

Annual Report
2023

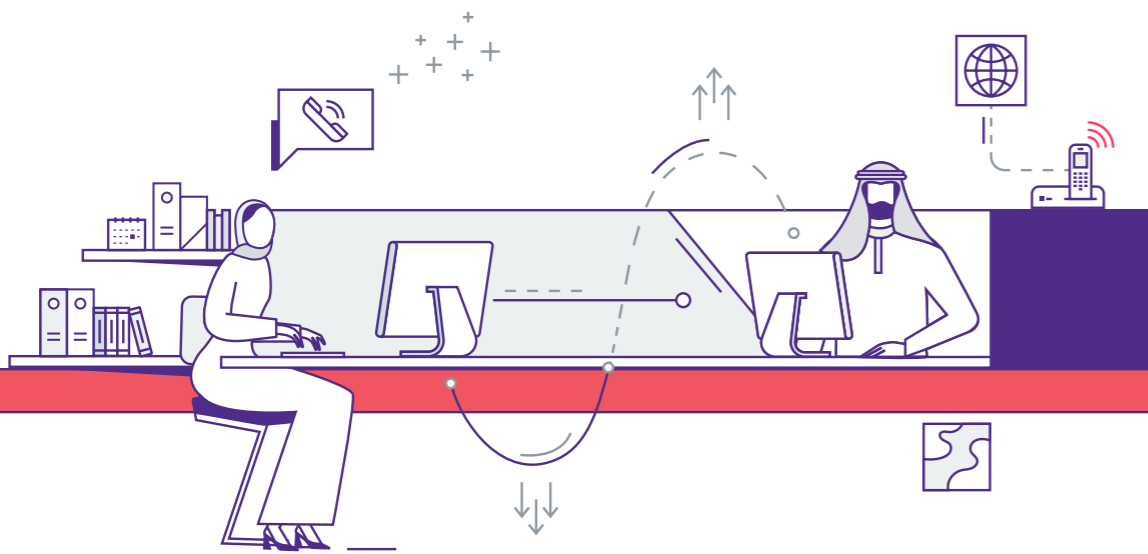
dare



to go beyond

stc

stc.com.sa



歡迎

willkommen

bienvenue

benvenuti

أهلاً وسهلاً

willkommen

ようこそ

добро пожаловать

herzlich

bienvenuto

welcome

selamat datang

hos geldiniz

welkom

wienvenue

wenvenuti

Revenue

SAR **72.34**
billion

7.27% YoY 

Net Profit

SAR **13.30**
billion

9.24% YoY 



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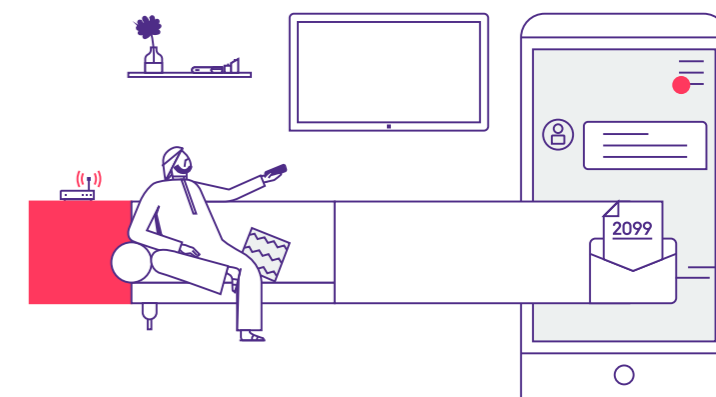
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7. Financial Statements



Theme of the Year

dare to go beyond

In 2023, Saudi Telecom Company (stc) took significant strides and delivered resounding results as it continued to transform itself and the digital landscape of the Kingdom and beyond. The ambitious goals outlined in its "DARE 2.0" strategy focused and inspired stc's talented and dedicated workforce to dream for more and set out each day to make it a reality, accelerating stc's transformation from a telecommunications leader to a digital powerhouse of the future.

Showcasing stc's global ambitions, the acquisition of a strategic stake in Telefónica marked a bold expansion beyond its core markets. This move, along with other strategic acquisitions and investments throughout the year, is part of a broader vision to grow its footprint, build its value chain and diversify its portfolio – daring to go beyond by investing with purpose for organic and inorganic growth.

Seeking excellence in customer experience and business performance, the year witnessed technological enhancements and groundbreaking innovation. Digitization across every aspect of the organization and operations is enhancing efficiency, productivity and personalization. stc has laid the groundwork for a digital-first society beyond anything that has come before.

As stc's strategic direction and progress catalyze the cultural and economic transformation in the Kingdom, the limits of possibility are being reimagined. stc is leading the charge to transform the Kingdom into the world's most connected and digitized nation, as it dares to go beyond to achieve its vision of becoming a digital and telco leader, enabling the society and economy to thrive, in KSA and beyond.



At a Glance

Financial highlights

Revenue

SAR **72.34** billion

7.27% YoY ↑

Gross profit

SAR **37.80** billion

1.10% YoY ↑

EBITDA

SAR **24.68** billion

1.58% YoY ↓

Net profit

SAR **13.30** billion

9.24% YoY ↑

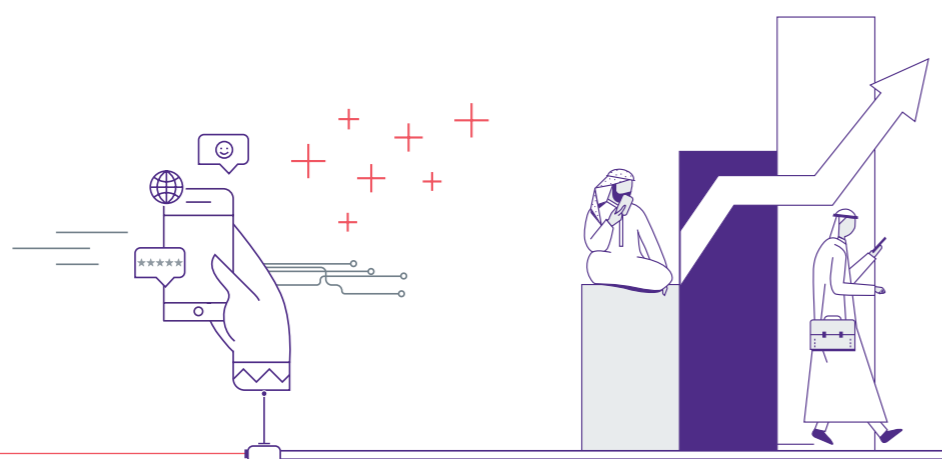
Comprehensive income

SAR **13.14** billion

2.33% YoY ↑

EPS

SAR **2.67**



Operational highlights

#1 in Mobile, Fixed, and IT - The most preferred ICT operator in KSA

26.47 million Mobile subscribers in KSA

5.57 million Fixed subscribers in KSA

3 million stc play subscribers (registered)

3.6 million stc tv subscribers (authorized*)

73% Market share in terms of revenue

16 cables Submarine

25 data centers (operational and under construction)

47.5% 5G coverage of residential and populated areas

15.7 million users Loyalty program (Qitaf)

One of largest tower operators in the region

21,000 towers under management in 5 countries

22,751 employees (on group level)

+90% Saudization (for stc KSA and its local subsidiaries)

SAR 52.1 billion in brand value

The most valuable telecom brand in the Middle East

42.9% Local content score (up by 5.3% vs. 2022 and 9.2% vs. 2021)

* Authorized subscribers: Customers who have generated their login credentials and logged into stc tv or Jawwy TV at least once in their lifetime.

ESG highlights

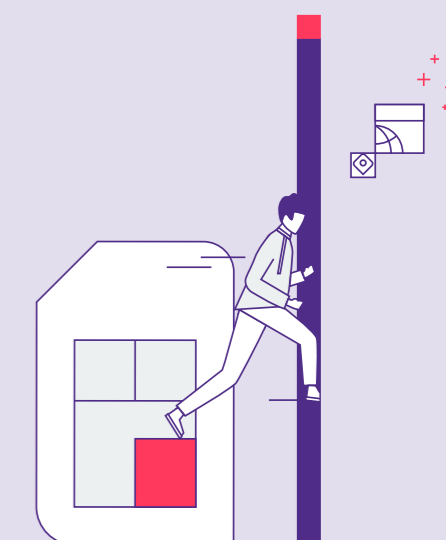
MSCI: BB – S&P
CSA DJSI: 44
stc ESG score

50% reduction 2030 target for scope 1 and 2 (from 2019 baseline)

46.2% reduction 2030 target for scope 3 (from 2019 baseline)

1 million trees 2030 planting target

Net zero 2050 Carbon emission target



About stc

Saudi Telecom Company (stc) was established as a Saudi Joint Stock Company pursuant to Royal Decree No. M/35 dated 24 Dhul Hijja 1418H (corresponding to 21 April 1998) that authorized the transfer of the telegraph and telephone division of the Ministry of Post, Telegraph and Telephone (MoPTT) with its various components, technical and administrative facilities to stc in accordance with the Council of Ministers' Resolution No. 213 dated 23 Dhul Hijja 1418H (corresponding to 20 April 1998) that approved stc bylaws (bylaws).

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

stc was wholly owned by the Government of the Kingdom of Saudi Arabia. The Government sold 30% of its shares pursuant to the Council of Ministers Resolution No. 171 dated 2 Rajab 1423H (corresponding to 9 September 2002).

The Public Investment Fund (PIF) is the ultimate controlling shareholder of stc through its ownership of 64% after the sale of 6% of stc's shares through a secondary offering during the year 2021. Thus, the percentage of free shares became 36%.

During the year 2022, stc's capital has increased by 150% via capitalizing SAR 30 billion of retained earnings and granted 1.5 bonus shares for each 1 share owned by shareholders at the eligibility date. Thus, stc's capital increased from SAR 20 billion to SAR 50 billion. The increase in stc's capital will support achieving its growth and expansion strategy, along with maximizing its shareholders' return by increasing and diversifying stc's investments and seizing the expected growth opportunities in the telecommunication and technology sector in the Kingdom of Saudi Arabia and the region.

Activities of stc

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

- Establish, manage, operate and maintain fixed and mobile telecommunication networks, systems and infrastructure.
- Deliver, provide, maintain and manage diverse telecommunication and information technology (IT) services to customers.
- Prepare the required plans and necessary studies to develop, implement and provide telecommunication and IT services covering all technical, financial and administrative aspects. In addition, prepare and implement training plans in the field of telecommunications and IT, and provide consultancy services.
- 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.
- Provide integrated communication and information technology solutions which include, among other things, telecom, IT services, managed services, cloud services and Internet of Things, etc.).
- Provide information-based systems and technologies to customers including providing telecommunication means for the transfer of internet services.

- Wholesale and retail trade, import, export, purchase, own, lease, manufacture, promote, sell, develop, design, setup and maintenance of devices, equipment, and components and executing contracting works that are related to different telecom networks including fixed, moving and private networks. In addition, computer programs and the other intellectual properties.
- Real estate investment and the resulting activities, such as selling, buying, leasing, managing, developing and maintenance.
- Acquire loans and own fixed and movable assets for intended use.
- Provide financial and managerial support and other services to subsidiaries.
- Provide development, training, asset management and other related services.
- Provide solutions for decision support, business intelligence and data investment.
- Provide supply chain and other related services.
- Provide digital banking services.
- Provide cybersecurity services.
- Construction, maintenance and repair of telecommunication and radar stations and towers.

Moreover, stc is entitled to set up individual companies as limited liability or closed joint stock. It may also own shares in, or merge with, other companies, and it has the right to partner with others to establish joint stock, limited liability or any other entities whether inside or outside the Kingdom. stc conducts its operational business in the Kingdom and has various investments in associate companies, subsidiaries and joint ventures, collectively known in the financial performance and in the financial statements as the Group.

Our Vision

Digital and telco leader, enabling the society and economy to thrive, in KSA and beyond.

Our Values

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
- Collaborative
- Fresh

Devotion

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

- Caring
- Committed
- Trustworthy

Drive

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

- Proactive
- Inventive
- Inquisitive



Overview

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Year in Review

During a year of landmark achievements, transformational acquisitions and groundbreaking partnerships, stc dared to go beyond by solidifying its market leading proposition, expanding its diversified footprint and accelerating its remarkable growth journey.

Q1 2023

Most valuable telecommunications brand in the Middle East

stc was ranked the most valuable brand in the Middle East in the telecommunication sector, according to Brand Finance's Global 500 2023 Report.

Over 40 MoUs at LEAP23

At LEAP23, stc signed more than 40 agreements with major global and local companies, including Huawei, Ericsson, Samsung and Telefónica.

Sustainability Middle East Champion of the Year Award 2023

stc was named the Sustainability Middle East Champion of the Year Award 2023 by the SME Awards – Sustainability Middle East, highlighting its unique sustainability program and achievements.

Sale of land in Khobar City

stc sold a vacant land plot in Khobar city for SAR 1.378 billion.

Launch of venture capital fund

stc announced the launch of its corporate investment fund (CIF), which aims to invest in the early stages of startups in various high-growth domains, including fintech, cybersecurity, artificial intelligence, digital games, Internet of Things, blockchain and others.

Partnership with Lucid

stc signed a partnership with Lucid, a leading electric vehicle manufacturer, to provide direct-to-consumer connectivity services, including in-car infotainment and over-the-air functionality to enhance the driving experience for Lucid customers.

Q3 2023

center3 expansion of Riyadh data center

center3 completed a 9.6MW expansion of its hyperscaler-grade data center, Khurais, in Riyadh, which will enhance its hosting capacity for customers and accelerate the development of the MENA region's digital industry.

TAWAL officially begins operations in Europe

As part of stc's expansion and growth strategy, TAWAL completed the acquisition of United Group's telecom tower assets in Bulgaria, Croatia and Slovenia. The total tower portfolio of TAWAL now exceeds 21,000 towers across 5 countries.

iot squared acquisition of Machinestalk

iot squared signed a binding agreement to acquire 100% of Machinestalk, which will accelerate its growth and solidify its position as the leading provider of IoT solutions in the region.

Acquisition of 9.9% stake in Telefónica

stc acquired a 9.9% interest in Telefónica for SAR 8.5 billion (USD 2.3 billion), representing another milestone in its expansion and growth strategy, and reflecting its confidence in Telefónica's sustainable growth and potential.



solutions acquires 40% of Devoteam Middle East

solutions, one of stc's subsidiaries, signed a binding offer with Devoteam SAS (France) and ORTILL Investment Limited to acquire 40% of Devoteam Middle East, a leader in the digital consulting business in the region.

2Africa subsea cable lands in Jeddah and Yanbu

center3 announced the landing of the longest subsea cable project in the world at 2 of the 4 planned landing locations in Saudi Arabia: Jeddah and Yanbu. The 2Africa cable connects 46 cable landing stations in 33 countries across Africa, Asia and Europe.

Acquisition of telecommunications tower assets in Europe

stc signed an agreement to acquire United Group's telecommunications tower assets in Europe "Bulgaria, Croatia and Slovenia", through its infrastructure arm "TAWAL", supporting its ambitious strategy to expand its international footprint in key markets with significant growth potential.

center3 collaboration deal with Huawei

center3 signed a strategic commercial deal with Huawei to provide hosting and data services to the technology giant that will expand its cloud footprint in the region and help meet the growing demand for cloud services.

center3 agreement with Alcatel Submarine Networks

center3 signed an agreement with Alcatel Submarine Networks to connect Saudi Arabia with Europe by building the EMC West subsea and terrestrial data cables.



Q2 2023

Building digital infrastructure for Saudi Arabia's next 50 years

stc, KT and Hyundai E&C jointly cooperated to take the lead in building digital infrastructure for Saudi Arabia's next 50 years, agreeing to develop internet data centers and smart cities, charting a comprehensive path towards augmenting Saudi Arabia's digital infrastructure.

Strategic partnership with Red Sea Global

stc signed a strategic partnership with Red Sea Global (RSG) that aims to facilitate digital transformation and empower tourist destinations along the Red Sea coast by adopting state-of-the-art communication technologies and digital services, focusing on seamless and sustained connectivity services.

Credit rating by Fitch Rating Agency

stc received its first credit rating from Fitch Rating Agency and was rated (A+) with a stable future outlook, in line with the sovereign rating of the Kingdom of Saudi Arabia. stc's credit rating is the highest among telecommunications companies rated by Fitch. This new rating complements stc's (A1) rating with a positive future outlook from Moody's, A rating with a stable future outlook from S&P, and AAA rating from Simah Rating Agency (Tassnief).

center3 acquires CMC Networks

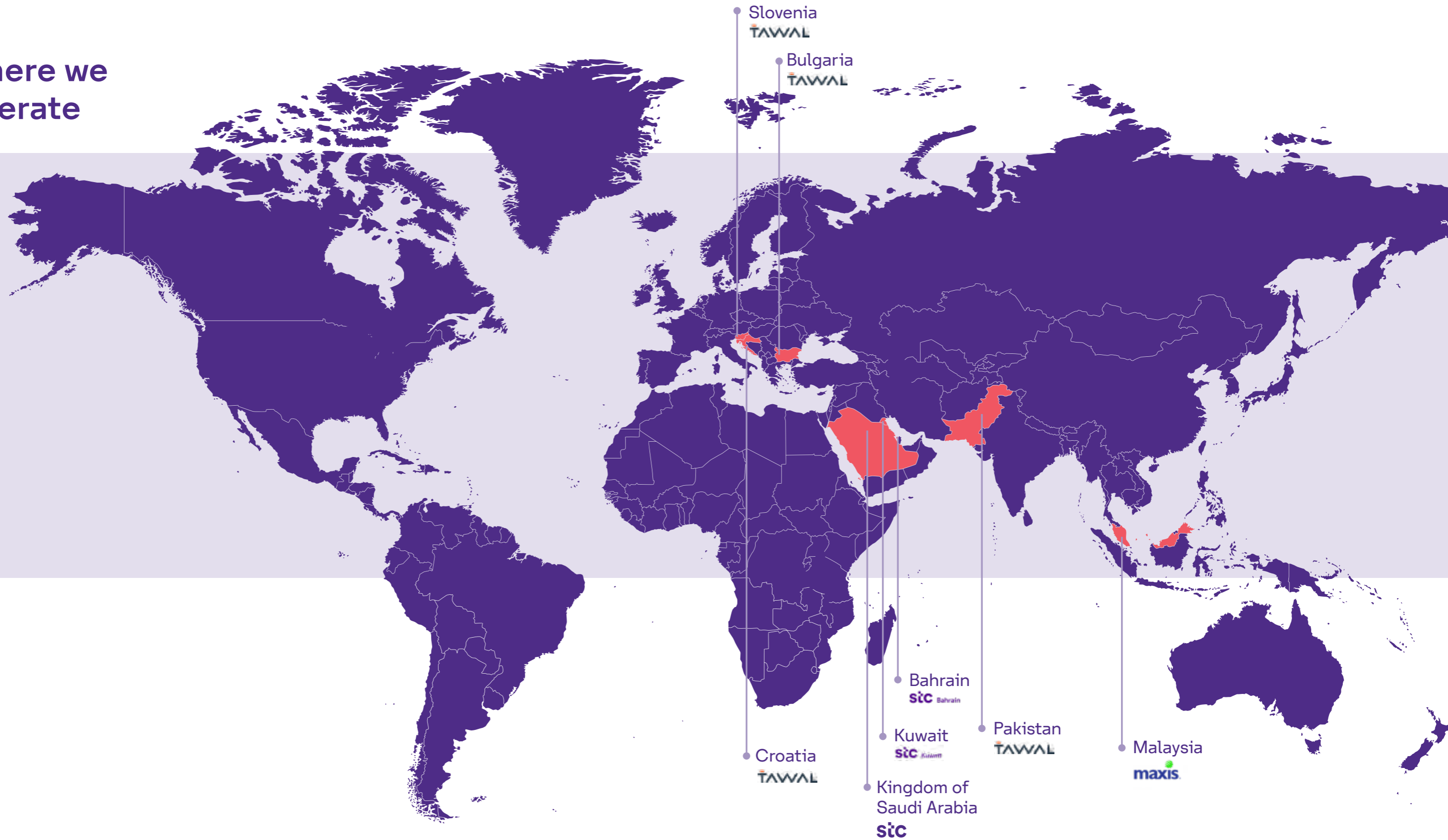
center3 entered into a definitive agreement to acquire CMC Networks, a global service provider offering market leading networking solutions across Africa and the Middle East. It spurred growth by integrating CMC's complementary global footprint, high-value customer base and portfolio of capabilities.

Strategic partnership with Diriyah Company

stc and Diriyah Company have signed an agreement to elevate Diriyah's technological landscape, including wired and wireless communication networks and internet services for Diriyah Company's main headquarters, commercial premises and cloud security services, as well as cutting-edge technology for its historical sites while retaining its distinctive heritage.

Q4 2023

Where we Operate



 **22,751**
stc Group employees

 **73%**
KSA market share by revenue

 **+21,000**
Towers under management

 **16**
Submarine cables

 **25**
Data centers
(operational and under constructions)

Investment Case

As a regional telecommunications and digital powerhouse, stc provides unique proposition to investors looking to capitalize on the dynamism of the telecom sector and the growth of Saudi Arabia and the Middle East. stc stands out strategically, operationally, technologically and financially, with a clear commitment to diversification and growth to create strong and sustainable value for its shareholders.

Strategic partner to KSA and market leader

- **Strategic partner to the Kingdom of Saudi Arabia** and service provider of choice for delivering on Vision 2030.
- **Industry champion with strong government links** as stc considered a national flagship company that is 64% government owned and a key contributor to Saudi non-oil GDP and employment.
- **Number 1 in ICT segment in Saudi Arabia** where stc leads the ICT sector as the largest provider of ICT services in the Kingdom of Saudi Arabia.
- **Number 1 in consumer segment in Saudi Arabia** and the market leader in the largest and most dynamic market segment, with comprehensive product suite and superior customer experience.
- **Number 1 in enterprise segment in Saudi Arabia** where stc holds the top position as the leading provider of connectivity services in the Kingdom of Saudi Arabia.

Digital-first investor mindset

- **Strategy secured by robust investments** in cutting-edge technology, advanced research and development, and human resources.

Growth and total return champion

- **Top and bottom-line growth** with a resilient capital structure and healthy cash flows providing financial flexibility.
- **Stable dividend policy and attractive yield** reaching 3.96% with commitment to a minimum dividend of SAR 0.40/share/quarter for 3 years (2021-2024).
- **Diversified revenue generation** with multiple revenue streams within core business and non-core business through stc's subsidiaries in the Kingdom of Saudi Arabia and beyond.
- **Most valuable telecom brand** in the region for the 4th year in a row with a value of SAR 52.1 billion* (USD 13.9 billion).
- **Largest telecom operator in the MENA region** with a market cap of SAR 202 billion** (USD 53.9 billion) and presence in 5 countries.
- **Market leadership in Saudi Arabia** with a 73% market share by revenue in the largest market in the region.

Strong balance sheet and credit profile

- **One of the lowest leveraged telecom companies globally** with a debt capacity that can be utilized for financing new projects/acquisitions.
- **Healthy balance sheet and cash flow** with a solid financial position and sufficient cash balance.
- **Strong credit ratings** from several rating agencies: Fitch – A+, S&P – A, Moody's – A1 and Tasneef – AAA.

Leader in digital infrastructure

- **Commitment to be at the forefront** of technological innovation and deliver best-in-class digital infrastructure that will enhance the customer experience.
- **Largest digital infrastructure provider and enabler in Saudi Arabia** owing to the strong investment in digital infrastructure, including but not limited to data centers, FTTx, submarine cables and 5G.
- **Largest towers portfolio** with more than 21,000 towers distributed across the Kingdom of Saudi Arabia, Bulgaria, Croatia, Slovenia and Pakistan.

Corporate governance role model

- **Striving to be a role model** of corporate governance, compliance and control for international and local companies.
- **Solid governance and ethical excellence** through the promotion of responsible business practices, the upholding of human rights and the cultivation of a culture rooted in trust.

Socially responsible

- **Deeply ingrained culture of social responsibility and sustainability** that is backed by initiatives, which support the UN's SDG goals.
- **Community development flagship initiatives** where stc's broad portfolio of community investments directly supports several UN SDGs and continues to advance progress towards the national visions of all the countries within which stc operates.

*Brand Finance ** As at 31 December 2023

Stakeholder Engagement

stc is committed to proactive, tailored and transparent communication and collaboration with its stakeholders. Through a wide range of well-established channels, initiatives and activities, stc seeks to continuously improve engagement with both internal and external parties to enhance shared value and achieve common objectives.



| Stakeholder Group | Employees | Customers | Suppliers | Community | Shareholders |
|---|--|--|---|---|--|
| How stc engages | <ul style="list-style-type: none"> Succession planning Performance management and assessment Newsletters Training sessions and workshops stc Academy Website Intranet (stc Hub) | <ul style="list-style-type: none"> Social media channels, including X and Facebook Customer feedback form: Your opinion matters Complaints handling unit, customer service offices, mystc app stc live chat through: mystc.com.sa Website | <ul style="list-style-type: none"> Vendor relationship management system (VRMS) Vendor management team Annual meetings and sessions Rawafed program | <ul style="list-style-type: none"> Social media awareness campaigns Donations and sponsorships, including "Donating via SMS" Community outreach programs Empowering entrepreneurs and digital innovation through: inspireU Employee volunteering Partnerships and cooperation | <ul style="list-style-type: none"> stc Annual Report Open transparent channels of communication with shareholders Quarterly presentations Governance, risk and compliance Committee meetings Website |
| Frequency of engagement | High interaction | High interaction | Twice per year | High interaction | High interaction |
| How stc creates value for this stakeholder group | stc provides an equal and inclusive work environment that attracts, develops and retains the best individual talent. | stc aspires to be a digital enabler, providing connectivity to break digital divides, serving millions of customers. | stc continuously improves its business practices and operations to manage risk while increasing productivity and efficiency within the supply chain. This is achieved through greater supplier engagement, ongoing supplier recognition and better sustainable procurement practices. | stc's approach to community investment is rooted in developing the communities where it operates through unique services, digital innovation, transformative technologies and meaningful investments that go beyond regular corporate donations. | stc continues to grow shareholder value as well as keeping shareholders well informed on the Company's business by participating in various events, including individual meetings, update calls, conferences and official earnings calls. |

2023 Conferences

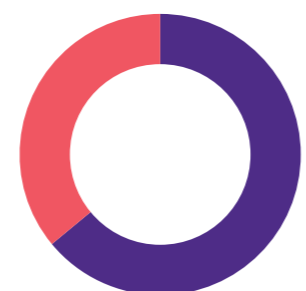
| 11 January | 12 February | 15 February | 28 February | 2 March | 8-9 March | 23-24 May | 11-12 September | 25-26 September | 9-10 October | 7 November | 15 November |
|---|----------------------------|--------------------------------|--|--|--|---|------------------------|--|---|---|---------------------------------|
| Citi's Saudi Day in association with Saudi Exchange | Saudi Capital Market Forum | HSBC MENA Investors Forum 2023 | Arqaam Capital 10th Annual MENA Investors Conference | Goldman Sachs 6th Annual Saudi Arabia Conference | EFG Hermes – The 17th One on One Conference 2023 | Morgan Stanley 14th Saudi Arabia Conference and 3rd MENA Conference | EFG Hermes Saudi Forum | Goldman Sachs and Saudi Exchange Conference – Singapore Corporate Days | J.P Morgan – 2023 Saudi Arabia Investment Forum | BofA - Global Research MENA Conference 2023 | Morgan Stanley – TMT Conference |

Shareholders' Information

Shareholders' information

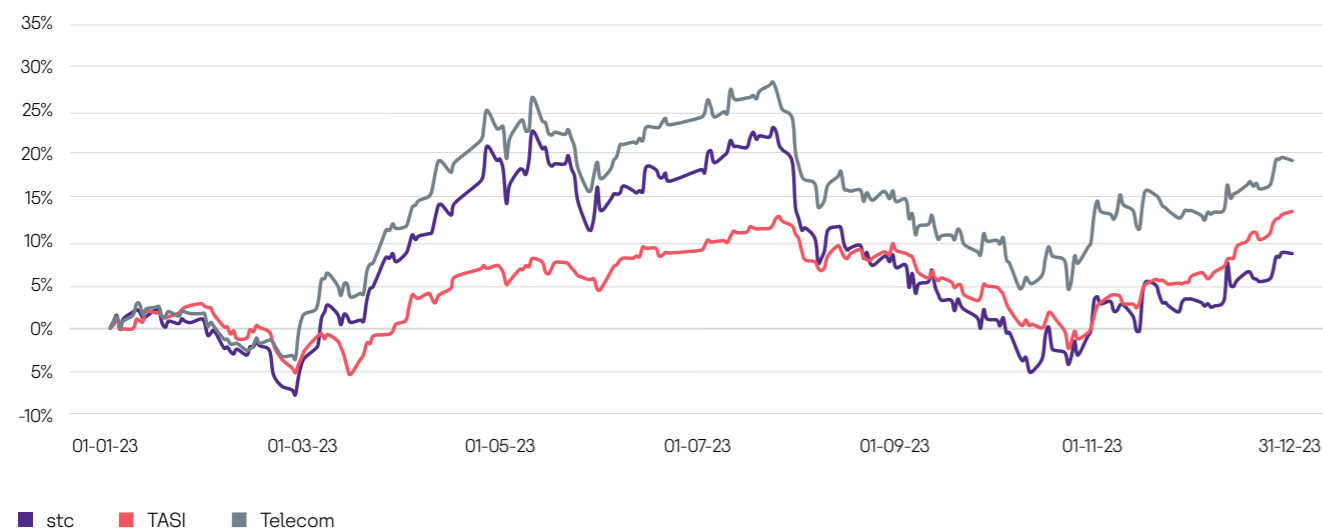
| | |
|-----------------------------------|-------------------|
| Listing date | 2003 |
| Exchange | Tadawul |
| Symbol | 7010 |
| ISIN code | SA0007879543 |
| Currency | SAR |
| Industry | Telecommunication |
| Number of shares issued | 5 billion |
| Market cap as of 31 December 2023 | SAR 202 billion |

Shareholders' structure



■ 64% Public Investment Fund
■ 36% Public Float

Stock performance FY 2023



Share price 31 December 2023

SAR 40.40

Share price one year ago

SAR 36.60

Change from 2022-2023

10.38%

52-week high

SAR 46.00

52-week low

SAR 33.95

Details of Shareholders by category

| Category | 31 December 2023 | | |
|--------------|------------------------|----------------------|--------------------|
| | Number of Shareholders | Number of Shares | % Ownership in stc |
| Institutions | 420 | 212,310,432 | 4.24% |
| Individual | 247,621 | 684,348,927 | 13.69% |
| Funds | 781 | 569,446,305 | 11.39% |
| Others | 181 | 3,533,894,336 | 70.68% |
| Total | 249,003 | 5,000,000,000 | 100% |

Details of Shareholders by nationality

| Country | 31 December 2023 | | |
|--------------|------------------------|----------------------|--------------------|
| | Number of Shareholders | Number of Shares | % Ownership in stc |
| Saudi | 238,628 | 4,431,035,438 | 88.62% |
| GCC | 686 | 78,885,580 | 1.58% |
| Resident | 8,941 | 6,450,204 | 0.13% |
| Others | 748 | 483,628,778 | 9.67% |
| Total | 249,003 | 5,000,000,000 | 100% |

Details of Shareholders by ownership

| Type | 31 December 2023 | | |
|------------------------|------------------------|----------------------|--------------------|
| | Number of Shareholders | Number of Shares | % Ownership in stc |
| 1 – 50,000 | 246,807 | 285,402,023 | 5.71% |
| 50,000 – 100,000 | 894 | 63,368,531 | 1.27% |
| 100,000 – 500,000 | 938 | 199,854,612 | 4% |
| 500,000 – 1,000,000 | 170 | 118,843,355 | 2.38% |
| 1,000,000 – 5,000,000 | 153 | 322,450,141 | 6.44% |
| 5,000,000 – 10,000,000 | 13 | 87,775,930 | 1.75% |
| 10,000,000 Above | 28 | 3,922,305,408 | 78.45% |
| Total | 249,003 | 5,000,000,000 | 100% |

Shareholders' Information continued

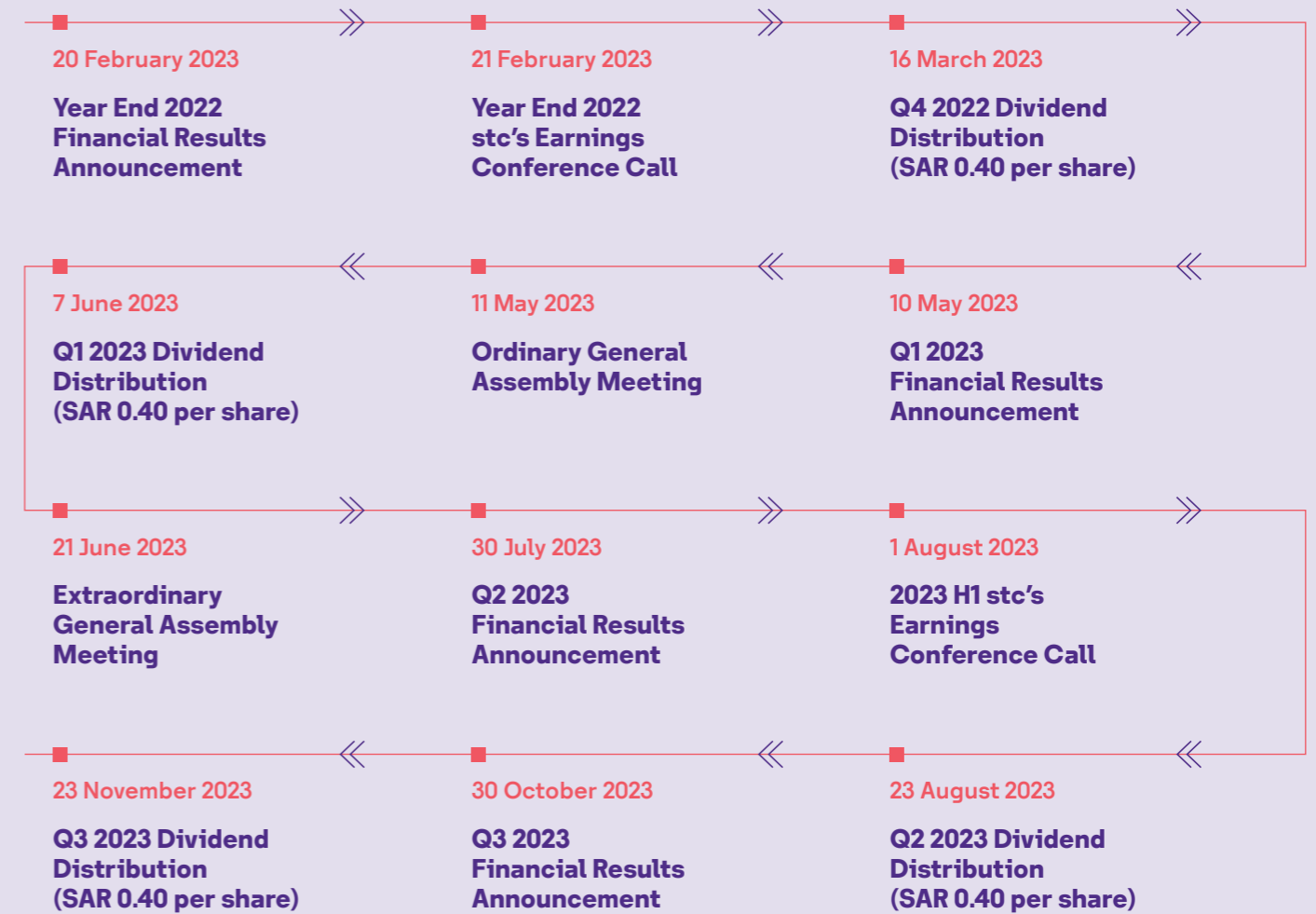
Shareholders' register

stc requested the Shareholders' register from the Securities Depository Center Company, Edaa (15) times during the year 2023 for the following purposes:

- Updating the Shareholders' register.
- Quarterly Dividend Distribution.
- General Assembly.

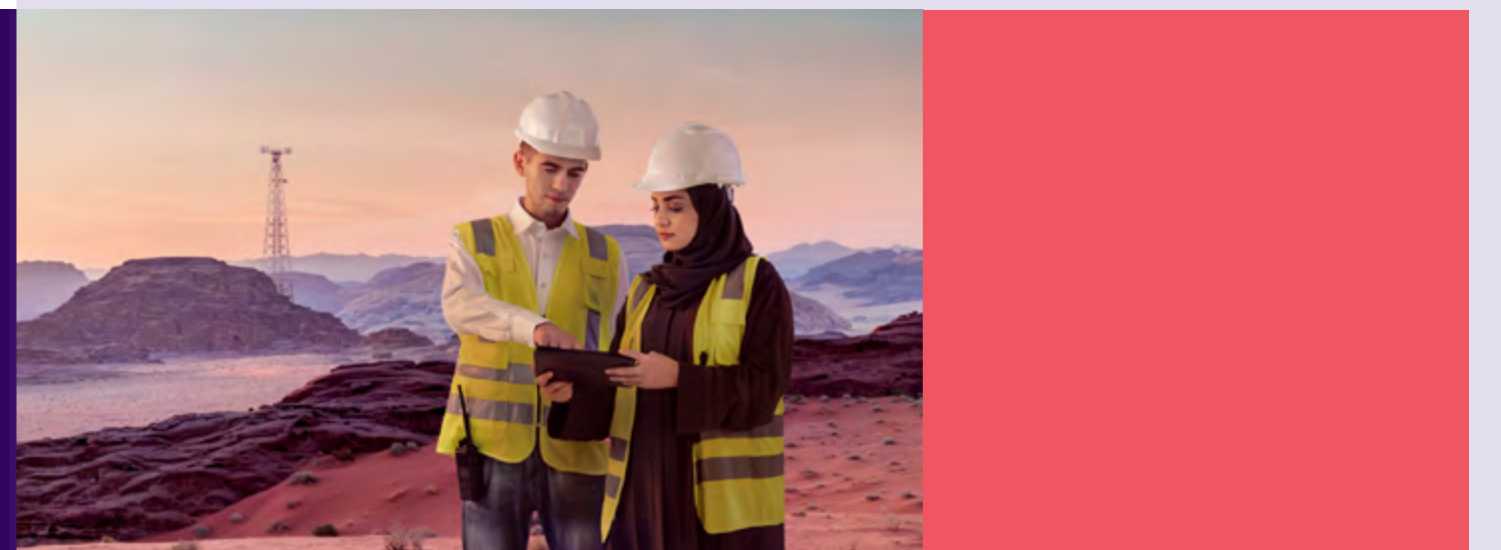
| Reasons for the request | Date of request of the Shareholders' register |
|--|---|
| 1 Updating the Shareholders' register | 02 February 2023 |
| 2 Quarterly Dividend Distribution for Q4 2022 | 28 February 2023 |
| 3 Updating the Shareholders' register | 03 April 2023 |
| 4 Updating the Shareholders' register | 02 May 2023 |
| 5 General Assembly | 11 May 2023 |
| 6 Quarterly Dividend Distribution for Q1 2023 | 22 May 2023 |
| 7 Updating the Shareholders' register | 04 June 2023 |
| 8 General Assembly | 21 June 2023 |
| 9 Quarterly Dividend Distribution for Q2 2023 | 07 August 2023 |
| 10 Updating the Shareholders' register | 04 September 2023 |
| 11 Updating the Shareholders' register | 02 October 2023 |
| 12 Quarterly Dividend Distribution for Q3 2023 | 07 November 2023 |
| 13 Updating the Shareholders' register | 04 December 2023 |
| 14 Updating the Shareholders' register | 12 December 2023 |
| 15 Updating the Shareholders' register | 13 December 2023 |

Investor relations calendar 2023



Investor Relations App

Stay informed with the latest stock date, financial information, announcements and more.



Strategic Review

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Chairman's Message



The 2023 financial results underscored our leading stance in the telecommunications and technology sectors, with stc achieving record revenues of SAR 72,337 million (USD 19,290 million) and a solid 7% Year-on-Year (YoY) growth.

Esteemed shareholders,

The year 2023 was a pivotal point in the leading journey of stc Group, marked by the accelerated implementation of our DARE 2.0 strategy across several pillars. This period reinforced our steadfast commitment to supporting the Kingdom's Vision 2030, characterized by exceptional performance that transcended local boundaries to significantly influence global markets.

The 2023 financial results underscored our leading stance in the telecommunications and technology sectors, with stc achieving record revenues of SAR 72,337 million (USD 19,290 million) and a solid 7% Year-on-Year (YoY) growth. Coupled with a strong EBITDA margin of 34% and progressive net profit growth of 9% YoY, this remarkable growth reflects our continued focus on the group's discipline in strategy execution and commitment to generating incremental value to our shareholders.

SAR
72,337
million record revenues

SAR
2.60
per share full year dividend payout

As a testament to our financial strength, the stc Board of Directors proposed a special cash dividend of SAR 1 per share in addition to the quarterly cash dividend of SAR 0.40 per share, bringing the full year dividend payout to SAR 2.60 per share and representing 26% of the share's par value.

Furthermore, our efforts to contribute to the national agenda persisted through several initiatives aimed at accelerating digital transformation and fostering sustainable economic and social development, including making strides toward sustainability with the goal of achieving net zero emissions by 2050. This effort was bolstered by securing the approval of the Science Based Targets initiative (SBTi), as consistent with levels required to meet the goals of the Paris Agreement and incorporating a quantitative sustainability metric into the executive management's short-term incentive plan.

These results wouldn't have been possible without the Kingdom's visionary leaders and their unwavering determination to elevate the nation to a leading

position in the technology and digital domains and enable the Kingdom to become a global Information Communications and Technology (ICT) hub.

In closing, I extend heartfelt gratitude to my colleagues at stc Group for their relentless efforts to solidify our position as a catalyst for digital transformation. My appreciation also goes to all our shareholders and investors for their trust in our vision. As we move ahead, we remain committed to harnessing all our capabilities to innovate and shape a promising digital future, achieving sustainable growth that aligns with the aspirations and stature of the Kingdom on both regional and global stages.

Please accept my deepest greetings and appreciation,

Mohammed bin Khalid Al Abdullah Al Faisal
Chairman of the stc Group Board

GCEO's Message

Esteemed shareholders,

As I reflect on the year 2023, it fills me with immense pride to share the significant milestones that stc Group has achieved on our ambitious path toward becoming a global digital powerhouse. This year has been about not only achieving robust financial results but also making significant advancements on strategic initiatives that have propelled us into new heights of innovation and service excellence, both locally and globally.

Starting with core, we maintained a premium market position, enabled by growth in the consumer telco segment. Secondly, regarding digital infrastructure, the year marked the largest expansion of the 5G network in stc Group's history, reaching more than 90% coverage in major urban areas. Additionally, the expansion of our data center presence across multiple cities in the Kingdom enhanced their capacity to function as continental hubs and enabled seamless data management and communication links across Asia, Africa, and Europe.



Our strategic investment in Telefonica was a clear translation of our strategy to pursue value accretive opportunities that offer sustainable growth and upside potential to our shareholders.

3.6 million registered stc tv users
3 million registered stc play users

Upgrade from B to **BB** status in MSCI ESG Index

Moving to adjacencies, we strengthened stc Group's position in non-core business markets by scaling up existing ventures, pursuing sizable ICT opportunities, and fast-tracking the development of new digital concepts. We also accelerated go-to-market efforts in new consumer verticals, with fast-tracked adoption of new consumer digital services covering 3.6 million registered stc tv users and 3 million registered stc play users; and expedited stc Bank's go-live readiness with the launch of the beta version in preparation for the full commercial launch.

Concurrently, we secured major national projects such as Sawaher, a program aimed at elevating safety across the Kingdom by harnessing artificial intelligence (AI) technologies and smart analytics capabilities. Lastly, we embarked on a wholesale commercial acceleration program to tap into non-conventional wholesale offerings such as platforms and air-to-ground networks.

Over the past year, stc also witnessed notable progress on its inorganic growth agenda, accelerating the group's local, regional, and global expansion efforts in terms of scale and scope. Our strategic investment in Telefonica was a clear translation of our strategy to pursue value accretive opportunities that offer sustainable growth and upside potential to our shareholders. Additionally, the purchase of telecommunications towers assets from United Group, through TAWAL, our subsidiary specializing in telecommunications and IT infrastructure, further exemplifies our global expansion ambitions.

In addition to the acquisitions and strategic investments completed over the course of 2023, stc launched tali ventures with the aim to invest in early-stage startups in various domains, including fintech, cybersecurity, AI, digital games, Internet of Things, blockchain, and other promising areas. Furthermore, we incubated 20 startups in inspireU in 2023, continuing our endeavors in aiding startup ventures and expanding the acceleration program to regional markets. Our focus on partnerships intensified, with tireless efforts to position stc as the preferred partner for Giga projects in digital infrastructure and ICT services, notably with Red Sea Global and Diriyah Company.

Finally, we made remarkable progress in nurturing the national workforce and increased the Saudization rate to more than 90%. Additionally, our efforts to champion sustainability culminated in an upgrade from B to BB status in the MSCI Environmental, Social, and Governance index; spearheaded the Sustainability Innovation Hub as part of the GCC Telco Alliance; and pioneered stc square, a novel real estate concept that is a mega mixed-used project merging the digital world with sustainable real estate development. To top our year-round achievements, we received the Forbes award in sustainability, acknowledging our exemplary efforts to reduce carbon emissions and promote sustainable practices in 4 areas related to climate, society, digitalization, and the future of work.

Moving forward, we will continue our ambitious journey to address our set strategic priorities. Our focus remains on cementing our leadership position in the core telco market while broadening adjacencies propositions. Leveraging the momentum gained in 2023, stc Group is committed to expanding scope and scale globally by ramping up our investments. Moreover, in order to underpin our profitable growth targets, we are intensifying our efforts on corporate enablement and organizational excellence to transform stc to be fit, lean, and efficient all while increasing emphasis on sustainability and supporting the national agenda.

