
Balance as at 31 December	211,689	238,104

(1) *The Company is considered a party of 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. The timing of the cash outflows associated with the majority of the legal claims are typically more than one year, however, for some legal claims the timing of cash flows may be less than one year.*

(2) *In the course of Company's normal activities, a number of sites and other assets are utilised which are expected to have costs associated with restoration of the assets to how it was upon removing 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.*

31. Contract Liabilities

	31 December 2020	31 December 2019
Deferred revenue from services	2,101,996	3,084,836
Customer loyalty programme	571,156	605,068
	2,673,152	3,689,904
Current (1)	1,901,237	2,917,989
Non-current (2)	771,915	771,915
	2,673,152	3,689,904

(1) *The current portion of contract liabilities relates to unearned revenue pertaining to unutilised prepaid cards 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 2.917 million (2019: SR 2.538 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 (see Note 45.c)*

32. Financial Liabilities And Others

32-1 Financial liabilities

	31 December 2020	31 December 2019
Dividends payable	2,151,116	2,111,161
Financial liabilities related to frequency spectrum licenses	2,276,505	1,530,184
Derivative liabilities and others	61,957	95,842
	4,489,578	3,737,187
Current	2,208,687	2,145,276
Non-current	2,280,891	1,591,911
	4,489,578	3,737,187

(All Amounts in Saudi Riyals thousands unless otherwise stated)
(All Amounts in Saudi Riyals thousands unless otherwise stated) 217

32. Financial Liabilities And Others *(Continued)*

32-2 Other Liabilities

	31 December 2020	31 December 2019
Deferred income (*)	3,814,889	3,341,943
Government charges	1,085,873	956,478
Statutory dues and others	381,022	511,851
	5,281,784	4,810,272
Current	1,361,084	1,301,566
Non-current	3,920,700	3,508,706
	5,281,784	4,810,272

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

	31 December 2020	31 December 2019
Deferred income (*)	3,772,251	3,320,684
Statutory dues and others	42,638	21,259
	3,814,889	3,341,943

(*) The government grants represent grants provided by Communication and Information Technology Commission ("CITC") to the Company to build telecommunication network in different areas in the kingdom (See Note 4.8).

33. Trade And Other Payables

	31 December 2020	31 December 2019
Accrued expenses	9,225,565	8,364,626
Trade payables	4,398,284	6,550,812
Notes payable	2,626,750	-
Other trade payables	1,868,378	993,526
Employee accruals	1,468,512	1,382,581
Capital supplier dues and retentions	678,154	880,864
Customer refundable deposits	31,148	69,749
	20,296,791	18,242,158

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

34. Zakat And Income Tax

	31 December 2020	31 December 2019
Zakat (a)	1,878,148	1,452,645
Income taxes (b)	25,643	29,633
	1,903,791	1,482,278

a.Zakat

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

	31 December 2020	31 December 2019
Share capital – beginning of the year	20,000,000	20,000,000
Additions:		
Retained earnings, reserves , provisions and others – beginning of the year	78,939,795	78,470,418
Adjusted net profit	10,356,060	10,129,061
Adjusted total shareholders' equity	109,295,855	108,599,479
Deductions:		
Net property (adjusted) and investments	62,600,896	58,227,066
Dividends paid	7,973,418	12,000,000
Deferred expenses and other balances	2,932,137	1,962,266
Total adjusted deductions	73,506,451	72,189,332
Zakat base	35,789,404	36,410,147
Zakat on wholly owned companies for the year	922,538	938,538
Zakat adjustments during the year	228,372	(203,893)
Add: zakat on partially owned companies for the year	3,210	6,463
Total zakat provision charged during the year	1,154,120	741,108

(All Amounts in Saudi Riyals thousands unless otherwise stated)
(All Amounts in Saudi Riyals thousands unless otherwise stated) 219

34. Zakat And Income Tax *(Continued)*

a.Zakat *(Continued)*

Zakat provision	**2020**	2019
Balance at beginning of the year	**1,452,645**	1,443,224
Charge during the year	**1,154,120**	741,108
Settlements during the year	**(6,457)**	(3,907)
Amounts paid during the year	**(722,160)**	(727,780)
Balance at end of the year	**1,878,148**	1,452,645

The Group submitted all zakat returns until the end of 2019, 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 consolidated zakat return for the Company and its wholly owned subsidiaries whether directly or indirectly this is in accordance with the executive regulations for collecting zakat.