In closing, I extend my profound gratitude to stc Group's Board of Directors, major shareholders, investors, and all our colleagues for their trust and steadfast support. Together, we are poised to navigate the exciting opportunities that lie ahead, continuing our journey toward achieving greater accomplishments and fostering the growth and prosperity of the digital economy, in alignment with our aspirations.

Please accept my utmost greetings and appreciation,

Olayan M. Alwetaid
CEO of stc Group

Business Model

As a regional telecommunications and digital leader, stc has the scale, strategy and strength to lead the digital transformation across the Kingdom and beyond, while creating consistent and sustainable returns for our shareholders and tangible value for all our stakeholders.

Our strengths

Exceptional expertise and experience

Our talented and diverse team of 22,751 employees.

Market-leading brand

One of the most valuable brands in the Middle East.

Deep ecosystem of stakeholders and partnerships

Our robust and growing network strategic partners and key stakeholders.

World-class network and cutting-edge technology

Our best-in-class network infrastructure complemented by state-of-the-art technologies.

Strong financial fundamentals and track record

Our outstanding track record of financial performance with record-breaking growth.

Create value

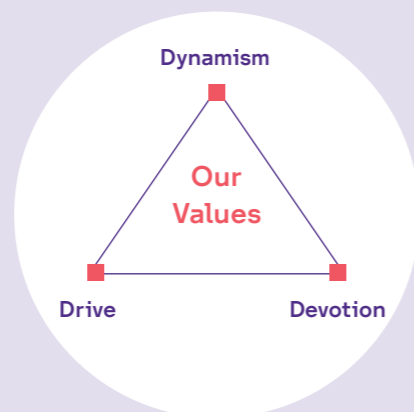
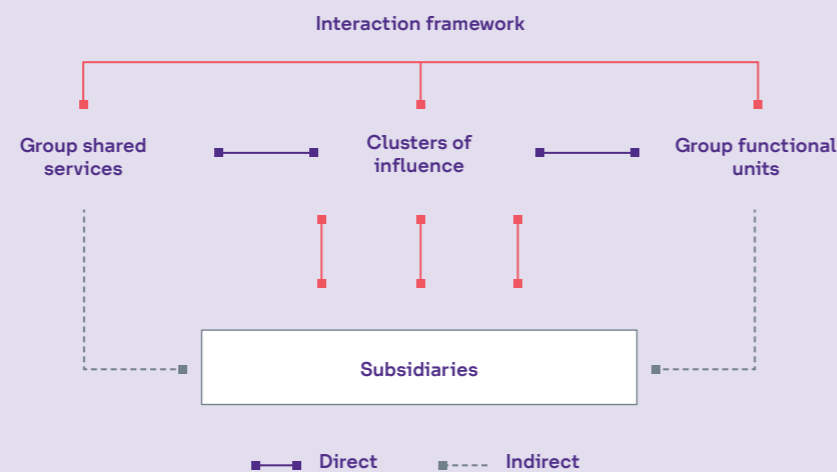
Our vision

Digital and telco leader, enabling the society and economy to thrive, in KSA and beyond.

Key business activities

stc is leading the digital transformation, nationally and regionally, by offering a variety of ICT solutions and digital services in several categories including telecommunication, IT, financial technology, digital media, cybersecurity and other advanced digital solutions.

New Group operating model:



For our stakeholders

Our customers

We aspire to be a critical digital enabler, connecting millions of customers to break digital divides.

Our people

We provide an equal and exclusive work environment supported by a dynamic and diverse culture that attracts, develops and retains the best talent.

Our planet

We are committed to realizing our goal of net zero by 2050, playing our part in combating the ICT industry's contributions to global greenhouse emissions.

Our society

We engage and invest in the well-being of our communities through unique services, digital innovation, transformative technologies and meaningful investments.

Our Shareholders

We continue to grow Shareholder value in our journey to be the leading digital enabler in the region.

Strategy and KPIs

Our vision

Digital and telco leader, enabling the society and economy to thrive, in KSA and beyond.

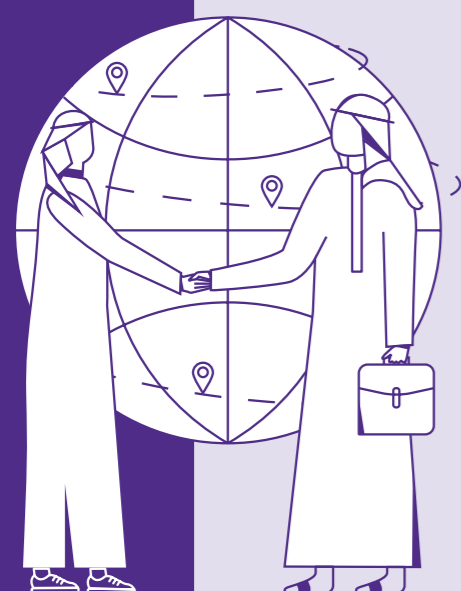
Our values

- **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.
- **Devotion** - The desire to become a customer-centric company for our clients and our employees.
- **Drive** - We are "restless", looking for the best possible solutions for our clients and our employees.

Our DARE 2.0 strategy

Strategic pillars

| Digitize stc | Accelerate performance | Reinvent experience | Expand scale and scope |
|---|--|---|--|
| <p>Description</p> <ul style="list-style-type: none"> • Developing advanced in-house digital and analytical capabilities and improving our cybersecurity readiness and flexibility. | <p>Description</p> <ul style="list-style-type: none"> • Developing new digital services, monetizing assets, enhancing business efficiency, maintaining our leadership in technology, improving our sustainability maturity, and fostering a healthy and conducive culture and work environment for our employees. | <p>Description</p> <ul style="list-style-type: none"> • Providing an exceptional experience for our customers, partners, and employees by improving and digitizing their end-to-end journeys and touchpoints. | <p>Description</p> <ul style="list-style-type: none"> • Growth engine of our strategy focuses on exploring and expanding to new geographies and in new and emerging adjacencies, such as the cloud, IT services, cybersecurity, IoT-enabled industry verticals and consumer solutions, fintech and the creation of a regional data hub. |
| <p>Objectives</p> <ul style="list-style-type: none"> • Instill digital mindset and unlock the potential of digital and analytics capabilities. • Transform into an agile technology company and embrace new ways of working. | <p>Objectives</p> <ul style="list-style-type: none"> • Maximize shareholder returns by transforming costs and monetizing assets. • Connect our market through leading next-gen technology and digital offerings. • Be a role model for sustainability and corporate governance. • Lead Group-wide culture change and be the employer of choice for top digital talent. | <p>Objectives</p> <ul style="list-style-type: none"> • Excite customers with a seamless, personalized and secure experience. • Be the trusted partner-of-choice for business in the region. | <p>Objectives</p> <ul style="list-style-type: none"> • Multiply by expanding into selected pillars within digital services and core. |
| <p>Achievements</p> <ul style="list-style-type: none"> • Accelerated digital capabilities with development of +120 advanced analytics use cases. • Enabled new ways of working and agility across the Group with further digitized business and organizational journeys. | <p>Achievements</p> <ul style="list-style-type: none"> • Achieved highest-ever revenues of SAR 72.34 billion for 2023 with an increase of 7.3% compared to 2022, with improved business efficiency to realize a net profit of SAR 13.30 billion, an increase of 9.2% compared to 2022. • Maintained technology leadership in Saudi by reaching 47.5% 5G coverage of KSA population and announcing massive expansion of 5G network across the Kingdom. • Connected +3.2 million households with fiber and 4 Gbps FTTH traffic increase. • Launched first global operations for Tawal in Pakistan. • TAWAL acquired towers in 3 European markets to increase towers portfolio to +21,000 towers across 5 countries. • stc won the Forbes Middle East Sustainability Leaders Award in recognition of efforts to reduce carbon emissions and promote sustainable practices. • Transformed organizational cultural with top quartile Organizational Health Index (OHI) score. • Provided +250,000 learning hours through stc Academy and +919 employees enrolled in special talent programs. • Became a leading digital services provider with stc tv having 3.6 million (authorized subscribers)*, in which 945,000 are (active views)**. In addition, stc play reached 3 million registered users. • Continuing to enable Saudi startups with InspireU (+110 startups incubated since launch) with a total valuation of SAR +12 billion and launch of Corporate Investment Fund to invest in early-stage startups in various domains including fintech, cybersecurity, AI and other fields • Further advanced in technology and digital services by development of 19 emerging technologies POCs. | <p>Achievements</p> <ul style="list-style-type: none"> • Modernized infrastructure, to enable further innovation and create a better customer experience by migrating ~300k copper lines. • Continued strategic partnerships to enable advanced connectivity services and drive the digital success of major projects in the Kingdom, including Red Sea Global, NEOM, Diriyah Gate and the Royal Commission of Al Ula. • Strengthened Qitaf loyalty program reached 15.7 million users (fixed and mobile lines). • Won multiple awards showcasing stc's commitment to offering the best customer experience, including winning Best 5G Experience Award during the SAMENA Lead 2023 event and winning the Computing - Telecommunications category at the Middle East Technology Excellence Awards for stc's initiatives in enterprise and business connectivity. | <p>Achievements</p> <ul style="list-style-type: none"> • stc Bank continues to grow with a 23.2% growth in active users (180 days) in 2023. • Expanding stc Bank services with the launch of beta version and launching the operations of stc pay in Bahrain successfully. • Further reinforcing Saudi Arabia as a digital hub, by developing new data traffic routes and by linking Saudi Arabia to Europe through building the EMC West subsea and terrestrial data cables (reaching a total of 16 subsea cables by center3). • sirar being ranked first across MENA in Alert's Top 250 Managed Security Service Providers for 2023 list, showcasing stc's commitment to cybersecurity excellence. • center3 reached a total of 25 data centers (operational and under construction). • Enhancing the ICT bundle through solutions acquisition of Devoteam. • Accelerated iot squared growth by acquiring Machinestalk, and through strategic partnerships with Huawei to progress in 5G and IoT innovations and with Hitachi to enrich the smart city landscape. • Telco expansion through minority stake acquisition of Telefonica. |

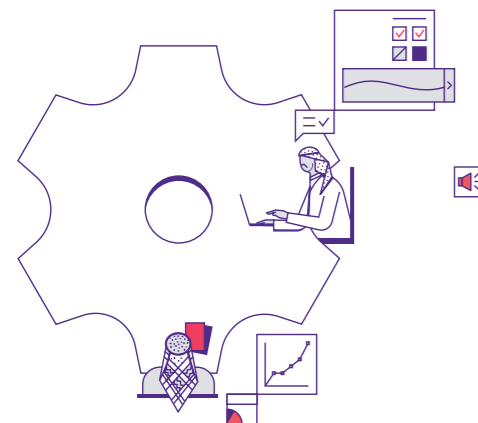


* Authorized subscribers: Customers who have generated their login credentials and logged into stc tv or Jawwy TV at least once in their lifetime.
 **Active viewers: Customers who accessed the platform (stc tv or Jawwy TV) within the last 30 days.

Market Overview

Challenging global economic landscape

The global economy is recovering slowly from the COVID-19 pandemic, geopolitical challenges and a cost-of-living crisis. Projections indicate a slowdown in growth from 3.5% in 2022 to 3% in 2023 and 2.9% in 2024, below historical averages (Figure 1). Headline inflation is predicted to decrease from 9.2% in 2022 to 5.9% in 2023 and 4.8% in 2024 (Figure 2). As a result, projections align with a soft-landing scenario, reducing inflation without a significant activity downturn [Sources: IMF, October 2023].



IMF economy growth projections (%)

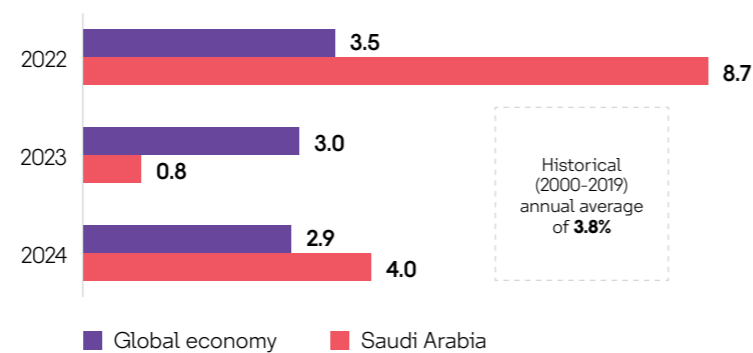


Figure 1. Global economy growth projections compared with Saudi's projections and historical average growth.

IMF global headline inflation projections (%)

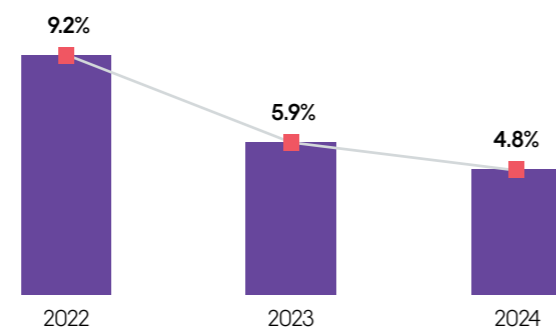


Figure 2. Global headline inflation declining steadily.

Regional economic growth driven by Saudi Arabia

Saudi Arabia is undergoing an economic transition driven by Vision 2030, aiming to diversify and reduce reliance on oil. Despite a robust performance in 2022, GDP is projected to grow more slowly at 0.8% in 2023 (Figure 1, compared with global growth projections) [Source: IMF]. This is attributed to oil production cuts by OPEC+, along with additional cuts announced by Saudi Arabia in June and October 2023. Moreover, the containment of inflation at 2.5% in 2022 and subsequent low inflation figures in 2023 attests to the stability of the economic environment in the Kingdom. These indicators reinforce the positive economic climate that supported the Kingdom's growth in 2023. The strong non-oil GDP growth surpassing 5% reflects the impact of Vision 2030 and governmental initiatives to reduce oil dependency and achieve economic diversification. In addition, the private sector played a pivotal role in Saudi Arabia's economic growth in 2023, with the Kingdom's government actively promoting private investment.

On the regulatory front, both global and Saudi markets saw a continued emphasis on sustainable practices. Saudi Arabia's Green Initiative garnered attention, reflecting a commitment to environmental responsibility. This initiative, while contributing to global efforts for emissions reduction, also signaled a shift in the Kingdom's economic priorities.

Tourism played a vital role in the economic narrative, with Saudi Arabia ranking second globally in tourist arrivals [Source: UNWTO]. Moreover, the success of World Tourism Day hosted in Riyadh further emphasized the Kingdom's position as a global tourist destination.

The Kingdom's achievements in reducing unemployment underscored the positive impact of labor market reforms. Economic success is underscored by historically low unemployment rates, dropping to 8.3% in Q2 2023. The unemployment rate for Saudi women saw a substantial decline to 15.7%, contributing to the broader economic landscape and aligning with the goals of Vision 2030 to boost workforce participation.

Resilient Saudi telecom sector

In the dynamic landscape of the Kingdom's telecom sector in 2023, key events and trends have significantly shaped the ICT market trajectory, in line with the Vision 2030 initiative. The industry showcased robust growth, with the ICT market reaching SAR 154 billion in 2022, and 4.1% of GDP [Sources: CST press release, March 2023].

In alignment with Vision 2030, Saudi Arabia has persistently pursued strategic investments in digital infrastructure. This commitment yielded a noteworthy 53% 5G coverage in 2023, positioning Saudi Arabia as the ninth largest 5G mobile market globally and the largest in the Middle East. These advancements have translated into tangible enhancements in service quality, marked by a remarkable 3.4 times improvement in mobile internet download speeds over the past 3 years. Furthermore, this sustained support resulted in expanding fiber optics access to 3.7 million Saudi households, contributing to the broader digital connectivity goals! [Sources: CST's Meqyas Q1 2023, CST press release, March 2023, Omdia].

Saudi Arabia ranked second in the G20 for digital preparedness in a 2023 report by the ITU, which named the strength of its regulatory framework as a significant success factor. The Saudi Government's National Spectrum Strategy (2020-2025) aligns with Vision 2030, emphasizing spectrum unlocking for 5G and IoT.



Market Overview continued

Saudi Arabia is actively pursuing digital transformation and space exploration, with a focus on non-terrestrial networks (NTN) for enhanced connectivity and the development of a dynamic space ecosystem. The nation's upcoming strategic vision aims to establish a competitive space ecosystem, increase its share in commercial space markets, and generate broader socio-economic value, anticipating rapid expansion with ambitious initiatives across the space value chain [Source: CST, November 2023].

stc driving growth and transformation

stc plays a pivotal role in the Kingdom's digital evolution and markets are showcasing an overall steady increase in the ICT market.

The telecom consumers market is expected to grow by 3.1% (2023-2024 growth), where stc is a leader in connectivity within the Kingdom by deploying approximately 3.2 million FTTx lines and achieving 47.5% 5G coverage.

The international data and colocation market is expected to grow by 18.4% (2023-2024 growth), a market where stc is increasing its presence with center3, established data centers, and ensuring a highly resilient network for uninterrupted business operations. Progress in network virtualization and proof of concepts in emerging technologies highlight stc's commitment to staying at the forefront of technological advancements. These investments place Saudi Arabia among the top nations with the fastest networks and high digitization rankings.

The fintech market is evolving with government direction as SAMA has issued +100 fintech licenses and approved the open banking framework. The Group is on track to launch comprehensive digital banking services with stc Bank and has bolstered its digital capabilities.

Digital media and gaming markets have grown by 11% and 8.4% respectively (2023-2024 growth), owing to the young population in the Kingdom, new regional and global market entrants and public sector investment. stc is expanding its footprint in both markets with stc tv and stc play, offering various catalogues of content to their user bases.

Expansion has been a key theme, with stc actively pursuing opportunities in target markets, such as the minority stake acquisition of Telefonica. It has also transformed its cybersecurity maturity across stc, achieving exceptional results in its readiness and ability to confront any threat.

Sustainability efforts have seen improvement, with a higher BB MSCI score and the publication of the third annual Sustainability Report. Additionally, stc has made strides in diversity and the empowerment of women through the launch of development programs.

Economically, stc has fostered strategic partnerships with government entities, global hyperscalers and enterprises, contributing significantly to the Kingdom's local content program. The stc's active participation in venture capital and startup funding has resulted in the incubation of multiple startups, contributing to the Kingdom's innovation ecosystem.



Risk Management

The telecommunications sector faces significant challenges, chiefly the diminishing demand for voice services juxtaposed with an exponential increase in data consumption, a trend hastened by the recent pandemic. This rapid digital transition, propelled by disruptive technologies, redefines traditional revenue models and necessitates swift innovation among telecom providers.

In an increasingly saturated market, differentiation through unmatched service offerings becomes paramount. Concurrently, significant investments in infrastructure, rigorous data protection protocols, and adherence to regulatory frameworks are non-negotiable. Telecom enterprises must navigate this transformation by promptly adapting, broadening their service portfolios, and delivering frictionless customer experiences to secure a competitive advantage. stc's risk management is integral to its strategic framework, informing business planning and performance evaluation and embedding risk considerations into critical decision-making processes to maximize impact.

Enterprise risk management governance

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

Enterprise risk management framework

The ERM framework provides guiding principles for proactively managing business risks through a comprehensive and dynamic system designed to identify, assess, prioritize and mitigate risks effectively across stc operations. The ERM process is embedded within stc as this allows us to take a holistic approach and make meaningful comparisons to support the delivery of strategic objectives. Quarterly risk assessment is a core part of this process. The risk framework clearly defines roles and responsibilities and sets out a consistent end-to-end process for identifying and managing risks.

stc's approach is continuously enhanced, enabling more dynamic risk detection, modeling of risk interconnectedness, and the use of data, all of which are improving its risk visibility and responses. A standard risk scoring methodology has been devised to provide context and ensure consistency in reporting and evaluating risks. The output from this process is consolidated to determine the principal risks and uncertainties for stc Group.

Emerging risks are considered part of the risk assessment process and identified through horizon scanning, continual dialogue with the business and keeping abreast of market and industry changes. A summary of identified emerging risks is presented to the Board Risk Committee and Board for assessment, and these risks are consistently monitored as part of our ongoing risk management processes. Some of these emerging risks include ESG regulatory changes, technology innovation and business disruption.

Identifying risks

All stc entities identify and assess their own risks, which could potentially affect our strategy and operations. A consolidated list of these risks is presented to senior leaders and executives, along with the outputs from an external environment scan and related benchmarks. Applying a Group-wide perspective, these executives evaluate and determine critical risks and which emerging threats warrant further exploration. These are defined and agreed upon by the Risk Management Committee before being submitted to the Board Risk Committee and the Board for final review and approval.

Managing risks

Establishing the context and having a clear understanding of the environment in which it operates is important. Therefore, stc assigns each of its risks to a specific category (i.e. corporate, technology, operational, financial and compliance) and identifies whether the source of the threat is internal or external. This approach enables a better understanding of how it should treat the risk and ensures the right level of oversight and assurance are provided. The assigned executive risk owners are accountable for making sure adequate controls are in place and implementing the necessary treatment plans to bring the risk within an acceptable tolerance. stc continues to monitor the status of risk treatment strategies across the year and hold in-depth reviews of its risks. stc also develops a comprehensive assessment of the related scenarios for each of the top risks, providing additional insight into possible threats and enabling a better risk treatment strategy.

Monitoring risks

stc risk report, which presents the main risks, is prepared for the Board of Management on a quarterly basis. The Board Risk Committee also examines this report at its meetings. Furthermore, the Board of Management informs the Supervisory Board. In addition, the emerging risks are presented once a year as part of the risk report. Among other benefits, stc risk report ensures transparent monitoring of the development of individual risks, as well as the overall risk situation. It

informs the Board Risk Committee about all of the latest developments and/or changes in the risk management system. With the aim of managing and supervising risks, stc is enhancing its risk management technology tools, which facilitate the reporting, analysis, assessment and management of risk information. These are continuous improvements developed in risk management tools to improve or expand their functionalities.

Risk mindset and culture

stc engenders a set of behaviors and expectations that drive risk awareness throughout its business activities. It is driven by the tone from the top and supported by its people management systems. It promotes timely and sensible risk interventions and actions that improve operational integrity and help employees make smart choices about risks. It communicates expected behaviors to every colleague to weave risk awareness into the fabric of its culture. It has an ongoing program of training and communication and has defined roles to formalize risk management and continuously integrate risk management procedures into key areas of decision-making.

Business continuity

stc business continuity, data centers, mobile communications network, other network infrastructure and facilities, and the safety of its employees and customers are among stc's most important priorities. stc implements an immediate and appropriate response to disaster and emergency incidences and carries out business continuity plans (BCP) for critical operations, systematically and periodically, according to the business impact analysis (BIA) to ensure the effectiveness of these plans. stc has recently been recertified for the international standard for business continuity management (ISO 22301:2019); this comes as a testament to the diligent approach taken by stc to implement protocols and guidelines to maintain all business-related operations.

Risk Management continued

Internal control

stc's Board of Directors declares that the accounting records have been prepared correctly and that the internal control system and procedures have been properly prepared and effectively implemented without material observations, and that there is little doubt as to stc's ability to continue its activities. The Audit Committee oversees the compliance and internal and external audits, and regularly reviews the adequacy and effectiveness of the internal control system. One of the objectives of the Board is to obtain reasonable assurance about the soundness of the design and the effectiveness of stc's internal control system. In this regard, during the fiscal year 2023, the Audit Committee held 11 meetings and discussed a number of topics falling under its competencies, including reviewing financial statements, investments and business units, as well as strategic and organizational affairs, human resources, procurement and IT systems. This meeting is attended by Executive Management and members of the Internal Audit team.

Risk management highlights

Throughout the preceding year, stc attained significant milestones within its risk management initiatives, a testament to its unwavering commitment to cultivating a proactive, risk-aware culture, and implementing stringent risk management strategies. Notably, it augmented its risk culture via comprehensive, quarterly training sessions for designated risk champions, equipping them with the requisite knowledge and insight essential for the identification and management of risks pertinent to their domains. Furthermore, specialized training sessions have been conducted under the auspices of the stc Academy, ensuring a universal and thorough grasp of risk management principles and practices across the organization.

A pivotal achievement during this period was the successful deployment of its risk management system. This technological leap forward is designed to automate and streamline the entirety of the risk management process. The system has refined stc's procedures for risk identification, assessment and mitigation. With

the aid of advanced automation technology, it are now equipped to swiftly address emerging risks and implement mitigation strategies, significantly bolstering its resilience against risk.

In its relentless quest for excellence, stc has made considerable progress in strengthening its control mechanisms and reinforcing its risk mitigation tactics. Over the past year, its concerted efforts have been directed towards refining its risk management framework, enhancing internal controls, and ensuring the robustness of its mitigation plans. Through meticulous alignment of its controls with the pinnacle of industry best practices and regulatory standards, it has not only fortified the organization, but also empowered it to pursue its strategic objectives with heightened confidence and exactitude.

Principal risks

As a leading entity in the global telecommunications and information technology arena, stc navigates a landscape rife with uncertainties and rapid change. Success in this dynamic environment is predicated on its proactive anticipation of potential developments and the systematic identification, evaluation and management of the consequent risks and opportunities. stc regards an efficacious risk and opportunity management system as an indispensable component of its value-driven corporate governance. In the risk evaluation phase, it categorizes risks into corporate, technology, operational, financial and compliance domains. This classification enhances its comprehension of each risk's unique characteristics and informs its management approach, allowing it to craft tailored oversight and assurance strategies.

The material risks that could affect stc are outlined below, including any material exposure to environmental or social risks, and how it seeks to manage them. The risk management process reflects the most significant risks identified at the entity level.

| Category | Risks | Mitigation measures |
|--------------------|---|---|
| Technology | <p>Cybersecurity threats</p> <p>The rise of advanced malware and DDOS botnets is reshaping the threat landscape and forcing enterprises to reassess how they protect themselves. This threat exists not only within stc, but upstream through vulnerabilities in its vendors and suppliers; and downstream, where vulnerabilities in stc may be leveraged by cyber-criminals to attack its customers. Third-party access management is a significant matter as it relies heavily on third-party contractors with multiple incidents reported by stc.</p> | <p>stc continues to strengthen the cybersecurity unit. Internal systems and policies are developed, levels of security procedures are raised, awareness is intensified, and the effectiveness of information security plans is tested.</p> <p>stc has established robust cyber assurance practices for information protection and asset management and the Group has established advanced penetration testing and vulnerability management capabilities.</p> |
| Technology | <p>Data privacy</p> <p>One of the biggest challenges faced by any organization is managing privacy as data volumes continue to grow and regulatory and customer scrutiny increases. It is more important than ever to be clear on the privacy risks it faces to handle PII, or an individual's right to determine what kind of data can be collected, stored, protected, and can be shared with third parties.</p> | <p>stc has established a privacy framework containing policies and procedures relating to the privacy of personal information address data classification, record management, retention and destruction, as well as implemented technical solutions to set different permission levels for employees based on what PII they need to access, such as public, private, and restricted access.</p> |
| Technology | <p>Resilience following disaster, crisis or events impacting business continuity</p> <p>Global telcos have experienced significantly higher network demand during the COVID-19 crisis, with the initial lockdowns triggering reported traffic spikes, partial or full-scale non-availability or quality degradation of ICT services owing to telecom network failures or business support systems and other key systems. Key considerations include disaster preparedness planning, exchange equipment, undersea cable communications, and fibre-optic cable problems.</p> | <p>stc has established entity-wide written programs that address and validate the continuity of the institution's mission-critical operations. It has recertified the organization against ISO 22301:2019 and taken all required steps to comply with any relevant regulatory requirements.</p> <p>stc has proposed additional projects to strengthen disaster recovery (DR) systems to ensure business and services continuity, taking into account various possibilities. The Emergency Response team oversees major contingency planning work and periodically conducts virtual experiments.</p> |
| Compliance | <p>Unfavorable regulatory changes impacting its current business model</p> <p>Regulations over its current obligations are increasing both in number, frequency and impact and are evolving in their nature. The potential impact of these new regulations could have serious negative implications for stc's profitability, market position and include penalties or financial liabilities.</p> | <p>stc studies the regulatory legislation on an ongoing basis, coordinates efforts with sectors related to it, inside and outside stc, and applies the best standards to ensure the provision of the best services to its clients in a manner that achieves the objectives of the national plans. A dedicated administrative organization is established for the regulatory affairs sector to contribute to enhancing stc's capabilities in the regulatory field.</p> |
| Operational | <p>Supply chain disruptions</p> <p>Material shortages and supply risks to rare earth minerals and other key components for chip manufacturing may have far-reaching consequences for continued stc technology leadership, including its ability to provide essential services and next-generation mobility, and to meet the demands of infrastructure projects upon which it has engaged.</p> | <p>stc diversifies its supply chains so that it does not depend on limited numbers of suppliers, and it emphasizes in its contracts that the systems are compatible with each other regardless of the supplier. It also reviews the conditions of contracted companies and sets legislation to ensure their financial and operational suitability for stc's requirements, in line with technological development and the integrity of their business plans.</p> |
| Corporate | <p>Strategy implementation in a dynamic market</p> <p>In order to succeed in this highly competitive and dynamic environment, it is essential to have agile strategic development, maintenance and implementation processes capable of providing stc with a strategy for success, but also one with the agility to meet the demands on the markets in which it operates.</p> | <p>stc's strategy is updated on a 3-yearly basis and refreshed annually to ensure it remains current and relevant. The timing of the annual refresh and 3-yearly updates is flexible in line with context, dynamics and stakeholders' inputs. It has also conducted a 360-degree environmental scan (i.e. competition, industry trends, regulation, socio-economic and stc performance).</p> |

Risk Management continued

Financial risk management

Credit risk management

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

Other than the concentration of credit risk disclosed in Note 18 in the consolidated 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 telecom industry norms.

Ongoing evaluation is performed on the financial condition of trade receivables and management believes there is no further credit risk provision required in excess of the normal provision for impairment loss (→ for more details, see note 18 in the consolidated annual financial statements).

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

Cash balances and short term investments were deposited with international banks with credit rating of A and above, while investments made with local banks had an investment grade credit rating of Baa3 and above.

The credit rating of the Company's investments in government sukuk and Binariang GSM Sdn Bhd ("BGSM") sukuk are A and Aa3, respectively as at 31 December 2023 (2022 : A and Aa3, respectively) (→ for more details, see note 16.1 in the consolidated annual financial statements).

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

Foreign currency risk management

Saudi Riyal is considered as the functional currency of the Group which is pegged against the United States Dollar. Therefore, the Group is only exposed to exchange rate fluctuations from transactions denominated in foreign currencies other than United States dollar mainly euro. The fluctuation in exchange rates against currencies, which are not pegged with Saudi Riyal, are monitored on a continuous basis and risk is assessed via the Value-at-Risk (VaR) measure. The Group's exposure to foreign currency changes for all other currencies is not material. The sensitivity of the changes of SAR/EUR exchange rates by 1% would have impacted equity by SAR 88 million.

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 (→ for more details, see note 43.6 in the consolidated annual financial statements).

Profit rate risk

The Group's main profit rate risk arises from borrowings with variable profit margin rates.

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 analyses show the effects of changes in market profit rates on profit and loss. For floating rate liabilities, the analysis is prepared assuming the amounts outstanding at the end of the year were outstanding for the whole year. A 100-basis point increase or (decrease) represents management's assessment of the reasonably possible change in profit rates. If profit rates had been 100 basis points higher (lower) and all other variables were held constant, the impact on the profit of the Group would have been lower (higher) by SAR 155 million (2022: the impact on the profit of the Group would have been lower (higher) by SAR 39 million). This hypothetical effect on profit of the Group primarily arises from potential effect of variable profit financial liabilities. The Group periodically monitors the impact of the incremental changes in profit rates and assesses the impact on the Group's profitability.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises different types of risk: interest rate risk, currency risk, and price risk. Financial instruments affected by market risk include loans and borrowings, deposits, debt and equity investments.

The Group is exposed to changes in the value of equity investments and derivatives associated with such investments. To reduce the risk associated with variations in fair value and share price, the Group acquires derivative instruments that hedge the risk profile of such investments.

The hedge ratio for each designation is established by comparing the quantity of the hedging instrument and the quantity of the hedged item to determine their relative weighting; for Group's existing hedge relationships the hedge ratio has been determined as 1:1.

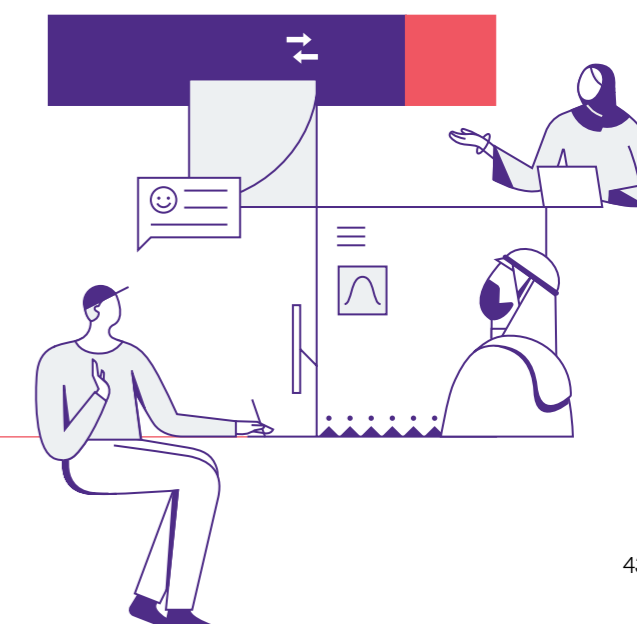
Hedge effectiveness is determined at the inception of the hedge relationship and through periodic prospective effectiveness assessments to ensure that an economic relationship exists between the hedged item and hedging instrument. To test the hedge effectiveness, the Group compares the changes in the fair value of the hedging instrument against the changes in fair value of the hedged item attributable to the hedged risk.

The hedge ineffectiveness can arise from a change in the credit risk of the counterparty with the hedging instrument.

Fair value of financial instruments

The Group uses valuation techniques appropriate to current circumstances that provide sufficient data to measure fair value. In addition 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 consolidated 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 payables closely approximate their book value due to their short maturity (→ for more details, see note 43.2 in the consolidated annual financial statements).



Risk Management continued

Capital management

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

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

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

The Group is not subject to any externally imposed capital requirements. The Group did not introduce any amendments to the capital management objectives and procedures during the year ended 31 December 2023.

The Group reviews the capital structure on an annual basis to evaluate the cost of capital and the risks associated with capital (→ for more details, see note 43.1 in the consolidated annual financial statements).

Compliance

stc seeks to promote an organizational culture that is committed to compliance with all the applicable laws, bylaws, regulations and ethical conduct through supported comprehensive policies, talent development, engagement with all the stakeholders and leveraged cutting-edge technologies.

This year, stc expanded the compliance program to all subsidiaries, and is currently transforming the compliance function to adopt a unified approach towards compliance management. Recently, stc has invested heavily in enhancing the compliance program based on the ISO 37301:2021 standard that will support the Group-wide compliance strategy in guiding the business towards achieving its objectives.

The immediate strategic focus is to enable stc to become world class in compliance by taking into consideration internal and external factors, and monitoring the growth and performance of stc, supported by a robust operating model commensurate with stc’s size and operations.

The Compliance sector is independent and constantly engaged with 2 independent committees: the Board Audit Committee (BAC), chaired by an Independent Board member, and the Risk Management and Compliance Committee (RMCC), chaired by the Group Chief Executive Officer. Both committees are responsible for overseeing the progress of the compliance program and maintaining a strong culture of compliance at Group-level. Direct and independent oversight not only mitigates potential legal and financial risks, but also fosters trust among its stakeholders.

stc places strong emphasis on localizing capabilities and sustaining expertise by leveraging continuous training and awareness programs to promote a culture of compliance within the organization. Additionally, the Compliance unit is actively managing non-compliance risks, driving efficiencies, improving quality and providing business insight through technology-enabled and data-driven practices.

We are dedicated to enhancing the culture of compliance and adherence to laws, bylaws, regulations, internal policies, procedures and standards. It serves as a core principle that governs stc’s conduct, guiding its actions and decisions.

Business Integrity

stc Business Integrity and its program and activities strive to promote a culture of integrity that encourages ethical behavior in stc’s work culture.

stc’s Business Integrity team reports to stc’s GCEO, Business Integrity Committee, Board Audit Committee and Board of Directors on a regular basis on integrity matter updates and the program’s progress. stc has currently unified the integrity function under one umbrella by merging the specialized departments – such as combating financial crimes, anti-money laundering, anti-fraud, anti-bribery and corruption and combating terrorist financing – under the Business Integrity general department.

stc is considered one of the pioneer companies to activate such a general department in the telecommunications sector to protect assets and effectively contribute to combating these types of crimes.

stc is keen to activate the preventive role and continuous improvement of a safe and fair work environment and business practices. Understanding the importance of these roles contributes to the ethical culture in stc.

stc has also established a specialized Business Integrity Committee to keep pace with relevant best practices and ensure stc’s actions align with best practices in corporate governance. The committee held 6 meetings during the year 2023, in which it discussed the submitted reports, recommendations related to work, statistics pertaining to integrity, and general supervision of awareness and communication plans and corrective actions.

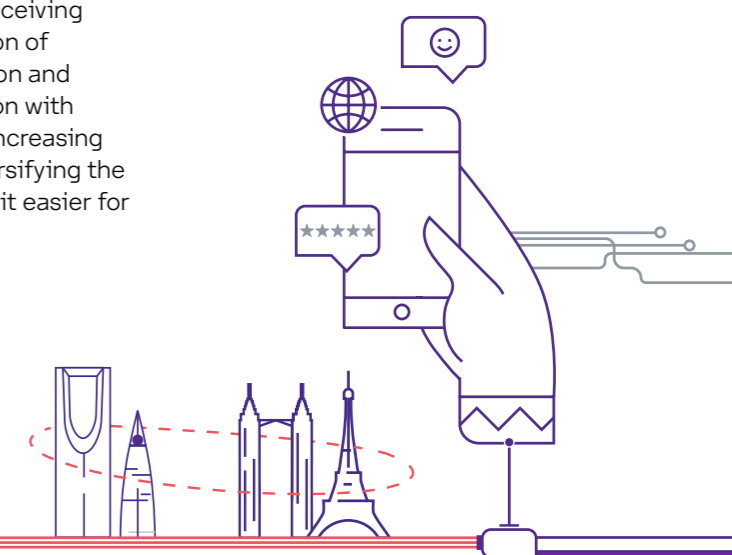
stc communicated with its subsidiaries to confirm the application of the highest standards of professional integrity practices in the work of stc Group and its subsidiaries, ensuring consistency of policies and procedures for business integrity and the existence of channels for receiving reports of violations of various types, including but not limited to administrative, security, behavioral and money-laundering violations, as well as corruption, fraud and bribery.

As part of a strategy that dares to activate digital empowerment and unleash the potential of digital and analytical capabilities, Business Integrity developed and designed a system for managing cases and receiving speak-ups and whistleblowing. The automation of the process raised the level of work completion and assigned tasks and contributed to cooperation with relevant departments, allocating resources, increasing efficiency and improving quality, thereby diversifying the channels used to receive reports and making it easier for those who wish to report integrity concerns.

Among the cooperative initiatives and in cooperation with the Oversight and Anti-Corruption Authority (Nazaha) – within the framework of heightening awareness of combating corruption – the specialized team presented 2 workshops in 2023 through Nazaha’s Watanona Amanah program. These workshops targeted leaders and employees and discussed topics of strengthening the values of integrity, combating corruption in the work environment, disclosure, transparency and conflicts of interest. Mandatory training material has been launched and directed at all employees and contractors, specifically pertaining to anti-fraud, which aims to spread awareness of business integrity, combatting corruption and enhancing self-commitment to integrity.

stc sent several Saudi male and female employees who are working in Business Integrity to the United States of America to complete training on the systems used, including the global Nuix system, which is one of the leading systems in investigations in anti-fraud and business integrity cases. The Company seeks to develop the culture of competency qualification and continuous training with the aim of improving the business cycle and its quality in this field, supporting human capital and developing national competencies.

As we progress on our integrity journey, we commit ourselves to constantly improve stc’s integrity program and setting an example of ethical leadership.



Business Review



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Commercial Unit

stc's Commercial Unit has, yet again, achieved exceptional growth in 2023, capitalizing on a positive macroeconomic outlook, continued influx of expats, fiber deployment and growing opportunities on adjacent services. The Commercial Unit maintained its growth trajectory, outperforming the market while maintaining a premium value positioning and sustaining market growth by leveraging its ever-improving experience, service quality and analytics-powered go-to-market engine.

2023 was a landmark year for the Commercial Unit in capturing the benefits of its analytics engine and growing its capabilities' depth and breadth. The Unit's leadership further integrated an agile and empowering management set-up, and data-driven decision-making frameworks. It also evolved its top-tier digital capabilities and journeys, customer experience, and tailoring and targeting capabilities. Amongst other achievements, this resulted in the lowest-ever churn rates, the most active base on mystc app, and the highest-ever qitaf base and NPS scores; all the while, optimizing its spending.

On **mobility services**, the Unit was able to maintain market leadership by leveraging advanced analytics, elevated experience and network-leadership, and value-driven, segment-specific offerings and go-to-market. Indeed, its new go-to-market engine – enabled with next-gen analytics and intelligence across communications, sales, fulfillment, base management and loyalty management – was instrumental to its growth.

For instance, the Unit leveraged its refreshed go-to-market to capture a higher than ever share of the influx of tourists, and Hajj and Umrah visitors. It is noteworthy that it achieved this despite key market pressures, such as new mobile virtual network operators' (MVNO) intensifying competition in some of its key segments. Overall, 2023 was a successful year for mobility services, with growth in the base and uplifted attachment to bundles, setting the stage for another year of solid progress.

In **fixed services**, the Unit was able to maintain its positive momentum this year, through growth in high-speed broadband plans – covering both fiber to the home (FTTH) and flexible working arrangement (FWA) – base management stimulation uplifting average revenue



per user (ARPU), and attachment to multi-play, higher-value plans and targeted migration of the legacy copper base to high-speed broadband technologies.

It also leveraged re-enacted fiber deployment, evolving open access models and a refreshed portfolio to uplift its pace of growth. Overall, it recorded impressive growth on FTTH and FWA, despite intensifying competition and regulatory pressure. Indeed, it is growing faster than the market, increasing a readily healthy market share and boosting its base, thus establishing the foundation for continued growth in the future.

With respect to the Unit's **adjacent services**, it delivered a robust performance in 2023, achieving new heights across digital media streaming, gaming and eSports, consumer IoT and smart home, consumer electronics, logistics and distribution. On digital media, it delivered unprecedented growth in its stc tv active base, growing almost 2.3-fold, through a state-of-the-art platform and user experience, solid content portfolio and a repowered go-to-market push through bundling. It also achieved impressive growth on stc play over the last year, with a significant rise in registrations and engagement. In parallel, it has increased its stc play capabilities to better monetize its base and capture its fair share in the expanding gaming and eSports market to establish itself as a key player in the ecosystem.

The Unit also expanded its devices portfolio to cover a wide range of consumer electronics, with impressive growth in gaming, IoT and smart home devices. It focused on uplifting consumer electronics after-sales service customer journeys with trade-in, repair, insurance and

other value-added services. It was able to mitigate multiple risks on its consumer electronics business, such as supply chain disruptions, through its exceptional relationships with manufacturers and suppliers.

On **logistics**, it substantially expanded its client base and its capabilities, doubling the number of last-mile deliveries for new clients. Lastly, it boosted its local and regional distribution capabilities, and capitalized on the launch of new MVNOs in the Kingdom to grow its distribution business.

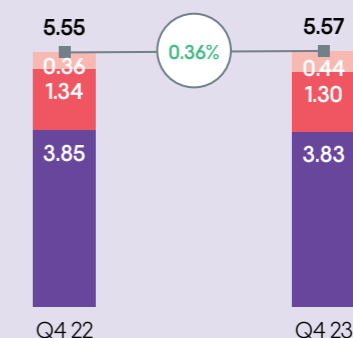
Commercial Unit in 2024

Building on an exceptional performance in 2023, the Commercial Unit has big aspirations for the year ahead. It is on track to become the consumer's go-to digital lifestyle provider. It is already the outright leader in the core telecom market, holding a higher value base, and it is well positioned to maintain its leadership through a best-in-class proposition, experience, analytics and go-to-market.

The Unit will grow its adjacencies to build a resilient future and be the consumer's provider of choice across consumer electronics, media streaming, gaming and eSports. It will continue growing its capabilities and commercializing them in the Kingdom and beyond. It has a solid foundation and a flawless track record to realize stc's DARE 2.0 strategy objectives and optimize shareholders' returns.

Fixed subscribers

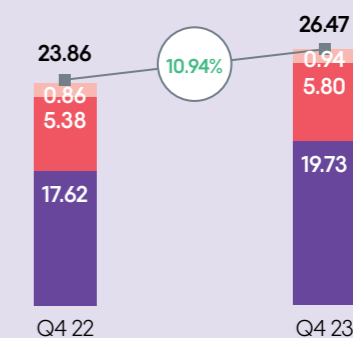
(million)



- Fixed-wireless broadband subscriptions
- Fixed-wired broadband subscriptions
- Fixed telephone lines in operation

Mobile subscribers

(million)



- Prepaid
- Postpaid
- M2M

Awards and recognitions



Awarded by
CST

Business Unit



In a year marked by remarkable achievements, stc's Business Unit successfully expanded its partnerships on both a global and local scale, introducing innovative products and services. These strategic efforts led to the development and implementation of groundbreaking solutions, significantly contributing to the realization of the objectives set forth in Vision 2030 and affirming the Unit's strong commitment to this transformative initiative.

In line with stc's DARE 2.0 strategy, the Business Unit has successfully positioned itself as the premier digital enabler and the partner of choice for business customers in the region. It has diligently worked to develop world-class offerings, creating a robust ecosystem of capabilities. This has enabled it to serve its customers with advanced digital solutions and verticals, showcasing its commitment to innovation and customer-centric service.

In 2023, the Business Unit made significant strides in establishing both global and local strategic partnerships. A key highlight was the partnership with ROSHN Group, formalized through a Memorandum of Understanding and an agreement during the Cityscape Global exhibition in Riyadh. This collaboration focuses on deploying 5G network towers, implementing smart home and city solutions, and utilizing Big Data and IoT technologies. These efforts aim to enhance communication efficiency and improve the quality of life in ROSHN communities.

Another major development was stc's strategic partnership with Diriyah Company to enhance the historical Diriyah project. Under this agreement, stc will deliver a comprehensive suite of modern technological solutions, transforming the Diriyah Gate project into a smart heritage area equipped with cutting-edge technologies.

A key highlight was the partnership with ROSHN Group, formalized through a Memorandum of Understanding and an agreement during the Cityscape Global exhibition in Riyadh.

Additionally, a pivotal partnership was formed with Red Sea Global. This agreement is set to drive digital transformation and boost tourist destinations along the Red Sea coast through advanced communication technologies and digital services.

The Business Unit also placed great emphasis on sponsoring various global and local events, participating in several exhibitions to showcase stc's capabilities across different sectors like education, health and industry. Notably, stc's involvement in the Future Investment Initiative Conference was a platform to unveil the latest digital technologies developed by stc, particularly in the education and health sectors, alongside artificial intelligence technologies and sustainability solutions. These initiatives reflect the Business Unit's commitment to innovation and its role in advancing digital transformation.

Supporting key industry events

stc is at the forefront of driving innovation in the digital and cybersecurity landscapes. The Business Unit's commitment to a sustainable digital economy and robust cybersecurity was demonstrated through its active participation in key events throughout the year.

At the International Cyber Security Forum 2023, stc showcased advanced cyber solutions, contributing to innovation in cybersecurity. The Company also played a significant role in the Arab Health 2023 conference, presenting cutting-edge digital solutions for the medical and healthcare sectors to enhance digital integration in healthcare.

Furthermore, stc's involvement in LEAP23 highlighted its focus on fostering future technologies through global investments and partnerships. As a major contributor, stc was the diamond sponsor at Capacity Middle East, the largest assembly for transport companies in the Middle East.

stc also supported the World Defense Show, the premier event for the security and military industries, as a partner and digital facilitator. In addition, as a strategic partner and digital supporter at the Global AI Summit organized by SDAIA, stc aided in advancing industry, innovation, infrastructure and the development of smart cities.

This active engagement in various high-profile events underscores stc's pivotal role in shaping a future-oriented digital world.

Business Unit in 2024

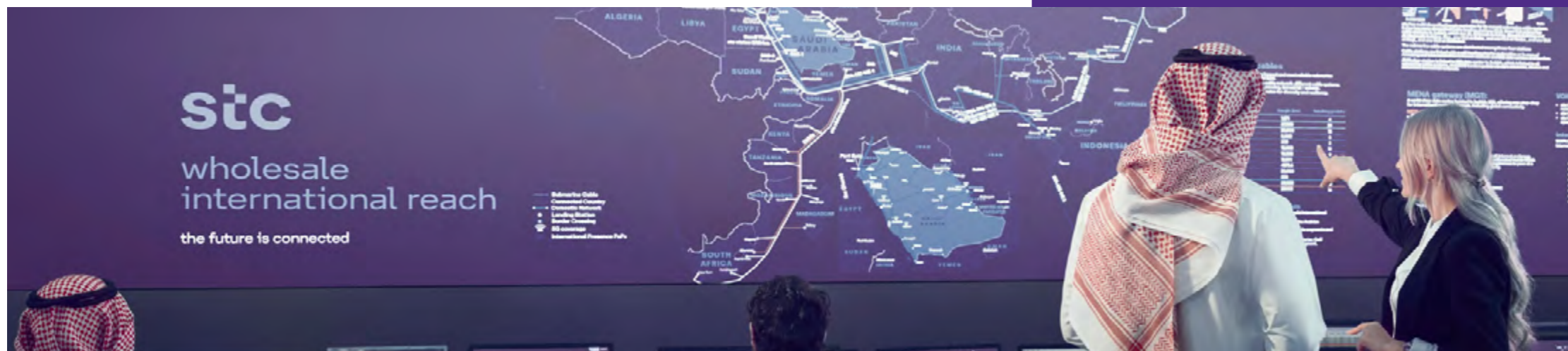
In 2024, the Business Unit is dedicated to reinforcing its status as a top-tier telecom provider in the market, leveraging its strong relationships with local customers throughout the Kingdom.

Emphasizing its role as a foremost digital enabler in the region, it is set to sustain its upward trajectory, with a pivotal emphasis on the establishment of mega accounts, tailored specifically to align with Vision 2030. This initiative is a strategic move to aid the Kingdom in achieving its ambitious goals.

stc's involvement in LEAP23 highlighted its focus on fostering future technologies through global investments and partnerships.

These efforts are a testament to the Business Unit's unwavering commitment to delivering premium products, services and experiences to customers nationwide, reflecting its dedication to excellence and customer satisfaction.

Carrier & Wholesale Unit



stc's Carrier & Wholesale Business Unit (C&W) is the Kingdom's wholesale partner of choice, delivering best-in-class, end-to-end solutions and services to its customers and partners in Saudi Arabia and across the globe. It is differentiated through its high-quality and efficient technology offerings and its commitment to continuous innovation and improvement.

C&W has transformed into an agile technology unit and adopted new ways of working. The Unit's dedication to staying ahead in the rapidly evolving digital landscape showcases its proactive approach to embracing digital advancements and incorporating them into its operational framework.

Fully aligned with stc's DARE 2.0 strategy, C&W's strategic focus is designed to drive growth and contribute to achieving the stc's strategic objectives. This alignment ensures C&W plays an essential role in driving stc's digital transformation and customer journey, while staying at the forefront of technological innovation within the telecommunications and digital infrastructure industries.

The Unit prioritizes the implementation of leading next-generation technology and digital offerings to explore new revenue streams from unconventional and innovative initiatives. It focuses on expansion to bolster profitability, diversify stc's business and strengthen the Kingdom's position as a regional digital hub.

With the launch of center3 operations, 2023 was a landmark year for C&W. Creating immense new value for stc, its customers and the Kingdom, the new subsidiary provides data center hosting and subsea connectivity in the Kingdom and beyond. This milestone moment for the Kingdom's technology sector is set to forge a new digital path for Saudi Arabia and the region.

With the launch of center3 operations, 2023 was a landmark year for C&W.

Representing a leap forward in establishing Saudi Arabia's ambitions as the preeminent digital hub at the crossroads of 3 continents, this visionary venture transcends geographic boundaries, connecting Europe, Asia, and Africa through Saudi Arabia's strategic location.

Its robust network acts as a magnet, attracting leading players including hyperscalers, gaming and content providers, cloud giants and international carriers. For them, center3 unlocks a gateway to seamlessly serve regional customers with unparalleled speed and scalability, empowering them to reach new digital heights.

Strategic partnerships and progress

In 2023, C&W marked a year of significant achievements, establishing itself as a frontrunner in the global communications and digital infrastructure sector. The Unit's accomplishments are characterized by strategic partnerships and technological advancements, aimed at enhancing customer experiences and fostering sustainable digital environments.

One of the key achievements was the signing of an agreement with Qwilt for an open caching solution, a move designed to significantly boost the quality of streaming experiences across the Middle East. This partnership demonstrates stc's commitment to leveraging cutting-edge technology to enhance digital media consumption.

Increasing its global footprint, C&W signed a Memorandum of Understanding (MoU) with China Mobile International (CMI). This collaboration aims to extend their connection blueprint reach and provide comprehensive global IoT connectivity in the MENA region, showcasing stc's dedication to expanding its services and strengthening international ties.

In a strategic partnership with the Royal Commission for AIUla (RCU), C&W committed to building and preparing a digital infrastructure in AIUla. The goal is to transform AIUla into a smart, sustainable city offering unique digital experiences for both visitors and residents, marking a significant step in stc's pursuit of creating smart urban environments.

An important development in enhancing customer roaming experience was the launch of LTE and VoLTE services in partnership with Verizon, the largest telecom provider in the US. This collaboration underscores stc's focus on improving connectivity for its customers, especially in the US, a top tourist destination for them.

C&W also signed a partnership agreement with ROSHN Group, a leading national real estate developer, and an MoU with the National Housing Company. These partnerships are centered on developing neutral-host digital infrastructures for real estate projects, emphasizing stc's role in shaping the digital landscape of the real estate sector.

C&W also signed a partnership agreement with ROSHN Group, a leading national real estate developer, and an MoU with the National Housing Company.

Lastly, stc and SKYFive Arabia signed an agreement to introduce broadband inflight connectivity in the MENA region. This initiative positions stc at the forefront of enhancing connectivity experiences, even at high altitudes, furthering its reputation as an innovator in telecommunications.

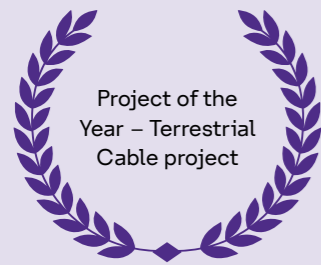
Collectively, these achievements in 2023 reinforce stc's position as a leader in global innovation and excellence. By constantly pushing the boundaries of technology and prioritizing customer needs, stc sets a benchmark for excellence and shapes the future of connectivity in the region.

Carrier & Wholesale Unit continued

Awards and recognitions

C&W received compliance certification (with a score of 98%) from the ITW Global Leaders' Forum (GLF) Code of Conduct, demonstrating stc's commitment to combatting fraud in the international carrier industry.

In addition, C&W won 6 awards during 2023:



Awarded by
Global Carrier Awards 2023



Awarded by
Global Carrier Awards 2023



Awarded by
2023 Glotel Awards



Awarded by
2023 Telecom Review Awards



Awarded by
2023 Bronze Stevie Award



Awarded by
2023 Bronze Stevie Award

Carrier & Wholesale in 2024

Looking forward, C&W will accelerate growth and embrace transformation to create value and contribute to the goals of stc's DARE 2.0 strategy. It is focused on reinventing customer experiences, not just digitizing journeys but unlocking the full potential of digital and analytics to become an agile technology juggernaut, redefining operations and pioneering new ways of working.

It will drive diversification and maximize shareholder returns through strategic investments, such as Fibre to the X (FTTX) and in-building solutions (IBS), while innovating to fuel progress as it delves into new digital frontiers, leveraging data centers and submarine cables to explore cutting-edge opportunities, including NIP and Mega.

C&W will continue to be a catalyst of progress for stc, steering digital transformation and securing its place at the forefront of the technological landscape for years to come.

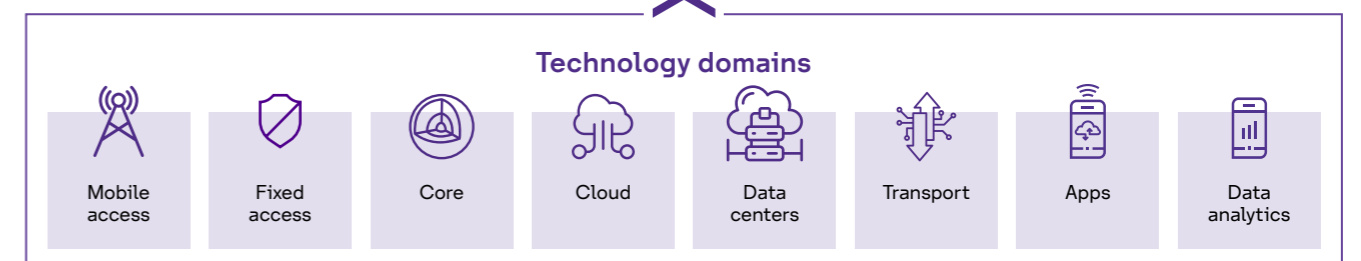
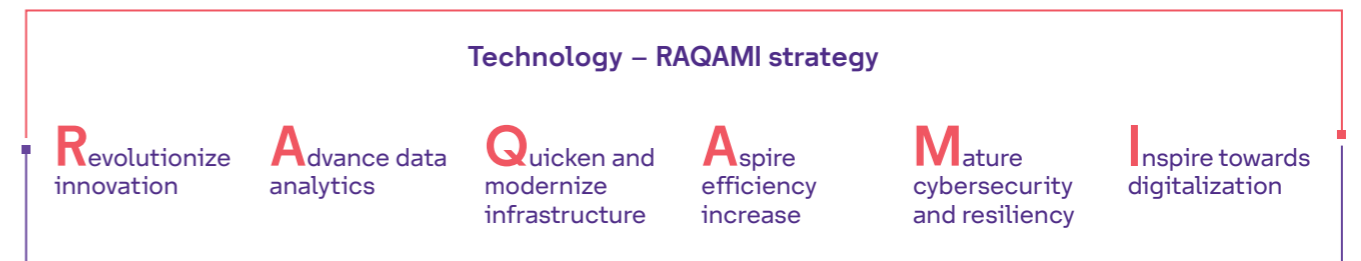
Supporting Units

Technology Unit

The Technology Unit is a vital component of stc, responsible for managing and leveraging technology to support and enhance various business functions. The Unit plays a pivotal role in driving innovation, improving operational efficiency and ensuring competitiveness.

Strategic focus and alignment with DARE 2.0 strategy

The Technology Unit's RAQAMI strategy includes revolutionizing innovation, advancing data analytics, quickening and modernizing infrastructure, aspiring efficiency increase, maturing cybersecurity, and inspiring towards digitalization. These are critical technology imperatives that ensure technology enablement across the full gamut of the DARE 2.0 corporate strategy.

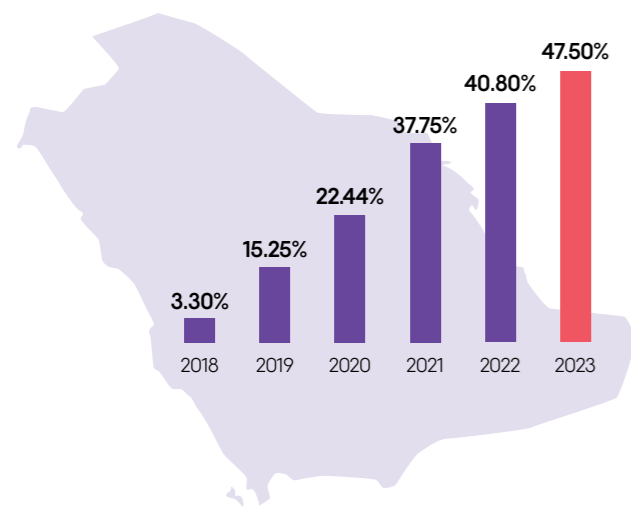


Supporting Units continued

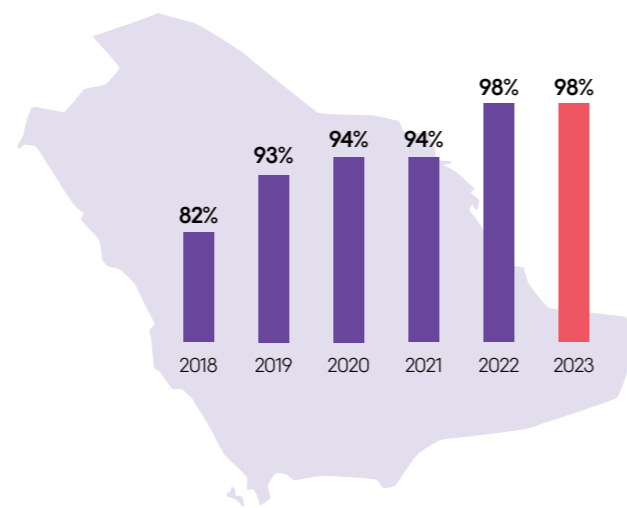
Infrastructure

In 2023, stc remained focused on accelerating infrastructure modernization and simplification in a fast-changing environment from a market and addressing emerging technology trends. The major achievements during the year enabled it to improve the customer experience, reaching 47.5% 5G coverage across the Kingdom and 98% for 4G coverage.

5G Coverage (KSA)



4G Coverage (KSA)



Moreover, it implemented 203,865 households for consumer business through Last Mile and Fiber to the home (FTTH) projects.

Other key achievements of the year 2023 included:

3G upgraded to L900 for **+8.9k sites.**

Exceeded transition target of **55%** for copper consumer customers to fiber.

Completion of IAM and PRA integrations for Jawwy applications, resolving **9.4k** vulnerabilities.

Achieved **100% data ownership** for all stc domains/sub-domains.

8,470 5G sites integrated with **7,517 5G** fiber sites as at the end of 2023.

3,499 additional second-layer 5G sites integration (N40) in 2023 to reach **4,452 sites.**

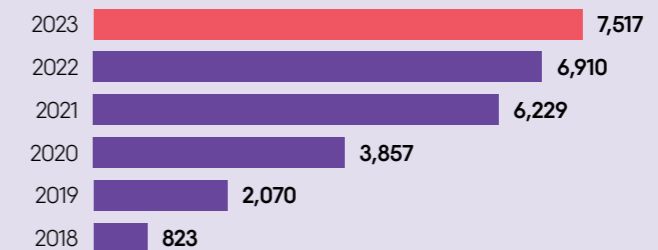
65% increase in network cloudification compared to the previous year.

Successfully recovered **1,893.8 m²** of floor space by removing legacy retired nodes (**2,686 legacy nodes dismantled**) and achieved a significant power savings of **28.30 GW/Y.**



203,865
Number of FTTH households

Number of 5G integrated sites connected by fiber



Successful integration with Saudi mega projects:

22 new radio access sites and **2** in-building solution sites for the Red Sea Project.

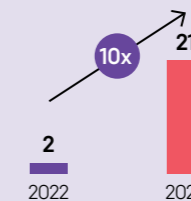
Reached **87** radio access sites for NEOM.

34 new radio access sites integrated for MODON project.

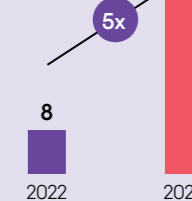
Growth in mega projects demand:

New customer engagements have increased 10 times, reaching **21** enterprise customers, and the number of issued technical proposals has quintupled, totaling **40** proposals compared to last year.

Number of customer engagement



Number of technical assessments



Successfully deployed **7,028** households for enterprise business units (EBU) in commercial streets and related projects and completed **469** EBU and WBU key account sites P2P connectivity demands.

Telco Cloud excelled with **13.5 million** commercial control plane subscribers, surpassing the annual target by **12.5%**.

The commercial user plans for Telco Cloud achieved **1,909 G**, exceeding the annual target by **5.6%**, showcasing robust network capabilities.

Enhanced **OKLAA** and **5G** throughput by deploying **400** sites and adding **100 MHz** on the **3900 MHz** to **4000 MHz** spectrum range in Al Dammam, Al Dharan and Al Khobar, improving network performance and capacity.

Updated deep packet inspections (DPI) for fixed and mobile infrastructure, securing **30** legacy Switches (SW).

Enhanced data core throughput with **205 GBps** and **1 TBps** by end of 2023.

Enabled IOT URL barring capability for **400,000** customers.

Supporting Units continued

Completed planned **600 GBps** capacity expansion for FBB core network.

Transport capacity reached **14.8 TBps** for fixed and mobile infrastructure by adding **1.0 TBps** in 2023.

Increase the IMS VoLTE (voice over LTE) license capacity by adding **2 million** users in 2023.

9 additional EoS IT MPLS (multiprotocol label switching) core fixed and mobile infra and distribution sites were modernized in 2023 and **28** EoS transport line cards replaced.

80 EoS transport nodes replaced and dismantled.

Completed the **anti-spoofing** integration and fix network implementation (FNI) for UAE operator.

Successfully installed and integrated **1,275** multi-dwelling units (MDU) as FTTM projects.

Enhanced roaming firewall (GP FW) capacity, elevating it from **40G** to **100G**, to support increased demand and ensure robust network performance.

B2B customers broadband leader:

Successfully improved infrastructure capacity for diverse business needs, establishing stc as a leading B2B broadband market maker. Tailored services for B2B customers and demonstrated 5G as the future technology for industry demand.

Operations and technology performance

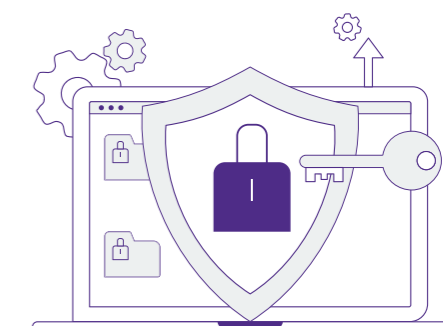
stc's objective is to develop and improve technical operations capabilities by focusing on performance results, operational processes calibration, resources skillset enhancement through trainings, processes reengineering digitization and automation, network risk mitigation, enhancement of network resilience and reliability, and business continuity to reach high efficiency and contain disasters that might threaten stc's services towards the market. All these resulted in huge performance improvements in 2023, including:

- **Disaster recovery (DR)** capabilities built for additional 15 solutions completed under DR 2.0 program in 2023.
- **OOKLA speed enhancement:** The Company achieved remarkable OOKLA throughput milestones, including a 17% Kingdom-level speed boost, 8% latency improvement in Riyadh, and elevating OOKLA global ranking by 5-fold, from 17 to 12.
- **Technology's quality assurance:** Successfully elevated infrastructure's technology Quality Index with an impressive 92% in FTTx quality.

- **Passive optical network:** Enhanced PON network efficiency by replacing over 30% of EoS optical line terminal (OLT) (+150) and more than 40% of EoS cards (+1,700), achieving annual savings of SAR 1,578,420 in O&M expenses as well as power costs.
- **CST dual authentication regulation:** Aligned with CST mandate, implemented dual authentication in digital public stores, verifying customer data for enhanced security and compliance.
- **eEPCs expansion:** stc completed the virtual evolved packet core (eEPCs) expansion project by seamlessly integrating and thoroughly testing cloud CUPS vEPCs, along with associated domains and systems, significantly enhanced network capabilities, ensuring superior performance and efficiency.
- **Regional pioneer for autonomous networks:** stc's Telco Cloud shaped KEI standard, published AI-driven network manifesto.
- **Customer survey enhancement:** Developed a new web tool to monitor AI/ML-generated data regarding customer satisfaction surveys, offering a faster and more efficient way to analyze customer satisfaction surveys and enabling stc to follow up with feedback.
- **OpEx savings:** Achieving significant OpEx savings by applying additional operational efficiency initiatives, unified NOC and field projects and optimize and standardize managed services contracts.

stc technology knowledge-sharing initiatives:

- **White papers:** Developed and published several white papers with key subjects of metaverse introduction and global trends; role of AI in mobile networks; 5G private mobile networks; and 6G wireless technology.
- **Smart Talks 2023:** Conducted 16 talk sessions with speakers from stc leading organizations. Combined audience of 10,147 attendees with material available for learning through LinkedIn and YouTube.



Supporting Units continued

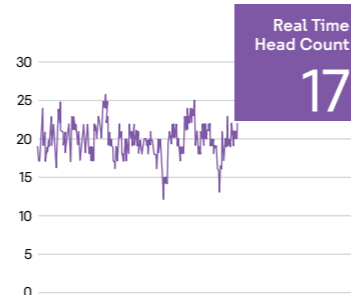
Digital transformation and analytics

stc continued to improve and develop capabilities and digital solutions to support business and enable new ways of work inspired by digital transformation, through:

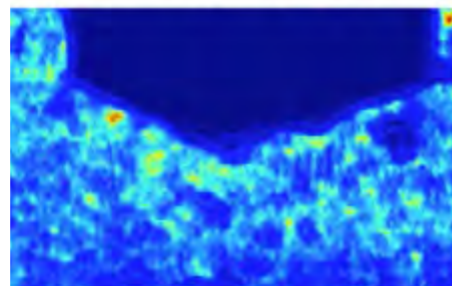
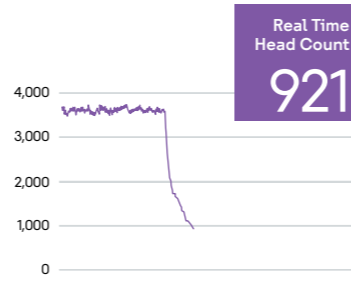
Hajj and Umrah 1444 - Advanced AI algorithm introduced at Hajj 1444 for autonomous pilgrimage traffic monitoring, provided head counting, density analysis and capacity management.

Data protection enhancement: Accomplished assessment of 163 systems containing sensitive data, enhanced rules and enforced robust security measures to protect data.

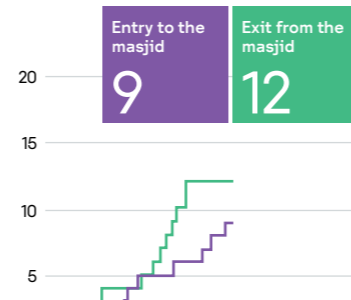
Head Counting



Head Counting via Density



Capacity Management



Overall, **107** data stores were scanned.

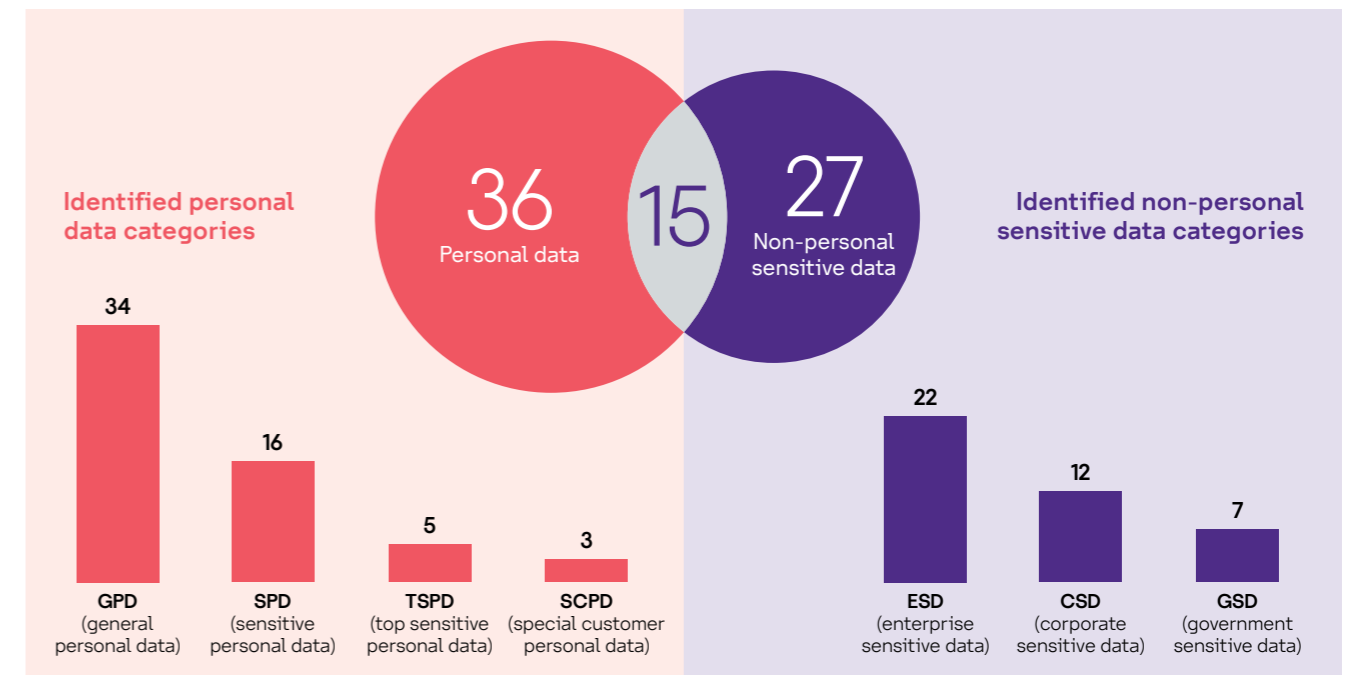
163
Systems assessed

36
Systems store personal data

27
Systems store NPSD

15
Systems both personal data and NPSD

Systems identified with sensitive data categories



107
Data stores scanned

115
Customized rules defined

+19m
Data elements assessed

+400k
Data elements classified

DRIVERS

Business and functional units

Regulations and laws

Due diligence assessments

GDPR gap assessment

Legacy data scan

Personal data acknowledgment

DATA SYSTEMS

EDW

CRM Tawasol

Rating and billing

WFMS

HADOOP

Order management

Supporting Units continued

Digitizing certification process: Launched a new website to receive testing requests from +20 manufacturers, improving certification management online, enhancing tracking, SLA management, visibility through dashboards, with future plans for OEM certification charges.

GenAI applications: Implemented in stc, aiming to empower diverse stakeholders and enable stc to become an AI-driven and innovative organization. Some applications developed include the following:

- InspireU generative analysis.
- AI-enabled location intelligence.
- AI-powered speech recognition model
- SMART KPI engine.
- AI cyber news.

DC05 revamp: Achieved a major milestone by transforming Data Centre-5, seamlessly aligning with stc's strategy. This accomplishment includes reducing automated configuration time from 10 to 3 days and increasing network bandwidth from 60G to 160G.

Digitize budget to procure processing time in HUB: Implemented the monitoring platform in HUB, digitizing the Technology Unit's internal approval processes to reduce budget-to-award processing time, reducing SLA by 30%.

Tech fin BI tool and dashboard: Developed an executive business intelligence cockpit, offering real-time interactivity for tracking the lifecycle of tech projects and enhancing financial performance monitoring.

Expanded SD-WAN capabilities: End-to-end serial output with application, including Multiprotocol Label Switching extension (MPLS) and upgrade/downgrade underlay process (QoS) for NSG.

mystc app: Successfully enhanced mystc app, achieving seamless integration of Enterprise Business Unit (EBU) customer numbers. Empowered EBU customers with comprehensive number management, payment features, device purchases and dedicated widget.

mystc was also enhanced with live activity notification, firewall enhancement, TAMARA payment type and eWallet management. In addition, Mystc performance has been enhanced through app size optimization (30% less).

IP portfolio: Driving innovation nationally by strategically expanding our IP portfolio with 5 additional IP submissions on AI to strengthen stc's competitive edge and ensure continued prominence in analytics and AI. Showcased stc's cutting-edge internal AI capabilities at different events like LEAP23, MWC, Seamless, Digital Health Conference and Global Health.

GSMA participation: Continuing stc's presence at global stages, stc participated with selected leading telco operators through GSMA in developing and publishing AI Ethics Playbook. Also presented insight on large language models (LLM) at GSMA Annual AI Industry Forum workshop in London 2023, covering assessment and analysis of open-source and closed-source LLMs, constructed robust verification LLM framework, and highlighted methodologies used in evaluating the code generated by LLMs.

NDMO controls: Completed NDMO controls implementation by proactively and agilely assessing data governance compliance against NDMO data regulations.

Innovative analytical solutions: Developed and implemented a state-of-the-art deal desk and unified P&L analytical tool. This tool has significantly enhanced operational efficiency and bolstered our decision-making capabilities, particularly in application deployment and usage.

Technology Customer Experience Index (TCEI): Launched the TCEI to gain deeper insight into customer issues and pain points. This strategic move enables us to tailor our products and services portfolio more effectively, addressing customer needs comprehensively.

Democratization of analytics: Empowered business users by providing self-service insight and analytics, enhancing real-time capabilities. This initiative elevates the Semantic Modelling Building Block (SMBB) model, enriches customer experience and enables critical campaigns focused on customer retention and mobility.

Application efficiency

Efforts to reduce customization costs in the digital, cloud-native, modular and open BSS environment have led to a 28% decrease in time-to-market (now at 4.63 weeks), a 45% increase in throughput, and a cost growth under 3%.

Commercial value: Navigating compliance challenges, with a focus on upselling to SOHO customers, tax management, online charging, and B2C digital services has improved user experience as well as reduced enterprise risk through spam handling and launch of Nafath App 2.0.

Enterprise value: Accelerating automation for key processes and leveraging IoT platform potential with connected cars positions stc competitively, with an expected market reach of 53,000 new cars by 2026.

AI finance "20 Use Case": The implementation has significantly impacted the finance domain, improving fraud detection accuracy by 62% and streamlining processes by reducing memoranda of understanding from +500 to 16. AI-powered tools have achieved an impressive 85% accuracy in collection management, supporting audit and compliance efforts.

Outsource management app (OMA): the introduction of OMA proactively monitors over 24,000 contractors, ensures compliance, optimizes resource allocation and provides real-time visibility into the outsourced workforce.

Employee Experience Index (EEI): Launching EEI reflects stc's commitment to employee satisfaction. Through surveys and advanced analytics dashboards, EEI captures employee experiences, allowing informed decision-making and fostering a positive work environment.

Reengineering and standardizing shared services: Implementing Intelligent Process Automation SS-Framework and an e-service engagement portal led to a remarkable 72% enhancement in shared services efficiency, a 92% customer satisfaction score, and an 85% SLA compliance rate.

Decision Right Framework (DRF): The DRF app, covering 10 subsidiaries and 49 decision topics, ensures efficient decision-making processes within a 5-day SLA. This structured approach empowers stc to improve collaboration and enhance customer satisfaction.

Contract lifecycle management (CLM): Implementing CLM streamlines and automates various stages of stc contract lifecycles, enhancing efficiency, ensuring compliance with contractual obligations, mitigating risks and reducing administrative burdens.



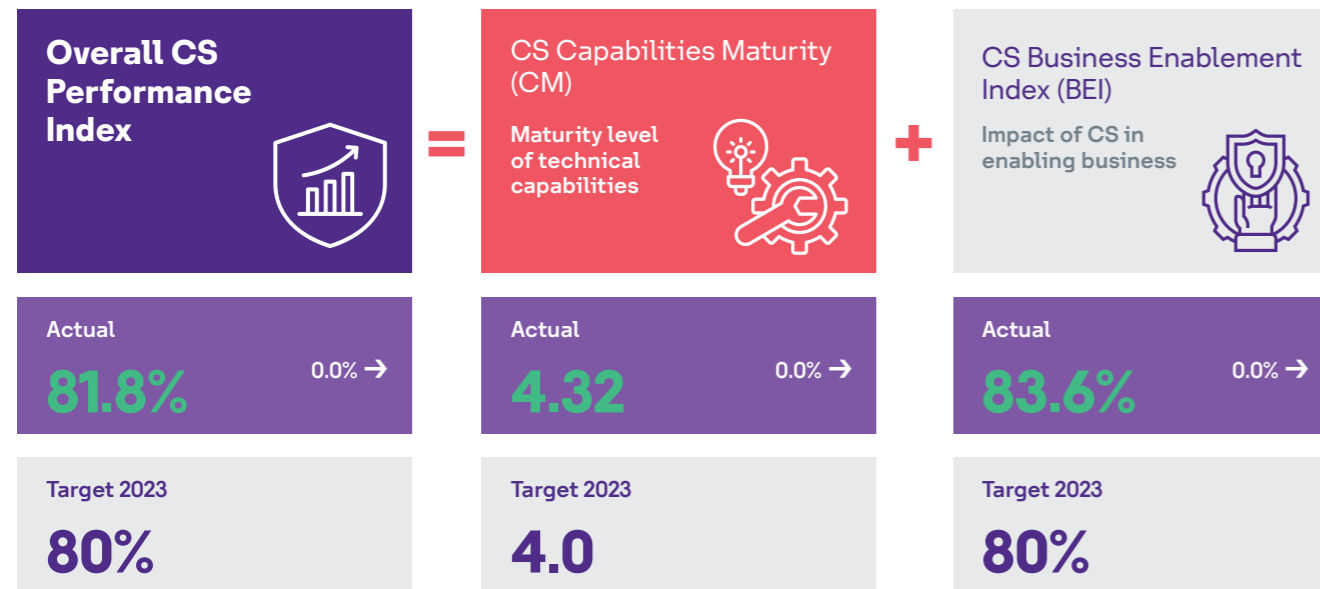
Supporting Units continued

Cybersecurity

stc has embarked on various initiatives and implemented innovative solutions to protect its customers' data, and elevated the maturity level of cybersecurity towards all stc infrastructure and services, through:

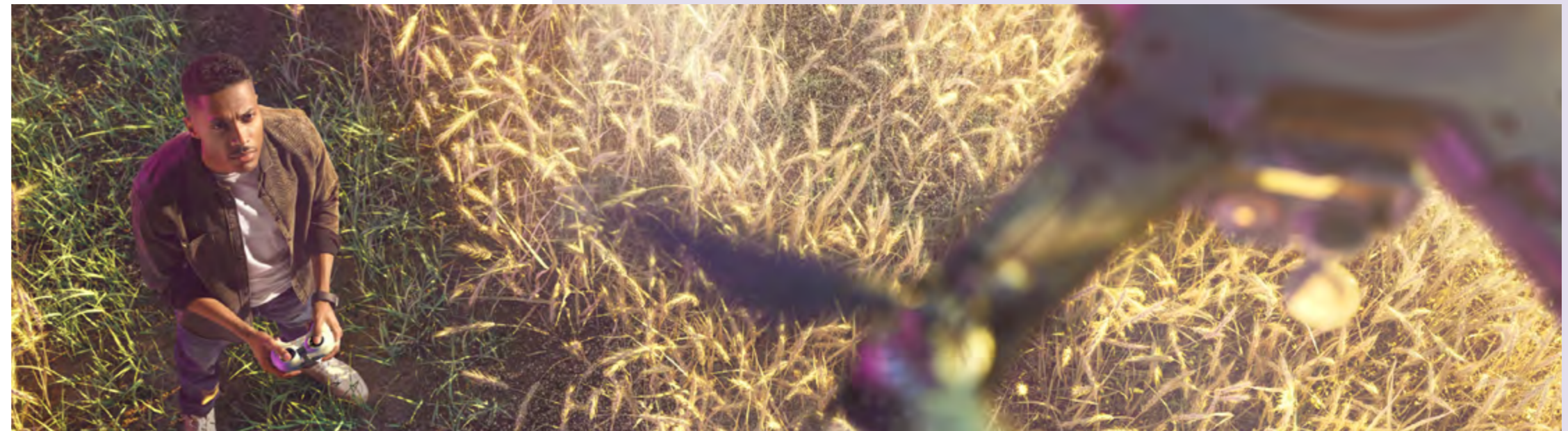
Cybersecurity (CS) index: Attained an overall CS index of 81.80% (end-of-year target – 80%) and reached a significant capability maturity level of 4.32 (end-of-year target – 4.0) surpassing the global telecom average of 3 and the Business Enablement Index (BEI), which demonstrates the impact of cybersecurity capabilities on enabling stc business, has reached 83.60% (end-of-year target – 80%).

Cybersecurity maturity



User access review: Strengthened systems access authorization by conducting a user access review for 60k accounts, ensuring authorization assurance and revoking 5.1k unnecessary accounts through continuous review on stc systems.

1444 Hajj and Umrah operational security: Secured virtual 4G core expansion for Hajj and Umrah, blocking 91.5 billion cyber attacks, handling 6,485 cyber cases and doubled firewall capacity for upgraded roaming service during Hajj 2023.



CS regulatory compliance: stc achieved an unprecedented 99.08% NCA-ECC compliance, being the leading Critical National Infrastructure (CNI) in Saudi Arabia. Based on the NCA-National Cybersecurity Authority assessment report, we achieved:

Enforcement of privileged remote access: Completed 100% of this year's target to secure remote access for more than 7.1k of critical Crown Jewel assets and 1.7k users.

100%
Complaint score for Telework Translational Cross-Connect (TCC).

97.3%
Regulatory compliance score for Cloud Control Circuit Cross connect (CCC) Security.

Telework Cybersecurity Controls (TCC)

100%



Cloud Cybersecurity Controls (CCC)

97.3%



Essential Cybersecurity Controls (ECC)



Supporting Units continued

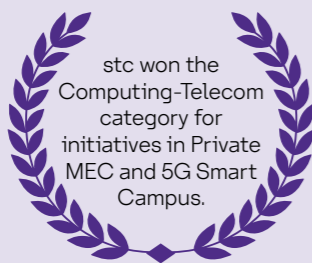
Awards and recognitions

stc's commitment to contributing to the goals of Vision 2030, its customers and the Kingdom's citizens is clear and firm. stc's Technological strategy is designed to enhance effectiveness and efficiency while ensuring the sustainability of stc's technology leadership, and smartly over-delivering on its promise to its customers and shareholders' expectations, which can be witnessed through the following recognitions and achievements:



stc won the Telco Cloud Automation Initiative of the Year award at Glotel2023 in London.

Glotel Award 2023



stc won the Computing-Telecom category for initiatives in Private MEC and 5G Smart Campus.

The Middle East Tech Excellence Award 2023



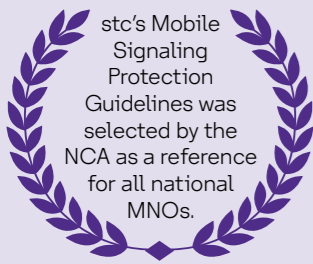
stc was benchmarked and ranked among the top leading operators for successful telco cloud deployment.

Telco Cloud Benchmark by 3rd party



stc won the Telco Cloud Award at the 8th 5G Core Summit in Turkey, recognizing excellence in telecom cloud technology.

8th 5G Core Summit Telco Award



stc's Mobile Signaling Protection Guidelines was selected by the NCA as a reference for all national MNOs.

Signaling Guidelines Recognition



stc secured awards for 3 innovation projects across software, e-commerce and basic sectors.

MEA Business Award



stc won the 20th Annual IBAs for innovation categories - Partner Invoice Management Automation and stc WBU Portal.

Stevie® Awards



stc earned Information Technology Governance of IT for app sector.

ISO 38500 Certification



stc successfully conducted ISO annual surveillance audit-app sector maintaining the certifications.

ISO 22301(BSM) and ISO 20000(ITSMS)



stc successfully passed ISO certificate renewal audits to maintain quality compliance certification for the Technology Unit.

ISO 9001 Certification



stc won the National Business Award for 2023.

The Middle East Tech Excellence Award 2023



stc's Corporate Analytics Enablement won the esteemed award.

Embrace Digital Analytics Award

Future expectations and plans

5G expansion: stc will continue to lead on 5G coverage and speed nationally and aims to keep its market leadership position, in line with Vision 2030.

- Continue network cloudification and enhance automation to achieve efficiencies through agility.
- Continue deployment of 5G sites targeting more cities to increase 5G footprint using N78 band.
- Deployment of 5G in N40/N77 band to enhance speed and capacity in main cities.
- Deployment of 5G in N28 band to cover indoor coverage and services.
- Deployment of 5G (small cells) using mmWave for hotspot locations based on the availability of band after spectrum auction.
- Deploy 5G private networks using existing C-Band.



Supporting Units continued

Human Resources

In 2023, stc's Human Resources (HR) Unit continued to support the well-being, engagement and productivity of stc's workforce, who are the foundation of the continued success and innovation of stc. This year saw significant achievements across several key areas through the successful execution of the stc's HR excellence strategy, which is integral in establishing a harmonious balance that effectively addressed the needs of 3 key stakeholder groups: shareholders, business leaders and employees. By effectively maintaining this balance, stc is able to remain innovative and agile, in order to navigate the rapidly evolving landscape and capture opportunities for continued growth and value creation.

To provide the right focus, capabilities and capacity for the business, stc's HR Unit undertook a thorough review of its strategic direction during 2023, aligning it closely with the stc's overall strategy. The resulting Design, Drive, Deliver HR framework has been translated into an operating model and cascaded to stc's various departments for implementation. This realignment was pivotal in ensuring maximum effectiveness and efficiency at both the organizational and individual levels, thereby reinforcing stc's commitment to strategic congruence.

Simultaneously, stc's HR focused on fostering and spreading the desired organizational culture and values throughout all units of stc. This initiative was key to enhancing the experiences of the stakeholders mentioned above. A critical component of this endeavor was the modernization of the HR function itself. By adopting the latest digital tools and methodologies, the HR department was able to more effectively spread stc's culture and values, ensuring a more integrated and cohesive workforce.

These strategic moves by stc's HR Unit underscored its role in going beyond just the stc's managing human capital to act as a driving force for the organization's broader strategic objectives, maintaining a fine balance between stakeholder needs and the dynamic demands of the business environment.

Another important area of focus is the improvement of the early retirement program. This program aims to offer eligible employees a choice and an attractive route to retire early. The objective is to guarantee the contentment of these employees while generating openings for new talent to join the organization. This approach involves striking a delicate balance between recognizing the valuable contributions of long-serving employees and introducing new talents into the workforce.

stc also launched medical insurance for parents, an initiative aimed at enhancing the satisfaction and loyalty of Group members. Recognizing that employee well-being extends beyond the workplace, this benefit will positively impact overall job satisfaction and employee retention. By supporting the health and well-being of employees' families, stc demonstrates a deep understanding of the factors that contribute to a loyal and committed workforce.

2023 by the Numbers

597

Employees hired

106

Fresh graduates hired

+90%

Saudization rate for stc KSA and its local subsidiaries

343

COOP trainees

1,162

Female employees

70

People with disabilities employees

748

Early retirement program beneficiaries

1,335

Social Welfare Loan employee beneficiaries

113

Social Welfare Grant employee beneficiaries



Supporting Units continued

Workforce profile

stc Group overall

| | Direct | Contractor |
|--------------|---------------|--------------|
| Male | 16,979 | 2,568 |
| Female | 2,811 | 393 |
| Total | 19,790 | 2,961 |

stc KSA

| Workforce profile | 2023 |
|---|--------|
| Total number of employees (excluding trainees, students and outsourced staff) | 12,643 |
| By type of employment | |
| Total full-time equivalent (FTE) employees | 12,643 |
| Employees on an indefinite or permanent contract | 10,857 |
| Employees on an indefinite or permanent contract | 86% |
| Employees on a fixed term or temporary contract | 1,786 |
| Employees on a fixed term or temporary contract | 14% |
| By age for permanent contract | |
| Workforce by age less than 30 | 1,758 |
| Workforce by age 31-50 | 8,025 |
| Workforce by age more than 51 | 1,074 |
| By gender for permanent contract | |
| Women | 1,162 |
| Men | 9,695 |

Human Resources strategy

Human Resources vision

To be recognized as an HR model of excellence in the MENA region through agile, digital and innovative experiences by 2026.

stc's Human Resources strategy operates on 3 distinct yet interconnected levels, seamlessly aligning with the Unit's vision and contributing to the accomplishment of the Group's strategic goals.

At the Group view level, the focus is on the strategic program for HR efficiency within stc. This aspect is crucial for increasing shareholder returns, primarily achieved through a detailed analysis of HR costs. The approach here is multi-faceted, involving short, medium, and long-term plans to ensure comprehensive coverage of all temporal aspects of the strategy. Additionally, this level encompasses the Human Resources Transformation program, which aims to refine and develop the core practices of human resources. The ultimate goal is to enhance the efficiency of stc's employees, making certain of both sustainability and effectiveness in their roles and contributions.