The Group submitted objections related to the years 2008 and 2009 and these objections are still being considered by the General Secretariat of Tax Committees (formerly the Appeal Committee) until the date of preparing these consolidated financial statements. These Zakat disputed differences were essentially a result of the comparison between Zakat base and the adjusted profit whichever is higher. The Group believes that the result of these above-mentioned objections will be in its favour and no material additional provisions are required.

The Group also reached a final settlement with General Authority of Zakat and Tax (GAZT) in regards with the objections submitted on zakat assessments for the years 2014 and 2018 by paying an amount of SR 205 million.

The Group has also received zakat assessments that include differences related to the zakat declarations submitted for the years from 2015 to 2017 amounting to SR 865 million, and the Group objected to them within the statutory deadline. The Group believes that the result of this objection will be in its favour and no material additional provisions are required.

b.Income tax

The Group's share of income tax payable by subsidiaries is in accordance with the prevailing tax regulations in their countries. Income tax expense incurred for the year ended 31 December 2020 amounts to SR 16 million (2019: SR 21 million). Income tax paid during the year ended 31 December 2020 amounted to 28.5 million (2019: SR 15.1 million).

35. Revenues

	For the year ended in 31 December	
	2020	2019
Rendering of services	**49,898,621**	45,642,945
Sale of goods	**8,820,161**	8,556,090
Others	**234,536**	168,496
	58,953,318	54,367,531

Geographical segmentation of revenues is provided in the operating segments note (see Note 8)

36. Cost Of Revenues

	For the year ended in 31 December	
	2020	2019
Cost of devices sold	**8,712,228**	7,492,197
Network access charges	**4,740,007**	4,515,488
Government charges (*)	**3,806,823**	3,108,508
Employees costs	**3,338,050**	3,059,466
Repair and maintenance	**2,568,972**	2,112,045
Cards recharge and printing cost	**955,120**	1,302,581
Amortisation and impairment of contract costs (See Note 13)	**268,352**	315,797
Others	**609,371**	70,224
	24,998,923	21,976,306

"Others" comprises mainly: rent of property, equipment and vehicles, telecommunication services, postage, courier, security and safety expenses, premises expenses, and consultancy.

(*) The details of government charges are as follows:

(All Amounts in Saudi Riyals thousands unless otherwise stated)

36. Cost Of Revenues *(Continued)*

	For the year ended in 31 December	
	2020	2019
Commercial service provisioning fees	**2,740,751**	2,237,983
Frequency spectrum fees	**407,022**	360,039
License fees	**397,859**	373,237
Others	**261,191**	137,249
	3,806,823	3,108,508

37. Selling And Marketing Expenses

	For the year ended in 31 December	
	2020	2019
Employees costs	**2,407,936**	2,152,253
Impairment loss on trade receivables (See Note 17.1)	**1,072,959**	662,043
Sales commissions	**674,488**	786,809
Advertising and publicity	**653,902**	769,601
Amortisation and impairment of contract costs (See Note 13)	**237,614**	88,346
Call centre expenses	**194,110**	260,898
Repairs and maintenance	**189,363**	320,765
Sport activities sponsorship cost	**163,056**	83,245
impairment on contract assets	**117,686**	102,807
Others	**342,518**	355,202
	6,053,632	5,581,969

"Others" comprises mainly: security and safety, telephone and utility expenses.

37. Selling And Marketing Expenses

	For the year ended in 31 December	
	2020	2019
Employees costs	**3,472,104**	3,303,365
Repair and maintenance	**925,692**	880,471
Consultancy, legal and professional fees	**322,924**	404,776
Sadad service fees	**126,839**	120,211
Utilities expenses	**116,506**	99,025
Security and safety expenses	**101,140**	141,181
Others	**745,558**	595,247
	5,810,763	5,544,276

"Others" comprises mainly: rent of property, equipment and vehicles, insurance premiums, office equipment, freight, handling, postage and courier expenses.