Moving to the unit level, the strategy becomes more granular, involving the implementation of several goals through 20 strategic initiatives. These initiatives are distributed across 4 main pillars: talent flexibility, organizational effectiveness, group culture, and human resources practices efficiency. Each pillar addresses a specific aspect of human resources, creating a well-rounded and holistic approach to managing and developing stc's workforce.

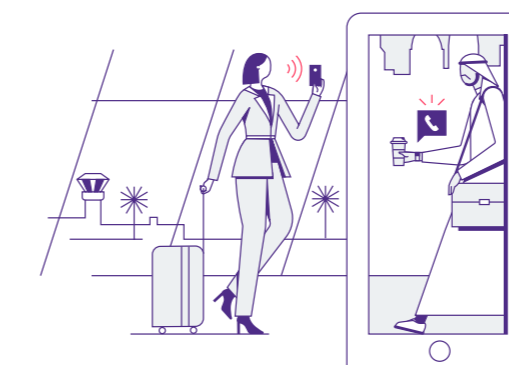
Lastly, the sectorial level takes a more specialized approach, focusing on sector-specific strategies. This involves stc Academy and business partners, and making sure these strategies are perfectly aligned with the overarching HR Unit's strategy of the Group. This level confirms that the unique needs and dynamics of different sectors within stc are adequately addressed, providing tailored HR solutions that support the specific challenges and opportunities in each sector.

Measuring strategic progress

In 2023, stc implemented a comprehensive approach to measure and report the success of its HR activities. This approach employed a combination of strategic key performance indicators (KPI), the stc Group People Index, and monitoring the progress of the HR Transformation program. These tools were instrumental in providing valuable insight into the effectiveness of HR initiatives and tracking performance against established goals.

The results from these metrics in 2023 showcased stc's strong commitment to achieving positive outcomes and continuous improvement in its HR practices. Key achievements included:

- stc achieved a **100% rate in the stc Group People Index**, which comprises various secondary indicators such as stc Group Attrition and Diversity and Inclusion. This perfect score indicated a complete alignment with the set goals, reflecting the effectiveness of stc's strategies in these areas.
- The Group's Talent Incubation program successfully **hired 106 new fresh graduates**. This initiative is a clear indication of stc's commitment to nurturing new talent and investing in the future workforce.
- Over **250,000 learning hours** were provided through the stc Academy's professional and leaders school. This substantial investment in learning and development underscores stc's dedication to continuous employee development and skill enhancement.
- More than **90 employees enrolled in scholarship programs** through elite Saudi universities such as MBSC (Mohammed Bin Salman College) and King Fahd University of Petroleum and Minerals. These programs reflect stc's commitment to higher education and the professional growth of its employees.



Overall, these accomplishments in 2023 display stc's focused efforts and strategic approach in the realm of human resources, highlighting the Company's dedication to workforce development, diversity and organizational excellence.

Putting stc's values into action

stc's values are at the heart of its vibrant corporate culture and business success. In 2023, stc actively promoted and implemented its values with the aim of developing performance efficiency through speed, agility and strong governance.

Values Adoption Competition: Designed to recognize and celebrate employees who exemplify stc's values in their work. For this initiative, employees were nominated by their Chiefs, who provided tailored descriptions of how these individuals embodied the Group's values in their specific work areas. A jury then evaluated these nominations to identify the most distinguished models of value adoption.

Leadership Models Reinforcement Initiative: Focused on cultural engagement, this initiative involved group leaders participating in a variety of activities. These included open meetings with employees, visits to different stc companies and branches across various regions, and an open day event. The initiative aimed to foster a strategic culture aligned with stc's desired organizational values and ethos.

Employee Awareness Measurement of Values through the Employee Experience Index: stc integrated its core values into the Employee Experience Index. This tool was used to track and measure employees' awareness and adoption of these values. Insight gained from this index was then used to develop plans for ongoing improvement in value awareness among employees.

These initiatives reflect stc's commitment to embedding its values into the fabric of its corporate culture, ensuring that these principles guide employee behavior and contribute to the organization's overall strategic objectives.

Supporting Units continued

Achievements in 2023

Across all 3 pillars of stc’s Design, Drive, Deliver HR framework, significant progress and achievements were made during 2023 to support the overall strategic progress and priorities of the Group.

Design

HR Strategy Planning and Culture

In 2023, the general department of HR Strategy Planning and Culture at stc played a pivotal role in bringing the HR Unit’s ambitious vision to life. This department’s responsibilities are centered on empowering HR sectors and departments, enabling them to make effective decisions, automate processes, execute and monitor projects, and improve the experiences of stakeholders.



Strategy management from vision to execution

The department’s approach to strategy HR management encompassed several key areas: strategy planning and performance, financial management of the unit, project management office, change management, and risk and compliance. Noteworthy achievements included updating the HR strategy to align with stc Group priorities at 3 different levels: stc Group, HR Unit, and HR sectors. They successfully implemented and monitored a cross-charging project between stc subsidiaries, leading to a significant 22% cost reduction. The department also increased the monitoring of HR project performance through a project management dashboard and the activation of projects review meetings, and launched the Enterprise Change Management (ECM) concept.



Automation and decision support

The department focused on leveraging technology to boost operational efficiency, divided into 2 departments: HR Technology and HR Analytics. The team achieved remarkable successes, such as the development of a talent heat map for categorizing employees for decision-making, an employee burnout index to predict burnout levels based on work patterns, and conducting an organizational culture study based on employee engagement survey analysis. These efforts contributed to improving the performance management culture at stc. Furthermore, stc distinguished itself as one of the few global companies to achieve ISO 30414 certification for human capital, underscoring the quality of its efforts in HR analytics. HR systems were also unified across the Group.



Enhancing stakeholders’ experience and corporate culture

Another focal area involved caring for the stakeholder service level to create a distinctive experience throughout their journey, via continuous critique and evaluation of HR products and services using design-thinking methodology, and managing corporate culture by reinforcing desired values from accurate measurement to implementing corrective actions.

Overall, these initiatives and achievements highlight stc’s commitment to transforming its HR operations, emphasizing strategic planning, technological integration and a deep focus on stakeholder experiences and corporate culture.

Employee Experience Index

In early 2023, stc officially launched the Employee Experience Index (EEI) at the Group level, marking a significant stride in understanding and enhancing employee experiences within the organization. The EEI is a comprehensive framework specifically designed to gauge and analyze employee feedback across the company. It incorporates 2 main components: a perception survey and a series of touchpoint surveys.

The perception survey within the EEI focuses on 3 core areas: work purpose and enablement, work dynamic and culture, and stc’s brand and vision. This survey aims to capture a broad understanding of employee attitudes and feelings towards these crucial aspects of their work life.

In addition to the perception survey, the EEI utilizes touchpoint surveys, often referred to as pulse surveys. These are conducted at critical stages of an employee’s journey with the Group, including moments like onboarding, post-training sessions, performance evaluations and off-boarding. The purpose of these surveys is to capture real-time feedback from employees, providing insight into their experiences and levels of satisfaction at key moments.

The information gathered from these surveys is invaluable. It offers a deep dive into how employees perceive and experience their work environment, allowing stc to make informed decisions aimed at augmenting specific areas of the employee experience. This approach is designed to foster a more positive and engaging work environment.

The results from the EEI in 2023 have been particularly telling. For instance, the participation rate in the latest perception survey reached an impressive 90% for stc KSA and 88% for other Group companies, which is a significant increase compared to similar surveys in previous years. This high level of participation reflects the employees’ trust in the organization and their commitment to improving their work experience.

Furthermore, the EEI has been instrumental in empowering leaders and HR business partners. By providing access to the EEI platform – which includes an interactive dashboard with visualized and actionable insight – the initiative has equipped over 500 leaders and HR professionals with the tools they need to understand and act on employee feedback effectively.

The operation of the EEI involves an effective and ongoing action planning model. This model is governed by the Employee Experience and Culture teams and operated collaboratively by HR business partners and leaders. This united approach ensures insight gathered from the EEI are acted upon and that targeted action plans are developed to continuously improve the employee experience at stc.

Women empowerment

In 2023, stc has made significant strides in empowering women within the organization. A major focus has been placed on increasing women’s representation, especially in recruitment processes. A notable achievement in this area has been the substantial representation of women in the Talent Incubation program (TIP), where they constituted approximately 64% of the total hiring.

Moreover, stc has actively established and implemented various initiatives and programs aimed at nurturing and preparing women for future leadership roles. One such initiative is the High Potential program (HIPO), where women account for 18% of the total participants. This program is particularly significant as it targets high-potential women leaders, preparing them for advanced roles within the organization.

In addition to the HIPO program, stc introduced the Emerging Leaders program, initially designed specifically for women. The aim of this program is to empower women and prepare them for leadership positions within the Group, reinforcing the Company’s commitment to gender diversity in leadership roles.

There is a strong focus on making certain women in professional fields are included in training and development opportunities. This is achieved through various programs and training courses tailored to enhance their skills and knowledge.

Supporting Units continued

In terms of numbers, the year 2023 saw a total of 1,162 female employees, which represents a significant increase compared to the previous year. Women have also made notable advancements in leadership roles within stc. This includes filling one vice president position, an increase in general manager roles by 13% (totaling 15 GMs), 40 Director positions, and an 8% increase in section manager roles, (totaling 62).

These achievements indicate stc's dedication to promoting gender equality and women's empowerment within its workforce, highlighting a progressive and inclusive approach to talent management and leadership development.

Empowering people with disabilities

The engagement of employees with disabilities is a strategic objective of the HR Unit. We have worked on an initiative called the Disability Inspiration project, which addresses various aspects of the employee experience, such as training, development, benefits, compensation, recruitment and more.

Center of Excellence

In 2023, the Center of Excellence at stc took a strategic leap in its human resources initiatives, particularly focusing on improving employee experience and boosting organizational efficiency. This comprehensive approach not only enhanced internal operations, but also garnered several regional awards.

Improving employee experience

stc is committed to elevating and supporting all its employees to enrich their well-being and enhance Group productivity. A series of initiatives were launched in 2023 to improve employee experience, which included the completion of a succession plan for senior management across the Group, encompassing 14 units and 12 CEO positions. Additionally, stc introduced shadowing and consulting training programs in collaboration with partners for the Specialist Development program (SDP), which notably contributed to research publications.

The talent program, known as Job Attachment, achieved significant success in 2023, involving over 18 international and local companies and benefiting 75 employees. Further, the launch of a training program for career mentors and coaches, alongside a Career Guide program, provided substantial support to employees. This program, which benefited over 200 individuals, involved 142 mentors and coaches. The strategic partnership with a prestigious business school to operate the TIP and the support provided to government entities in delivering on-the-job training programs were key highlights.

Enhancing organizational efficiency

In terms of enhancing organizational efficiency, several critical steps were taken. A 3-year workforce right-sizing strategic plan was developed for the Group level and is set to commence in 2024. The design and launch of a unified performance management system across stc marked a significant advancement in standardizing performance assessments.

The rollout of a Group rewards framework and the unification of all subsidiaries' bylaws streamlined compensation and benefits across the organization. Additionally, the unification of core and leadership competencies across the Group and the design and launch of the organizational effectiveness heat map empowered leaders to make more informed decisions regarding employees and organizational structures.

Overall, these initiatives represent a concerted effort by stc to not only improve the work experience for its employees, but also drive efficiency and effectiveness across the organization.

Drive

In 2023, stc made significant strides in further developing its HR operations, particularly by evolving its HR business partners' operating model. This development was instrumental in offering elevated support across different sectors and aligning leadership capabilities with the needs of business units, effectively contributing to the Group's overall strategy. The Group's accomplishments spanned across various facets of talent development, retention, organization design and workforce solutions.

Talent development and retention

A notable achievement was the implementation of the Elite Sales program, aligned with the DARE 2.0 strategy. This initiative focused on developing digital capabilities and building cutting-edge methodologies through a comprehensive 12-month plan, executed in collaboration with Group subsidiaries. In tandem, stc launched a Data Analytics program in partnership with stc Academy, concentrating on retaining top talent and enhancing data-driven decision-making skills.

The Marketing program, developed in collaboration with the Center of Excellence, marked another significant accomplishment. This program aimed to boost business performance by deepening knowledge and expertise in various sectors, leveraging business intelligence and promoting behavioral excellence. Additionally, stc introduced employee experience improvement plans, designed in conjunction with the general management of HR Strategy Planning and Culture based on the results of the Employee Experience Index.

Further, stc implemented individual development plans addressing employees' developmental needs to increase performance. The restructuring of the operating model also led to the execution of updated succession plans, identifying necessary competencies and leadership capabilities.

Organization design and workforce solutions

On the organization design and workforce solutions front, stc activated its operating model by updating and facilitating appointments to executive positions and ensuring all specified roles were filled.

It also contributed to Vision 2030 programs, including the Diriyah Gate Company and the Red Sea Company, where stc played a pivotal role in recruiting top talents and appointing program leaders for these strategic partnerships.

Additionally, HR collaborated with internal clients on job engineering, developing job title protocols for each unit to attract suitable talent and guarantee functional consistency.

These achievements in 2023 reflect stc's commitment to continual improvement and excellence in HR practices, aligning with its overarching strategic goals and enhancing its operational efficiency.



Supporting Units continued

Deliver

stc Academy

In 2023, stc Academy, a pivotal center for learning and innovation within the Group, continued to significantly contribute to fostering a culture of innovative thinking and strategic progress within the Company. As a central hub for learning and innovation, the Academy's influence is evident through its various key initiatives.

Workforce skills development

The Academy's commitment to workforce skills development is closely aligned with stc's strategic goals. It plays a crucial role in equipping the workforce to effectively meet the challenges and opportunities of the digital era. This involves a keen focus on fostering innovation and developing skills, a task undertaken by 2 main schools within the Academy: the Leadership School and the Professionals School.

Leadership school

The Leadership School has been particularly active, implementing the Leadership Signature programs for over 400 leaders in the Group. It also executed the Leadership Climate Effectiveness program, aimed at vice presidents and CEOs, to bolster leadership capabilities and cultivate a stronger organizational culture. A notable achievement of the Leadership School was the implementation of internal and external scholarship programs, with the launch of the first batch marking a significant stride in leadership skills development. Over the year, the school provided more than 100,000 learning hours through upwards of 85 programs, all focused on dynamic leadership and professional development in line with the strategic directions of stc.

Professionals school

The Academy's Professionals School concentrated on identifying and addressing competency gaps within the workforce. This was achieved through a variety of specialized programs and courses designed to enhance employee skills and knowledge. The school placed a strong emphasis on professional certification governance, offering a range of certifications to enrich employee skill sets and promote a culture of continuous learning and development. With its diverse educational offerings, the school provided over 150,000 learning hours across more than 500 programs and activities, which included over 450 training courses and exceeding 60 workshops. This variety underscored the school's commitment to a rich and varied learning environment.

Business enablement

In addition to these educational initiatives, the business enablement section of stc Academy includes dynamic functions such as research and innovation, knowledge and digitization management, measurement, learning partnerships and facility management. This section has adeptly navigated challenges and facilitated knowledge sharing within the Group. It has done so through strategic partnerships with globally recognized universities and organizations, thereby enriching the learning resources with diverse and high-quality educational content.

Overall, stc Academy's efforts in 2023 emphasize its role as a pivotal entity within the Group, driving forward a culture of innovation and continuous improvement, and aligning its initiatives with the organization's broader strategic objectives.



stc Academy accreditations

In 2023, the stc Academy distinguished itself by obtaining multiple accreditations, demonstrating its dedication to upholding exceptional standards in quality and excellence in management:

- **EETEC:** Education and Training Evaluation Commission Full Accreditation.
- **TVTC:** Technical and Vocational Training Corporation.
- **ISO 41001:** Accreditation in Facility Management.
- **ISO 9001:** Quality Management Systems accreditation.
- **ISO 29993:** Learning Service Outside Formal Education.
- **ISO 40180:** Guidelines for Quality Assurance, Management and Improvement in IT-enhanced Learning.
- **ISO 10667:** Assessment Service Delivery – Procedures and Methods to assess people in work and organization settings.

Employee services

Throughout 2023, stc's HR Unit was focused on delivering essential HR services to its employees in a manner that is both efficient and effective. This commitment has been pivotal in ensuring business operations remain smooth and uninterrupted. A key aspect of this approach has been the continuous improvement in digitizing HR services, coupled with upgrades to employee well-being programs and a stringent compliance with all applicable laws and regulations.

In the realm of HR communications, the department has consistently played a vital role. It has been responsible for making certain clear, effective and supportive communications are circulated within stc, fostering an environment of transparency and support.

A significant HR focus in 2023 was on talent acquisition and employee onboarding. The team led various initiatives in talent acquisition, providing guidance to subsidiaries at the Group level. This included a major role in sponsoring one of the largest employment fairs in the Kingdom, which saw the participation of most of the Group's companies and involved prestigious universities such as King Fahd University of Petroleum and Minerals, Princess Noura University, Al-Faisal University and Prince Sultan University.

Additionally, the HR Unit made notable strides in developing the onboarding experience for new employees. This was achieved by involving both the business partner and the line manager in the onboarding process, a strategy focused on optimal performance acceleration for all new joiners. By engaging these key stakeholders, the HR department has been able to create a more integrated and effective onboarding journey, setting up new employees for success from the outset.

Supporting Units continued

Awards and recognitions

In recognition of the HR Unit's efforts to enhance employee experiences and improve the working environment, stc received over a dozen prestigious awards in the field of human resources. These awards recognize stc's commitment to uplifting the work environment, fostering a culture that encourages positive interaction, innovation in human resources, adherence to global best practices and development.

- SHRM's Regional Excellence Award in Talent Management and Development.
- CIPD's awards for Best HR Leadership Development Program and Best HR, L&D and OD Consultancy Award.
- Ministry of Human Resources and Social Development Award for the Best Training Program for Students and Graduates.
- Awards for Excellence in Diversity, Equity and Inclusion and Employer of Choice at the Annual HR Management Conference 2023 in Bahrain.
- Three awards at the Future Workplace Awards 2023 by Informa in Dubai: Best HR Analytics Strategy, Best Women Development and Leadership Program and Best Employee Engagement Strategy.
- Four awards at the GCC GOV HR Awards in its 11th edition in Abu Dhabi, UAE: Seamless Workplace Award, 2nd Runner up on the Best Leadership Development, 1st Runner up on the Most Distinctive Learning and Development, 1st Runner up on the HR Innovation.
- TM Forum's Outstanding Catalyst – Showcase Award for the Knowledge Management POC led by Huawei in collaboration with China Mobile, AIS, MTN, iMocha and Eastcom Software.

Human Resources in 2024

In 2024, stc is set to embark on a series of strategic initiatives aimed at organizational efficiency and fostering a positive and productive work environment. These initiatives reflect stc's commitment to continuous improvement and adaptability in a rapidly evolving business landscape.

A primary focus for the year is developing a comprehensive plan to determine the optimal workforce size for the Group over the next 3 years. This initiative is crucial for aligning human resource capacity with the strategic objectives and operational demands of stc. It involves a careful analysis of current and future business needs, making sure that the workforce is not only well sized, but also well equipped to meet the challenges and opportunities ahead.

Another significant focus is the refinement of the early retirement program. This program is designed to provide an optional and incentivizing pathway for eligible employees who wish to retire early. The goal is to ensure satisfaction among these employees while simultaneously creating opportunities for new talent to enter the organization. This strategy is a balancing act between honoring the contributions of long-serving employees and injecting fresh perspectives and skills into the workforce.

Lastly, the development of the desired culture aligns with a flexible performance culture. This is a strategic move to effectively contribute to stc's performance and the adoption of its values. Nurturing a culture that embraces flexibility, innovation and continuous learning will be instrumental in driving stc's growth and maintaining its competitive edge in the industry.

Overall, stc's focus for 2024 revolves around strategic workforce management, employee satisfaction, well-being and cultural development, all of which are essential for the long-term success and sustainability of the organization.



Supporting Units continued

Rawafed Program

stc's Rawafed program is a strategic initiative focused on enhancing and developing local content within the Kingdom's ICT sector. The program was launched as part of stc's commitment to contributing to the development of the local ICT sector, in line with Saudi Arabia's Vision 2030. In 2023, Rawafed continued to deliver on its mandate and boost local content through a range of impactful initiatives and activities.

Strategic focus

Rawafed plays a critical role in delivering stc's goals for local content and to reach its strategic targets through the following strategic pillars and operating model.

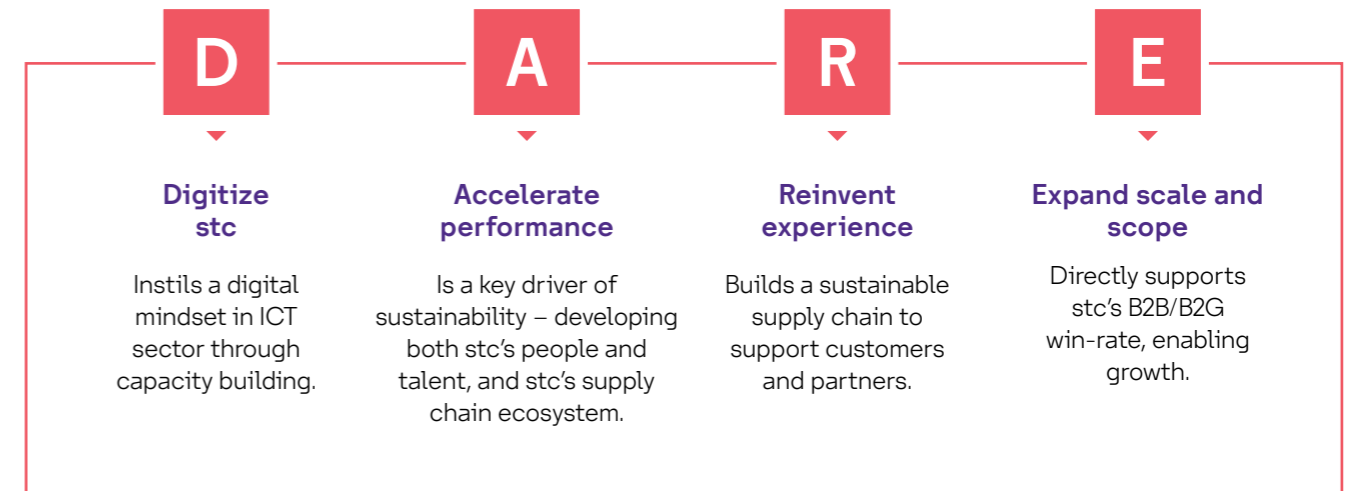
stc program for local content development

As an essential part of stc's DARE 2.0 strategy, the Rawafed Program was launched in 2018 as a comprehensive umbrella for leadership, development, and local content development at stc.

The program relies on basic pillars to enhance its leadership role in sustainable development of local content.



DARE 2.0 Rawafed's contribution

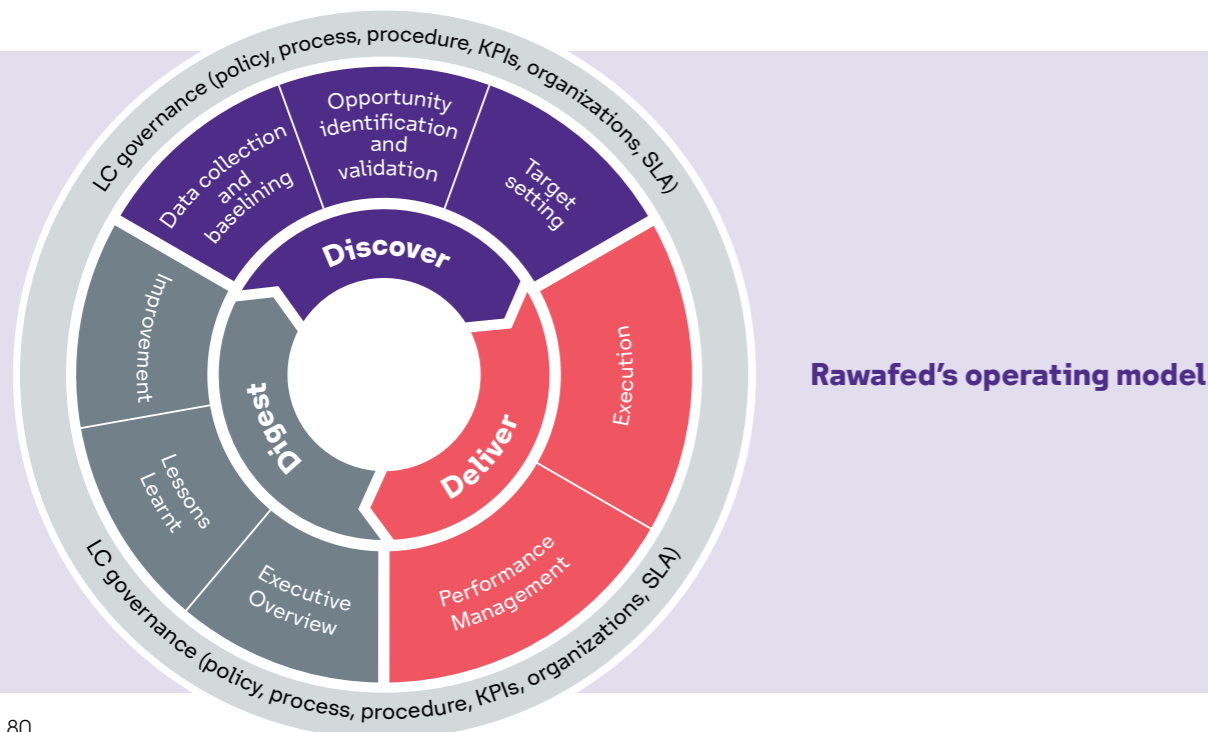


Supporting Vision 2030 goals

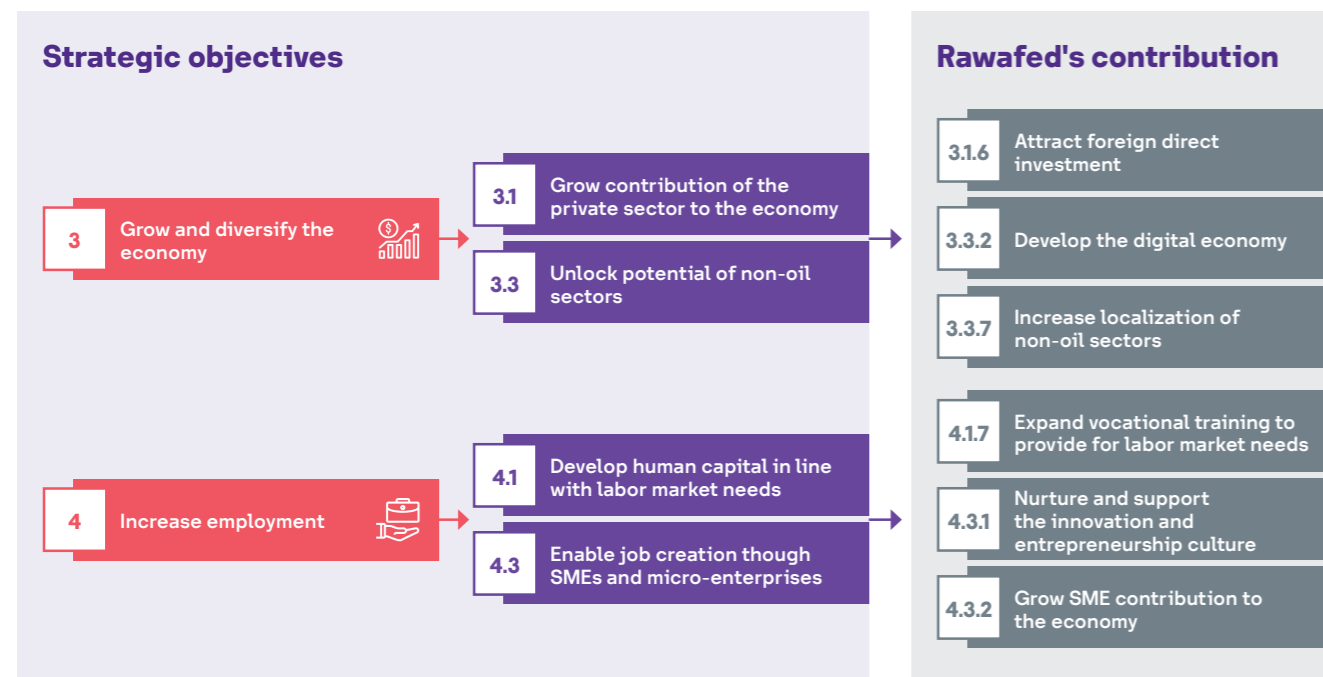
Saudi Vision 2030 is focused on cultivating a dynamic society and a robust economy by fostering an environment conducive to growth, generating employment opportunities for its citizens, nurturing talent, bolstering investments, and leveraging the nation's intrinsic strengths. Rawafed aligns with these objectives through its 4 foundational pillars. These

pillars are meticulously designed to bolster stc's efforts in building a resilient and sustainable economy.

By prioritizing small and medium enterprise development, localizing industry, advocating digitization and innovation, and enhancing workforce development, Rawafed contributes significantly to the realization of the Kingdom's ambitious economic and social goals of Vision 2030.



Supporting Units continued

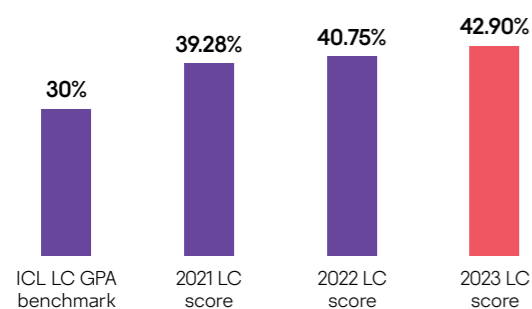


Increasing local content in 2023

As a leading player in the ICT industry committed to nurturing local content, stc has revised its internal policies and procedures to incorporate local content into its procurement processes throughout 2023. This strategic move has substantially boosted the local content's steady advancement and significantly contributed to the growth of the GDP within the ICT sector.

Consequently, stc has witnessed a notable increase in its local content score. The percentage of local content has risen by more than 10% since 2020 and has surpassed the benchmark for local content in the ICT sector by over 42%. This notable achievement aligns with the standards and mechanisms set forth by the Local Content and Government Procurement Authority (LCGPA).

stc's Local content score



Furthermore, as the ICT sector's representative in the Local Content Leadership Council (LCLC), stc contributed to the development of local content via.

- 1 Supporting the national product through:**
 - Applying the mandatory lists of national products mechanism.
 - Applying the price preference for other national products.
 - Supporting local manufacturers.
- 2 Conducting several workshops to develop stc's partners and suppliers, and promoting their local content's knowledge.**
- 3 Supporting small and medium enterprises (SME) through:**
 - Activating the partnership with the "Jadeer" program.
 - Applying the SMEs' price preference mechanism in purchasing processes.

Throughout 2023, Rawafed played a pivotal role in streamlining both internal and external operations within the Group. This involved collaborative efforts with regulatory bodies, aiming to unify strategies and objectives focused on the development of local content.

Such initiatives were instrumental in advancing the objectives of Saudi Arabia's Vision 2030, significantly contributing to the nation's overarching goals of economic and social development. By aligning business practices and regulatory frameworks towards a common goal, Rawafed effectively bolstered the stc's commitment to reinforcing local content and enhancing its overall impact on the Kingdom's growth and progress.

Local workforce development

stc has significantly invested in its workforce, with spending on local workforce wages surpassing SAR 8 billion. Additionally, the investment in workforce training has also seen an increase, exceeding SAR 150 million. Furthermore, stc has been actively encouraging its partners to focus on localization. This is achieved by promoting awareness of the SME qualification service offered by Monsha'at (Jadeer Service), which involves disseminating a user guide, awareness videos and conducting workshops.

SME development

stc has placed significant emphasis on supporting SMEs through various initiatives and partnerships. This year, stc's efforts are highlighted by several key achievements in the SME development pillar. They have implemented a pricing preference mechanism for SMEs in their projects and integrated the Jadeer certificate into their SME qualification process. Moreover, stc's direct partnerships with SMEs have grown, reaching a total of 134. The cumulative business value from these partnerships is estimated to be around SAR 1 billion.

Industry localization

Industry localization is a crucial aspect of Rawafed's strategy, significantly impacting the national economy by establishing a sustainable foundation of equipment manufacturers and service developers. This year, stc has undertaken 20 initiatives to localize digital media content through Intigral. Additionally, as part of Intigral's headquarters relocation plan, stc collaborated with SCTS to construct the technical infrastructure for the project, a venture valued at over SAR 30 million.

Digitization and innovation

Rawafed supported stc Academy in launching several key initiatives and partnerships to enhance local skills and transfer knowledge.

This includes a strategic partnership with the Saudi Society for Data Science from King Saud University for the Generative Artificial Intelligence and Entrepreneurship Forum. The event featured dialogue sessions about opportunities in the Saudi market and educational sessions on the application of generative AI in space exploration.

Additionally, stc Academy collaborated with stc Bank, Fintech Saudi and the Capital Market Authority to examine challenges in the fintech sector, focusing on innovative solutions to these challenges.

Furthermore, the Academy has made a significant contribution to research, publishing more than 9 international papers in various fields such as satellite technology, cybersecurity, 5G, cloud services and artificial intelligence. These publications have achieved a high rate of public satisfaction and approval.



Supporting Units continued

Overall impact of Rawafed

Since the inception of the Rawafed program, stc's local spending has surged, exceeding SAR 34 billion by year-end 2023. stc has seen a significant rise in workforce localization, reaching more than 90% overall, with an even higher rate of 97.7% in higher management. Moreover, stc has invested over SAR 6 billion in the Saudi economy through the establishment of subsidiaries within the Kingdom, fostering job creation and economic support.

Rawafed has been instrumental in forging collaborations across various entities and sectors, facilitating an integrated environment for local content development. This has been achieved through numerous initiatives and the signing of over 10 cooperation agreements and memorandums of understanding. In alignment with Vision 2030, Rawafed introduced an investment opportunities catalog featuring 27 opportunities aimed at localizing the ICT industry, potentially boosting the GDP by approximately SAR 6.68 billion.

Emphasizing the dissemination of knowledge about local content, Rawafed has actively participated in over 10 national conferences and forums. Additionally, it has conducted over 54 workshops on local content and published 13 reports both internally and externally. The program also launched various media campaigns, yielding around 1 million impressions and interactions from the target audience on social media.

Rawafed's efforts extended to the production of 8 promotional videos, including podcasts, television interviews and educational content, in collaboration with partner entities. The program has successfully expanded stc's network of local partners to 1,787. Furthermore, Rawafed guided these partners in obtaining local content certificates, resulting in the issuance of 582 certificates.

Key Rawafed partnerships

Founding member of Local Content Leadership Council (LCLC) and a representative of the ICT sector since 2019, alongside company leaders for each sector.

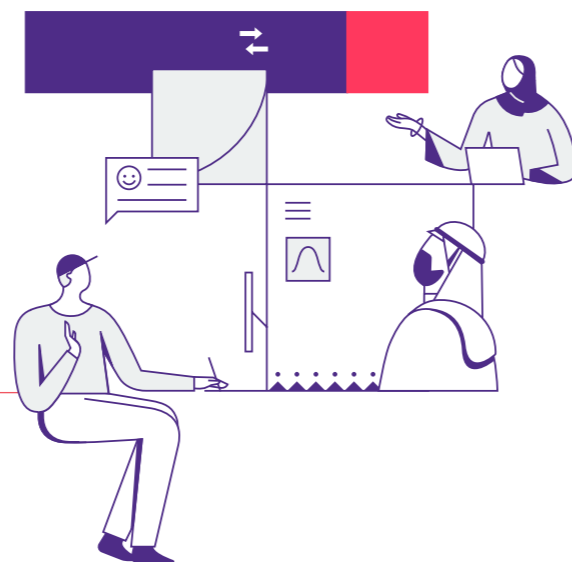
Strategic partnership and ongoing agreement with the General Authority for Small and Medium Enterprises, Monsha'at, to facilitate the SME sector's access to purchasing opportunities at stc through the Jadeer service.

Partnership with Saudi Industrial Development Fund (Tawteen program) and stc's partners to provide the necessary financial facilities and solutions for the suppliers.

Rawafed in 2024

In 2024, Rawafed will continue to drive forward its strategy in line with the goals set for the next 5 years. Its focus will remain on progressing along its 4 core strategic pillars: workforce development, SME development, digitization and innovation, and industry localization.

These strategic efforts are directed towards bolstering the stc's mission of fostering a robust and sustainable economy, reflecting the Group's commitment to long-term strategic growth and development in line with its organizational goals.



Internal Audit

stc's internal audit is an independent, objective reasonable assurance and consulting activity designed to add value and improve stc's operations. It helps stc accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

stc's internal audit has conducted several assurance audit reviews as per the annual audit plan, approved by stc's Audit Committee, to provide the reasonable assurance regarding the effectiveness and efficiency of risk management, control, and governance processes in stc focusing on high-risk functions and processes. In addition, stc's internal audit has provided independent consulting services, in cooperation with executive management, with the aim to contribute to enhancing the effectiveness and efficiency of stc's operations, reducing costs and minimizing revenue leakage, review the interim and annual financial statements, and coordinating with external regulatory authorities and supervisory bodies.

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

Legal Disclosure

Sanctions and reserve restrictions

The committees of regulatory bodies of the telecommunications sector have issued a number of decisions against stc. Based on the responsibility of stc to defend the rights of the shareholders and the mandate granted to stc under Telecommunication act, stc has grieved these decisions by filing lawsuits at courts.

There are various reasons for these decisions: some of them related to the committees sees lack of documentation for SIMs issuance; failure to complete mobile number portability (MNP); providing offers or discounts, which is illegal based on these committees' point of view; or using unlicensed frequencies. In addition, there are some decisions that relate to customers' complaints, which the regulatory authorities see that stc delay in implementation and follow the instruction or providing the required information.

There were 76 cases filed by stc against these decisions for the fiscal year 2023, amounting to a total of SAR 122,327,000, detailed as follows:

- **Cases ended with final judgments in favor of stc:** 6 cases amounting to SAR 2,923,000.
- **Active cases handled by the grievance board:** 50 cases amounting to SAR 107,751,000.
- **Cases ended with final judgments against stc:** 20 cases amounting to SAR 11,653,000, including decisions where stc could not find legal standing against the grievances.

stc has taken the necessary internal measures to ensure compliance with CST regulations.

Subsidiaries and Investments

Subsidiaries (Local and International)

| Name of Subsidiary | Country of Incorporation | Shareholding Percentage | |
|---|--------------------------|-------------------------|------------------|
| | | 31 December 2023 | 31 December 2022 |
| Arabian Internet and Communications Services Company (solutions) | Kingdom of Saudi Arabia | 80% | 80% |
| Telecommunications Towers Company (TAWAL) | Kingdom of Saudi Arabia | 100% | 100% |
| Saudi Telecom Channels Company (Channels) | Kingdom of Saudi Arabia | 100% | 100% |
| Saudi Digital Payments Company (stc Bank) | Kingdom of Saudi Arabia | 85% | 85% |
| Digital Centers for Data and Telecommunications Company (center3) | Kingdom of Saudi Arabia | 100% | 100% |
| Advanced Technology and Cybersecurity Company (sirar) | Kingdom of Saudi Arabia | 100% | 100% |
| Internet of Things Information Technology Company (IoT squared) | Kingdom of Saudi Arabia | 50% | 50% |
| General Cloud Computing Company for Information Technology (SCCC) | Kingdom of Saudi Arabia | 55% | 55% |
| Public Telecommunications Company (Specialized) | Kingdom of Saudi Arabia | 100% | 100% |
| Gulf Digital Media Model Company Ltd (Intigral) | Kingdom of Saudi Arabia | 100% | 100% |
| Aqalat Limited Company (Aqalat) | Kingdom of Saudi Arabia | 100% | 100% |
| Telecom Commercial Investment Company Limited (TCIC) | Kingdom of Saudi Arabia | 100% | 100% |
| Smart Zone Real Estate Company | Kingdom of Saudi Arabia | 100% | 100% |
| Sendouk AL-Abatakar for Investment Company | Kingdom of Saudi Arabia | 100% | 100% |
| Digital Infrastructure Company | Kingdom of Saudi Arabia | 100% | - |
| stc Bahrain Company (stc Bahrain) | Kingdom of Bahrain | 100% | 100% |
| Kuwait Telecommunication Company (stc Kuwait) | Kuwait | 51.8% | 51.8% |
| stc Asia Holding Ltd (stc Asia) | British Virgin Islands | 100% | 100% |
| stc Turkey Holding Ltd (stc Turkey) | British Virgin Islands | 100% | 100% |
| stc Gulf Investment Holding (stc Gulf) | Kingdom of Bahrain | 100% | 100% |
| stc GCC Cables System W.L.L. (stc GCC) | Kingdom of Bahrain | 100% | 100% |
| Green Bridge Investment Company (GBI) | Luxembourg | 100% | - |
| Green Bridge Management Company (GBM) | Luxembourg | 100% | - |

Local subsidiaries

Arabian Internet and Communications Services Company (solutions)

solutions strategy

As a trailblazer in the ICT industry, solutions is focused on continuous growth. This includes expanding and integrating its service offerings, as well as building new capabilities to stay ahead in the fast-evolving technology landscape.

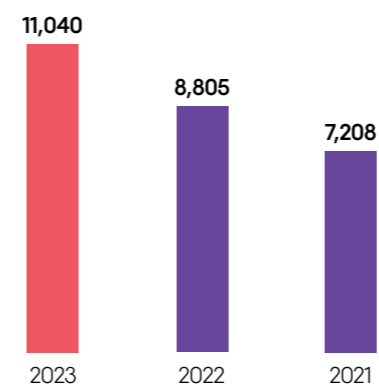
Its LEAP 2.0 strategy seeks to harness cutting-edge technologies, optimize service delivery, and ensure its solutions are relevant for today and revolutionary for tomorrow. The expansion into new business models and the emphasis on a scalable innovation program underlines its commitment to being at the forefront of technological evolution.

Its strategic pillars are:

- **Lead through service excellence.**
- **Empower business growth and diversification.**
- **Achieve excellence in customer engagements.**
- **Promote efficiencies and sustainability.**

solutions acquisitions and investments will strengthen its offerings and improve efficiency, supporting its strategy that aligns seamlessly with the Kingdom's Vision 2030, demonstrating its commitment to contributing to Saudi Arabia's broader ambitions.

solutions Revenue (SAR million)

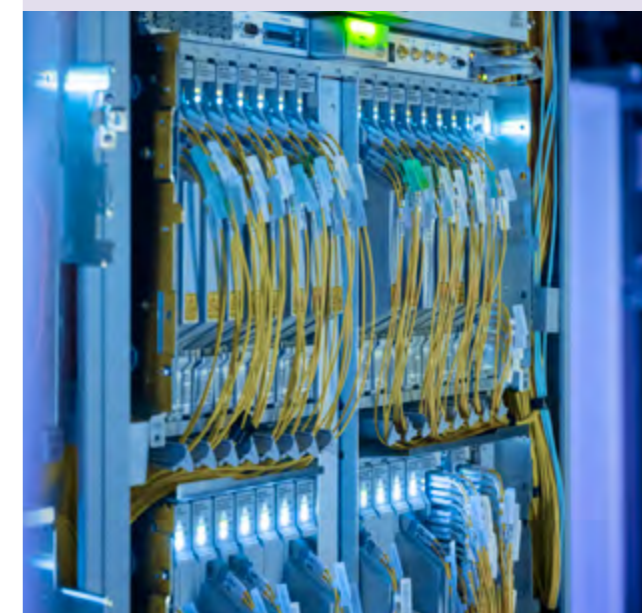


About solutions

Established in April 2002 and acquired by stc in 2007, the Arabian Internet and Communications Services Company (solutions) has emerged as a pivotal provider of internet services and operation of communication projects and transmission and processing of information in the Saudi market. solutions headquarters are located in the Kingdom.

A key milestone in the company's journey was the initial public offering (IPO) in 2021. stc offered 20% of its shareholding in solutions on the Saudi Exchange, with an additional 1% of solutions' share capital earmarked for an employee long term incentive plan, underscoring the company's commitment to its workforce. As at 31 December 2023, solutions' share capital is SAR 1,200 million.

Based in Saudi Arabia, with its operations concentrated in the Kingdom, solutions has positioned itself as a leading force in driving digital transformation and holds the distinction of being the premier ICT service provider for both public and private sectors. It offers comprehensive, end-to-end IT services and solutions, adopting a holistic one-stop-shop approach that spans the entire IT value chain.



Subsidiaries and Investments continued

2023 Achievements

In 2023, solutions marked a year of remarkable achievements, characterized by significant partnerships, strategic acquisitions and notable progress in digital transformation. The company saw an impressive increase in revenue and a notable surge in its share price, reflecting its strong performance in the market.

The expansion of its partner network was a key focus, with the addition of several major technology giants. This expansion was complemented by strategic acquisitions, such as Giza Systems and Devoteam Middle East, which have been instrumental in strengthening the company's market position. The acquisition of Giza Systems, a leading system integrator in the Middle East, and the 40% stake in Devoteam Middle East, a major player in digital strategy consulting, signified solutions' commitment to enhancing its technological capabilities and service offerings.

A significant achievement in the company's digital transformation journey was the introduction of the "Takyah" mobile app, specifically designed for employees. This app represents a milestone in enhancing employee engagement and operational efficiency through digital means.

Employee development was another area of focus for the company. solutions invested in upskilling its workforce, recognizing the importance of human capital in driving innovation and growth. The robust implementation of robotic process automation (RPA) and the deployment of

advanced security measures further demonstrated the company's commitment to technological advancement and cybersecurity.

Moreover, solutions broadened its service offerings to include the healthcare and education sectors, emphasizing its role in driving innovation and accessibility in these vital areas. This expansion aligns with the company's strategy to diversify its portfolio and tap into new market segments.

The company also completed the acquisition of the Contact Center Company (CCC), a provider of end-to-end services from technical support to data analytics. This acquisition further matured its capabilities in customer service and data analysis.

Additionally, the company's investment in Nile Company, aimed at providing enterprise network technology, is set to accelerate digital transformation in the Kingdom of Saudi Arabia, Kuwait, Bahrain, Oman and Egypt.

Lastly, a memorandum of understanding (MoU) signed with Samsung to drive digital transformation in KSA was another highlight. This partnership aims to deliver secure, fast and reliable communications solutions, meeting the emerging needs of the market.

These strategic moves underscore solutions' commitment to innovation, market expansion and digital transformation, setting the stage for continued growth and success in the dynamic ICT sector.

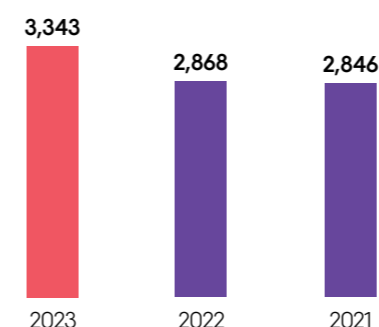


Telecommunications Towers Company (TAWAL)

TAWAL's strategy

TAWAL's strategy is focused on strengthening its core proposition while commercializing adjacent products to become a one-stop-shop. It aims to expand beyond its home market and become a regional infra services provider while enriching customer experience.

TAWAL Revenue (SAR million)



About TAWAL

Telecommunications Towers Company (TAWAL) was established by stc in January 2018, with a share capital of SAR 2,500 million wholly owned by stc, and its responsible for owning, constructing, operating, leasing and commercializing telecom towers. Its head office is located in the Kingdom of Saudi Arabia.

TAWAL started its commercial operation in 2019 to provide ICT infrastructure services. Moreover, TAWAL is licensed by the Communications, Space and Technology Commission (CST) to provide Class A (towers and masts, FTTT releasing) and Class B (indoor solution – IBS, small cells) ICT infrastructure services.

TAWAL has grown to become MENA's largest telecommunication tower company, with a portfolio of more than 21,000 telecom towers distributed across the Kingdom of Saudi Arabia, Bulgaria, Croatia, Slovenia and Pakistan.

TAWAL also provides a range of adjacent ICT infrastructure services, including in-building solutions, fiber-to-the-tower re-selling, small cells, and coverage as a service.

2023 Achievements

In 2023, TAWAL achieved significant milestones in its operations. The company constructed over 500 new towers and implemented more than 6,000 upgrades for 5G technology. Furthermore, TAWAL facilitated colocations for various licensed operators, achieving a tower tenancy ratio of 1.19.

The company also successfully deployed around 30 in-building solutions (IBS) sites for non-MNO clients such as ARAMCO and projects like Boulevard. Additionally, TAWAL introduced innovative camouflage tower designs tailored for major project developers, including ALUla.

By expanding its international footprint, TAWAL completed the acquisition of AWAL in Pakistan, leading to the establishment of TAWAL Pakistan. The company is now strategically focusing on signing master service agreements (MSA) with key players in the Pakistani market.

Moreover, TAWAL marked its entry into the European market by acquiring 4,821 existing towers and a plan to roll out 2,054 new towers from the United Group across 3 countries – Bulgaria, Croatia and Slovenia – for a total of SAR 5 billion (USD 1.3 billion). This led to the formation of TAWAL Europe, which aims to drive further growth in the Central and Eastern European region.

In terms of operational excellence, TAWAL maintained a remarkable 99.9% Power Network Interface (PNI) availability across all locations for all operators throughout 2023. Particularly during the peak of the 2023 Hajj season, TAWAL played a crucial role in ensuring uninterrupted connectivity for end-users by maintaining an infrastructure services availability of 99.9%.

In October 2022, stc received a non-binding offer from the Public Investment Fund (PIF) to acquire 51% of the shares of TAWAL, valuing the company at SAR 21.94 billion. The offer does not represent any binding commitment on both parties and it remains subject to completing the due diligence and reaching final and binding agreement which will be conditional upon obtaining all regulatory approvals from relevant authorities including the approval from the General Authority for Competition, internal approvals of the respective parties, and any other conditions that may be agreed between the parties.

Subsidiaries and Investments continued

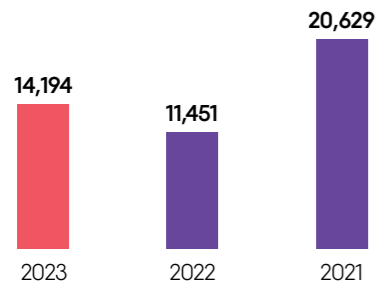
Saudi Telecom Channels Company (Channels)

Channels' strategy

Channels' strategic vision is to excel by:

- 1) Boosting its profitability by sustaining revenue growth with a healthy margin.
- 2) Enabling the advancement of stc core services to realize stc strategic ambitions in Saudi Arabia and beyond.
- 3) Developing the required capabilities to achieve expansion objectives.

Channels Revenue (SAR million)



About Channels

Saudi Telecom Channels Company (Channels) is the sales and distribution arm of stc. Established in January 2008 with the purpose of operating in the wholesale and retail trade of recharge card services, telecommunication equipment and devices, computer services, sale and re-sale of all fixed and mobile telecommunication services, and commercial centres' maintenance and operation.

Channels has evolved into a leading company in the field of sales and distribution in the Middle East. Channels has expanded to GCC countries – Bahrain, Oman and Kuwait – and has established itself as the partner of choice for major telecom companies in the region by introducing a diversified portfolio of growth and telco products.

Channels is headquartered in Saudi Arabia, and operates across Saudi Arabia as well as through subsidiaries in Bahrain, Oman and Kuwait.

stc owns 100% of Channels share capital, amounting to SAR 100 million.

2023 Achievements

Channels has built solid capabilities across all its operations, for instance, sales channels' capabilities include:

Retail: Channels is a pioneer in offering sales experience with global standards, starting from channels role as the main operator of all retail outlets through branches spread across the region, amounting to more than 230 branches.

Distribution: Channels is the leading distributor in the telecom sector. Channels is a pioneer in the field and always strives to meet the needs of its customers in all markets through effective presence in traditional trade and providing services through a huge distribution network of more than 70,000 points of sale.

Field sales: Direct sales channels across the Kingdom that enable channels to reach B2C and SME customers offering various products and services through experienced sales agents equipped with advanced technical tools.

Last mile delivery: dal, the last mile service, is Channels' logistic arm for delivering stc Group's orders in addition to 25 successful partners, with more than 10 million successful deliveries completed by the efforts of 16,000 Saudi delivery agents.

In 2023, Channels and its subsidiaries realized significant achievements, setting a solid foundation for expedited growth across its product and services, including:

+28%
Consumer electronics

+17%
International business

+57%
Last mile deliveries

Awards and recognitions



Awarded by
PIF



Awarded by
Logistics Middle East Awards



Awarded by
Customer Experience Live



Awarded by
Digital Experience Awards



Awarded by
Middle East Technology Excellence Awards



Awarded by
Middle East Technology Excellence Awards



Awarded by
Supply Chain and Logistics Conference



Awarded by
Retail Leaders Circle MENA



Awarded by
CEO Middle East

Subsidiaries and Investments continued

Saudi Digital Payments Company (stc Bank)

stc Bank's strategy

stc Bank is undergoing a strategic transformation to establish itself as the premier digital bank in the Kingdom. It has already achieved several critical milestones in its transformation program and is approaching its commercial launch to customers. This next phase is contingent upon meeting the remaining regulatory requirements set by the Saudi Central Bank (SAMA).

In January 2023, Saudi Central Bank lifted the restrictions on the deposited capital of stc Bank for the amount of SR 1,552 million, which was deposited for the conversion of the Bank from a limited liability company to a closed joint stock company.

The central strategic ambition of stc Bank is to stand out as a leader and innovator in the financial services sector. This involves offering services that differ significantly from traditional banking methods, primarily through its advanced digital channels. The bank places a strong emphasis on adding value for its customers and substantially enhancing their banking experience. This customer-centric approach is fundamental to stc Bank's objective of redefining and enriching the digital banking landscape in the region.



About stc Bank

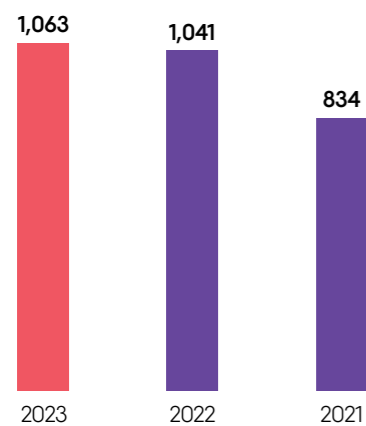
Saudi Digital Payments Company (stc Bank) was established in November 2017 to offer digital payment services in the Kingdom of Saudi Arabia.

In 2020, it was officially licensed as an electronic wallet company and a payment service provider, and Western Union acquired 15% of the company in the same year.

stc Bank received its digital banking services license from the Council of Ministers in 2021, with a share capital of SAR 2.5 billion.

stc Bank is headquartered in Riyadh and carries out its operational activities throughout the Kingdom of Saudi Arabia.

stc Bank (SAR million)



2023 Achievements

In 2023, stc Bank delivered notable growth in its key operational metrics, indicating a strong year-on-year performance, reflecting its rising prominence and success in the digital banking sector.

+11.5%

App downloads

+60.6%

Cards spending

+23.2%

Active users (180 days)

+68.5%

Peer-to-peer transactions

+33.8%

Customer deposits

+9.3%

International remittance

+62.2%

Transactions

Awards and recognitions



Silver Award for Eidy Campaign

Awarded by
Dubai MENA Effie Awards 2023



Best Project Implementation Award for Treasury Implementation

Awarded by
IBSi Global FinTech Innovation Awards 2023



Regional Winner in the Middle East

Awarded by
IBSi NeoChallenger Banks Awards 2023

Subsidiaries and Investments continued

Digital Centers for Data and Telecommunications Company (center3)

center3 strategy

center3's PRIME strategy is focused on key strategic themes to solidify customer engagement models and commercial value propositions, building long-term partnerships and reimagining the data hub paradigm into a one-stop-shop integrated service platform that provides customers with a world-class experience. In addition, center3 will invest in the enlargement of its asset portfolio in Saudi Arabia and internationally.

About center3

Digital Centers for Data and Telecommunications Company (center3) was established in February 2022 with a share capital of SAR 100 million, with the purpose of providing services related to big data, data analytics and cloud computing in the Kingdom.

center3 is the result of the stc's vision for the Kingdom of Saudi Arabia to be the hub of all international data connectivity crossing and connecting 3 continents (Europe, Asia and Africa), as well as a data center hub for the MENA region.

Headquartered in Riyadh, it carries out its operational activities in the Kingdom, with a footprint of over 25 data centers and 16 international subsea cables (operational and under construction).

Hyperscalers, gaming and content providers, cloud providers and global international carriers all benefit from the integrated platforms that center3 owns, enabling them to better serve their own regional customers with unparalleled scalability and speed.

2023 Achievements

In 2023, center3 launched several new data centers across Saudi Arabia, in Jeddah, Dammam and Riyadh, increasing its leadership in data hosting. Each center contributes to center3's network growth by offering advanced services to its clients.

It also progressed preparations for the launch of the Saudi Vision Cable, which is set to revolutionize data communication services across Red Sea cities and existing landing stations. Additionally, center3's new internet exchange in Riyadh, RIYix, following JED-IX's success, marks another milestone in center3's digital hub expansion, promising faster and more reliable internet connectivity.

The company delivered an outstanding performance during its first full year of operations, highlighted by:

99.13%
Overall services availability (up from 98.12% in 2022)

36.27%
Increase in traffic (16.7 TB) over its subsea network

100%
Uptime for all the submarine cable systems during Ramadan and Hajj network freeze periods

97.96%
Compliance to customer service complaints/ incident response times

Additionally, center3 launched the Riyadh Internet Exchange, a major step forward in enhancing internet connectivity in the region. Another notable achievement was the successful landing of the 2Africa subsea cable in Jeddah and Yanbu, significantly boosting the company's connectivity infrastructure.

center3 also entered into an agreement with Huawei to deliver cutting-edge solutions, marking a pivotal development in its technological offerings. Complementing this, center3 signed a substantial deal with Oracle to host Oracle services in its data centers, extending its range of high-profile collaborations.

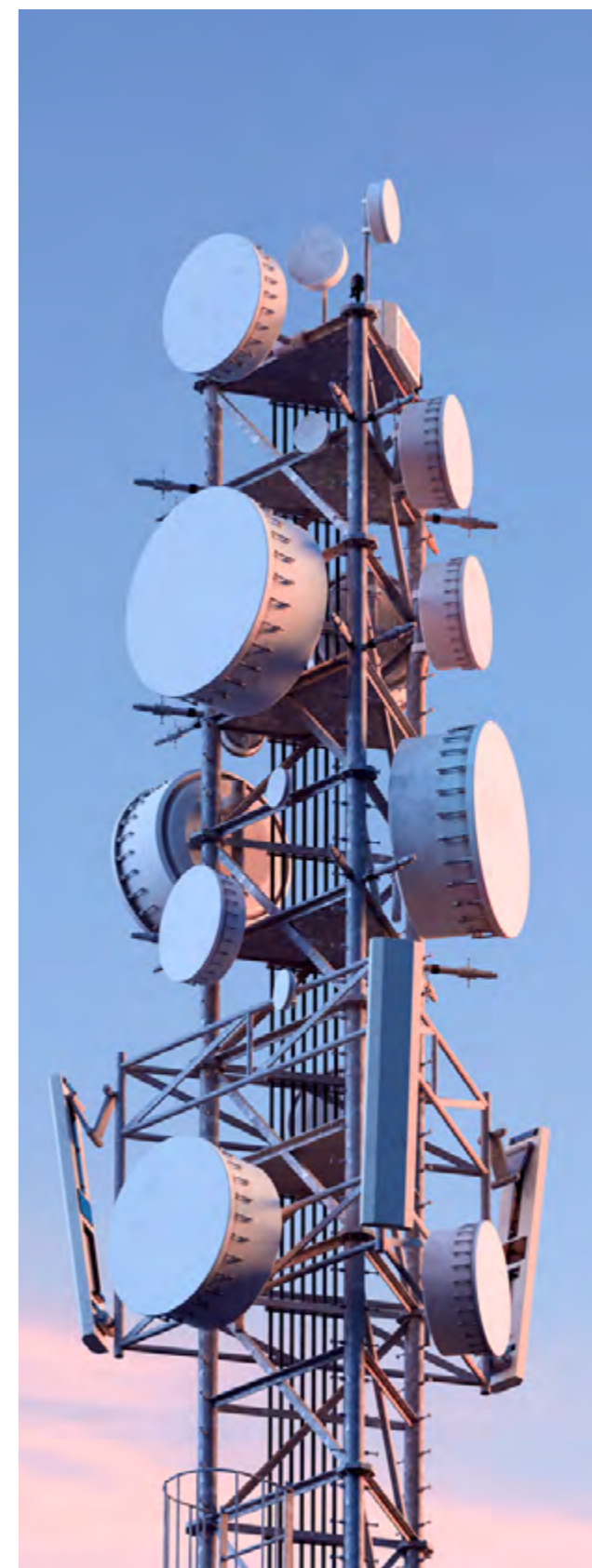
Moreover, center3 will bolster the localization of digital content and services in Saudi Arabia and MENA region through stc's investments in its data centers and subsea cable assets. The data centers currently possess a capacity of up to 125 MW, with plans to increase this to 300 MW as per the strategy developed by stc.

In recognition of these developments, center3 received an A credit rating with a stable outlook from Tassnief Agency. This rating reflects the company's strong position in the connectivity and data center business, supported by its robust corporate governance framework and a favorable operating environment. These milestones collectively underscore center3's growing prominence in the industry.

Awards and recognitions



Awarded by
**Global Carrier Awards
in London**



Subsidiaries and Investments continued

Advanced Technology and Cybersecurity Company (sirar)

sirar's strategy

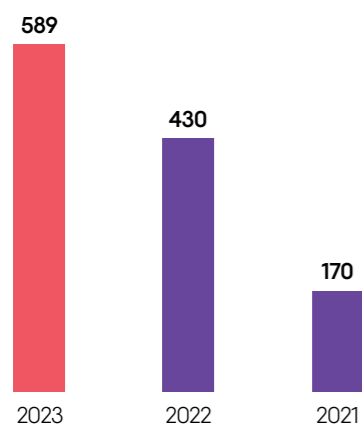
With the vision of becoming a leading enabler in cybersecurity for the digital economy, sirar's mission is to develop cyber solutions and capabilities that adhere to the highest global standards. This mission supports its clients, both in the Kingdom and internationally, in safely navigating their digital transformation journeys.

sirar's approach is aligned with the increasing demands of the Saudi cybersecurity market and the evolving global cyber threat landscape. The company is committed to upholding the highest standards of cybersecurity, protecting sensitive data, and contributing to a secure and sustainable digital environment in the Kingdom.

sirar's STORM strategic approach, which stands for Shape, Transform, Occupy, Retain and Model, is a comprehensive plan aimed at solidifying its position in the cybersecurity market. This strategy is centered on expanding sirar's range of products and services to assert leadership in the cyber market.

A crucial part of this plan is the development of a vast partner system, which is expected to facilitate sirar's growth beyond the Kingdom's borders, establishing it as a regional cybersecurity provider. Integral to this strategy is the focus on delivering an enriching and distinctive customer experience, a factor that sirar believes will be key to its success in the competitive cybersecurity landscape.

sirar Revenue (SAR million)



About sirar

Established in November 2020, the Advanced Technology and Cybersecurity Company (sirar) is a wholly owned subsidiary of stc with a share capital of SAR 250 million.

Based in the Kingdom, sirar operates as a leading cybersecurity service provider, focusing on empowering organizations to manage their cyber capabilities and secure their digital environments.

As experts in business security and privacy, sirar offers a broad array of cybersecurity solutions to both public and private sector organizations. These solutions are designed to help organizations operate safely and efficiently online.

The company's tools are specifically tailored to detect, monitor and prevent cyberattacks, providing robust protection and security.

2023 Achievements

In 2023, sirar continued its robust trajectory, significantly contributing to the success of its business unit and stc. The year was marked by several strategic moves and initiatives, positioning sirar as a leader in cybersecurity solutions.

One of the key highlights of the year was the launch of new products and services, showcasing sirar's commitment to innovation and customer-centric solutions. These included a security enhancement and employee development product, designed to educate organizational members about protecting themselves and their organization's assets from potential loss or harm. Another notable product was Athar, a watermark solution for device protection, preventing unauthorized screen capture. This product was launched in a soft-launch phase. Additionally, the upskilling cyber capabilities (UCC) product was introduced to facilitate cyber upskilling across the organization for various levels of experience, in a soft-launch phase.

sirar also launched the managed detection and response (MDR) service, which elevates security operations center as a service (SOCaaS) with managed end-point detection and response (EDR), in a soft-launch phase. The digital risk protection (DRP) service, an AI-powered

brand protection online solution, and the attack surface management (ASM) solution – for continuous assessments and monitoring to identify technological flaws, leaked information and outdated legacy systems – were part of the soft-launch phase. Moreover, sirar expanded its service offerings to include a configuration review service, API penetration testing service and source code review service.

In addition to product launches, sirar's security operations center (SOC) achieved the Managed Security Services Provider certification from CREST, an international organization recognized for cyber excellence. sirar obtained 4 certifications from the International Organization for Standardization (ISO) in various fields, underlining its dedication to managing services according to the highest international standards.

Furthermore, sirar established a significant memorandum of understanding with Cognizant and stc, marking the launch of the first data privacy center of excellence. The company formed multiple agreements and key partnerships, including collaborations with Red

Sea Global, Diriyah Company, and Saudi Arabia Railways (SAR), thereby strengthening its position in the market through these collaborative ventures.

In terms of customer experience, sirar implemented the voice of customer (VOC) framework initiative. This initiative focused on adopting proper sampling techniques and measurement scales to create performance indicators that accurately measure customer experience, including those related to internal operational processes. Additionally, the launch of the customer journey mapping tool initiative marked a significant step in enhancing customer experience. This tool provides a powerful means to create visual representations of customers' journeys, offering a holistic overview of their emotions, behaviors and interactions throughout the process of requesting a product or service. By leveraging this tool, sirar aimed to refine and optimize the customer experience, ensuring a more intuitive and customer-centric journey.

These initiatives and achievements in 2023 highlight sirar's dedication to innovation, customer satisfaction and market leadership in the cybersecurity domain.

Awards and recognitions



Subsidiaries and Investments continued

Internet of Things Information Technology Company (IoT squared)

IoT squared's strategy

IoT squared's BOLD strategy contributes to enabling the company's ambition towards regional growth, creating added value and strengthening its position in the region as an integrated provider of all IoT services.

BOLD's strategy is based on the following 4 strategic pillars:

- **Being customer and employee centric.**
- **Offering differentiated products and services.**
- **Leapfrogging to world-class capabilities.**
- **Developing an agile culture.**

2023 Achievements

In 2023, IoT squared embarked on a significant expansion, aligning itself as a key contributor to stc's digital offerings. The year was marked by the launch of several unique products and platforms, effectively positioning IoT squared as an innovative force in the IoT sector, especially in logistics, industrial and smart city sectors. Notably, the company launched 3 distinct products – Intelligent Operations, Connected Fleet and Video Surveillance – each designed to meet specific market needs and optimize various aspects of operations for clients.

The company's growth was further accelerated by the strategic recruitment of over 110 top professionals in the IoT industry, highlighting its commitment to talent and expertise. IoT squared also initiated over 10 key projects with strategic clients, demonstrating its ability to foster and maintain significant business relationships. Its partnership network saw a substantial increase, collaborating with more than 120 local and global partners, which brought in best market practices and expertise.

Additionally, IoT squared developed a strategic partnership with General Cloud Computing Company for Information Technology (SCCC), focusing on local data sovereignty and security. This partnership involves deploying IoT squared's platform on SCCC's local cloud infrastructure, ensuring a robust and secure digital environment.

The company's expansion journey included the acquisition of Machinestalk, a strategic move that augmented its capabilities and market presence. The company's effective conversion of key customer relationships into profitable partnerships was evident in the success of its pilot and demo projects. Furthermore, IoT squared's presence in both local and international markets was reinforced through its participation in key industry events such as LEAP, Cityscape, MWC, GIITS and Digital Saudi.

Recognition of IoT squared's workplace environment and practices was also a highlight, with certifications from Great Place to Work in the MENA region and Saudi Arabia. The company achieved a class 2 vendor classification, enabling it to participate directly in large government tenders, and received local content certification from the Local Content and Government Procurement Authority. Additionally, it was certified in Quality Management System ISO 9001 and Information Security Management System ISO 27001, underscoring its commitment to quality and security standards.

About IoT squared

Internet of Things Information Technology Company (IoT squared) was established in May 2022 as a limited liability company by signing a partnership agreement between stc and the Public Investment Fund (PIF), with each party holding a 50% share and a share capital of SAR 900 million.

IoT squared is positioned to become a leading provider of IoT solutions in the MENA region. Its focus is on crafting tailored solutions, offering real-time insight and developing innovative business models.

The company targets key business sectors such as industrial, logistics and smart cities, providing them with a range of customized smart solutions designed to drive digital transformation and contribute to economic progress.

With its headquarters and operational activities based in the Kingdom, IoT squared is strategically located to tap into the increasing market.

General Cloud Computing Company for Information Technology (SCCC)

SCCC's strategy

- **Help customers enjoy the leading global cloud technology and services.**
- **Become the de facto cloud services platform in MENA.**
- **Provide specialized vertical industrial solutions.**
- **Build a robust sustainable ecosystem.**

2023 Achievements

In 2023, SCCC secured numerous of projects throughout the year, laying a solid foundation for the company's operational longevity and a clear pathway to profitability. These projects are expected to sustain the company's growth and financial health in the years to come.

Another notable accomplishment for SCCC in 2023 was its significant progress in product launches. The company successfully introduced over 66 products to the market since its establishment. This milestone highlights SCCC's commitment to innovation and reflects its dedication to meeting the evolving needs of its customers. The diverse range of products launched by SCCC indicates its ability to keep pace with the rapidly changing technological landscape and its commitment to remaining at the forefront of the industry.

About SCCC

The General Cloud Computing Company for Information Technology (SCCC) was established in May 2022 specializing in cloud computing services with with a share capital of SAR 894 million.

SCCC represents a collaborative venture between eWTP Arabia Technology Innovation Limited Company (eWTPA), Alibaba (Singapore) Private Limited (Alibaba Cloud), the Saudi Company for Artificial Intelligence (SCAI), and the Saudi Information Technology Company (SITE). stc holds a 55% majority stake in SCCC.

SCCC is the first major hyperscaler in both the Kingdom and the broader region. It offers an extensive array of cloud computing services that cater to a variety of needs. These services include servers, databases, storage, networks and applications, all available on demand.

SCCC's main operational center is strategically located within the Kingdom, from where it conducts its operational activities, positioning itself as a key player in the region's burgeoning cloud computing landscape.



Subsidiaries and Investments continued

Public Telecommunications Company (Specialized)

Specialized's strategy

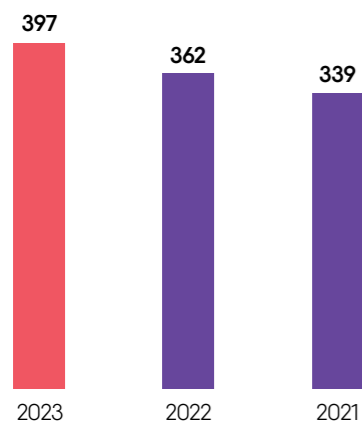
Specialized's vision is to be the trusted partner of critical communications, services and innovative solutions. Its strategy is to focus on the following 4 dimensions:

- **Broad critical communications offering.**
- **Emerging technologies.**
- **Integrated critical communications services.**
- **Secured services and solutions.**

Specialized has embraced GROW's strategy by adopting strategic goals that support the growth of the company and achieving the goals of stc.

The company is actively aligned with the goals of the Kingdom's Vision 2030, aiming to contribute significantly through the provision of advanced, differentiated and specialized services. Specialized has a particular focus on key sectors such as health, transportation, education, security and defense, positioning itself as an essential player in driving technological advancements and supporting various critical industry segments in the Kingdom.

Specialized Revenue (SAR million)



About Specialized

Public Telecommunications Company (Specialized) was established in February 2002 with the purpose of operating in the electrical business and communication networks, wholesale and retail trade in fixed telecommunications equipment, electrical appliances, import, marketing, installation and maintenance of fixed and mobile telecommunications and information technology licensed devices with share capital of SAR 252 million fully acquired by stc in 2014.

Specialized is headquartered in the Kingdom and delivers its differentiated technological solutions and services across the Kingdom of Saudi Arabia.

Catering to the needs of all types of businesses, especially those requiring critical and mission-critical communications within Saudi Arabia, Specialized provides wholesale and retail trade in fixed telecommunications equipment and electrical appliances, as well as the import, marketing, installation and maintenance of both fixed and mobile telecommunications and information technology licensed devices.



2023 Achievements

In 2023, Specialized made significant strides in its transformation journey that began in 2019. The focus on optimal resource utilization and a shift in the business model to leverage integration with stc resulted in an improvement in profitability and stable revenue growth over the past 3 years. This transformation represents a strategic shift in the company's operations and approach to the market.

A key part of Specialized's success in 2023 was the signing of strategic partnerships, which included agreements with Airbus and Motorola. These partnerships are indicative of Specialized's commitment to expanding its capabilities and enhancing its service offerings.

On the operational and business front, Specialized made considerable improvements. The company updated policies and procedures to align with the Group's new operating model, and signed a revenue sharing agreement with Business for All PTT services. In addition, Specialized focused on improving its business platforms, notably the development of the PTT services platform (Kodiak from Motorola Global).

The company also made significant progress in integration and preparation, including the transfer and opening of a hardware maintenance center in Riyadh city, conforming to international supplier specifications. The Hajj season was another area of success, with high revenues from PTT products and services and the provision of unique and dedicated services for pilgrims.

Moreover, Specialized launched 2 new service-related offerings: Dispatcher and Control. Dispatcher is an advanced browser that enables organizations to manage daily transmissions effectively, allowing senders to operate from central facilities centers. The control service offers a range of features, including PTT user management, call and conversation management, and the ability to manage users outside the organization while providing multimedia services.

In addition to these services, Specialized launched EMP, a digital platform designed to streamline daily operations and incident management. This platform enhances efficiency in planning and response, offering greater visibility into operations through an integrated control panel. These innovations by Specialized are geared towards facilitating and improving enterprise transmission and communication management, thus contributing to overall organizational efficiency and effectiveness.

Awards and recognitions



Awarded by
Global Business Outlook



Awarded by
Global Business Outlook



Awarded by
Hytera



Awarded by
International Finance Award



Awarded by
International Finance Award

Subsidiaries and Investments continued

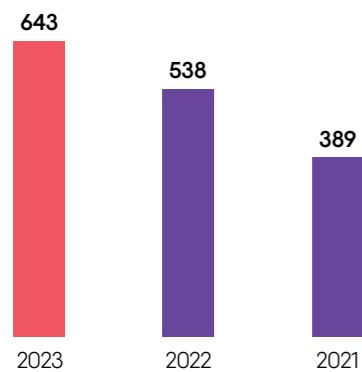
Gulf Digital Media Model Company Ltd (Intigral)

Intigral's strategy

Intigral's strategic vision is to become MENA's largest media aggregator, distributor and entertainment hub by bringing content from regional and global third-party content providers onto the one platform via:

- Providing a single sign-on, single-bill platform.
- Leveraging cross-platform analytics and a recommendation engine to deliver a state-of-the-art viewing experience.

Intigral Revenue (SAR million)



About Intigral

Gulf Digital Media Model (Intigral) is stc's digital media and entertainment aggregation arm, headquartered in Saudi Arabia.

Established in March 2002 with a share capital of SAR 811 million, it provides over-the-top broadcasting and media services, and manages the stc tv and Jawwy TV brands.

stc tv is available across stc's operating footprint in Saudi Arabia, Bahrain and Kuwait, while Jawwy TV is available across all other MENA markets.

2023 Achievements

In 2023, Intigral achieved unprecedented growth in terms of its active base, expanding 2.3-fold through a best-in-class platform and user experience, a solid and diverse content portfolio, and a repowered go-to-market push through bundling with telco operators. This landmark success was the result of successfully leveraging stc's go-to-market engine to boost the growth of adjacent digital services.

Intigral delivered a number of impressive achievements during the year, including:

+124%

Total registered subscribers

+45%

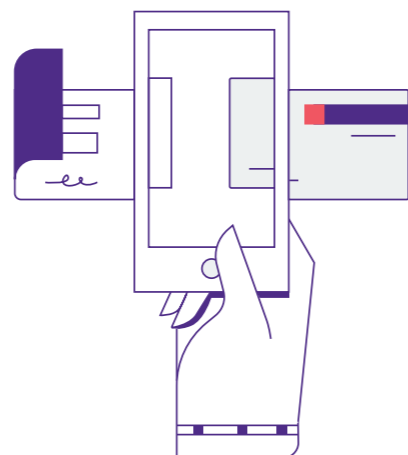
International subscriber base

+135%

Viewership

37

Record Net Promoter Score (NPS)



Moreover, Intigral has built a solid foundation across its value chain to position itself as the largest media aggregator, namely:

16

MENA markets penetrated

+50

Partnerships with content providers and aggregators.

29K

On-demand content assets

19

Regional telecom distribution partnerships

Awards and recognitions



Most Trusted OTT Platform in Saudi Arabia for stc tv

Awarded by
Intlbm



Leading Digital Entertainment Solutions Brand, MENA for Intigral

Awarded by
Intlbm



Fastest Growing Digital Entertainment Solutions Brand, MENA for Intigral

Awarded by
Global Brand Magazine



MENA's Leading OTT Platform for Jawwy TV

Awarded by
Global Brand Magazine

Subsidiaries and Investments continued**Aqalat Limited Company (Aqalat)****Aqalat's strategy**

Aqalat's strategic approach focuses on enhancing the returns of stc. This is achieved through the development of real estate projects utilizing stc's assets, alongside the leasing and sale of non-essential real estate assets. A key part of this strategy involves converting the land use of these properties from service facilities to mixed-use investment lands.

About Aqalat

Aqalat Limited Company (Aqalat) was founded in March 2013.

Aqalat is a wholly owned subsidiary of stc, with a share capital of SAR 70 million.

Its primary objective is owning, investing, managing of real estate and contracting, and providing consulting services, and importing and exporting services to the benefit of stc, aiming to maximize shareholder returns in alignment with stc's strategic goals.

Aqalat is headquartered and operates within the Kingdom.

2023 Achievements

In 2023, Aqalat achieved considerable success in accelerating investments to optimize returns from its real estate assets. It made significant progress on the stc Square project in Riyadh, reaching 60% completion in phase I of the project, with construction slated for completion in 2024.

Aqalat established a joint venture with DUR, forming the Smart Zone Hospitality Company, to construct a technologically advanced hotel within the stc Square project. The company also launched the detailed design stage for phase II of the stc Square project.

At Cityscape, Aqalat showcased its strengths by establishing 4 major partnerships with iot squad, stc, Al Fanar and Al Mohandis Holding Group. It achieved recognition from the Ministry of Municipal and Rural Affairs and Housing, meeting the standards for a comprehensive license and qualifying as a real estate development company.

Another major accomplishment in 2023 was the successful investment of a land parcel in Al-Khobar. Aqalat sold this asset in a public auction for a value of SAR 1.378 billion, marking a significant milestone in its investment strategy.

In terms of workforce advancement, Aqalat made significant progress in localization, exceeding 94%. The company demonstrated a strong commitment to women's empowerment, with women constituting over 32% of the workforce and 20% in leadership roles.

Telecom Commercial Investment Company Limited (TCIC)

Telecom Commercial Investment Company Limited (TCIC) was established in October 2007 with the purpose of operating and maintaining telecommunication networks, organizing computer systems' networks and internet networks, maintenance, operation and installation of telecommunication and information technology systems and programs in the Saudi market with share capital of SR 1 million as at 31 December 2023, wholly owned by stc. Its head office is located in the Kingdom and it fulfills its operational activity in the Kingdom.

Smart Zone Real Estate Company

Smart Zone Real Estate, a limited liability company, was established in September 2019 and its main activity is the development, financing and management of real estate projects, the establishment of facilities, complexes, commercial, office and residential buildings with share capital of SR 417 million as at 31 December 2023. Headquartered in Saudi Arabia, it carries out its operations in the Kingdom.

Sendouk Al-Abatakar for Investment Company

Sendouk Al-Abatakar for Investment Company, a limited liability company, was established in August 2021 with the purpose of providing administrative services and IT and telecommunication support and with share capital of SAR 187.5 million as at 31 December 2023. Its head office is located in the Kingdom and it fulfills its operational activity in the Kingdom.

Digital Infrastructure Company

Digital Infrastructure Company, was established during the fourth quarter of the year 2023 in Kingdom of Saudi Arabia. It is a simplified closed joint stock company, established to provide services and necessary support for the Group's investing activities. Its head office is located in the Kingdom and it fulfills its operational activity in the Kingdom.



Subsidiaries and Investments continued

International subsidiaries

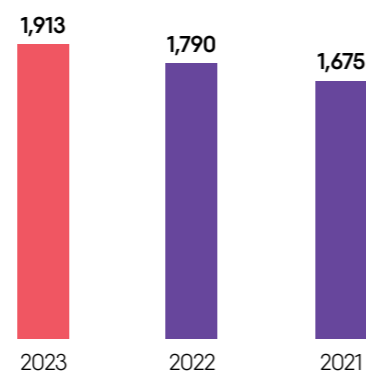
stc Bahrain Company (stc Bahrain) – Kingdom of Bahrain

stc Bahrain's strategy

stc Bahrain's **LEAD** strategy is aimed at expanding its digital offerings and new services, based on 4 key pillars:

- Leadership in core markets, emphasizing its dominant position in its primary business areas.
- Experience as a key factor of differentiation, focusing on delivering a unique and superior customer experience.
- Acceleration in specific approach areas, targeting rapid growth and innovation in chosen segments.
- Distinctive and sustainable performance, ensuring long term success through unique and enduring operational excellence.

stc Bahrain Revenue (SAR million)



About stc Bahrain

stc Bahrain Company was founded in February 2009 with the purpose of providing all mobile telecommunication services, international telecommunications, broadband and other related services in the Bahraini market, the company is wholly owned subsidiary of stc with a share capital of BD 75 million.

Since entering Bahrain's telecom market, stc Bahrain has become the market leader. stc Bahrain has been at the forefront of innovation by launching the latest high-tech devices first, along with having introduced a comprehensive wholesale and enterprise portfolio with national and international services.

Both its head office and operational activities are based in the Kingdom of Bahrain.



2023 Achievements

In 2023, stc Bahrain made notable progress across all its strategic pillars, delivering a range of achievements for enhanced value creation, innovation and sustainable growth.

stc Bahrain significantly escalated its 5G network, focusing on enhancing both coverage and capacity. This development was pivotal in maintaining stc Bahrain's leadership in the postpaid mobile voice and wireless broadband segments. The company's commitment to delivering a superior network experience was recognized in the TRA Mobile Quality of Service Audit Report, where stc Bahrain ranked highest in most indicators, particularly excelling in 5G network coverage and speed. Additionally, stc Bahrain became a pioneer in the MENA region by achieving 10Gbps speeds during live 5G-advanced trials in 2023.

Regarding digital channels, stc Bahrain boasts one of Bahrain's most extensive and diverse sales and payment networks. This includes a comprehensive retail network, a user-friendly web portal, and a distribution channel with over 3,700 outlets nationwide. The company's focus on digital transformation has led to significant growth and usage of the mystc app. This app offers connectivity-related transactions as well as exclusive lifestyle and entertainment benefits to customers.

In adjacent services, 2023 saw the Saudi Digital Payments Company (stc Bank) and InsureTech scaling up, marked by increased usage and value delivery to customers. stc Bank was relaunched in March, attracting over 100,000 customers in the first 10 months. The bank's positive trajectory is expected to continue with the introduction of new features addressing customer digital payment needs. Similarly, stc Bahrain's device insurance proposition gained popularity among customers seeking to protect their smartphones.

stc Bahrain has significantly enhanced its market presence through the introduction of adjacent digital services. A key development in this area was the establishment of stc pay Bahrain, a wholly owned subsidiary designed to offer digital wallet services in the Bahrain market.

Furthermore, customer experience remained a focal point for stc Bahrain. The company concentrated on enhancing digital touchpoints and streamlining customer journeys, actively investing in new infrastructure to support this digital transformation. It also established a dedicated team responsible for addressing customer inquiries and complaints. This approach is in line with the company's goal of enhancing customer satisfaction and fostering a more responsive and efficient customer service environment. These efforts translated into a sustainable improvement in customer satisfaction scores in 2023, and the company plans to maintain this focus moving forward.

Awards and recognitions



Awarded by
Middle East Technology Excellence Awards



Awarded by
MEA Business Technology Achievements Awards



Awarded by
SAMENA LEAD Awards

Subsidiaries and Investments continued

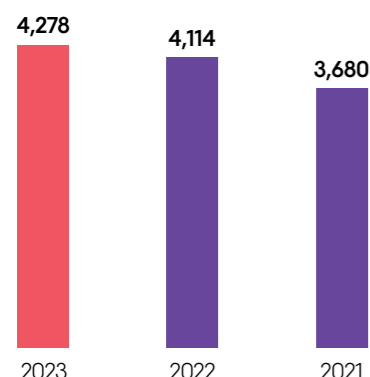
Kuwait Telecommunication Company (stc Kuwait) – Kuwait

stc Kuwait's strategy

stc Kuwait's LEAD strategy is aimed at steering the company towards market leadership in the Kuwaiti telecommunications and ICT sector. It is underpinned by an aspiration to lead the market through the introduction of innovative services, expansion in priority segments, and the implementation of an efficient and digital operating model. The LEAD strategy consists of 4 key strategic pillars:

- **Lead the core markets, focused on dominating the primary market segments where stc Kuwait operates.**
- **Increase ICT business, aiming to broaden its footprint in the ICT sector.**
- **Accelerate innovation by fostering a culture of innovation that drives the development of new and unique services and solutions.**
- **Deploy an efficient and digital operating model, which emphasizes the importance of operational efficiency and the adoption of a digital-first approach.**

stc Kuwait Revenue (SAR million)



About stc Kuwait

Kuwait Telecommunication Company (stc Kuwait) was established in July 2008 with the purpose of operating in the field of mobile services in the Kuwaiti market.

The company was publicly listed as a joint stock company on the Kuwait Stock Exchange in December 2014.

As at 31 December 2023, stc owns a 51.8% stake in stc Kuwait, with a share capital of KD 100 million.

stc Kuwait's head office is situated in Kuwait, from where it conducts all its operational activities.



2023 Achievements

stc Kuwait has achieved a high rate of annual progress across key operating measures since the beginning of 2023:

63.4%
Kuwaitization rate

107
Number of branches

2.3 million
Total subscribers

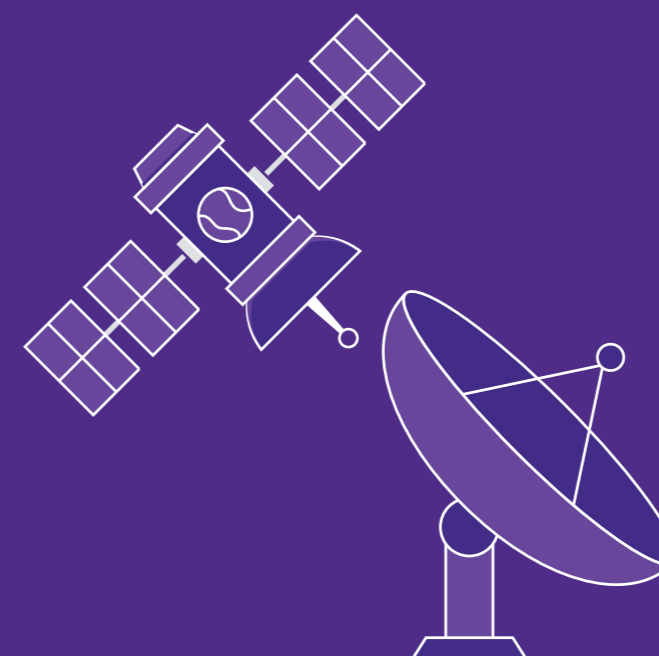
37%
Market share of revenue

In 2023, stc Kuwait sustained its growth and innovation, achieving noteworthy progress in digital transformation and operational expansion. The company recorded strong financial and operational results, significantly enhancing its digital solutions and infrastructure, underscoring its commitment to excellence and innovation in the telecom and ICT sectors.

stc Kuwait's focus on digital transformation and operational optimization – coupled with investments in future technologies – has established it as a leading force in the telecom industry. This year, the company successfully navigated multiple milestones in its digital transformation journey, enhancing customer experiences and streamlining operational efficiency. stc Kuwait's advanced network infrastructure has enabled it to offer a wide range of services, meeting the diverse needs of individual and enterprise customers and reinforcing its position as a pioneer in telecom solutions.

Internally, stc Kuwait has made considerable advances in enhancing its capabilities and integrated systems, aligning with its corporate strategy. The digitization of internal processes has optimized operations, leading to more efficient workflows and improved overall efficiency, supporting the company's business and service delivery standards.

Electronic Portal Holding Company (e-Portal), stc Kuwait's specialized ICT arm, has played a crucial role in providing comprehensive ICT solutions to the enterprise sector. In 2023, stc Kuwait intensified its focus on expanding its ICT solutions, introducing new concepts and a wider range of solutions through e-Portal. The company's investment in emerging technologies such as 5G services, IoT, cloud services and artificial intelligence reflects its dedication to staying at the forefront of technology and shaping the future of ICT services in Kuwait.



Subsidiaries and Investments continued**stc Asia Holding Ltd (stc Asia) – British Virgin Islands**

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

stc Malaysia Holding Ltd in turn holds stc's 25% stake in Binariang GSM Sdn Bhd (BGSM) that invests in companies operating primarily in Malaysia (→ for more details, see note 8-2 in the consolidated annual financial statements). The principal activity of both stc Asia and its subsidiary is to provide services and support required in respect of investment activities of stc.

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

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

In April 2008, stc Turkey acquired 35% of Oger Telecom Limited's (OTL). During the year 2023, OTL liquidation has been completed with most of its assets and liabilities disposed of (→ for more details, see note 8-1 in the consolidated annual financial statements).

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

stc Gulf was incorporated in March 2008, which is a special purpose vehicle in the Kingdom of Bahrain, The primary objective of this company is to provide services and support required in respect of investment activities of stc.

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

stc GCC Cable Systems W.L.L., a limited liability company, was established in April 2021 with the purpose of the sale and installation of telecommunications equipment and the construction of utilities projects. stc GCC Cable Systems W.L.L. is wholly owned by stc as part of the agreement to invest in a fund aimed to drive innovation in the communications and information technology sector in the Kingdom of Bahrain and other GCC countries with share capital of BD 32 million as at 31 December 2023.

Green Bridge Investment Company (GBI) – Luxembourg

Green Bridge Investment Company, was established during the third quarter of the year 2023 in Luxembourg. It is a special purpose vehicle established to provide services and necessary support for stc's investing activities.

Green Bridge Management Company (GBM) – Luxembourg

Green Bridge Management Company, was established during the third quarter of the year 2023 in Luxembourg. It is a special purpose vehicle established to provide services and necessary support for stc's investing activities.

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



Subsidiaries and Investments continued

Investments

Investments in Associate

| Name of Associate Companies | Country of Incorporation | 31 December 2023 | 31 December 2022 |
|--|--------------------------|------------------|------------------|
| Arab Satellite Communications Organization (Arabsat) | KSA | 36.66% | 36.66% |
| Virgin Mobile Saudi Consortium (VMSC) | KSA | 10% | 10% |
| Oger Telecom Limited (OTL) | UAE | Liquidated | 35% |
| Virgin Mobile Kuwait (VMK) | Kuwait | 10% | 10% |
| Giza Systems Company for Electromechanical Contracting | Egypt | 50.01% | 50.01% |
| Edu Apps Company | Egypt | 40% | 40% |

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

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

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

In April 1999, stc acquired 36.66% of Arabsat's USD 500 million share capital.