39. Finance Income

	For the year ended in 31 December	
	2020	2019
Income from sukuk	**295,767**	279,025
Income from murabaha	**118,106**	360,136
	413,873	639,161

40. Finance Cost

	For the year ended in 31 December	
	2020	2019
Financing costs relating to sukuk	**232,838**	193,635
Financing costs relating to murabaha	**83,596**	144,429
Financing cost relating to lease liabilities	**99,162**	137,576
Unwinding of discounts on provisions and financial liabilities	**208,329**	289,514
	623,925	765,154

41. Net Other Gains (Losses)

	For the year ended in 31 December	
	2020	2019
Gain on sale of equity investments (see Note 20)	**647,804**	-
Loss on sale/disposal of property and equipment	**(150,388)**	(324,546)
Net gain (loss) arising on financial assets measured at FVTPL	**(83,389)**	287,480
Net foreign exchange gain (losses) and others	**10,585**	(3,894)
	424,612	(40,960)

42. Earnings per share

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

	2020	2019
Net profit attributable to equity holders of the Parent Company	**10,994,875**	10,664,666
Number of shares "in thousands":		
Weighted average number of ordinary shares for the purposes of calculating basic earnings per share	**1,999,207**	2,000,000
Weighted average number of repurchased ordinary shares	**793**	-
Weighted average number of ordinary shares for the purposes of calculating diluted earnings per share	**2,000,000**	2,000,000
Earnings per share attributable to equity holders of the Parent Company (in Saudi Riyals):		
- Basic	**5.50**	5.33
- Diluted	**5.50**	5.33

43. Financial Instruments

43.1 Capital management

The Group manages its capital 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 maximises 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 2020.

The Group reviews the capital structure on 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 ratio as at the year ended 31 December was as follows:

	2020	2019
Debt (a)	**647,804**	-
EBITDA (b)	**(150,388)**	(324,546)
Debt to EBITDA	**(83,389)**	287,480
Debt	**8,956,090**	9,312,815
Debt + Equity (c)	**74,223,105**	72,367,861
Debt to (Debt + Equity)	**12%**	13%

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

(All Amounts in Saudi Riyals thousands unless otherwise stated)
(All Amounts in Saudi Riyals thousands unless otherwise stated) 225

43. Financial Instruments *(Continued)*

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 categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety (See 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.

The following table shows the fair values of the Group's financial assets and liabilities:

Financial Instruments Categories

	31 December 2020		
	Carrying amount	**Fair value**	**Fair value measurement hierarchy**
Financial assets			
At fair value through profit or loss:			
stc Ventures Fund and STV LP Fund (See Note 15)	1,119,413	1,119,413	**Level 3**
Financial liabilities			
At fair value through profit or loss:			
Derivative liabilities (See Note 32)	9,882	9,882	**Level 2**

	31 December 2020		
	Carrying amount	Fair value	Fair value measurement hierarchy
Financial assets			
At fair value through profit or loss:			
stc Ventures Fund and STV LP Fund (See Note 15)	1,550,869	1,550,869	**Level 3**
Financial liabilities			
At fair value through profit or loss:			
Derivative liabilities (See Note 32)	7,373	7,373	**Level 2**

43. Financial Instruments *(Continued)*

43.2 Fair value of financial instruments *(continued)*

The fair value of the Group's investment in the units of **stc** Ventures Fund and STV LP Fund (the Funds) is obtained from the net asset value (NAV) reports received from the Funds' managers. The funds' managers deploy various techniques (such as 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, marketability and liquidity discounts and control premiums.

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

	2020	2019
Net asset value as at 1 January	**1,550,869**	1,394,568
Contributions paid to the funds during the year	**375,700**	-
Distributions received from the funds during the year	**(723,767)**	(97,344)
Net unrealised (loss) gain recognised in the consolidated statement of profit or loss (*)	**(83,389)**	253,645
Net asset value as at 31 December	**1,119,413**	1,550,869

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

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

There are no transfers between levels of the fair value hierarchy during year ended 31 December 2020.

43. Financial Instruments *(Continued)*

43.3 Profit rate risk

The Group's main profit rate risk arises from borrowings and financial assets with variable profit margin rates. some Group`s companies through the use of profit swap contracts manages the profit rate risk.

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 asset and liabilities, the analysis is prepared assuming the amounts outstanding at the end of the year were outstanding for the whole year. A 20-basis point increase or (decrease) represents management's assessment of the reasonably possible change in profit rates. If profit rates had been 20 basis points higher (lower) and all other variables were held constant, the impact on profit of the Group would have been lower (higher) by SR 13 million (2019: SR 18 million). 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 currency 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.

43.5 Credit risk management

The Group has approved guidelines and policies that allows it to only deal with creditworthy counter parties and limits counter party exposure. The guidelines and policies allow the Group to invest only with those counterparties that have high investment grade credit rating issued by international credit rating agencies and limits the exposure to a single counter party 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 17, 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.

43. Financial Instruments *(Continued)*

43.5 Credit risk management *(Continued)*

On-going evaluation is performed on the financial condition of trade receivable and management believes there is no further credit risk provision required in excess of the normal provision for impairment loss (See Note 17).

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 and instance that the Group will incur any loss with respect to its financial guarantees as the date of the preparation of this consolidated financial statement (Note 45).

43.6 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 detail 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 based on the earliest date on which the Group can be required to pay.

(All Amounts in Saudi Riyals thousands unless otherwise stated)
(All Amounts in Saudi Riyals thousands unless otherwise stated) 229

43. Financial Instruments *(Continued)*

43.6 Liquidity risk management *(Continued)*

	Undiscounted Cash Flows			
	Carrying amount	**1 year or less**	**Above 1 – 5 years**	**Above 5 years**
31 December 2020				
Trade and other payables (Note 33)	**20,296,791**	**20,296,791**	**-**	**-**
Borrowings (Note 27)	**8,956,090**	**318,485**	**3,985,545**	**4,673,463**
Dividends payable (Note 32)	**2,151,116**	**2,151,116**	**-**	**-**
Lease liabilities (Note 29)	**2,980,038**	**742,185**	**2,313,448**	**940,218**
Other financial liabilities (Note 32)	**2,328,580**	**50,041**	**1,836,648**	**1,269,814**
Derivative liabilities (Note 32)	**9,882**	**7,530**	**2,353**	**-**
31 December 2019				
Trade and other payables (Note 33)	18,242,158	18,242,158	-	-
Borrowings (Note 27)	9,312,815	389,339	2,931,485	6,053,423
Dividends payable (Note 32)	2,111,161	2,111,161	-	-
Lease liabilities (Note 29)	2,881,177	716,762	2,505,360	483,919
Other financial liabilities (Note 32)	1,618,653	28,592	1,078,141	1,068,815
Derivative liabilities (Note 32)	7,373	5,523	1,243	607

The Group has unused financing facilities amounting to SR 6,263 million as at 31 December 2020 (2019: SR 4,611 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 the operators, commercial debtors and creditors 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.

The following table presents the recognised financial instruments that are offset or are subject to enforceable master netting agreements and other similar agreements as at:

43. Financial Instruments *(Continued)*

43.6 Liquidity risk management *(Continued)*

	Carrying amount	**1 year or less**	**Above 1 – 5 years**
31 December 2020			
Financial assets			
Trade and other receivables	**22,035,748**	**(5,951,332)**	**16,084,416**
Financial liabilities			
Trade and other payables	**26,248,123**	**(5,951,332)**	**20,296,791**
31 December 2019			
Financial assets			
Trade and other receivables	26,131,053	(4,758,685)	21,372,368
Financial liabilities			
Trade and other payables	23,000,843	(4,758,685)	18,242,158

43.7 Changes in liabilities arising from financial activities

Changes in liabilities arising from financial activities are as follows:

	1 January 2020	**Cash flows**	**Non-monetary changes**	**31 December 2020**
Short-term borrowings	**389,339**	**(402,386)**	**331,532**	**318,485**
Lease liabilities current	**716,762**	**(831,642)**	**857,065 (*)**	**742,185**
Long-term borrowings	**8,923,476**	**21,363**	**(307,234)**	**8,637,605**
Lease liabilities non-current	**2,164,415**	**-**	**73,438**	**2,237,853**
	12,193,992	**(1,212,665)**	**954,801**	**11,936,128**

	1 January 2020	Cash flows	Non-monetary changes	31 December 2020
Short-term borrowings	320,533	(242,147)	(*) 310,953	389,339
Lease liabilities current	1,471,935	(712,467)	(42,706)	716,762
Long-term borrowings	3,965,479	5,272,616	(314,619)	8,923,476
Lease liabilities non-current	895,413	-	1,269,002	2,164,415
	6,653,360	4,318,002	1,222,630	12,193,992

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

44. Capital Commitments

(a) During the fourth quarter of 2018, the Company signed an agreement with the Ministry of Finance, the Ministry of Communications & Information Technology and the authority of Communications and Information Technology ("Government Entities") for a comprehensive and final settlement of the outstanding dispute related to commercial services provisioning fees provided by the Company and the licences fees granted to the Company for the period from 1 January 2008 to 31 December 2017. In return, the Company is committed to provide capital investments in its infrastructure which is in line with the Kingdom's vision to develop the telecommunications infrastructure within a period of three years from 1 January 2018 according to the terms and conditions of the comprehensive Settlement Agreement (Referred to as "Target Performance Indicators").