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

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

Oger Telecom Limited (OTL) – United Arab Emirates

Oger Telecom Limited (OTL) is a holding company registered in Dubai, the United Arab Emirates. In April 2008, through one of its subsidiaries (stc Turkey Holding Ltd) stc acquired 35% of OTL's share capital. During the year 2023, OTL liquidation has been completed.

Virgin Mobile Kuwait (VMK) – Kuwait

Virgin Mobile Kuwait (VMK) is indirectly owned through stc Kuwait with 10% ownership. stc's ability to exercise significant influence is evidenced by the reliance of Virgin Mobiles Kuwait on stc Kuwait's technical network.

Giza Systems Company for Electromechanical Contracting – Egypt

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

Edu Apps Company – Egypt

Edu Apps Company is indirectly owned through solutions with 40% ownership. Edu Apps, a private limited company, was established in 2016 to execute software designing and development services.

Investments in Joint Ventures

| Name of Joint Ventures | Country of Incorporation | Shareholding Percentage | |
|--|--------------------------|-------------------------|------------------|
| | | 31 December 2023 | 31 December 2022 |
| Arab Submarine Cables Company Limited | KSA | 50% | 50% |
| Contact Center Company (CCC) | KSA | - | 49% |
| Binariang GSM Holding (BGSM) | Malaysia | 25% | 25% |
| Integrated Data Company for Information and Technology | KSA | 39% | - |

Arab Submarine Cables Company Limited – Kingdom of Saudi Arabia

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

Contact Center Company (CCC) – Kingdom of Saudi Arabia

Contact Centers Company (CCC) was established to provide call centers services and answer directory queries with Aegis Company at the end of December 2010 in the Kingdom, with a share capital of SAR 4.5 million. stc acquired 50% of its share capital. During the fourth quarter of 2015, stc sold 1% of its stake in CCC to the other partners according to the terms of the partners' agreement, thus making stc's share 49%. Its head office is located in the Kingdom where it fulfills its operational activity.

On 3 April 2023, solutions completed the acquisition of CCC by acquiring all shares of stc (49%) and ESM Holding Company (51%) for a full cash consideration for the entire acquisition amounting to SAR 513.7 million. CCC is engaged in providing services related to the submission of proposals and technical solutions in the field of telecommunications and IT support and maintenance, systems development, support, and communications programs and information technology.

The acquisition was considered, at the Group level, as a step acquisition with change in control in accordance with IFRS 3 Business Combinations and the Group started consolidating CCC from the acquisition

completion date (→ for more details, see note 7 in the consolidated annual financial statements). A gain was recognized from remeasuring the previously held equity interest in CCC amounting to SAR 133 million within net other gains item in the consolidated statement of profit or loss.

Binariang GSM Holding (BGSM) – Malaysia

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

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

Integrated Data Company for Information and Technology – Kingdom of Saudi Arabia

During the second quarter of 2023, Integrated Data Company for Information and Technology was established in the Kingdom of Saudi Arabia as a joint venture among stc (39%), Etihad Etisalat Company (30%) and Mobile Telecommunication Saudi Company (31%) with share capital of SAR 22 million. This entity provides various services including demographic analyses, population statistics, data on population size, as well as traffic and transportation statistics, public road routes, and parking information.

Subsidiaries and Investments continued

Other Investments

Investment in Telefónica

During 2023, stc invested in Telefónica by acquiring a 9.9% interest in the company for a total consideration of EUR 2.1 billion (which is equivalent to SAR 8.5 billion), making stc Telefónica’s largest shareholder. Telefónica is one of the largest telecommunications companies in the world with significant presence in Spain, Germany, the UK and Brazil.

This acquisition represents another milestone in stc’s expansion and growth strategy, and reflects stc’s confidence in Telefónica’s sustainable growth and upside potential. Telefónica benefits from a unique portfolio of best-in-class infrastructure assets and cutting-edge technology platforms, where it is developing state-of-

the-art capabilities in adjacent areas such as cognitive intelligence, edge computing and IoT.

During the third quarter of the year 2023, stc completed the purchase of 4.9% direct shareholding in Telefonica. Telefonica is a leading European telecommunications operator through its significant presence in 3 of the largest European markets, namely Spain, Germany and the UK, in addition to Brazil which is the largest market in Latin America. These investments are irrevocably designated at fair value through OCI. stc has received dividends during the fourth quarter of 2023 amounting to SAR 173 million, which is included as other income in the consolidated statement of profit or loss. → For more details, see notes 16.1 – 32.1 in the consolidated annual financial statements.

Investments in the Sukuk issued by the Ministry of Finance

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

| Name of Joint Ventures | First Tranche (SAR'000) | Second Tranche (SAR'000) |
|--------------------------|-------------------------|--------------------------|
| Nominal investment value | 1,762,000 | 2,140,000 |
| Investment duration | 5 years | 10 years |
| Yield | 3.17% | 3.90% |

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

During the year 2007, stc Asia Holding Company Limited (a subsidiary) invested in Sukuk issued by Binariang GSM Sdn Bhd (BGSM) in the amount of RM 1,508 million (which is equivalent to SAR 1,383 million) for a period of 50 years (callable after 10 years) with an annual profit margin of 6 months KLIBOR +8.51%. These sukuk are not past due or low in value with a book value of SAR 1,230 million as at 31 December 2023.

stc invests in various venture funds

stc invests in various venture funds, which are investing in emerging, small and medium-sized companies operating in the field of communications and information technology in the Kingdom and other global markets.

During 2022, the Company signed an agreement with STV LP Fund and allocated an additional SAR 1,125 million (equivalent to USD 300 million) investment in the fund, out of which SAR 221 million (equivalent to USD 59 million) was injected.

The fair value of the Group’s investment in the units of stc Ventures Fund and STV LP Fund (the “Funds”) is obtained from the net asset value (NAV) reports received from the Funds’ managers. The Funds’ managers deploy various techniques (such as recent round of finance, discounted cash flow models and multiples method) for the valuation of underlying financial instruments classified under level 3 of the respective Fund’s fair value hierarchy. Significant unobservable inputs embedded in the models used by the Funds’ managers include risk-adjusted discount rates and lack of marketability discount. An increase/(decrease) of 10% in the discount rate would lead to a (decrease)/increase of (SAR 41 million)/SAR 45 million in fair value (2022: an increase/(decrease) of 10% in the discount rate would lead to a (decrease)/increase of (SAR 152 million)/SAR 255 million in fair value). An increase/(decrease) of 10% in the lack of marketability discount would lead to a (decrease)/increase of (SAR 61 million)/ SAR 41 million in fair value (2022: An increase/(decrease) of 10% in the the lack of marketability discount would lead to a (decrease)/increase of (SAR 56 million)/ SAR 28 million in fair value). → for more details, see note 43.2 in the consolidated annual financial statements.



Sustainability



Sustainability continued

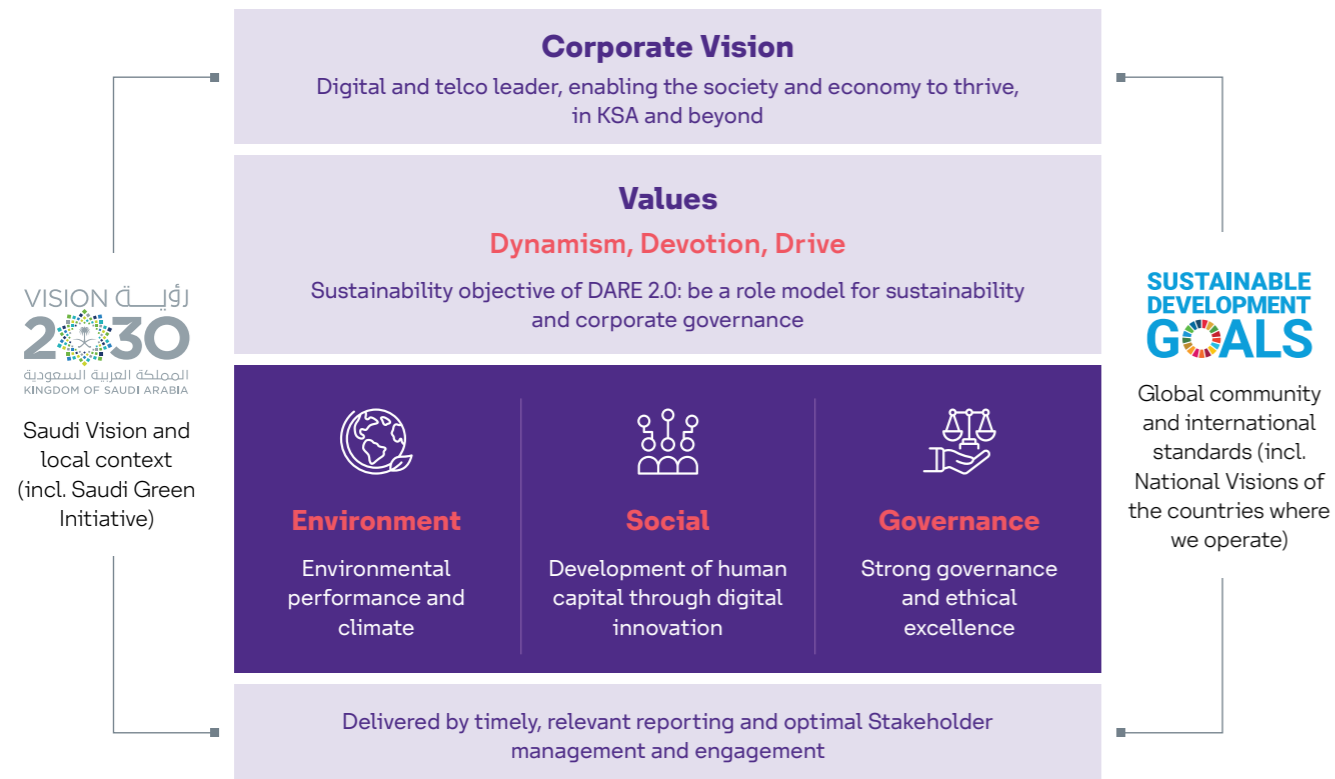
Our commitment to sustainability is embedded in our core business practices, our purpose, and our corporate strategy. Integrating sustainability into our business helps us deliver on our vision of enabling the society and economy to thrive in Saudi Arabia and beyond. We strongly believe that addressing sustainability-related current and emerging risks and opportunities allow us to be a consistent and innovative partner, able to respond to the needs of our customers, people and communities where we operate.

1. Our sustainability strategy

Upon conducting rigorous materiality assessments and external benchmarking, stc refreshed its sustainability strategy which has 3 core sustainability pillars, all of which are vital for the success of our business and for sustainable value creation for our stakeholders.

In developing this strategy, we considered the interests of our key stakeholders, national and regional strategic visions, and the United Nations Sustainable Development Goals (UN SDG). We use this framework to guide our decision-making process and improve our operational performance.

Our refreshed sustainability strategy embodies our ambition to go further to minimize our environmental impacts and to maximize our positive, sustainable impacts wherever we work.



























1.1 Material topics and alignment with national and international priorities

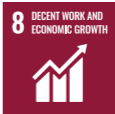



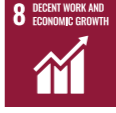












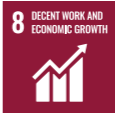




The telecom and ICT sector has an impact on society and the environment. To ensure we focus our sustainability efforts where they are most relevant, we regularly conduct materiality assessments and continue meaningful dialogues with our stakeholders. The most material topics and high impact actions are addressed in our sustainability strategy, framework and reporting.

We aim to ensure our sustainability efforts drive positive change and transition at the local, national and international level. To that end, we have ensured our corporate strategy is aligned with the national and international context by aligning with key components of the Saudi Vision 2030, principles of the UN Global Compact, and goals and targets within the Sustainable Development Goals and other sustainability standards.



Sustainability continued

| Pillar | Material Topic | SDGs | UNGC | Saudi Vision 2030 |
|--|---------------------------------------|---|--|--|
| Environment Environmental performance and climate | Energy and climate change |   | Principle 7 Principle 9  ENVIRONMENT | Ensure environmental sustainability  A Vibrant Society |
| | Waste, e-waste, and water management |   | Principle 8  ENVIRONMENT | Ensure environmental sustainability  A Vibrant Society |
| Social Development of human capital through digital innovation | Data privacy, security and protection |   | Principles 1 and 2 | Enable social contribution of businesses  An Ambitious Nation |
| | Accessibility and digital inclusion |   | Principle 6  LABOUR | Enable social contribution of businesses  An Ambitious Nation |
| | Health, safety and wellness |   | Principles 3 and 4 | Promote a healthy lifestyle  A Vibrant Society |
| | Diversity, equality and inclusivity |   | Principle 6  LABOUR | Ensuring equal access to job opportunities  A Thriving economy |
| | Digital innovation and transformation |  | Principles 9 and 10 | Unlock potential of non-oil sector  A Thriving economy |

| Pillar | Material Topic | SDGs | UNGC | Saudi Vision 2030 |
|--|--|---|--|--|
| Social Development of human capital through digital innovation | Customer relations and satisfaction |  | Principle 1  HUMAN RIGHTS | Grow contribution of the private sector to the economy  A Thriving economy |
| | Talent management |   | Principle 6  LABOUR | Develop human capital in line with labor market needs  A Thriving economy |
| | Community contribution and development |   | Principle 1  HUMAN RIGHTS | Enable social contribution of businesses  An Ambitious Nation |
| Governance Strong governance and ethical excellence | Business ethics and governance |  | Principle 10 |  An Ambitious Nation |
| | Human rights |   | Principle 1  HUMAN RIGHTS | Enable social contribution of businesses  An Ambitious Nation |
| | Supply chain management |   | Principle 2  LABOUR | Enable social contribution of businesses  An Ambitious Nation |
| | | | Principle 8  ENVIRONMENT | |

Sustainability continued

1.2 Our sustainability pillars

1.2.1 Environmental performance and climate

As a responsible corporate entity, we aim to assume a pioneering role in environmental stewardship by embracing sustainable technologies, conserving natural resources, and contributing to a positive ecological impact. Our active transition to a low-carbon economy is aligned with our commitment to achieving Net Zero emissions by 2050.

Additionally, our commitment to planting one million trees aligns with Saudi Green Initiative (SGI) and

encompasses educational and training efforts in field of Environmental performance with benchmarking as essential components.

Our efforts encompass thorough process evaluations, improvement initiatives and the implementation of solar pilot project. Further initiatives include reduced water intensity, a robust take-back program, and comprehensive recycling efforts – inclusive of our vendors and suppliers – will be central to our approach for the upcoming years.

We have also committed to carbon neutrality in line with the goals of the Paris Agreement by 2050. In addition to this, we have set ambitious climate targets against our 2019 baseline, which have been approved and validated by the Science Based Targets Initiative (SBTi) in September of 2023.

Finally, stc has made strides to mobilize efforts towards environmental responsibility and climate action such as committing to planting 1 million trees by 2030 and deploying the first solar pilot integrating solar energy to various stc infrastructure types across the Kingdom such as data centers, warehouses, office buildings, etc.

Long-term targets and commitments

50% reduction

Scope 1 and 2
(from 2019 baseline) 2030



46.2% reduction

In scope 3
(from 2019 baseline) 2030



Near-term goals by 2030 set in line with Science Based Targets

1 million trees

Across KSA 2030



Net zero

Carbon emissions by 2050



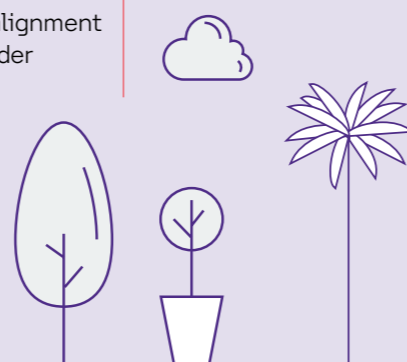
Upholding our environmental responsibility

stc is dedicated to environmental stewardship. In line with this commitment, we work to reduce both the direct environmental effects of our operational activities and the indirect impacts associated with our products and services. Our goal is to assist our customers in lowering their environmental footprint and to establish policies that will enable us to attain net-zero carbon emissions before the middle of this century.

We have developed a climate strategy, which establishes a clear, ambitious vision and objectives to direct all departments and subsidiaries towards our shared goal. stc recognizes the unique opportunity our reputation, technologies and market position provides to enable wider sustainable leadership in the ICT sector. stc's ambition is not only to drive climate action through operational optimization and efficiencies but to influence, support and collaborate with companies within our value chain and our customers and communities.

stc's climate strategy has 4 priority pillars for climate action:

- **Optimizing stc's performance** – to promote continuity and quality of information, ensure that carbon reduction commitments are achieved, and provide a foundation for improvement and system analysis.
- **Developing eco-friendly products and solutions** – to reduce the climate impact from materials, products and services used by stc and its value chain.
- **Managing climate-related risks and financial impacts** – to assess and manage stc's climate-related risks in a manner that future-proofs the Company's operations and ensures alignment with stakeholder expectations.
- **Demonstrating climate leadership** – to empower stc's peers and supply chain to influence climate action at the local and global scale.



1.2.2 Development of human capital through technological innovation

We continue to deliver on advancement of human capital by empowering individuals and communities through inclusive practices, diversity and inclusion initiatives, and strategic social investment programs. Our mission is to create opportunities for growth, bridge societal divides through technological innovation, and nurture a sense of belonging and well-being.

Advancements in human capital development through technological innovation continues to be realized through a focused approach on flagship programs, Initiatives like the Smart Truck, online safety, and digital literacy programs, coupled with employee development programs and a heightened focus on health and safety, and gender gap performance and disclosures, are central to our strategy.

Contributing to a thriving society

We constantly strive to keep our commitment of making the greatest possible positive impact by leveraging our key strengths as a leading telecom and ICT service provider, along with our incredible people and financial resources, to bolster support throughout the Gulf and MENA regions. We also aim to continue to create innovative digital opportunities, increase accessibility and digital inclusion through our social contributions making sure that no one is left behind.

We also believe that the best way to complement our strengths in achieving positive impacts is to join hands and leverage the strengths of dedicated, specialized partners in key areas. Community engagement is one of the ways in which we apply these collective efforts. Through our community engagement approach, we aim to support initiatives that address some of society's greatest challenges and opportunities. In the process, we also aim to enhance the capacity and success of the third sector.

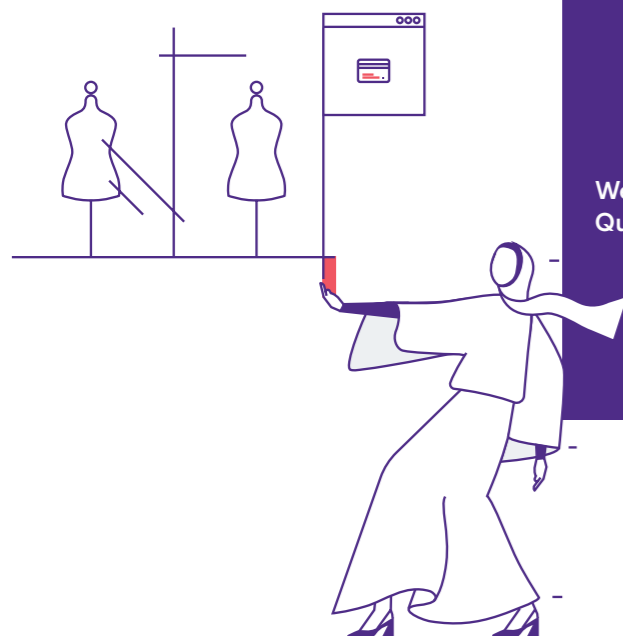
Sustainability continued

Our flagship community development initiatives

Our broad portfolio of community investments directly supports several UN SDGs and continues to advance progress towards the national visions of all the countries that stc operates within.

Our community investment initiatives span various developmental areas such as education, healthcare, digital inclusion, technological innovations, caring for the environment, entrepreneurship, volunteering, welfare and quality of life.

| Theme | Target | Flagship initiatives | 2023 social impact |
|--|---|---------------------------------|--|
| Digital Inclusion and Digital Capabilities Promotion | Aiming to bridge the divides that exist in our operating markets, focusing on the inclusion of people with disabilities, underserved areas, low-income households and elderly. | Smart Truck | Provided 150 awareness session to 2,003 elderly people across 11 governorates |
| | | Technical enablement | Offered 1,055 technical services to 446 NPOs across 50 cities serving 8,000 users |
| Education, Health and Environmental Protection | Aiming to spread awareness on educational, health and environmental issues and help solve them through our support and innovative solutions. | Sharing knowledge | Conducted 2 workshops with 40 participants from 14 different partners (NPO and government) to build capacity on social return on investment and social value |
| | | E-health smart cameras | Installed 2 smart cameras worth SAR 160,213.48 in health centers within an underserved area to help early diabetes detection |
| | | Electronic waste recycling | Through Eritqa, recycled and refurbished 4,862 devices, with 100 NGO beneficiaries |
| Embedding a Culture of Purpose and Entrepreneurship | Aiming to generate sustainable change while supporting entrepreneurship and empowering the next generation of young entrepreneurs through education, training and a supportive ecosystem. | ImpactU | SAR 100,000 seed investment for each of the 10 incubated startups since 2021 – no intake in 2023 |
| | | Volunteering program | Completed 672 volunteering opportunities requested by 30 NPOs across 13 regions while recording 8,064 volunteering hours |
| Welfare and Quality of Life | Aiming to provide and support a collection of a variety of efforts and programs to improve our community and make it a more desirable place to live and work. | Furniture donation | Donated 343 furniture pieces to 10 NPOs |
| | | Jood Eleskan initiative support | Renovated 4 houses by raising SAR 456,429 from stc employees and benefitting 26 people, and utilized stc's digital communication channels to raise awareness and donations by sending 144,571,023 SMSes across KSA |
| | | Home renovation | Renovated 40 homes across 8 governorates with SAR 2 million investment aiding vulnerable groups like widows, divorced, people with disability, and children of martyrs |



Sustainability continued

1.2.3 Solid governance and ethical excellence

We are dedicated to embodying a standard of ethical governance that upholds the utmost levels of integrity, transparency, and accountability. Through the promotion of responsible business practices, the upholding of human rights, and the cultivation of a culture rooted in trust, our goal is to establish a benchmark for ethical conduct within our industry.

In reinforcing strong governance and ethical excellence, we adhere to rigorous Board performance standards, ethical audits, and increased disclosures and reporting to MSCI, CDP, Sustainalytics, S&P Global Corporate Sustainability Assessment (CSA) and other relevant entities. Our impact assessments and due diligence processes, alongside the enforcement of policies governing child safety and overall cyber protection, are underpinned by a commitment to implementing responsible procurement practices, including ISO:20400.

As part of our commitment to ethical standards, in 2023, we have extended employee training on ethical standards programs to encompass all employees, including part-time staff and contractors. We have also expanded the scope of employee training on data security and/or privacy-related risks and procedures. As of 2023, the training on data security and/or privacy related risks and procedures is provided to all employees, including contractors.

Our ESG Governance Model

Our overarching objective is to seamlessly embed sustainability within our operational framework and long-term business strategy, DARE 2.0. This concerted strategy, having secured alignment with the Board, is designed to optimize decision-making processes, delineate clear responsibilities, and articulate decisive actions on pivotal issues.

The Board of Directors assumes the vital oversight role for sustainability within the Company through the dedicated Sustainability Committee. The Sustainability Committee receives regular and comprehensive updates from management concerning the Company's sustainability framework and performance across a wide spectrum of key performance indicators (KPI) and goals. Quantitative ESG and sustainability metrics in the short-term incentive plan were introduced in 2023 with sustainability metrics representing 5% of the total performance score.

The Sustainability Committee delivers strategic guidance on commitments, ESG performance scorecards, and key focal areas, subsequently reporting its findings to the Board. In tandem, at the managerial level, the Sustainability Committee consolidates all our sustainability-related initiatives under the guidance and supervision of a unified body. Vice presidents and executives representing various business segments and administrative functions constitute the Sustainability Committee, which is chaired by our GCEO.



Our annual sustainability reports outline our detailed sustainability performance for the year and initiatives that are underway in our areas of focus.

2. Rising ESG rating

In 2023, our commitment to sustainable practices and transparency resulted in significant progress in our ESG investor ratings. We have actively worked to increase the number of disclosures to provide a comprehensive overview of our sustainability efforts. Our focus on employee well-being is evident through detailed disclosures on the training hours our employees receive, furthering our dedication to personal and professional development. Additionally, our commitment to the health and safety of our workforce is reflected in the comprehensive reporting of health and safety numbers across our entire Group, which we are continuing to do.

We have also expanded our efforts in data security and privacy by enhancing our data protection and/

or privacy programs, policies and extending these requirements to our suppliers, mandating third-party audited certifications. We have also achieved approval of the Science Based Targets as the first Saudi company to achieve this status in 2023. All these improvements have culminated in MSCI rating of BB by December 2023, reflecting our diligent efforts and tangible progress in sustainability initiatives. Quarterly updates and results are presented to the Sustainability Committee and the Board, demonstrating our ongoing commitment to transparency and accountability in our sustainability practices.

ESG data for year end 2023 can be found here: <https://sustainability.stc.com.sa/cdn/2023-Year-End-ESG-Supplement.pdf>

3. 2023 Sustainability awards and recognitions



King Khalid Sustainability Award – Economic Dimension



Ranked No. 1 Sustainability Leader in the Middle East by Forbes in 100 sustainability leaders list



Sustainability Champion of the Year – Sustainability Excellence Awards 2023 by Sustainability Middle East



Sustainable Employment Award at Global Good Governance (3G) 2023

Financial Performance



Financial Performance continued

Highlights of the Group's operating results in 2023 compared to 2022

Income statement

| Statement (SAR'000) | 2023 Consolidated | 2022 Consolidated | Difference | % |
|---|----------------------|----------------------|-------------|---------|
| Revenues | 72,336,611 | 67,431,546 | 4,905,065 | 7.3% |
| Cost of revenues | (34,532,921) | (30,038,291) | (4,494,630) | 15.0% |
| Gross profit | 37,803,690 | 37,393,255 | 410,435 | 1.1% |
| Total operating expenses | (23,603,256) | (22,304,814) | (1,298,442) | 5.8% |
| EBITDA | 24,683,011 | 25,078,667 | (395,656) | (1.6%) |
| Other income and expenses | 594,543 | (1,618,344) | 2,212,887 | 136.7% |
| Zakat and income tax | (1,375,498) | (1,083,175) | (292,323) | 27.0% |
| Net Profit attributable to stc's Equity holders of the Parent Company | 13,295,381 | 12,170,537 | 1,124,844 | 9.2% |
| Net Profit attributable to non-controlling interests | 124,098 | 216,385 | (92,287) | (42.6%) |
| Net Profit | 13,419,479 | 12,386,922 | 1,032,557 | 8.3% |

stc achieved the highest revenues in its history, increasing by SAR 4,905m as compared to the last year, mainly attributed to the increase in commercial unit revenues by 5.1%, carriers and wholesale unit revenues by 14% in stc KSA, and the subsidiaries revenues also increased by 23.9%.

The increase in net profit for the year 2023 by SAR 1,124m as compared to the last year was mainly attributed to the following:

- The increase in revenues by SAR 4,905m, that was offset by an increase in cost of revenues by SAR 4,495m, which led to an increase in gross profit by SAR 410m, noting that cost of revenues last year was positively impacted by the reversal of contingent liability provision in an amount of SAR 1,079m.
- The increase in revenues in addition to stc's continued investment in new domains in accordance with stc's strategy, and what these investments expansion entails in terms of increasing operating expenses especially in the start-up phase for the companies associated with these investments, resulted operating expenses to increase by SAR 1,298m.
- The booking of total other income (expenses) in an amount of SAR 595m as compared to SAR (1,618m), mainly due to:
 1. The increase in finance income by SAR 910m.
 2. The booking of net share in results and impairment of investments in associates and joint ventures in an amount of SAR 53m as compared to an amount of SAR (1,212m) mainly as a result of booking an impairment provision related to BGSM investment in an amount of SAR (1,259m) in the last year.
 3. The increase in net other gains by SAR 1,084m mainly as a result of booking gains from AlKhobar land sold with an amount of SAR 1,296m.
 4. This is despite of: (a) The increase in finance cost by SAR 574m. (b) The increase in cost of early retirement program by SAR 497m.
- Zakat and income tax expense increased by SAR 292m.

Summary of the Group's assets, liabilities, and results for the past 5 fiscal years

Income statement

| Statement (SAR'000) | 2019 Consolidated Revised | 2020 Consolidated Revised | 2021 Consolidated Revised | 2022' Consolidated Revised | 2023 Consolidated |
|---|---------------------------------|---------------------------------|---------------------------------|----------------------------------|----------------------|
| Revenues activity | 54,367,531 | 58,953,318 | 63,007,986 | 67,431,546 | 72,336,611 |
| Costs of activity revenues | (21,976,306) | (24,998,923) | (29,213,957) | (30,038,291) | (34,532,921) |
| Total profit of the activity | 32,391,225 | 33,954,395 | 33,794,029 | 37,393,255 | 37,803,690 |
| Operating expenses | (19,910,832) | (21,223,270) | (20,666,274) | (22,304,814) | (23,603,256) |
| Profit from operating activity | 12,480,393 | 12,731,125 | 13,127,755 | 15,088,441 | 14,200,434 |
| Other revenues and expenses - net | (793,418) | (375,482) | (492,692) | (1,618,344) | 594,543 |
| Zakat, taxes, and non-controlling interests | (1,022,309) | (1,360,768) | (1,323,721) | (1,299,560) | (1,499,596) |
| Net profit attributable to stc's shareholders | 10,664,666 | 10,994,875 | 11,311,342 | 12,170,537 | 13,295,381 |

Other comprehensive income

| Statement (SAR'000) | 2019 Consolidated Revised | 2020 Consolidated Revised | 2021 Consolidated Revised | 2022' Consolidated Revised | 2023 Consolidated |
|---|---------------------------------|---------------------------------|---------------------------------|----------------------------------|----------------------|
| Net profit including non-controlling interests | 10,924,831 | 11,185,197 | 11,594,697 | 12,386,922 | 13,419,479 |
| Total items that may not be reclassified subsequently to the consolidated statement of profit or loss | (710,054) | (562,514) | 317,616 | 818,534 | (205,380) |
| Total items that may be reclassified subsequently to the consolidated statement of profit or loss | 212,050 | 31,430 | 99,789 | (174,583) | 19,466 |
| Total (comprehensive loss)/other comprehensive income | (498,004) | (531,084) | 417,405 | 643,951 | (185,914) |
| Total comprehensive income | 10,426,827 | 10,654,113 | 12,012,102 | 13,030,873 | 13,233,565 |
| Total comprehensive income attributable to stc's shareholders | 10,163,477 | 10,478,455 | 11,717,489 | 12,840,311 | 13,138,635 |
| Total comprehensive income attributable to non-controlling interests | 263,350 | 175,658 | 294,613 | 190,562 | 94,930 |

Financial Performance continued

Statement of financial position

| Statement (SAR'000) | 2019 Consolidated Revised | 2020 Consolidated Revised | 2021 Consolidated Revised | 2022* Consolidated Revised | 2023 Consolidated |
|---|---------------------------------|---------------------------------|---------------------------------|----------------------------------|----------------------|
| Current assets (A) | 44,841,492 | 45,858,916 | 51,468,074 | 60,790,447 | 71,224,125 |
| Fixed and intangible assets | 54,992,030 | 58,314,031 | 57,939,836 | 58,420,288 | 65,383,409 |
| Other non-current assets | 18,492,734 | 17,799,153 | 18,371,507 | 18,009,251 | 23,075,236 |
| Total assets | 118,326,256 | 121,972,100 | 127,779,417 | 137,219,986 | 159,682,770 |
| Current liabilities (B) | 32,606,772 | 32,891,183 | 33,560,552 | 36,400,164 | 48,070,790 |
| Long-term loans | 8,923,476 | 8,637,605 | 7,846,606 | 10,213,750 | 13,641,768 |
| Other non-current liabilities | 13,740,962 | 15,176,297 | 14,986,280 | 14,580,480 | 16,455,046 |
| Total liabilities | 55,271,210 | 56,705,085 | 56,393,438 | 61,194,394 | 78,167,604 |
| Paid capital | 20,000,000 | 20,000,000 | 20,000,000 | 50,000,000 | 50,000,000 |
| Reserves, retained earnings and treasury shares | 41,762,594 | 43,945,782 | 49,270,505 | 23,499,525 | 28,984,945 |
| Equity attributable to shareholders of stc | 61,762,594 | 63,945,782 | 69,270,505 | 73,499,525 | 78,984,945 |
| Non-controlling interests | 1,292,452 | 1,321,233 | 2,115,474 | 2,526,067 | 2,530,221 |
| Total equity | 63,055,046 | 65,267,015 | 71,385,979 | 76,025,592 | 81,515,166 |
| Total liabilities and equity | 118,326,256 | 121,972,100 | 127,779,417 | 137,219,986 | 159,682,770 |
| Working capital (A-B) | 12,234,720 | 12,967,733 | 17,907,522 | 24,390,283 | 23,153,335 |

Cash flow statement

| Statement (SAR'000) | 2019 Consolidated Revised | 2020 Consolidated Revised | 2021 Consolidated Revised | 2022* Consolidated Revised | 2023 Consolidated |
|--|---------------------------------|---------------------------------|---------------------------------|----------------------------------|----------------------|
| Net operating cash flow | 9,920,626 | 28,324,705 | 11,220,155 | 26,354,390 | 22,417,558 |
| Net investment cash flow | (1,977,126) | (17,429,177) | (1,714,583) | (8,578,939) | (28,383,342) |
| Net financing cash flow | (8,067,645) | (9,919,218) | (10,235,177) | (8,255,503) | 1,590,929 |
| Net cash flow | (124,145) | 976,310 | (729,605) | 9,519,948 | (4,374,855) |
| Cash and cash equivalents at the beginning of the year | 8,153,865 | 8,031,010 | 9,004,286 | 8,281,301 | 17,794,393 |
| Impact of foreign currency exchange differences | 1,290 | (3,034) | 6,620 | (6,856) | (5,413) |
| Cash and cash equivalents at the end of the year | 8,031,010 | 9,004,286 | 8,281,301 | 17,794,393 | 13,414,125 |

*Certain comparative figures for the year ended December 31, 2022, were reclassified to conform with the classification used in the financial statements for the year ended December 31, 2023.

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

During the year 2023, the Group achieved total revenues of SAR 72,336,611 thousand. Foreign investments at the Group's level accounted for 12% of this total. The following table shows their geographical distribution:

| Revenues inside the Kingdom of Saudi Arabia (SAR'000) | Revenues outside the Kingdom of Saudi Arabia (SAR'000) | Total |
|---|--|------------|
| 63,798,268 | 8,538,343 | 72,336,611 |

As for the local distribution of revenues, a geographical analysis of the stc's revenues is not available at the local level due to the nature of the sector's work, because the revenue generated by the customer is not linked to one region, where the customer's account is established in a region and the calls that the customer is billed with have occurred in several Regions, according to its presence inside the Kingdom, and with regard to international calls and international roaming made by the customer, it cannot be linked to any region because it takes place outside the geographical borders of the Kingdom.

The Group's loans are as follows

| Statement (SAR million) | 2023 Consolidated | 2022 Consolidated |
|-------------------------|-------------------|-------------------|
| Short-term Murabaha | 6,102 | 79 |
| Long-term Murabaha | 8,959 | 3,525 |
| Total Murabaha | 15,061 | 3,604 |
| Sukuk | 6,677 | 6,675 |
| Mudarabha | 10 | 14 |
| Others | 211 | 198 |
| Total | 21,959 | 10,491 |

Financial Performance continued

Borrowing

Total loans paid during the year ended 31 December 2023 amounted to SAR 433 million (2022: SAR 133 million). Total loans received during the year ended 31 December 2023 amounted to SAR 11,834 million (2022: SAR 1,277 million). A list of the loans are as follows:

| Company | All amounts in SAR million | | | | | | | Paid during the year | | Outstanding Balance | | | |
|----------------------------|-------------------------------|--------------------------------|--------------------|-----------------------------|----------|------------------------|---------------|----------------------|------------|---------------------|------------|---------------------|---------------|
| | Granting Authority | Type of Financing | Term of Financing | Date of Obtaining Financing | Currency | Value of Financing (3) | Amount Used | 2023 | 2022 | Current portion | | Non-Current portion | |
| | | | | | | | | | | 2023 | 2022 | 2023 | 2022 |
| stc – Kingdom Saudi Arabia | Debt Instruments Market | Sukuk (1) | 10 years | June 2014 | SAR | 2,000 | 2,000 | 0 | 0 | 2,000 | 0 | 0 | 2,000 |
| | Debt Instruments Market | Sukuk (2) | 10 years | May 2019 | USD | 4,687 | 4,687 | 0 | 0 | 0 | 0 | 4,677 | 4,675 |
| | Loan | ECA | 8.5 years | March 2021 | USD | 581 | 581 | 69 | 69 | 69 | 79 | 343 | 401 |
| | Loan | Bank financing | 3 months | Sep 2023 | SAR | 350 | 350 | 350 | 0 | 0 | 0 | 0 | 0 |
| | Loan | Bank financing | 1 year | Sep 2023 | USD | 6,000 | 6,000 | 0 | 0 | 5,963 | 0 | 0 | 0 |
| Total | | | | | | 13,618 | 13,618 | 419 | 69 | 8,032 | 79 | 5,020 | 7,076 |
| Subsidiaries | Local and International Banks | Murabaha and Credit Facilities | From 1 to 10 years | Since 2018 | Mixed | 13,907 | 8,712 | 14 | 64 | 284 | 198 | 8,622 | 3,138 |
| Total Group's Loans | | | | | | 27,525 | 22,330 | 433 | 133 | 8,316 | 277 | 13,642 | 10,214 |

(1) stc issued a sukuk program with a maximum of SAR 5 billion. Sukuk certificates have a nominal value of SAR 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), stc approved the establishment of an international sukuk program and the issuance of sukuk either directly or by establishing special purpose vehicles that are established and used to issue primary or secondary sukuk in one or several parts or one or several stages, or through a series of issues in US dollars, not exceeding the amount of USD 5,000 million for the total value of the sukuk issues and parts of the sukuk program referred to above at any time.

Based on the above, the Saudi Telecom Sukuk Company Limited during the second quarter of 2019 (a company established for the purpose of issuing sukuk under the sukuk program referred to above in US dollar) launched the first issue of the sukuk program in the amount of SAR 4,688 million (equivalent to USD 1,250 million) for 10 years. This program is an international sukuk in US dollar, with a total number of 6,250 sukuk and a nominal value of USD 200 thousand per sukuk having an annual return of 3.89% and a maturity of ten years.

(3) The value of financing may differ due to FX and amortization effects.

Financial Performance continued

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

| Statement | SAR million | Description | Reason |
|--|-------------|---|------------------------|
| Government fees | 4,663 | The amounts recorded as an expense to the period for licensing granted to stc for the provision of commercial services and spectrum usage fees. | Regulatory requirement |
| Dividends | 5,446 | The amounts recorded as an expense to the period as dividends to governmental and semi-governmental authorities (Public Investment Fund, Public Pension Agency (PPA), and General Organization for Social Insurance). | Regulatory requirement |
| Social insurance | 645 | The amounts recorded as an expense to the period pursuant to the provisions of the Kingdom's Labor Law. | Regulatory requirement |
| Zakat, withholding tax, and others | 1,355 | The amounts recorded as an expense to the period pursuant to the zakat provisions and rules, income tax law, and fees payment laws applicable in the Kingdom. | Regulatory requirement |
| Total amounts recorded as expenses to governmental and semi-governmental authorities | 12,109 | This represents the regulatory expenses amounts to the Government. | |

Employees' Long-Term Incentives Program

The Board of Directors approved on 17 March 2020 (corresponding to 22 Rajab 1441H) to repurchase a number of the Company's shares for an amount not to exceed SAR 300 million to be allocated for the employees long-term incentives program (the Program). The Board raised its recommendation to the EGA to approve the Program and to repurchase the shares. The EGA has voted on the approval of this Program during its meeting held on 20 April 2020 (corresponding to 27 Shaban 1441 H).

The Board of Directors approved on 28 June 2022 (corresponding to 29 Thul-Qi'dah 1443H) to repurchase a number of the Company's shares for an amount not to exceed SAR 453 million to be allocated for the Program and to raise its recommendation to the EGA for voting. Further, the shares shall be repurchased within 12 months from EGA's approval date. The EGA has voted on the approval during its meeting held on 30 August 2022 (corresponding to 3 Safar 1444H).

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

The Program intends to attract, motivate and retain employees responsible for the achievement of the Group's goals and strategy.

The Program provides a share-based payment plan for eligible employees participating in the Program by granting them shares in the Company upon completing the duration of service and performance requirements and achieving the targets determined by the Group. The program is generally equity-settled.

The grant and vesting dates, respectively are as follows

| | Cycle 1 | Cycle 2 | Cycle 3 | Cycle 4 |
|-----------|-----------------------|---------------------|--------------------|--------------------|
| Tranche 1 | July 2020 / July 2021 | July 2021/ May 2022 | May 2022/ May 2023 | May 2023/ May 2024 |
| Tranche 2 | July 2021/ May 2022 | May 2022/ May 2023 | May 2023/ May 2024 | May 2024/ May 2025 |
| Tranche 3 | May 2022/ May 2023 | May 2023/ May 2024 | May 2024/ May 2025 | May 2025/ May 2026 |

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

| Item (shares thousand) | 2023 | 2022 |
|---------------------------------|---------|-------|
| As at 1 January | 2,498 | 344 |
| Shares granted (*) | 2,808 | 1,012 |
| Shares vested | (2,328) | (357) |
| Effect of bonus shares issuance | - | 1,499 |
| As at 31 December | 2,978 | 2,498 |

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

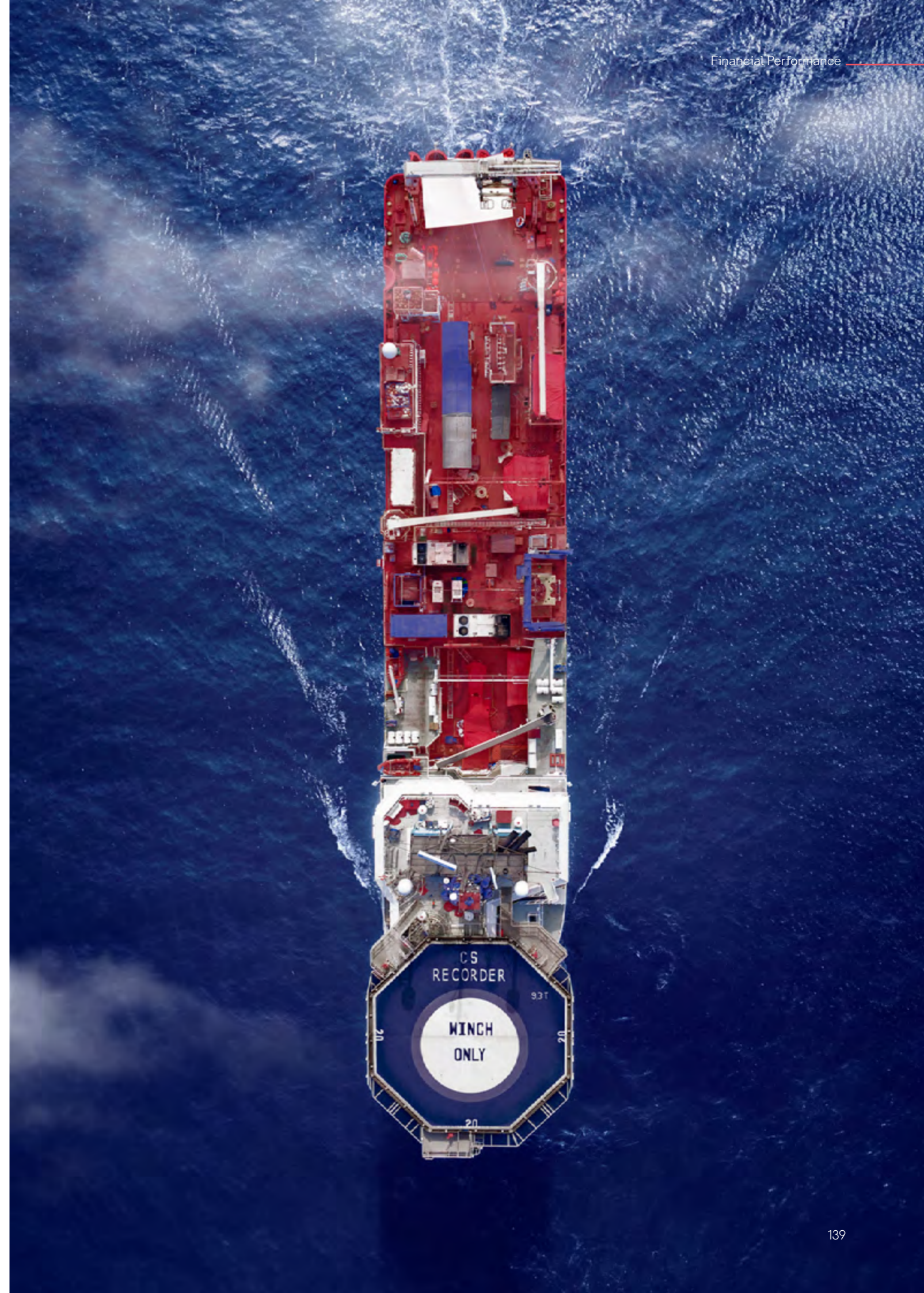
The fair value was calculated based on the market price after deducting the expected dividends per share on the grant date. The average fair value of shares at grant date amounted to SAR 43.4 per share (taken into consideration the effect of bonus shares issuance) (2022: SAR 42.8 per share). Total expenses related to the Program for the year ended 31 December 2023 amounted to SAR 112 million (31 December 2022: SAR 85 million), which were included as part of employees benefits expense in the consolidated statement profit or loss, with the corresponding amount recorded under other reserves within equity in accordance with the requirements of International Financial Reporting Standard (2): Share-based Payment (→ for more details, see note 24 in the consolidated annual financial statements).

Financial Performance continued**Capital Commitments**

- One of the Group's subsidiaries has an agreement to invest in a fund aiming to improve the telecommunication and internet environment sector in the Kingdom of Bahrain and other GCC Countries with an amount of SAR 806 million (equivalent to USD 215 million) as at 31 December 2023 (31 December 2022: SAR 806 million, equivalent to USD 215 million) (→ For more details, see Note 6.16 in the consolidated annual financial statements).
- The Group has contractual commitments for the acquisition of property and equipment and intangible assets amounting to SAR 5,814 million as at 31 December 2023 (31 December 2022: SAR 4,709 million).
- During 2022, the Company signed an agreement with STV LP Fund allocated an additional SAR 1,125 million (equivalent to USD 300 million) additional investment in the fund out of which SAR 221 million (equivalent to USD 59 million) was injected.

Contingent Assets and Liabilities

- The Group has outstanding letters of guarantee on behalf of the parent and its subsidiaries amounting to SAR 5,466 million as at 31 December 2023 (2022: SAR 5,181 million).
- The Group has outstanding letters of credit as at 31 December 2023 amounting to SAR 1,634 million (2022: SAR 1,544 million).
- On 21 March 2016, the Company received a letter from a key customer requesting a refund for paid balances amounting to SAR 742 million related to construction of a fibre optic network. Based on independent legal opinions obtained, the management believes that the customer's claim has no merit and therefore this claim has no material impact on the financial results of the Group.
- 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.
- The Group received the Appeal Committee for Tax and Disputes' decision with respect to the withholding tax assessment on international operators' networks rentals for the years from 2004 to 2015, rejecting its appeal with an amount of SAR 1,500 million. The Group submitted a petition for reconsideration, as it believes that Saudi tax regulations do not impose withholding tax on international interconnection services since the source of income does not occur inside the Kingdom, and therefore these services should not be subject to withholding tax. During the year 2022, the Group received the minutes of meeting of the Appeal Committee for Tax Violations and Disputes' regarding the petition for reconsideration which included the rejection of the petition by the Group. The Group submitted a petition for reconsideration based on new development on this matter. Based on the opinions of relevant consultants, the nature of the technical dispute, and new development on this matter, the Group believes that this assessment will not result into additional provisions.
- The Group received claims from Communications, Space and Technology Commission ("CST") related to imposing government fees on devices sold in instalments for the period from 2018 until the end of the first quarter of 2021, totalling SAR 782 million. The Group has objected to these claims within the statutory deadline and a Supreme Court ruling was issued in favour of the Group in regards to two of the claims amounting to SAR 724 million. A preliminary court ruling was issued in favor of the Group in regards to the remaining claims amounting to SAR 58 million which CST has objected to before appeal court and a ruling was issued in favour of CST for the claims which the Group has objected to before the Supreme Court which is still pending with the Supreme Court as 31 December 2023.



Corporate Governance

| | |
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Corporate Governance

stc's Board of Directors has been keen to establish an effective governance system as an integral part of its administrative and financial systems responsible for regulating internal businesses by identifying the relationship between the Board of Directors and the General Assembly, and between the Board of Directors and the Executive Management. This includes organizing external businesses, transactions and relationships with various government and legislative bodies, suppliers and contractors to increase efficiency and effectiveness in realizing stc's strategic and operational objectives, in a manner consistent with the Companies Law, issued by the Ministry of Commerce; the Corporate Governance Regulation, issued by the Board of Directors of the Capital Market Authority; and other relevant applicable laws and regulations. In addition, this system should be consistent with the aspirations of the Saudi Vision 2030 and stc's Strategy DARE 2.0, where the latter contains strategic plans and initiatives to enable stc's governance to manage and implement stc decisions. stc governance leverages local and international best practices in the best interest of stc. stc governance strives for the highest levels of transparency, disclosures and sustainability, some of the main pillars of the stc's strategy, which include approving, amending and documenting stc businesses and activities as per pertinent regulatory and legislative authorities. These items include, but are not limited to:

- Amending stc's Articles of Association to comply with the New Companies Law issued by the Ministry of Commerce and Capital Market Authority's relevant implementing regulations, and in alignment with best practices.
- Updating Board Audit Committee and Board Nomination and Remuneration Committee charters to comply with the New Companies Law issued by the Ministry of Commerce and Capital Market Authority's relevant implementing regulations, and in alignment with the best practices.
- Updating Nomination and Remuneration of Board members and the members of its standing committees and remuneration of the Executive Management Policy to comply with the New Companies Law issued by the Ministry of Commerce and Capital Market Authority's relevant implementing regulations, and in alignment with the best practices.

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

- stc Articles of Association.
- stc Governance document.
- Charters of the Board of Directors and its committees.
- Governance and compliance policies (Nomination and Remuneration of Board members and the members of its standing committees and Remuneration of the Executive Management Policy, Conflict of Interest Policy, Whistleblowing Policy and the stc code of ethics and business conduct).

Financial information and investor reports were also published on stc's website, including the financial statements, quarterly and annual financial performance 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 on stc shares, latest stc announcements, and the library that contains all stc's financial statements and annual reports since the establishment and other financial information concern the investors and the analysts. The purpose of the app is to build trust and enhance communication with investors and financial analysts.

The Corporate Governance Regulations requirements issued by the Board of Directors of the Capital Market Authority in Article No 87 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 Capital Market Authority with the exception of the provisions listed below:

| Article No. | Article's Statement | Reasons for Not Applying |
|-------------|--|---|
| 84 | The Ordinary General Assembly, based on the Board of Director's recommendation, shall establish a policy that guarantees a balance between its objectives and those of the community for purposes of developing the social and economic conditions of the community. (Guiding Article) | stc gives the social responsibility subject a special importance, and based on that, stc developed a policy related to social responsibility. Since the article is not mandatory, the approval authority for the policy has been delegated to the Group CEO. |
| 92 | Formation of a Corporate Governance Committee: If the Board forms a Corporate Governance Committee, it shall assign to it the competencies stipulated in Article (91) of these Regulations. The Committee shall oversee any matters relating to the implementation of governance and shall provide the Board with its reports and recommendations at least annually. (Guiding Article) | Article No. 47, "Forming the Committees" of the Corporate Governance Regulations, stipulates that the Board of Directors shall form specialized committees as may be needed depending on the Company's circumstances to enable it to effectively perform its duties. Despite the fact that Article No. 92, "Formation of a Corporate Governance Committee" of the Corporate Governance Regulations is a guiding article, stc's Board of Directors is cognizant of the importance of the aforementioned Committee's responsibilities and tasks, which are taken care of by the Nomination and Remuneration Committee as per its charter, approved by the General Assembly on 21 June 2023. |

Transactions with Related Parties

1- Transactions with government and government related entities

Revenues from transactions with government and government related entities for the year ended 31 December 2023 amounted to SAR 13,168 million (2022: SAR 13,847 million) and expenses related to transactions with government and government related entities for the year ended 31 December 2023 (including government charges) amounted to SAR 5,806 million (2022: SAR 6,098 million).

As at 31 December 2023, accounts receivable from government entities totalled SAR 17,129 million (2022: SAR 19,311 million) (For more details, see Note 18 in the consolidated annual financial statements) and as at 31 December 2023, accounts payable to government entities totalled SAR 1,503 million (2022: SAR 1,142 million). Among the balances with government entities, the Group invested SAR 3,902 million in the Sukuk issued by the Ministry of Finance during the first quarter of 2019. (For more details, see note 16.1 in the consolidated annual financial statements).

The total balance of accounts receivable with government related entities as of 31 December 2023 was SAR 1,526 million (2022: SAR 1,451 million). Total balance of accounts payable with government related entities as of 31 December 2023 was SAR 1,884 million (2022: SAR 1,621 million).

The transactions with government/government related entities are conducted during the ordinary course of the Group's business based on terms comparable to the terms of transactions enacted with other entities that are not government-related. The Group has also established its procurement policies and approval processes for purchases of products and services, which do not depend on whether the counterparties are government-related entities or not.

Government entities are defined as ministries, commissions and other entities of the government. On the other hand, government-related entities are defined as PIF and its subsidiaries, associates and joint ventures.

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

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

| Statement (SAR'000) | 31 December 2023 | 31 December 2022 |
|--|-------------------|-------------------|
| Less than a year | 10,323,282 | 11,695,931 |
| More than one year but less than two years | 4,243,442 | 4,631,346 |
| More than two years | 2,562,511 | 2,983,376 |
| Total | 17,129,235 | 19,310,653 |

2- Transactions with Board of Directors, Executive Management and major shareholders

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

- The transactions and contracts between Telecommunications Towers Company (Tawal), an stc subsidiary, and the Saudi National Bank (SNB). The transactions and contracts have an indirect interest for Mr. Yazeed A. AL-Humied, a Vice-Chairman of stc and SNB Boards of Directors. The disclosed indirect interest is regarding the Sharia-compliant loan, amounted to USD 1.02 billion (USD 0.3 billion out of the total loan amount is a bridge loan), provided by SNB to Tawal. Furthermore, the Public Investment Fund is considered a major Shareholder in both stc and SNB. The transaction is part of the ordinary businesses that have offered no preferential advantages. This transaction shall be subject to a vote to authorize it from stc's General Assembly (which will be scheduled at a later date) in accordance with the relevant laws and regulations.
- The transactions and contracts between Saudi Telecom Company (stc) and the Saudi National Bank

(SNB). The transactions and contracts have an indirect interest for Mr. Yazeed A. AL-Humied, a Vice-Chairman of stc and SNB Boards of Directors. The disclosed indirect interest is regarding the Sharia-compliant loan, amounted to SAR 350 million provided by SNB to stc. Furthermore, the Public Investment Fund is considered a major shareholder in both stc and SNB. The transaction is part of the ordinary businesses that have offered no preferential advantages. This transaction shall be subject to a vote to authorize it from stc's General Assembly (which will be scheduled at a later date) in accordance with the relevant laws and regulations.

- The transactions and contracts between Telecommunications Towers Company (Tawal), an stc subsidiary, and the Saudi National Bank (SNB). The transactions and contracts have an indirect interest for Mr. Yazeed A. AL-Humied, a Vice-Chairman of stc and SNB Boards of Directors. The disclosed indirect interest is regarding Murabaha financing amounted to SAR 2 billion, provided by SNB to Tawal. Furthermore, the Public Investment Fund is considered a major Shareholder in both stc and SNB. The transaction is part of the ordinary businesses that have offered no preferential advantages. This transaction shall be subject to a vote to authorize it from stc's General Assembly (which will be scheduled at a later date) in accordance with the relevant laws and regulations.

Loans to Related Parties

| Statement (SAR'000) | 31 December 2023 | 31 December 2022 |
|----------------------------|------------------|------------------|
| Loans to senior executives | 26,377 | 5,355 |

3- Transactions with subsidiaries

| No. | Name of Related Party | Type of Related Party | Contract/Agreement | Duration | Value (SAR'000) |
|-----|-----------------------|-----------------------|---|----------|-----------------|
| 1 | solutions | stc subsidiary | Provide comprehensive managed services through building and expanding cloud infrastructure platforms in datacenters, and managing and operating the infrastructure of applications under stc. | 2 years | 300,012 |
| 2 | solutions | stc subsidiary | Execute the project of establishing and developing the internet and communications networks for stc. | 2 years | 381,865 |
| 3 | solutions | stc subsidiary | To provide and manage software licenses for stc. | 3 years | 112,046 |

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

4- Transactions with Associate companies and joint ventures

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

| Statement (SAR'000) | 2023 | 2022 |
|--------------------------|----------------|----------------|
| Services provided | | |
| Associates | 369,852 | 336,571 |
| Joint ventures | 6,655 | 7,659 |
| Total | 376,507 | 344,230 |
| Services received | | |
| Associates | 36,069 | 13,331 |
| Joint ventures | 115,018 | 427,745 |
| Total | 151,087 | 441,076 |

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

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

| Statement (Thousands of Riyals) | Amounts Due from Related Parties | | Amounts Due to Related Parties | |
|---------------------------------|----------------------------------|------------------|--------------------------------|------------------|
| | 31 December 2023 | 31 December 2022 | 31 December 2023 | 31 December 2022 |
| Associate companies | 320,247 | 254,377 | 28,011 | 44,532 |
| Joint ventures | 2,414 | 13,185 | 5,960 | 178,872 |
| Total | 322,661 | 267,562 | 33,971 | 223,404 |

Board of Directors

The Board of Directors shall be composed of 11 Directors as per stc's Articles of Association, which is in line with the Corporate Governance Regulations issued by the Capital Market Authority. A new Board of Directors was elected on 28 April 2021 for the 8th term for a period of 3 years. The following tables include the Directors of the Board during its 8th 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 Members and their membership classification



HRH Prince Mohammed Khalid Al-Faisal

Date of Birth
1967

Academic Qualifications
MBA

Vocational Experience
Banking and administrative experience

Current Occupation
Chairman, Al Faisaliah Holding Group

Previous Occupation
Vice President, Al Faisaliah Holding Group

Membership
Independent



H.E. Dr. Khaled Hussain Biyari

Date of Birth
1963

Academic Qualifications
PhD. Electrical Engineering

Vocational Experience
Associate Professor, King Fahd University of Petroleum and Minerals. Experience in business

Current Occupation
Assistant Secretary of Defense for Executive Affairs – Ministry of Defense

Previous Occupation
stc CEO

Membership
Non-executive/non-independent



H.E. Mr. Mohammed Talal Al-Nahhas

Date of Birth
1962

Academic Qualifications
Bachelor of Accounting

Vocational Experience
Banking, business development and administration experience

Current Occupation
Member of several boards and committees

Previous Occupation
Governor of the General Organization for Social Insurance

Membership
Non-executive/non-independent



Mr. Yazeed Abdulrahman AL-Humied

Date of Birth
1983

Academic Qualifications
Bachelor in Business and Accounting

Vocational Experience
Experience in finance and administration

Current Occupation
PIF, Deputy Governor, Head of MENA Investmentst

Previous Occupation
Chief of Staff and Adviser to PIF Governor

Membership
Non-executive/non-independent



Ms. Rania Mahmoud Nashar

Date of Birth
1974

Academic Qualifications
Bachelor in Computer Science and Information Technology

Vocational Experience
Experience in banking and administration

Current Occupation
PIF, Head of Compliance and Governance Division

Previous Occupation
Adviser to PIF Governor

Membership
Non-executive/non-independent



Mr. Arndt Rautenberg

Date of Birth
1967

Academic Qualifications
MBA

Vocational Experience
Telecom and technology leadership and administrative experience

Current Occupation
Founding Partner of Rautenberg & Company GmbH, entrepreneur and investor

Previous Occupation
Chief Strategy Officer, Deutsche Telekom AG

Membership
Non-executive/non-independent



Mr. Sanjay Kapoor

Date of Birth
1962

Academic Qualifications
MBA

Vocational Experience
Telecom, media and technology leadership and administrative experience

Current Occupation
Entrepreneur, Senior Adviser and Investor

Previous Occupation
Executive Chairman of Micromax and CEO (India and South Asia) of Bharti Airtel

Membership
Non-executive/non-independent



Ms. Sarah Jammaz AL-Suhaimi

Date of Birth
1979

Academic Qualifications
Bachelor of Accounting

Vocational Experience
Finance and investment experience

Current Occupation
Chairperson of Tadawul

Previous Occupation
CEO NCB Capital

Membership
Independent



Mr. Jameel Abdullah AlMulhem

Date of Birth
1971

Academic Qualifications
Bachelor's in science marketing

Vocational Experience
Administrative experience

Current Occupation
Managing Director of Sinad Holding Group

Previous Occupation
Managing Director of Takween Group

Membership
Independent



Mr. Walid Ibrahim Shukri

Date of Birth
1966

Academic Qualifications
Bachelor of Accounting

Vocational Experience
Administrative experience

Current Occupation
Member of several Boards and Committees

Previous Occupation
Principal Partner in PricewaterhouseCoopers, Saudi Arabia

Membership
Independent



Mr. Ahmed Mohammed Al Omran

Date of Birth
1973

Academic Qualifications
Master of Computer Science

Vocational Experience
Administrative and information technology experience

Current Occupation
GOSI Governor Assistant for IT Affairs

Previous Occupation
GM, IT Infrastructure, GOSI

Membership
Non-executive/non-independent

Membership of Board members in the Board committees

| No | Name | Board | Audit Committee | Nomination and Remuneration Committee | Risk Committee | Executive Committee | Investment Committee | Membership |
|----|--------------------------------------|-------|-----------------|---------------------------------------|----------------|---------------------|----------------------|-------------------------------|
| 1 | HRH Prince Mohammed Khalid Al-Faisal | C | | | | C | C | Independent |
| 2 | H.E. Dr. Khaled Hussain Biyari | ✓ | | | | ✓ | | Non-executive/non-independent |
| 3 | H.E. Mr. Mohammed Talal Al-Nahhas | ✓ | | | | ✓ | | Non-executive/non-independent |
| 4 | Mr. Yazeed Abdulrahman AL-Humied | D | | | | ✓ | | Non-executive/non-independent |
| 5 | Ms. Rania Mahmoud Nashar | ✓ | | ✓ | C | | | Non-executive/non-independent |
| 6 | Mr. Arndt Rautenberg | ✓ | | | | | ✓ | Non-executive/non-independent |
| 7 | Mr. Sanjay Kapoor | ✓ | | | | ✓ | | Non-executive/non-independent |
| 8 | Ms. Sarah Jammaz AL-Suhaimi | ✓ | | | | | ✓ | Independent |
| 9 | Mr. Jameel Abdullah AlMulhem | ✓ | | C | | | | Independent |
| 10 | Mr. Walid Ibrahim Shukri | ✓ | C | | ✓ | | | Independent |
| 11 | Mr. Ahmed Mohammed Al Omran | ✓ | | | ✓ | | | Non-executive/non-independent |

C: Chairman
D: Deputy Chairman

External members of the Board committees

| No | Name | Membership | Academic Qualifications | Vocational Experience | Current Occupation | Previous Occupation | Membership Type |
|----|-----------------------------------|---------------------------------------|---|--|--|---|-----------------|
| 1 | Dr. Ammr K. Kurdi | Audit Committee | PhD. in Accounting | Accounting experience | GOSI Governor Assistant for Financial Sustainability and Risk Management | CFO, Tawuniya | External member |
| 2 | 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 |
| 3 | Mr. Medhat F. Tawfik | Audit Committee | Master Program Citibank Asia Pacific | Professional and managerial experience in auditing, risk management | Founder of IRSAA Business Solutions for risk management and internal audit | Account Manager, Samba Financial Group | External member |
| 4 | Eng. Tarek A. Alrikhaimi | Risk Committee | Master of Science | Experience in the financial services field including experiences in banking and investment banking management, risk management, operations management, strategic planning, product development, and project management | Independent financial adviser, Investment and risk management adviser | CEO, Saudi Kuwaiti Finance House | External member |
| 5 | Mr. Rashid I. Sharif | Investment Committee | MBA | Experience in finance and a member in several listed companies | CEO, SNB Capital and an Executive Member of the Board | Head of Local Investments Division at the PIF | External member |
| 6 | Mr. Johan Brand | Nomination and Remuneration Committee | Master of Economy, Master of Business Law and Master of Private Law | Experience in leadership advisory | Independent consultant in a leadership advisory company | Key Partner, Egon Zehnder | External member |
| 7 | Ms. Hoda M. Al-Ghpson | Nomination and Remuneration Committee | MBA | Experience in human resources | Executive Director of Human Staff Resources and Training, Aramco | General manager of Training and Development, Aramco | External member |

Executive Management Members

| No. | Name | Academic Qualifications | Current Occupation (stc) | Previous Occupation | Company |
|-----|------------------------------|-------------------------------------|--|---|----------------------------|
| 1 | Olayan Mohammed Alwetaid | Bachelor of Electrical Engineering | stc Group CEO | Senior VP, Consumer Business Unit | stc |
| 2 | Ameen Fahad Alshiddi | Master of Accounting | Group Chief Financial Officer | VP Finance | stc |
| 3 | Faisal S. Alsaber | MBA | Group Chief Commercial Officer | CEO | Channels |
| 4 | Riyadh Saeed Muawad | Bachelor of Computer Science | Group Chief Business Officer | VP, Government & Corporate Sales | stc |
| 5 | Mohammed Abdullah Alabbadi | MBA | Group Chief Carrier & Wholesale Officer | Wholesale VP | stc |
| 6 | Moaeed Huwajj Alsaloom | MBA | Group Chief New Markets Officer | CEO | Matarat Holding |
| 7 | Haitthem M. Alfaraj | Bachelor of Computer Engineering | Group Chief Technology Officer | VP, Technology & Operations | stc |
| 8 | Abdullah Abdulrahman Alkanhl | MBA | Group Chief Strategy Officer | Deputy Minister for Communications and Information Technology | MCIT |
| 9 | Ahmad M. Alghamdi | Bachelor Ind. Engineering | Group Chief Human Resources Officer | Human Resources VP | stc |
| 10 | Motaz Ali Alanagri | Bachelor of Business Administration | Group Chief Investment Officer | Managing Director Head of Investment Banking | Saudi Fransi Capital |
| 11 | Abdullah S. Alanizi | Master of Executive Management | Group Chief Internal Audit Officer | Chief Audit | stc |
| 12 | Mathad Faisal Alajmi | MBA | Group Chief Legal and Risk Officer and General Counsel | VP and General Counsel of Legal Affairs | stc |
| 13 | Emad Aoudah Alaoudah | Bachelor of Information Systems | Group Shared Services Officer | Procurement & Support Services Sector VP | stc |
| 14 | Amir Abdulaziz Algibreen | Master of Advanced Management | Group Regulatory and Compliance Officer | Regulatory Affairs VP | stc |
| 15 | Ibrahim Saleh Alsuwail | MBA | Group Chief of Staff | Deputy Minister, Investor Services & Advisory | The Ministry of Investment |

Companies where stc Board members are or were Board members or Executives

| | Current Board or Executive Memberships | Location | Legal Entity | Previous Board or Executive Memberships | Location | Legal Entity |
|--|---|----------|----------------------|---|----------|-------------------------|
| HRH Prince Mohammed Khalid Al-Faisal Chairman of the Board of Directors Chairman of the Executive Committee Chairman of the Investment Committee | stc | KSA | Listed joint stock | JP Morgan Saudi Arabia | KSA | Closed joint stock |
| | Al Faisaliah Holding Group | KSA | Closed joint stock | | | |
| | Al Khozama Company | KSA | Closed joint stock | | | |
| H.E. Dr. Khaled Hussain Biyari Member of the Board of Directors and the Executive Committee | stc | KSA | Listed joint stock | | | |
| | Saudi Information Technology Company (SITE) | KSA | Closed joint stock | | | |
| | Saudi Arabian Military Industries (SAMI) | KSA | Closed joint stock | | | |
| H.E. Mr. Mohammed Talal Al-Nahas Member of the Board of Directors and the Executive Committee | stc | KSA | Listed joint stock | Public Pension Agency | KSA | Public owned enterprise |
| | Sabic | KSA | Listed joint stock | GOSI | KSA | Public owned enterprise |
| | Future Work | KSA | Takamol Holding | National Center for Privatization | KSA | Public owned enterprise |
| | ASMA Capital | Abroad | Unlisted joint stock | Riyad Bank | KSA | Listed joint stock |
| | Dammam Pharma | KSA | Unlisted joint stock | Acwa Power | KSA | Listed joint stock |
| | Tawuniyah Real Estate Invest. Co. | KSA | Unlisted joint stock | Raidah Invest. Co. | KSA | Unlisted joint stock |
| | | | | Raza Real Estate Co. | KSA | Unlisted joint stock |
| | | | | Taiba Holding Company | KSA | Listed joint stock |
| | | | | Saudi Travel Cheque Company | KSA | Unlisted joint stock |
| | | | | SPIMACO | KSA | Listed joint stock |

| | Current Board or Executive Memberships | | | Previous Board or Executive Memberships | | |
|--|--|--------------------|-------------------------|---|----------|--------------------|
| | Location | Legal Entity | Location | Legal Entity | Location | Legal Entity |
| Mr. Yazeed Abdulrahman AL-Humied Vice Chairman of the Board of Directors Member of the Executive Committee | stc | KSA | Listed joint stock | Samba Financial Group | KSA | Listed joint stock |
| | Saudi National Bank (SNB) | KSA | Listed joint stock | Water Solutions | KSA | Closed joint stock |
| | National Security Services Co. (SAFE) | KSA | Closed joint stock | | | |
| | Saudi Arabian Airlines General Organization | KSA | Public-owned enterprise | | | |
| | Flyadeal | KSA | Closed joint stock | | | |
| | Saudi Civil Aviation Holding Co. | KSA | Closed joint stock | | | |
| | Saudi Tadawul Group Holding | KSA | Listed joint stock | | | |
| | Richard Attias & Associates | Abroad | Closed joint stock | | | |
| | Saudi Egyptian Invest. Co. | KSA | Closed joint stock | | | |
| | Savvy Gaming Group (SGG) | KSA | Closed joint stock | | | |
| Ms. Rania Mahmoud Nashar Member of the Board of Directors and the Nomination and Remuneration Committee Chairperson of the Risk Committee | stc | KSA | Listed joint stock | Samba Financial Group | KSA | Listed joint stock |
| | Saudi Tadawul Group Holding | KSA | Listed joint stock | Samba Capital | KSA | Closed joint stock |
| | Adaa, Nat'l Center for Performance Measurement | KSA | Government entity | Samba Bank Ltd. | Abroad | Listed joint stock |
| | Co. of Regional Voluntary Carbon Market | KSA | Closed joint stock | Samba Global Markets Ltd. | Abroad | LLC |
| | SME Bank | KSA | Government entity | Saudi Space Commission | KSA | Government entity |
| | Almabani Bldg | KSA | LLC | | | |
| | Muwakabah Investment | KSA | LLC | | | |
| Water Solutions | KSA | Closed joint stock | | | | |

| | Current Board or Executive Memberships | | | Previous Board or Executive Memberships | | |
|--|--|--------------|--------------------------|---|----------|--------------------------|
| | Location | Legal Entity | Location | Legal Entity | Location | Legal Entity |
| Mr. Arndt Rautenberg Member of the Board of Directors and the Investment Committee | stc | KSA | Listed joint stock | Protection One GmbH | Abroad | Unlisted private limited |
| | Metrofibre GmbH | Abroad | LLC | d&b audiotechnik GmbH | Abroad | Unlisted private limited |
| | Ruhrfibre Essen GmbH | Abroad | Unlisted private limited | Materna SE | Abroad | Unlisted joint stock |
| | Acernis S.L. | Abroad | Unlisted private limited | Push Technologies S.L | Abroad | Unlisted private limited |
| | | | | B Capital Partners | Abroad | Unlisted joint stock |
| | | | | Arcus Infrastructure Partners LLP | Abroad | Unlisted joint stock |
| Mr. Sanjay Kapoor Member of the Board of Directors and the Executive Committee | stc | KSA | Listed joint stock | Bennett Coleman Co. Ltd. | Abroad | Unlisted joint stock |
| | OnMobile Global Ltd. | Abroad | Listed joint stock | PVR, Ltd. | Abroad | Listed joint stock |
| | Tanla Platforms Ltd. | Abroad | Listed joint stock | MicroMax Informatics Ltd. | Abroad | Unlisted joint stock |
| | Tech-Connect Retail Ltd. | Abroad | Unlisted joint stock | Indus Towers Ltd. | Abroad | Listed joint stock |
| | Z-Axis Management Consultants & Strategic Advisors LLP | Abroad | LLP | IFFCO Kisan Sanchar Ltd. | Abroad | Unlisted joint stock |
| | | | | Bharti Cellular Ltd. | Abroad | Unlisted joint stock |
| | | | | GSMA | Abroad | Unlisted joint stock |
| | | | | IBus Network & Infrastructure Pvt. Ltd. | Abroad | Unlisted joint stock |
| | | | | VLCC Healthcare Ltd | Abroad | Unlisted joint stock |
| | | | | Napino Auto & Electronics Ltd. | Abroad | Unlisted joint stock |

| | Current Board or Executive Memberships | | | Previous Board or Executive Memberships | | |
|--|---|--------------|-------------------------------------|---|----------|--------------------|
| | Location | Legal Entity | Location | Legal Entity | Location | Legal Entity |
| Ms. Sarah Jammaz AL-Suhaimi Member of the Board of Directors and the Investment Committee | stc | KSA | Listed joint stock | SNB Capital | KSA | Closed joint stock |
| | Saudi Tadawul Group Holding | KSA | Listed joint stock | | | |
| | Saudi Arabian Airlines General Organization | KSA | Public-owned enterprise | | | |
| | Culture Development Fund | KSA | Government-owned fund | | | |
| | Lazard Saudi Arabia | Abroad | Foreign joint stock | | | |
| | Child Care Association | KSA | National association | | | |
| | International Financial Reporting Standards | Abroad | Independent non-profit organization | | | |
| | Regional Voluntary Carbon Market Co. | KSA | Closed joint stock | | | |
| Mr. Jameel Abdullah AlMulhem Member of the Board of Directors Chairman of the Nomination and Remuneration Committee | stc | KSA | Listed joint stock | Takween Advanced Ind. | KSA | Listed joint stock |
| | Wala'a Cooperative Insurance Co. | KSA | Listed joint stock | New Vision Co. | Abroad | LLC |
| | Electrical Ind. Co. | KSA | Listed joint stock | Energy Service Co. | Abroad | LLC |
| | Alessa Ind. Co. | KSA | Closed joint stock | Shaker Group. | KSA | Listed joint stock |
| | New Marina Plastics for Plastic Industries | Abroad | Closed joint stock | Selco Co. | KSA | LLC |
| | SPL | KSA | Governmental Institution | Contact Center Co. | KSA | LLC |
| | Sinad Holding Company | KSA | Public joint stock | stc Kuwait | Abroad | Listed joint stock |
| | AMLAK International Finance Company | KSA | Listed joint stock | stc Bahrain | Abroad | LLC |
| | Halwani Bros | KSA | Listed joint stock | Cell-C | Abroad | LLC |
| | | | | Avea | Abroad | LLC |
| | | | Turk Telekom | Abroad | LLC | |
| | | | Intigral | Abroad | LLC | |

| | Current Board or Executive Memberships | | | Previous Board or Executive Memberships | | |
|---|---|--------------|--------------------------------|---|----------|--------------------|
| | Location | Legal Entity | Location | Legal Entity | Location | Legal Entity |
| Mr. Walid Ibrahim Shukri Member of the Board of Directors and the Risk Committee Chairman of the Audit Committee | stc | KSA | Listed joint stock | Ma'aden | KSA | Listed joint stock |
| | Saudi Electricity Co. (SEC) | KSA | Listed joint stock | TAQA | KSA | Closed joint stock |
| | General Authority for Military Industries | KSA | Government body | | | |
| | Saudi Agricultural & Livestock Investment Co. (SALIC) | KSA | Closed joint stock | | | |
| | Middle East Paper Co. (MEPCO) | KSA | Listed joint stock | | | |
| | Diriyah Gate Development Authority | KSA | Government body | | | |
| | Tatweer Education Holding Co. | KSA | Closed joint stock | | | |
| Mr. Ahmed Mohammed Al Omran Member of the Board of Directors and the Risk Committee | stc | KSA | Listed joint stock | Saudi Cement | KSA | Listed joint stock |
| | Madad IT Services | KSA | LLC | Saudi Industrial Investment Group | KSA | Listed joint stock |
| | Takamol Holding Company | KSA | LLC | Samba Financial Group | KSA | Listed joint stock |
| | Masdr Data Solutions | KSA | LLC | Hassana Investment Co. | KSA | Closed joint stock |
| | Future Work | KSA | One of Takamol Holding Company | Ra'idah Investment Co. | KSA | Closed joint stock |
| | | | | Arab National Bank | KSA | Listed joint stock |

Meetings of the Board of Directors

The Board of Directors convened 5 meetings. The following table illustrates these meetings convened in 2023 and members' attendance.

| No | Name | Membership | Number and Date of Meetings | | | | | Total |
|----|--------------------------------------|---|-----------------------------|--------|--------|-------|--------|-------|
| | | | 10th | 11th | 12th | 13th | 14th | |
| | | | 22 Mar | 30 Mar | 22 Jun | 3 Oct | 21 Dec | |
| 1 | HRH Prince Mohammed Khalid Al-Faisal | Chairman of the Board of Directors | ✓ | ✓ | ✓ | ✓ | ✓ | 5 |
| 2 | H.E. Dr. Khaled Hussain Biyari | Member | ✓ | ✓ | ✓ | ✓ | ✓ | 5 |
| 3 | H.E. Mr. Mohammed Talal Al-Nahas | Member | ✓ | ✓ | ✓ | ✓ | ✓ | 5 |
| 4 | Mr. Yazeed Abdulrahman AL-Humied | Vice Chairman of the Board of Directors | ✓ | ✓ | x | x | ✓ | 3 |
| 5 | Ms. Rania Mahmoud Nashar | Member | ✓ | ✓ | ✓ | ✓ | ✓ | 5 |
| 6 | Mr. Arndt Rautenberg | Member | ✓ | ✓ | ✓ | ✓ | ✓ | 5 |
| 7 | Mr. Sanjay Kapoor | Member | ✓ | ✓ | ✓ | ✓ | ✓ | 5 |
| 8 | Ms. Sarah Jammaz AL-Suhaimi | Member | ✓ | ✓ | ✓ | ✓ | ✓ | 5 |
| 9 | Mr. Jameel Abdullah AlMulhem | Member | ✓ | ✓ | ✓ | ✓ | ✓ | 5 |
| 10 | Mr. Walid Ibrahim Shukri | Member | ✓ | ✓ | ✓ | ✓ | ✓ | 5 |
| 11 | Mr. Ahmed Mohammed Al Omran | Member | ✓ | ✓ | ✓ | ✓ | ✓ | 5 |

Meetings of Board committees

In accordance with stc Corporate Governance Charter and regulations of relevant authorities, the Board of Directors forms committees to perform its work in a manner that achieves the efficiency and effectiveness of the Board. During the formation process, the Board of Directors 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 8th term as follows.

▪ Executive Committee

The Executive Committee (ExCom) consists of 5 Board Directors. ExCom reviews and approves strategies, estimated annual budgets, local and international organic and inorganic businesses and social initiatives within the Board-approved authorities. ExCom held 4 meetings in 2023, as shown in the following table.

| No | Name | Membership | Number and Date of Meetings | | | | Total |
|----|--------------------------------------|------------|-----------------------------|-------|-------|-------|-------|
| | | | 9th | 10th | 11th | 12th | |
| | | | 14 Mar | 4 Jun | 3 Sep | 3 Dec | |
| 1 | HRH Prince Mohammed Khalid Al-Faisal | Chairman | ✓ | ✓ | ✓ | ✓ | 4 |
| 2 | H.E. Dr. Khaled Hussain Biyari | Member | ✓ | ✓ | ✓ | ✓ | 4 |
| 3 | H.E. Mr. Mohammed Talal Al-Nahas | Member | ✓ | ✓ | ✓ | ✓ | 4 |
| 4 | Mr. Yazeed Abdulrahman AL-Humied | Member | ✓ | ✓ | ✓ | ✓ | 4 |
| 5 | Mr. Sanjay Kapoor | Member | ✓ | ✓ | ✓ | ✓ | 4 |

▪ Investment Committee

The Investment Committee (IC) consists of 3 Board Directors and an external member. IC is responsible for reviewing the investments policy as per stc strategies. IC also reviews and examines strategic investment opportunities and recommends feasible investments and following up on stc's investments internally and externally and submitting periodic reports to the Board Directors. IC held 7 meetings in 2023, as shown in the following table.

| No | Name | Membership | Number and Date of Meetings | | | | | | | Total |
|----|--------------------------------------|------------|-----------------------------|--------|-------|-------|-------|-------|--------|-------|
| | | | 13th | 14th | 15th | 16th | 17th | 18th | 19th | |
| | | | 6 Mar | 15 Mar | 5 Jun | 4 Sep | 9 Nov | 4 Dec | 20 Dec | |
| 1 | HRH Prince Mohammed Khalid Al-Faisal | Chairman | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | 7 |
| 2 | Mr. Arndt Rautenberg | Member | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | 7 |
| 3 | Ms. Sarah Jammaz AL-Suhaimi | Member | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | 7 |
| 4 | Mr. Rashid I. Sharif | Member | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | 7 |

▪ Nomination and Remuneration Committee

The Nomination and Remuneration Committee (NRC) consists of 2 non-executive Board Directors (1 independent) and 2 external members. The NRC reviews and approves the process of designing an appropriate operating model and fair incentives of salary scales to conform with market standards, requirements and best governance practices. The NRC also reviews the structure of the Board and recommends appropriate amendments; ensures the independence of external

members annually; ensures Board Directors have no conflict of interest, especially if they are Board members of other companies; and reviews and approves Board and committee remunerations and incentives prior to submission before the Board for ratification and ensure that stc's business is in line with best practices in the field of governance. The NRC held 4 meetings in 2023, as shown in the following table.

| No | Name | Membership | Number and Date of Meetings | | | | Total |
|----|------------------------------|------------|-----------------------------|-------|-------|-------|-------|
| | | | 11th | 12th | 13th | 14th | |
| | | | 12 Mar | 6 Jun | 6 Sep | 6 Dec | |
| 1 | Mr. Jameel Abdullah AlMulhem | Chairman | ✓ | ✓ | ✓ | ✓ | 4 |
| 2 | Ms. Rania Mahmoud Nashar | Member | ✓ | ✓ | ✓ | ✓ | 4 |
| 3 | Ms. Hoda M. Al Ghoson | Member | ✓ | ✓ | ✓ | ✓ | 4 |
| 4 | Mr. Johan Brand | Member | ✓ | ✓ | ✓ | ✓ | 4 |

▪ Audit Committee

The General Assembly approved the formation of the Audit Committee (AC) for the 8th term of the Board of Directors. AC started on 1 June 2021. The General Assembly approved AC tasks, controls and the remuneration of its members. AC consists of 1 independent Board Director and 3 external members who are specialized in financial affairs, accounting and auditing. AC is responsible for reviewing the financial and administrative policies and procedures of stc, and the procedures for preparing financial reports and their deliverables. AC also reviews internal audit reports and comments, and issues recommendations to

the Board of Directors on the appointment, dismissal, remuneration and independence of legal accountants. AC examines preliminary and annual financial statements before submitting these to the Board of Directors and provides opinions and guidance thereon. AC reviews the legal accountant's observations on the statements and reviews the audit plan with the legal accountant, making its observations. AC fulfills other works periodically and regularly in order to assess the efficiency and effectiveness of stc control activities and ensuring compliance, and combating fraud and corruption. AC held 11 meetings in 2023, as shown in the following table.

| No. | Name | Membership | Number and Date of Meetings | | | | | | | | | | | | Total |
|-----|-----------------------------------|-----------------|-----------------------------|--------|--------|--------|-------|-------|--------|--------|--------|-------|-------|---|-------|
| | | | 14th | 15th | 16th | 17th | 18th | 19th | 20th | 21st | 22nd | 23rd | 24th | | |
| | | | 12 Jan | 16 Feb | 16 Mar | 23 Mar | 9 May | 1 Jun | 30 Jul | 10 Sep | 29 Oct | 6 Nov | 7 Dec | | |
| 1 | Mr. Walid Ibrahim Shukri | Chairman | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | 11 |
| 2 | Dr. Ammr K. Kurdi | Deputy Chairman | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | 11 |
| 3 | Mr. Khalid Bin Abdullah Al Ankari | Member | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | 11 |
| 4 | Mr. Medhat F. Tawfik | Member | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | 11 |

▪ Risk Committee

The Risk Committee (RC) consists of 3 Board Directors and an external member. RC is responsible for reviewing risk policies in accordance with stc strategies. RC ensures risk management and internal control systems follow best practice, as well as the

appropriateness of plans to carry out tasks and responsibilities, risk strategy and business continuity. RC also reviews top risks that stc faces and the corrective measures to mitigate these risks. RC held 4 meetings in 2023, as shown in the following table.

| No. | Name | Membership | Number and Date of Meetings | | | | Total |
|-----|-----------------------------|-------------|-----------------------------|-------|-------|-------|-------|
| | | | 8th | 9th | 10th | 11th | |
| | | | 13 Mar | 7 Jun | 5 Sep | 5 Dec | |
| 1 | Ms. Rania Mahmoud Nashar | Chairperson | ✓ | ✓ | ✓ | ✓ | 4 |
| 2 | Mr. Walid Ibrahim Shukri | Member | ✓ | ✓ | ✓ | ✓ | 4 |
| 3 | Mr. Ahmed Mohammed Al Omran | Member | ✓ | ✓ | ✓ | ✓ | 4 |
| 4 | Eng. Tarek A. Alrikhaimi | Member | ✓ | ✓ | ✓ | ✓ | 4 |

Annual assessment of the Board of Directors

The Board of Directors resolved on 21 March 2018 to approve the performance assessment policy of the Board of Directors and committees. The policy aims to define rules and regulations of assessing performance for follow-up and enhancement objectives, fulfill requirements, apply best governance practices, and strengthen the Board of Director's effectiveness. The Board of Directors stressed conducting annual performance assessments as per the relevant rules and regulations, based on the delegation of the Board of Directors to the Chairman.

The Chairman followed up on the project implementation and development plans of the assessment recommendations that have had an impact on the performance of the Board of Directors and the executive management and their collective efforts. The Board of Directors determined their expectations from the executive management. The latter determined their expectations from the Board, too. Implementing these expectations contributed to the effectiveness of the Board of Directors and the committee's performance, which was reflected in stc's performance.

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 (8th session)

| No. | Member Name | Beginning of 2023 | | Ending of 2023 | | Net Difference |
|-----|-----------------------------------|-------------------|--------------------------------------|----------------|------------------|----------------|
| | | No. of Shares | Debt Instruments | No. of Shares | Debt Instruments | |
| | | 1 | HRH Prince Mohammed Khalid Al-Faisal | 2,500 | - | |
| 2 | H.E. Dr. Khaled Hussain Biyari | 5,185 | - | 5,185 | - | - |
| 3 | H.E. Mr. Mohammed Talal Al-Nahhas | 750 | - | 750 | - | - |
| 4 | Mr. Yazeed Abdulrahman AL-Humied | 23,372 | - | 23,372 | - | - |
| 5 | Ms. Rania Mahmoud Nashar | - | - | - | - | - |
| 6 | Mr. Arndt Rautenberg | - | - | - | - | - |
| 7 | Mr. Sanjay Kapoor | - | - | - | - | - |
| 8 | Ms. Sarah Jammaz AL-Suhaimi | 100,000 | - | - | - | (100,000) |
| 9 | Mr. Jameel Abdullah AlMulhem | 23,750 | - | 23,750 | - | - |
| 10 | Mr. Walid Ibrahim Shukri | - | - | - | - | - |
| 11 | Mr. Ahmed Mohammed Al Omran | - | - | - | - | - |

Description of any interest, contractual papers and subscription rights belonging to members of the Board of Directors and their relatives in stc's subsidiaries shares or debt instruments (8th session)

| No. | Member Name | Subsidiary | Beginning of 2023 | | End of 2023 | | Net Difference |
|-----|-----------------------------------|------------|-------------------|--------------------------------------|---------------|------------------|----------------|
| | | | No. of Shares | Debt Instruments | No. of Shares | Debt Instruments | |
| | | | 1 | HRH Prince Mohammed Khalid Al-Faisal | - | - | |
| 2 | H.E. Dr. Khaled Hussain Biyari | - | - | - | - | - | |
| 3 | H.E. Mr. Mohammed Talal Al-Nahhas | - | - | - | - | - | |
| 4 | Mr. Yazeed Abdulrahman AL-Humied | solutions | 20 | - | 20 | - | - |
| 5 | Ms. Rania Mahmoud Nashar | - | - | - | - | - | |
| 6 | Mr. Arndt Rautenberg | - | - | - | - | - | |
| 7 | Mr. Sanjay Kapoor | - | - | - | - | - | |
| 8 | Ms. Sarah Jammaz AL-Suhaimi | - | - | - | - | - | |
| 9 | Mr. Jameel Abdullah AlMulhem | - | - | - | - | - | |
| 10 | Mr. Walid Ibrahim Shukri | - | - | - | - | - | |
| 11 | Mr. Ahmed 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 stc

| No. | Member Name | Beginning of 2023 | | Ending of 2023 | | Net Difference |
|-----|------------------------------|-------------------|------------------|----------------|------------------|----------------|
| | | No. of Shares | Debt Instruments | No. of Shares | Debt Instruments | |
| 1 | Olayan Mohammed Alwetaid | 38,947 | - | 2,000 | - | (36,947) |
| 2 | Ameen Fahad Alshiddi | 29,450 | - | 82,141 | - | 52,691 |
| 3 | Faisal S. Alsaber | 8,845 | - | 7,265 | - | (1,580) |
| 4 | Riyadh Saeed Muawad | 29,450 | - | 82,141 | - | 52,691 |
| 5 | Mohammed Abdullah Alabbadi | 15,535 | - | 44,034 | - | 28,499 |
| 6 | Moaeed Huwajj Alsloom | - | - | 7,457 | - | 7,457 |
| 7 | Haithem M. Alfaraj | 29,450 | - | 82,141 | - | 52,691 |
| 8 | Abdullah Abdulrahman Alkanhl | 20,780 | - | 73,471 | - | 52,691 |
| 9 | Ahmad M. Alghamdi | 11,237 | - | 37,359 | - | 26,122 |
| 10 | Motaz A. Alangari | 332 | - | 7,457 | - | 7,125 |
| 11 | Abdullah S. Alanizi | 15,925 | - | 45,000 | - | 29,075 |
| 12 | Mathad Faisal Alajmi | 15,535 | - | 44,034 | - | 28,499 |
| 13 | Emad Aoudah Alaoudah | 15,925 | - | 44,424 | - | 28,499 |
| 14 | Amir Abdulaziz Algibreen | 15,925 | - | 27,374 | - | 11,449 |
| 15 | Ibrahim Saleh Alsuwail | - | - | 4,032 | - | 4,032 |

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

| No. | Name | Subsidiary | Beginning of 2023 | | Ending of 2023 | | Net Difference |
|-----|------------------------------|------------|-------------------|------------------|----------------|------------------|----------------|
| | | | No. of Shares | Debt Instruments | No. of Shares | Debt Instruments | |
| 1 | Olayan Mohammed Alwetaid | | - | - | - | - | - |
| 2 | Ameen Fahad Alshiddi | | - | - | - | - | - |
| 3 | Faisal S. Alsaber | | - | - | - | - | - |
| 4 | Riy Riyadh Saeed Muawad | | - | - | - | - | - |
| 5 | Mohammed Abdullah Alabbadi | | - | - | - | - | - |
| 6 | Moaeed Huwajj Alsloom | | - | - | - | - | - |
| 7 | Haithem M. Alfaraj | | - | - | - | - | - |
| 8 | Abdullah Abdulrahman Alkanhl | | - | - | - | - | - |
| 9 | Ahmad M. Alghamdi | | - | - | - | - | - |
| 10 | Motaz A. Alangari | | - | - | - | - | - |
| 11 | Abdullah S. Alanizi | | - | - | - | - | - |
| 12 | Mathad Faisal Alajmi | | - | - | - | - | - |
| 13 | Emad Aoudah Alaoudah | | - | - | - | - | - |
| 14 | Amir Abdulaziz Algibreen | | - | - | - | - | - |
| 15 | Ibrahim Saleh Alsuwail | | - | - | - | - | - |

Remuneration and compensation of the Board of Directors and top 5 senior executives

On 21 June 2023, stc's Extraordinary General Assembly resolved to approve amending the nomination and remuneration of board members and the members of its

standing committees and remuneration of the executive management Policy (published on stc's website). The remunerations of the members of the Board of Directors and the members of the Board committees in 2023, in addition to stc's top 5 executives, including the GCEO and the GCFO, are as follows.