(b) One of the subsidiaries has an agreement to invest in a fund aiming to improve the telecommunication and internet environment for USD 300 million (equivalent to SR 1,125 million) as at 31 December 2020 (31 December 2019: USD 300 million (equivalent to SR 1,125 million).

45. Contingent Assets And Liabilities

(a) The Group has outstanding letters of guarantee on behalf the parent and the subsidiaries amounting to SR 4,222 million as at 31 December 2020 (31 December 2019: SR 4,514 million).

(b) The Group has outstanding letters of credit as at 31 December 2020 amounting to SR 977 million (31 December 2019: SR 961 million).

(c) On 21 March 2016, the Company received a letter from a key customer requesting a refund for paid balances amounted to SR 742 million related to construction of a fibre optic network. Based on the independent legal opinions obtained, the management believes that the customer's claim have no merit and therefore this claim has no material impact on the financial results of the Group.

(d) 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.

45 - Contingent Assets And Liabilities *(Continued)*

(e) The Group has submitted an objection to the appeal committee with respect to GAZT withholding tax assessment on international operators' networks rentals outside Saudi Arabia for the years from 2004 to 2015 for an amount of SR 2.9 billion. The Group believes that Saudi tax regulations do not impose withholding tax on the rental of international operators' networks since the source of income did not occur inside the Kingdom, therefore this service should not be subject to withholding tax. Based on the opinions of tax specialists in this matter, the nature of the services and existing similar cases where the decision was in the favour of the companies in the telecom sector, the Group believes that this assessment will not result into any additional provisions.

(f) During the fourth quarter of the year 2020, the group reached a settlement regarding the assessment of the value-added tax issued by the General Authority for Zakat and Income for the year 2018 and January of 2019, by paying an amount of SR 15 million with an exemption of fines.

(g) The agreement signed with government entities during the fourth quarter of 2018 includes detailed mechanisms relating to the performance indicators that the Company is required to achieve within three years starting from 2018. The Company has re-evaluated the related provisions in line with the expectations of the target performance indicators which shall be reviewed periodically.

(h) On 28 December 2020, the Group received claims from the Communications and Information Technology Commission related to imposing government fees for selling devices in installments for the period from 2018 until the end of the third quarter of 2020, totaling SR 641 million. Based on the opinions of the specialized consultants in this regard and the nature of these sales, The Group believes that the result will be in its favour and no material additional provisions are required.

(i) In April 2017, Kuwait's Cassation Court invalidated a portion of the regulatory tariff decree levied on mobile telecommunication companies in Kuwait since 26 July 2011 by Kuwait's Ministry of Communications. Accordingly, **stc** Kuwait had filed a claim for the recovery of the excess amount paid from change in regulation date till date. On 30 June 2020, the Court of appeal of Kuwait has issued a verdict in favor of **stc** Kuwait obliging the appellant to pay amount of KD 18.3 million (equivalent to SR 225 million).

(All Amounts in Saudi Riyals thousands unless otherwise stated)
(All Amounts in Saudi Riyals thousands unless otherwise stated) 233

46. The Acquisition Of A Share In "Vodafone Egypt"

On 29 January 2020, The Company signed a non-binding Memorandum of Understanding (MoU) with the Vodafone Global Group according to which the Company will acquire 55% of the shares of Vodafone Egypt with a value of approximately SR 8,970 million (equivalent to approximately USD 2,392 million). The final purchase consideration was to be determined upon signing the final agreements. The MoU expired without reaching an agreement to conclude the transaction.

47. Employees Long-Term Incentives Program

The Company's Board of Directors has approved the purchase of number of Company's shares with a maximum of 5.5 million shares and 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 extraordinary general assembly (EGM) to approve the Program and to purchase the shares within a period of (8) months starting EGM's date of approval. The EGM has voted on the approval of this Program during its meeting held on 27 Shaban 1441 H (corresponding to 20 April 2020). The shares to be purchased will not have the right to vote in the Company's shareholders general assemblies, 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 the executive employees responsible for the achievement of the Group's goals and strategy. The Program provides a share-based payment plan for eligible executives 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.

Total expenses related to the Program during the year ended 31 December 2020 amounted to SR 6.1 million, which were included as part of employees benefits expense in the consolidated profit or loss statement, with the corresponding amount recorded under other reserves within equity in accordance with the requirements of International Financial Reporting Standard (2): Share-based Payment.

Grant date	1 July 2020
Total number of shares granted	785 thousand shares
Fair value per share on grant date (*)	SR 94.4
Vesting date	1 July 2023/2022/2021
Settlement method	Equity-based

(*) The fair value was calculated based on the market price after deducting the expected dividends per share on the grant date.

48. Impact Of Coronavirus (Covid-19) Outbreak

A novel strain of coronavirus (COVID-19) ("the virus") was first identified at the end of December 2019, subsequently in March 2020 was declared as a pandemic by the World Health Organization (WHO). The virus continued to spread throughout in nearly all regions around the world including the Kingdom of Saudi Arabia, which resulted in a slowdown of economic and social activities and shutdowns of many sectors at global and local levels.

In response to the rapid spread of the virus and the resulting disruption of some social and economic activities, the group has assessed its impact on its current and future operational activities and has taken a series of preventive and precautionary measures, including activating of remote work to ensure the safety of its employees and their families, and fully activating the technical solutions and providing digital channels with greater capabilities and facilities to ensure the continuity of services provided to the customers and reach them to their location for their own safety.

At the end of the second quarter of 2020, the government of the Kingdom of Saudi Arabia has allowed the return of all economic and commercial activities, while observing the implementation of all preventive measures adopted, and commitment to social distancing. During the fourth quarter of 2020, several vaccines which passed the testing phase effectively began to be manufactured and distributed globally to many countries, including the Kingdom of Saudi Arabia.

As of the date of preparing these consolidated financial statements, the Group's operations and financial results have not incurred significant impact from the virus outbreak, taking into consideration the lower impact of the pandemic over the operations and activities of companies operating in telecom sector.

The impact of the pandemic on the Group's operations and financial results was assessed using some judgments, estimates and assumptions that contain sources of uncertainty as it depends on several future factors and developments that cannot be reliably forecasted.

49. Dividends

On 9 Rabi Thani 1440H (corresponding to 16 December 2018) the Board of Directors have approved the Company's dividends policy for the next three years starting from the fourth quarter of 2018, which was approved by the General Assembly on 19 Sha`ban 1440H (corresponding to 24 April 2019). The objective of the dividends policy is based on maintaining a minimum level of dividend of SR 1 per share on quarterly basis. The Company will consider and pay additional dividend subject to the Board of Directors recommendation 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 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 legislations governing the sector at 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.
4. In line with this policy, the Company distributed the following cash dividends during the year ended 31 December 2020 at a rate of:

- SR 1 per share for the fourth quarter of 2019.
- SR 1 per share for the first quarter of 2020.
- SR 1 per share for the second quarter of 2020.
- SR 1 per share for the third quarter of 2020.

In addition, in line with the same policy, the Company will distribute cash dividends to the shareholders of the Company for the fourth quarter of 2020 at a rate of SR 1 per share.

On 12 Shaaban 1442H (corresponding to 25 March 2021) the board of directors also recommended to distribute additional cash dividends for the year 2020 at the rate of SR 1 per share, this recommendation is to be presented to the General Assembly at its next meeting for voting.

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 (See note 47). Therefore, no cash dividends were distributed for the shares that were repurchased during the year of 2020 as follows:

- 182 thousand shares for the second quarter of 2020 were repurchased before the eligibility of dividend distribution to shareholders
- 1,785 thousand shares for the third quarter of 2020 (including above shares).
- 2,983 thousand shares for the fourth quarter of 2020 (including the above shares).

50. Approval Of The Consolidated Financial Statements

At its meeting held on 12 Shabaan 1441 H (corresponding to 25 March 2021), the Board of Directors approved the consolidated financial statements for the year ended 31 December 2020.

51. Comparative Figures

Certain comparative figures have been reclassified to conform with the classification used for the year ended 31 December 2020.

stc