Remuneration and compensation of the Directors of the Board for the 8th term during 2023 (All amounts mentioned below are in Saudi Riyals)

| Names | Fixed Remunerations | | | | | Variable Remunerations | | | | | | | | | |
|--------------------------------------|---------------------|--|------------------|--|---|------------------------|-----------------------|----------------|----------------------------|---------------------------|----------------|-------|-----------|------------------|--------------------|
| | Fixed Remunerations | Allowance for Attending Board Meetings | In-Kind Benefits | Remuneration for Technical, Administrative And Consulting Work | Remuneration of the Chairman of the Board, the Managing Director or the Secretary if a Member | Total | Percentage of Profits | Periodic Bonus | Short-Term Incentives Plan | Long-Term Incentives Plan | Shares Granted | Total | Indemnity | Total | Expenses Allowance |
| First: Independent Directors | | | | | | | | | | | | | | | |
| HRH Prince Mohammed Khalid Al-Faisal | 200,000 | 25,000 | | | | 225,000 | | | | | | | | 225,000 | |
| Ms. Sarah Jammaz AL-Suhaimi | 200,000 | 25,000 | | | | 225,000 | | | | | | | | 225,000 | |
| Mr. Jameel Abdullah AlMulhem | 200,000 | 25,000 | | | | 225,000 | | | | | | | | 225,000 | |
| Mr. Walid Ibrahim Shukri | 200,000 | 25,000 | | | | 225,000 | | | | | | | | 225,000 | |
| Total | 800,000 | 100,000 | | | | 900,000 | | | | | | | | 900,000 | |
| Second: Non-executive members | | | | | | | | | | | | | | | |
| H.E. Dr. Khaled Hussain Biyari * | 200,000 | 25,000 | | | | 225,000 | | | | | | | | 225,000 | |
| H.E. Mr. Mohammed Talal Al-Nahas | 200,000 | 25,000 | | | | 225,000 | | | | | | | | 225,000 | |
| Mr. Yazeed Abdulrahman AL-Humied ** | 200,000 | 15,000 | | | | 215,000 | | | | | | | | 215,000 | |
| Ms. Rania Mahmoud Nashar ** | 200,000 | 25,000 | | | | 225,000 | | | | | | | | 225,000 | |
| Mr. Arndt Rautenberg * | 200,000 | 25,000 | | | | 225,000 | | | | | | | | 225,000 | |
| Mr. Sanjay Kapoor * | 200,000 | 25,000 | | | | 225,000 | | | | | | | | 225,000 | |
| Mr. Ahmed Mohammed Al Omran | 200,000 | 25,000 | | | | 225,000 | | | | | | | | 225,000 | |
| Total | 1,400,000 | 165,000 | | | | 1,565,000 | | | | | | | | 1,565,000 | |
| Third: Executive members | | | | | | | | | | | | | | | |
| None | | | | | | | | | | | | | | | |
| Total | 2,200,000 | 265,000 | | | | 2,465,000 | | | | | | | | 2,465,000 | |

On 13 March 2017, the Board of Directors resolved to approve amending the remuneration of the Chairman of the Board to be SAR 100,000 per month.

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

** Remunerations and allowances of attending stc Board and committee meetings by PIF representatives and employees shall be transferred directly to the PIF.

Remuneration of committee members for the 8th term during 2023 (All amounts mentioned below are in Saudi Riyals)

| Name | Committee | Fixed Remunerations (Without Meetings Attendance Allowance) | Meeting Attendance Allowance | Total |
|--------------------------------------|------------------------------|---|------------------------------|------------------|
| HRH Prince Mohammed Khalid Al-Faisal | ExCom Investment | 250,000 | 55,000 | 305,000 |
| H.E. Dr. Khaled Hussain Biyari | ExCom | 200,000 | 20,000 | 220,000 |
| H.E. Mr. Mohammed Talal Al-Nahas | ExCom | 200,000 | 20,000 | 220,000 |
| Mr. Yazeed Abdulrahman AL-Humied * | ExCom | 200,000 | 20,000 | 220,000 |
| Ms. Rania Mahmoud Nashar * | NRC/Risk | 250,000 | 40,000 | 290,000 |
| Mr. Arndt Rautenberg | Investment | 200,000 | 35,000 | 235,000 |
| Mr. Sanjay Kapoor | ExCom | 200,000 | 20,000 | 220,000 |
| Ms. Sarah Jammaz AL-Suhaimi | Investment | 200,000 | 35,000 | 235,000 |
| Mr. Jameel Abdullah AlMulhem | NRC | 250,000 | 20,000 | 270,000 |
| Mr. Walid Ibrahim Shukri | Audit/Risk | 437,500 | 75,000 | 512,500 |
| Mr. Ahmed Mohammed Al Omran | Risk | 200,000 | 20,000 | 220,000 |
| Mr. Khalid A. Al-Ankari | Audit (external member) | 337,500 | 55,000 | 392,500 |
| Mr. Medhat F. Tawfik | Audit (external member) | 337,500 | 55,000 | 392,500 |
| Dr. Ammr K. Kurdi | Audit (external member) | 337,500 | 55,000 | 392,500 |
| Eng. Tarek A. Alrikhaimi | Risk (external member) | 250,000 | 20,000 | 270,000 |
| Mr. Rashid I. Sharif | Investment (external member) | 250,000 | 35,000 | 285,000 |
| Mr. Johan Brand | NRC (external member) | 250,000 | 20,000 | 270,000 |
| Ms. Hoda M. Al-Ghosen | NRC (external member) | 250,000 | 20,000 | 270,000 |
| Total | | 4,600,000 | 620,000 | 5,220,000 |

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

Remunerations of the top 5 senior executives (Including the GCEO and the GCFO in 2023) (All amounts mentioned below are in Saudi Riyals)

| Salaries | Fixed Remunerations | | | Variable Remunerations | | | | | Indemnity | Board Remunerations for Executives if Applicable | Net total | |
|---------------|---------------------|------------------|----------------------|------------------------|----------|----------------------------|---------------------------|--------------------------------|----------------------|--|--------------|---------------|
| | Allowances | In-Kind benefits | Total | Periodic Remunerations | Revenues | Short-Term Incentive Plans | Long-Term Incentive Plans | Shares Granted (Value entered) | | | | Total |
| 15,972,377.33 | 5,071,260.08 | - | 21,043,637.41 | - | - | 32,868,463.20 | - | 12,089,900 | 44,958,363.20 | - | 2,102,534.25 | 68,104,534.86 |

Shareholders' General Assemblies

First: The Ordinary General Assembly on 11 May 2023

The Ordinary General Assembly meeting was held remotely through modern technology via Tadawulaty services on 11 May 2023. The meeting's results were published on Tadawul's website on 14 May 2023. Voting results in the General Assembly's agenda were as follows:

1. The Board of Directors report for the fiscal year ending on 31 December 2022 was viewed and discussed.
2. The financial statements for the fiscal year ending on 31 December 2022 were viewed and discussed.
3. Approve stc's Auditor Report after discussing it for the fiscal year ending on 31 December 2022.
4. Approve appointing the auditor Ernst & Young (EY) as auditor of the Company from the selected candidates based on the Audit Committee's

recommendation. The appointed auditor shall examine, review and audit the (second and third) quarters and annual financial statements of the fiscal year 2023, and the (first, second and third) quarters and annual financial statements of the fiscal year 2024. In addition to, the determination of the auditor's remuneration.

5. Approve authorizing the Board of Directors with the General Assembly authority with the rights mentioned in paragraph (1) of Article (27) of the Companies Law for 1 year from the date of approval of the General Assembly or until the end of the session of the authorized Board of Directors, whichever is earlier, in accordance with the conditions mentioned in the Implementing Regulation of the Companies Law for Listed Joint Stock Companies.
6. Approve paying SAR 6,345,000 as remunerations for the members of Board of Directors for the fiscal year ending on 31 December 2022.

Members who attended the Assembly Meeting

| No. | Name | Attendance |
|-----|---|------------|
| 1 | HRH Prince Mohammed Khalid Al-Faisal (Chairman of the Board) | ✓ |
| 2 | H.E. Dr. Khaled Hussain Biyari | ✓ |
| 3 | H.E. Mr. Mohammed Talal Al-Nahas * | x |
| 4 | Mr. Yazeed Abdulrahman AL-Humied (Vice Chairman of the Board) | ✓ |
| 5 | Ms. Rania Mahmoud Nashar | ✓ |
| 6 | Mr. Jameel Abdullah AlMulhem | ✓ |
| 7 | Mr. Walid Ibrahim Shukri | ✓ |
| 8 | Mr. Arndt Rautenberg* | x |
| 9 | Mr. Sanjay Kapoor* | x |
| 10 | Ms. Sarah Jammaz AL-Suhaimi | ✓ |
| 11 | Mr. Ahmed Mohammed Al Omran * | x |

* Members of the Board of Directors H.E. Mr. Mohammed Talal Al-Nahas, Mr. Arndt Rautenberg, Mr. Sanjay Kapoor and Mr. Ahmed Mohammed Al Omran apologized for not being able to attend. Minutes of meetings can be found on stc's website: www.stc.com.sa

Second: The Extraordinary General Assembly on 21 June 2023

The Extraordinary General Assembly's meeting held remotely through modern technology via Tadawulaty services on 21 June 2023. The meeting's results were published on Tadawul's website on 22 June 2023. Voting results in the General Assembly's agenda were as follows:

1. Approve the amendment of the Company's bylaws in accordance with the new Companies Law.
2. Approve the amendment of Board Audit Committee Charter.

3. Approve the amendment of Board Nomination and Remuneration Committee Charter.
4. Approve the amendment of Nomination and Remuneration of stc Board members and the members of its standing committees and remuneration of the executive management policy.
5. Approve transferring the balance of the statutory reserve amounting to SAR (11,217,053,716) as shown in the financial statements for the year ended 31 December 2022 to the retained earnings.

Members who attended the Assembly Meeting

| No. | Name | Attendance |
|-----|---|------------|
| 1 | HRH Prince Mohammed Khalid Al-Faisal (Chairman of the Board) | ✓ |
| 2 | H.E. Dr. Khaled Hussain Biyari | ✓ |
| 3 | H.E. Mr. Mohammed Talal Al-Nahhas | ✓ |
| 4 | Mr. Yazeed Abdulrahman AL-Humied (Vice Chairman of the Board) | ✓ |
| 5 | Ms. Rania Mahmoud Nashar | ✓ |
| 6 | Mr. Jameel Abdullah AlMulhem | ✓ |
| 7 | Mr. Walid Ibrahim Shukri | ✓ |
| 8 | Mr. Arndt Rautenberg* | × |
| 9 | Mr. Sanjay Kapoor* | × |
| 10 | Ms. Sarah Jammaz AL-Suhaimi * | × |
| 11 | Mr. Ahmed Mohammed Al Omran | ✓ |

* Members of the Board of Directors Mr. Arndt Rautenberg, Mr. Sanjay Kapoor and Ms. Sarah Jammaz AL-Suhaimi apologized for not being able to attend. Minutes of meetings can be found on stc's website: www.stc.com.sa

stc's Dividend Distribution Policy

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

1. The Ordinary General Assembly may, upon the request of the Board of Directors, set aside a specific percentage of the annual net profits to form a consensual reserve to be allocated for the purpose or purposes decided by the General Assembly.
2. Ordinary General Assembly may form other reserves to the extent that would serve stc's best interest or would ensure distributing constant profits, as much as possible, among shareholders. Besides, the Ordinary General Assembly may allocate from the net profits amounts to establish social institutions for stc's employees or to support existing social institutions.
3. Out of the balance of the profits, if any, there shall be paid to the shareholders an initial payment of 5% (five percent) of stc's paid-up capital.
4. Subject to provisions in Article (21) hereof, and Article (76) of the Companies Law, the Ordinary General Assembly may allocate a portion of the remaining amount to be paid as compensation to the Board of Directors provided that entitlement of such remuneration shall be in proportion to the number of sessions the member has attended.
5. The Ordinary General Assembly may, upon proposal from the Board of Directors, distribute the remaining balance (if any) among shareholders in the form of an additional dividend.

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

Article 46 Article of stc's Articles of Association stipulates that a shareholder shall be paid his dividend share subject to a resolution by the General Assembly, and such resolution shall state the date of maturity and distribution. Eligibility for dividends shall be for shareholders registered in the shareholders' register at the end of the day specified for maturity. The Board must implement the General Assembly resolution with respect to dividend distribution to the registered shareholders within 15 (fifteen) business days from the date they become entitled to such dividends as determined in such resolution, or the Board's resolution for the distribution of interim dividends.

On 27 September 2021, the Board of Directors approved stc's dividends policy for the next 3 years starting from the fourth quarter of 2021, which was approved by the General Assembly held on 30 November 2021. The objective of the dividends policy is based on maintaining a minimum level of dividend of SAR 1 per share on a quarterly basis. stc will consider and pay additional dividend subject to the Board of Directors' recommendation to the General Assembly after assessment and determination of stc's financial situation, outlook and capital expenditure requirements. It is probable that additional dividends are likely to vary on a quarterly basis depending on stc's performance.

The dividends policy will remain subject to:

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

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

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

The following is a breakdown of the 2023 distributions

| Statement | Total Distribution (SAR million) | Earnings Per Share (SAR) | Date of Announcement | Due Date | Payment Date |
|--------------------------------------|----------------------------------|--------------------------|----------------------|------------------|------------------|
| Cash dividends for Q1 2023 | 2,000 | 0.40 | 10/05/2023 | 18/05/2023 | 07/06/2023 |
| Cash dividends for Q2 2023 | 2,000 | 0.40 | 30/07/2023 | 03/08/2023 | 23/08/2023 |
| Cash dividends for Q3 2023 | 2,000 | 0.40 | 30/10/2023 | 05/11/2023 | 23/11/2023 |
| Cash dividends for Q4 2023 | 2,000 | 0.40 | 19/02/2024 | 25/02/2024 | 14/03/2024 |
| Special dividends for the year 2023* | 5,000 | 1 | 19/02/2024 | To be determined | To be determined |
| Total Distributions | 13,000 | 2.60 | | | |

* The Board of Directors has recommended in its meeting held on 19 February 2024 to distribute a special cash dividend of SAR (1) for the year 2023 to stc shareholders, and it will be presented to stc's General Assembly at its next meeting for voting.

Subsequent events

1. On 10 January 2024, IoT (a subsidiary) has completed the acquisition of 100% of Machines Talk for Contracting Company for cash consideration assuming 100% Enterprise Value of SAR 560 million.

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

Distribution of dividends

stc announced the distribution of cash dividends amounting to SAR 2,000 million to shareholders for Q4 2023, with SAR 0.40 per share. This is in accordance with the dividend distribution policy for three years approved by the Ordinary General Assembly held on 30 November 2021. In addition to the amendment to the dividend policy approved by the Extraordinary General Assembly held on 30 August 2022. In addition to special cash dividends amounting to SAR 5,000 million to shareholders for the year 2023, with SAR 1 per share.

stc also distributed cash dividends amounting to SAR 2,000 million per quarter to shareholders for Q1, Q2 and Q3 2023 with SAR 0.40 per share.

In addition to, treasury shares allocated to the employee long-term incentives program are not entitled for any dividends during the period while the shares still under the stc's possession.

2. On 1 February 2024, solutions (a subsidiary) has completed the acquisition of 40% of Devoteam Middle East for cash consideration assuming 100% Enterprise Value of AED 726.3 million (equivalent to SAR 741.7 million).

Board of Directors' Acknowledgment

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

- The accounting records have been duly prepared.
- The internal control system is well established and effectively implemented.
- The Board of Directors has no doubt about stc's ability to continue its activities.
- The consolidated financial statements for the year ending on 31 December 2023 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 2023.
- No debt instruments were convertible into shares or option rights, warrants or similar rights issued or granted by stc in 2023.
- There were no refunds, purchases or cancellations by stc in 2023 for any redeemable debt instrument.
- There was no arrangement or agreement whereby a Board Director or a senior executive waived any salary or compensation.
- There was no arrangement or agreement whereby a shareholder waived any rights to profits.
- There was no contract to which stc was a party in which there was a substantial interest by a member of the Board, CEO, CFO or any person linked to any one of them, other than what was disclosed in the General Assembly Meeting.
- stc did not provide cash loans of any kind to Board Directors and did not guarantee any loan that one of them had borrowed from others.
- There were no option rights or subscription rights exercised by Board Directors, senior executives, their spouses or their minor children.
- stc External Audit has expressed their opinion

without any reservations about the 2023 consolidated financial statements.

- There are no recommendations from the Audit Committee that there is a conflict between the committee and the resolutions of the Board of Directors or its refusal to take them into account regarding the appointment of the stc External Auditor, dismissing the firm, determining their fees and evaluating their performance or appointing the Internal Audit.
- There was no competing business with the Company or any of its activities that any member of the Board is engaging in or was engaging in such competing businesses.

Conclusion

After thanking Allah, the Almighty, the Board of Directors would like to thank the Custodian of the Two Holy Mosques King Salman Bin Abdulaziz Al Saud, HRH Crown Prince Mohammed Bin Salman Bin Abdulaziz 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 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 sustain the leadership position of stc in the region's telecommunications sector in the Kingdom of Saudi Arabia.

Financial Statements





Ernst & Young Professional Services (Professional LLC)
 Paid-up capital (SR 5,500,000 – Five million five hundred thousand Saudi Riyal)
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**Independent auditor’s report
 To the Shareholders of Saudi Telecom Company
 (A Saudi Joint Stock Company)**

Opinion

We have audited the accompanying consolidated financial statements of Saudi Telecom Company (the “Company”) and its subsidiaries (collectively referred to as the “Group”), which comprise the consolidated statement of financial position as at 31 December 2023, 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 material 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 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization for Chartered and Professional Accountants (“IFRS as endorsed by SOCPA”).

Basis for Opinion

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

Key Audit Matters

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

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



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

Key Audit Matters (continued)

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| Revenue recognition | |
| <p>The Group’s revenue consists primarily of telecommunication, data packages and use of the network subscription fees totalling SR 72.3 billion for the year ended 31 December 2023.</p> <p>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.</p> <p>Additionally, there are inherent risks about the accuracy of revenues recorded due to the complexity associated with the network environment, dependency on IT applications, large volumes of data, changes caused by price updates and promotional offers affecting the various products and services offered, as well as the materiality of the amounts involved.</p> <p><i>Refer to note 4.5 for the accounting policy related to revenue recognition and note 35 for the related disclosures.</i></p> | <p>Our audit procedures included, among others, the following:</p> <ul style="list-style-type: none"> Involved our IT specialists to test the design, implementation and operating effectiveness of system internal controls related to revenue recognition. Assessed the Group’s revenue recognition policies, for compliance with IFRS as endorsed by SOCPA. Inspected a sample of revenues reconciliations prepared by management between the primary billing system and the general ledger. Tested, on a sample basis, the accuracy of customer invoice generation and tested a sample of the credits and discounts applied to customers invoices. Tested, on a sample basis, customers cash receipts back to the invoice. Performed analytical procedures by comparing expectations of revenues with actual results and analysed variances. Assessed the adequacy of the relevant disclosures in the consolidated financial statements. |



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

Key Audit Matters (continued)

| Key audit matter | How our audit addressed the key audit matter |
|--|--|
| Allowance for impairment of trade receivable | |
| <p>As at 31 December 2023, the Group's gross trade receivables amounted to SR 23.8 billion against which an impairment allowance of SR 2.4 billion is maintained.</p> <p>The Group uses the expected credit loss model (ECL) as required by IFRS as endorsed by SOCPA to calculate allowance for impairment in trade receivable. Further, the Group perform an assessment based on a set of relevant qualitative factors for some of the customers categories.</p> <p>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.</p> <p><i>Refer to notes 4.18.3 and 5.2.5 for the accounting and critical judgements policies related to allowance for impairment of trade receivable and note 18 for the related disclosures.</i></p> | <p>Our audit procedures performed included, among others, the following:</p> <ul style="list-style-type: none"> • Assessed the design, implementation, and operating effectiveness of the key controls over the following: <ul style="list-style-type: none"> - Recording of trade receivables and settlements. - Trade receivables aging reports. • 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. • In addition to the above, we also performed the following procedures for certain customers categories where the Group performed a standalone assessment: <ul style="list-style-type: none"> - Inspected the respective meeting minutes for standalone assessments. - Obtained an understanding of the latest development and the basis of measuring the allowance and assessed management assumption given the circumstances. - Tested, on a sample basis, the calculation performed by management of the allowances. • Assessed the adequacy of the relevant disclosures included in the consolidated financial statements. |



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

Key Audit Matters (continued)

| Key audit matter | How our audit addressed the key audit matter |
|--|---|
| Capitalization of property and equipment | |
| <p>The Group has a substantial capital expenditures plan and therefore incurs significant annual expenditures in relation to the development and maintenance of both infrastructure assets and assets in relation to network and related equipment.</p> <p>Costs related to upgrading or enhancing networks are treated as capital expenditures while expenses spent to maintain the network's operating capacity are recognized as expenses in the same year in which they are incurred. Accordingly, the assessment and timing of whether assets meet the capitalisation criteria set out in IAS 16 Property, Plant and Equipment requires judgement.</p> <p>We considered this as a key audit matter since it involves management's assumptions as well as the materiality of the amounts involved.</p> <p><i>Refer to note 4.11 for the accounting policy related to property and equipment and note 10 for the related disclosures.</i></p> | <p>Our audit procedures performed included, among others, the following:</p> <ul style="list-style-type: none"> • Tested the design, implementation, and operating effectiveness of key controls in place over the capitalization and depreciation of property and equipment. • Performed analytical procedures on depreciation of property and equipment by comparing actual depreciation amounts with expected amounts and analysed variances. <p>In addition to the above, we also performed the following procedures on the capitalized cost:</p> <ul style="list-style-type: none"> • Assessed the Group's capitalisation policy, for compliance with IFRS as endorsed by SOCPA. • Tested, on a sample basis, the implementation of capital expenditures plan during the year, including the review of minutes of meetings where capital expenditure plan was approved. • 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 adequacy of the relevant disclosures included in the consolidated financial statements. |



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

Other information included in The Group's 2023 Annual Report

Other information consists of the information included in the Group's 2023 annual report, other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information. The Group's 2023 annual report is expected to be made available to us after the date of this auditor's report.

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

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

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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



**Independent auditor's report (continued)
To the Shareholders of Saudi Telecom Company
(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.

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.

for Ernst & Young
Professional Services

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

Riyadh: 18 Sha'ban 1445H
(28 February 2024)



Saudi Telecom Company (A Saudi Joint Stock Company)

Consolidated Statement of Financial Position As at 31 December 2023

(All amounts in Saudi Riyals thousands unless otherwise stated)

| | Note | 31 December 2023 | 31 December 2022 |
|--|------|---------------------|---------------------|
| ASSETS | | | |
| NON-CURRENT ASSETS | | | |
| Property and equipment | 10 | 48,101,333 | 46,645,266 |
| Investment properties | 11 | 801,735 | 210,821 |
| Intangible assets and goodwill | 12 | 17,282,076 | 11,775,022 |
| Right of use assets | 13 | 3,802,290 | 3,029,824 |
| Investments in associates and joint ventures | 8 | 4,525,149 | 4,635,656 |
| Contract assets and costs | 15 | 1,444,868 | 1,176,052 |
| Financial assets and others | 16 | 12,501,194 | 8,956,898 |
| TOTAL NON-CURRENT ASSETS | | 88,458,645 | 76,429,539 |
| CURRENT ASSETS | | | |
| Inventories | 17 | 1,904,971 | 1,022,601 |
| Contract assets and costs | 15 | 7,481,936 | 6,624,333 |
| Trade receivables | 18 | 21,401,271 | 23,178,587 |
| Financial assets and others | 16 | 12,203,214 | 4,099,107 |
| Short term murabahas | 19 | 14,767,349 | 7,989,420 |
| Cash and cash equivalents | 20 | 13,414,125 | 17,794,393 |
| | | 71,172,866 | 60,708,441 |
| Assets held for sale | 14 | 51,259 | 82,006 |
| TOTAL CURRENT ASSETS | | 71,224,125 | 60,790,447 |
| TOTAL ASSETS | | 159,682,770 | 137,219,986 |
| EQUITY AND LIABILITIES | | | |
| EQUITY | | | |
| Share capital | 22 | 50,000,000 | 50,000,000 |
| Statutory reserve | 23 | - | 11,217,054 |
| Treasury shares | 24 | (612,528) | (703,838) |
| Other reserves | 25 | 2,125,192 | 2,032,239 |
| Retained earnings | | 27,472,281 | 10,954,070 |
| Equity attributable to the equity holders of the Parent Company | | 78,984,945 | 73,499,525 |
| Non-controlling interests | 26 | 2,530,221 | 2,526,067 |
| TOTAL EQUITY | | 81,515,166 | 76,025,592 |
| LIABILITIES | | | |
| NON-CURRENT LIABILITIES | | | |
| Long term borrowings | 27 | 13,641,768 | 10,213,750 |
| End of service benefits provision | 28 | 5,258,413 | 4,871,335 |
| Lease liabilities | 29 | 3,251,538 | 2,383,206 |
| Contract liabilities | 30 | 1,110,722 | 771,915 |
| Provisions | 31 | 690,677 | 489,448 |
| Financial liabilities and others | 32 | 6,143,696 | 6,064,576 |
| TOTAL NON-CURRENT LIABILITIES | | 30,096,814 | 24,794,230 |
| CURRENT LIABILITIES | | | |
| Trade and other payables | 33 | 22,153,518 | 20,707,917 |
| Contract liabilities | 30 | 4,581,371 | 4,671,441 |
| Provisions | 31 | 2,221,748 | 2,124,132 |
| Zakat and income tax | 34 | 2,632,768 | 2,084,712 |
| Short term borrowings | 27 | 8,315,728 | 276,783 |
| Lease liabilities | 29 | 947,703 | 912,914 |
| Financial liabilities and others | 32 | 7,217,954 | 5,622,265 |
| TOTAL CURRENT LIABILITIES | | 48,070,790 | 36,400,164 |
| TOTAL LIABILITIES | | 78,167,604 | 61,194,394 |
| TOTAL EQUITY AND LIABILITIES | | 159,682,770 | 137,219,986 |

The accompanying notes from 1 to 50 form an integral part of these consolidated financial statements



Group Chief Financial Officer



Group Chief Executive Officer



Authorized Board Member



Chairman



Group Chief Financial Officer



Group Chief Executive Officer



Authorized Board Member



Chairman

Saudi Telecom Company (A Saudi Joint Stock Company)

Consolidated Statement of Profit or Loss For the year ended 31 December 2023

(All amounts in Saudi Riyals thousands unless otherwise stated)

| | Note | 2023 | 2022 |
|---|----------|---------------------|---------------------|
| Revenues | 35 | 72,336,611 | 67,431,546 |
| Cost of revenues | 36 | (34,532,921) | (30,038,291) |
| GROSS PROFIT | | 37,803,690 | 37,393,255 |
| OPERATING EXPENSES | | | |
| Selling and marketing | 37 | (5,914,339) | (6,110,238) |
| General and administration | 38 | (7,206,340) | (6,204,350) |
| Depreciation, amortization and impairment | 10,12,13 | (10,482,577) | (9,990,226) |
| TOTAL OPERATING EXPENSES | | (23,603,256) | (22,304,814) |
| OPERATING PROFIT | | 14,200,434 | 15,088,441 |
| OTHER INCOME AND EXPENSES | | | |
| Cost of early retirement program | | (862,842) | (365,727) |
| Finance income | 39 | 1,512,581 | 602,463 |
| Finance cost | 40 | (1,270,744) | (696,602) |
| Net other expense | | (110,549) | (136,220) |
| Net share in results and impairment of investments in associates and joint ventures | 8 | 52,579 | (1,211,924) |
| Net other gains | 41 | 1,273,518 | 189,666 |
| TOTAL OTHER INCOME (EXPENSES) | | 594,543 | (1,618,344) |
| NET PROFIT BEFORE ZAKAT AND INCOME TAX | | 14,794,977 | 13,470,097 |
| Zakat and income tax | 34 | (1,375,498) | (1,083,175) |
| NET PROFIT | | 13,419,479 | 12,386,922 |
| Net profit attributable to: | | | |
| Equity holders of the Parent Company | | 13,295,381 | 12,170,537 |
| Non-controlling interests | 26 | 124,098 | 216,385 |
| | | 13,419,479 | 12,386,922 |
| Earnings per share attributable to equity holders of the Parent Company (in Saudi Riyals): | | | |
| Basic | 42 | 2.67 | 2.44 |
| Diluted | 42 | 2.66 | 2.43 |

The accompanying notes from 1 to 50 form an integral part of these consolidated financial statements

Saudi Telecom Company (A Saudi Joint Stock Company)

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2023

(All amounts in Saudi Riyals thousands unless otherwise stated)

| | Note | 2023 | 2022 |
|---|------|-------------------|-------------------|
| NET PROFIT | | 13,419,479 | 12,386,922 |
| OTHER COMPREHENSIVE (LOSS) INCOME | | | |
| Items that will not be reclassified subsequently to consolidated statement of profit or loss: | | | |
| Remeasurement of end of service benefit provision | 28 | (214,474) | 828,394 |
| Changes in fair value for hedging instruments and equity investments through other comprehensive income | 16 | (12,181) | - |
| Net share of other comprehensive income (loss) of associates and joint ventures | | 21,275 | (9,860) |
| Total items that will not be reclassified subsequently to consolidated statement of profit or loss | | (205,380) | 818,534 |
| Items that may be reclassified subsequently to consolidated statement of profit or loss: | | | |
| Foreign currency translation differences | | 67,425 | (104,753) |
| Net share of other comprehensive loss of associates and joint ventures | | (47,959) | (69,830) |
| Total items that may be reclassified subsequently to consolidated statement of profit or loss | | 19,466 | (174,583) |
| TOTAL OTHER COMPREHENSIVE (LOSS) INCOME | | (185,914) | 643,951 |
| TOTAL COMPREHENSIVE INCOME | | 13,233,565 | 13,030,873 |
| Total comprehensive income attributable to: | | | |
| Equity holders of the Parent Company | | 13,138,635 | 12,840,311 |
| Non-controlling interests | | 94,930 | 190,562 |
| | | 13,233,565 | 13,030,873 |

The accompanying notes from 1 to 50 form an integral part of these consolidated financial statements



Group Chief Financial Officer



Group Chief Executive Officer



Authorized Board Member



Chairman

Saudi Telecom Company (A Saudi Joint Stock Company)

Consolidated Statement of Cash Flows

For the year ended 31 December 2023

(All amounts in Saudi Riyals thousands unless otherwise stated)

| | Note | 2023 | 2022 |
|---|----------|---------------------|--------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Net profit before zakat and income tax | | 14,794,977 | 13,470,097 |
| Adjustments for: | | | |
| Depreciation, amortization and impairment | 10,12,13 | 10,482,577 | 9,990,226 |
| Impairment loss and amortization of contract assets and costs | 36, 37 | 380,221 | 411,726 |
| Impairment loss on trade receivables | 37 | 449,144 | 821,993 |
| Allowance for slow moving inventories | | 44,323 | 31,297 |
| Finance income | 39 | (1,512,581) | (602,463) |
| Finance costs | 40 | 1,270,744 | 696,602 |
| Provision for end of service benefits and other provisions and expenses | | 744,933 | 622,229 |
| Net share in results and impairment of investments in associates and joint ventures | 8 | (52,579) | 1,211,924 |
| Share- based payment expenses | 46 | 121,479 | 112,347 |
| Net other gains | 41 | (1,273,518) | (189,666) |
| Changes in : | | | |
| Trade receivables | | 1,654,205 | 1,534,047 |
| Contract assets and costs, inventory and others | | (2,373,711) | (688,366) |
| Trade payables and others | | (1,557,447) | 1,344,795 |
| Contract liabilities and others | | 711,255 | (1,196,958) |
| Cash generated from operations | | 23,884,022 | 27,569,830 |
| Less: zakat and income tax paid | 34 | (857,184) | (831,308) |
| Less: provision for end of service benefits paid | 28 | (609,280) | (384,132) |
| Net cash generated from operating activities | | 22,417,558 | 26,354,390 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Purchase of property and equipment | | (7,237,282) | (5,496,469) |
| Purchase of intangible assets | | (2,331,987) | (2,205,345) |
| Additions to investment properties | | (221,056) | (232,207) |
| Subsidiaries' acquisition of new subsidiaries | 7 | (5,414,051) | (603,909) |
| Proceeds from sale of property and equipment and asset held for sale | | 1,416,161 | 2,365 |
| Proceeds from sale of an associate | | 8,442 | 16,092 |
| Dividends from associates | | 30,990 | 75,241 |
| Proceeds from finance income | | 1,766,226 | 478,895 |
| Proceeds and payments related to financial assets and others, net | | (16,400,785) | (613,602) |
| Net cash used in investing activities | | (28,383,342) | (8,578,939) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Dividends paid to the equity holders of the Parent Company | | (7,922,882) | (7,952,099) |
| Dividends paid to non-controlling interests | | (280,309) | (273,133) |
| Purchase of treasury shares | 24 | - | (453,000) |
| Payment of lease liabilities | | (1,218,622) | (1,037,357) |
| Repayment of borrowings | 27 | (432,595) | (133,047) |
| Proceeds from borrowings | 27 | 11,833,786 | 1,276,988 |
| Transactions with non-controlling interests | 6 | 204,000 | 648,300 |
| Finance costs paid | | (592,449) | (332,155) |
| Net cash from (used) in financing activities | | 1,590,929 | (8,255,503) |
| NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS | | (4,374,855) | 9,519,948 |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR | | 17,794,393 | 8,281,301 |
| Net foreign exchange difference | | (5,413) | (6,856) |
| CASH AND CASH EQUIVALENTS AT END OF THE YEAR | 20 | 13,414,125 | 17,794,393 |

The accompanying notes from 1 to 50 form an integral part of these consolidated financial statements



Group Chief Financial Officer



Group Chief Executive Officer



Authorized Board Member



Chairman

Saudi Telecom Company (A Saudi Joint Stock Company)

Consolidated Statement of Changes in Equity FOR THE YEAR ENDED 31 DECEMBER 2023

(All amounts in Saudi Riyals thousands unless otherwise stated)

| | Note | Total equity attributable to the equity holders of the Parent Company | | | | | Non-controlling interests | Total equity | |
|---|-------|---|-------------------|------------------|------------------|-------------------|---------------------------|------------------|-------------------|
| | | Share capital | Statutory reserve | Treasury shares | Other reserves | Retained earnings | | | |
| Balance as at 1 January 2022 | | 20,000,000 | 10,000,000 | (286,563) | 1,572,457 | 37,984,611 | 69,270,505 | 2,115,474 | 71,385,979 |
| Net profit | | - | - | - | - | 12,170,537 | 12,170,537 | 216,385 | 12,386,922 |
| Other comprehensive income (loss) | | - | - | - | 669,774 | - | 669,774 | (25,823) | 643,951 |
| Total comprehensive income | | - | - | - | 669,774 | 12,170,537 | 12,840,311 | 190,562 | 13,030,873 |
| Dividends to the equity holders of the Parent Company | 47 | - | - | - | - | (7,984,024) | (7,984,024) | - | (7,984,024) |
| Dividends to non-controlling interests | | - | - | - | - | - | - | (273,087) | (273,087) |
| Transfer to statutory reserve | 23 | - | 1,217,054 | - | - | (1,217,054) | - | - | - |
| Share-based payment transactions | 24,46 | - | - | 35,725 | 50,701 | - | 86,426 | 5,352 | 91,778 |
| Purchase of treasury shares | 24 | - | - | (453,000) | - | - | (453,000) | - | (453,000) |
| Bonus shares issued | 22 | 30,000,000 | - | - | - | (30,000,000) | - | - | - |
| Transactions with non-controlling interests | 6 | - | - | - | (262,575) | - | (262,575) | 487,766 | 225,191 |
| Net share of other reserves of joint ventures | | - | - | - | 1,882 | - | 1,882 | - | 1,882 |
| Balance as at 31 December 2022 | | 50,000,000 | 11,217,054 | (703,838) | 2,032,239 | 10,954,070 | 73,499,525 | 2,526,067 | 76,025,592 |
| Balance as at 1 January 2023 | | 50,000,000 | 11,217,054 | (703,838) | 2,032,239 | 10,954,070 | 73,499,525 | 2,526,067 | 76,025,592 |
| Net profit | | - | - | - | - | 13,295,381 | 13,295,381 | 124,098 | 13,419,479 |
| Other comprehensive loss | | - | - | - | (156,746) | - | (156,746) | (29,168) | (185,914) |
| Total comprehensive income | | - | - | - | (156,746) | 13,295,381 | 13,138,635 | 94,930 | 13,233,565 |
| Dividends to the equity holders of the Parent Company | 47 | - | - | - | - | (7,975,133) | (7,975,133) | - | (7,975,133) |
| Dividends to non-controlling interests | | - | - | - | - | - | - | (295,082) | (295,082) |
| Transfer from statutory reserve | 23 | - | (11,217,054) | - | - | 11,217,054 | - | - | - |
| Share-based payment transactions | 24,46 | - | - | 91,310 | 25,981 | - | 117,291 | 306 | 117,597 |
| Transactions with non-controlling interests | 6 | - | - | - | 225,501 | - | 225,501 | 204,000 | 429,501 |
| Net share of other reserves of joint ventures | | - | - | - | (1,783) | (19,091) | (20,874) | - | (20,874) |
| Balance as at 31 December 2023 | | 50,000,000 | - | (612,528) | 2,125,192 | 27,472,281 | 78,984,945 | 2,530,221 | 81,515,166 |

The accompanying notes from 1 to 50 form an integral part of these consolidated financial statements



Group Chief Financial Officer



Group Chief Executive Officer



Authorized Board Member



Chairman

Saudi Telecom Company (A Saudi Joint Stock Company)

Notes to the Consolidated Financial Statements For the year ended 31 December 2023

(All amounts in Saudi Riyals thousands unless otherwise stated)

1. GENERAL INFORMATION

A) ESTABLISHMENT OF THE COMPANY

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

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

B) GROUP ACTIVITIES

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

1. Establish, manage, operate and maintain fixed and mobile telecommunication networks, systems and infrastructure.
2. Deliver, provide, maintain and manage diverse telecommunication and information technology (IT) services to customers.

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

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

Saudi Telecom Company (A Saudi Joint Stock Company)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

(All amounts in Saudi Riyals thousands unless otherwise stated)

2. BASIS OF PREPARATION AND CONSOLIDATION

2.1 Basis of preparation

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

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

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

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

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

The material accounting policies (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 comprise the financial information of the Company and its subsidiaries (Note 6).

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

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

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

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

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

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

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

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

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

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

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

When the Group loses control of a subsidiary, a gain or loss is recognized in the consolidated statement of profit or loss and is calculated as the difference between (1) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (2) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognized in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets and liabilities of the subsidiary (i.e. reclassified to the consolidated statement of profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9, and when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

3. NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS ADOPTED BY THE GROUP

3.1 NEW IFRS STANDARDS, ISSUED AND ADOPTED

Amendments to IFRS that were applied by the Group on 1 January 2023 and had no material impact are as follows:

Amendments and interpretations

IFRS 17: Insurance Contracts.

Amendments to IAS 8: Definition of Accounting Estimates.

Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting Policies.

Amendments to IAS 12: Deferred Tax related to Assets and Liabilities arising from a Single Transaction.

Amendments to IAS 12: International Tax Reform – Pillar Two Model Rules

3.2 OTHER AMENDMENTS OF RELEVANT IFRS'S ISSUED BUT NOT YET EFFECTIVE

The standards and amendments that are issued, but not yet effective, as of 31 December 2023 are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective. These standards are not expected to have a material impact on the Group at their effective dates.

Amendments and interpretations

Amendments to IAS 1: Classification of Liabilities as Current and Non-current

Amendments to IAS 1 Non-current Liabilities with Covenants

Amendments to IAS 7 and IFRS 7 Supplier Finance Arrangements

Amendments to IFRS 16: Lease Liability in a Sale and Leaseback

Amendments to IAS 21: Lack of exchangeability

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Notes to the Consolidated Financial Statements

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4. SUMMARY OF MATERIAL ACCOUNTING POLICIES

4.1 Business combinations and goodwill

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, fair value of any assets or liabilities resulting from a contingent consideration arrangement, and fair value of any pre-existing equity interest in the subsidiary. Acquisition-related costs are generally recognized in the consolidated statement of profit or loss.

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

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair value with limited exceptions. Goodwill is initially measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value at the acquisition-date of the acquirer's previously held equity interest 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 the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts recognized at the acquisition date.

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

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

Goodwill is allocated to the cash generating unit and part of the operations of that unit are disposed of, goodwill associated with the discontinued operation will be included in the carrying amount when determining the gain or loss on disposal of the operation. The goodwill in such circumstances is measured on the basis of the relative value of the disposed operation and the remaining portion of the cash-generating unit.

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

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another relevant IFRS approved in Kingdom.

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

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

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

The Group recognizes additional assets or liabilities during the measurement period if new information becomes available about facts or circumstances that existed at the date of the acquisition and if it will result in recognition of assets or liabilities from that date. The measurement period ends once the group obtains all information that existed at the acquisition date or as soon as it becomes sure of the absence of more information.

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. Significant influence is the Group's ability to participate in the financial and operating policy decisions of the investee but not to control or joint control over those policies.

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

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

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

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

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

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

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

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

The requirements of IFRSs endorsed in Kingdom are applied to determine whether it is necessary to recognize any impairment loss with respect to the Group's investment in an associate or a joint venture. The carrying amount of the investment in an associate or a joint venture is tested for impairment in accordance with the policy described in Note (5-2-1). Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is not tested for impairment separately. Thus, reversals of impairments may effectively include reversal of goodwill impairments. Impairments and reversals are presented within 'Share of profit of an associate and a joint venture' in the consolidated statement of profit or loss.

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

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

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

The financial statements of the associate or joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

4.3 Share-based payment transactions

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

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

4.4 Treasury shares

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

4.5 Revenue recognition

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

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

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

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

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

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

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

4.5.1 Variable consideration

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

4.5.2 Significant financing component

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

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As a practical expedient, the Group does not adjust the promised amount of consideration for the effects of a significant financing component if the Group expects, at contract inception, that the period between when the Group transfers a promised good or service to a customer and when the customer pays for that good or service will be one year or less.

4.5.3 Contract balances

4.5.3.1 Contract Assets

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

4.5.3.2 Trade receivables

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

4.5.3.3 Contract Costs

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

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

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

4.5.3.4 Contract Liabilities

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

4.5.4 Customer loyalty programs

The Group offers customer loyalty programs, which allow customers to earn points that can be redeemed through

availing stc products and services or through certain third party partners. The loyalty points give rise to a separate performance obligation as they provide a material right to the customer.

The Group allocates a portion of the transaction price to the loyalty points awarded to customers based on relative stand-alone selling price considering the likelihood that the customer will redeem the points, and recognises it as a contract liability. Revenue is recognised upon redemption of the points by the customer or their expiry if not used within a year.

4.6 Lease contracts

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

The Group as a lessee

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

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

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

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

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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:

- increasing the carrying value to reflect interest on the lease liability.
- reducing the carrying value to reflect the lease payments made.
- 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 exemption not to recognize right of use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The lease payments associated with these leases are recognized as an expense on a straight-line basis over the lease term.

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

The Group as a lessor

A lease is classified as operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an asset. 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.

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. 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 divided 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 financial information and disclosures are presented in Saudi Riyals (the functional currency of Saudi Telecom Company – the Parent Company). For each subsidiary, the Group determines the functional currency, which is defined as the currency of the primary economic environment in which the entity operates, and items included in the financial statements of each subsidiary are measured using that functional currency.

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

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

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

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

4.8 Government grants

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

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

consolidated statement of profit or loss on a systematic and rational basis over the useful lives of the related assets.

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

4.9 Employee benefits

4.9.1 Retirement benefit costs and end of service benefits

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

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

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

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

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

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

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

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

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

4.9.2 Other short and long-term employee benefits

A liability is recognized for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period in which the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service. Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

4.10 Zakat and Taxation

4.10.1 Zakat

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

4.10.2 Current and deferred taxes

Tax related to subsidiaries located outside the Kingdom is calculated in accordance with tax laws applicable in those countries. The current income tax is recognized in the consolidated statement of profit or loss.

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

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

4.10.3 Value Added Tax ("VAT")

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

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

4.10.4 Withholding tax

The Group withhold taxes on transactions with non-resident parties and on dividends paid to foreign shareholders in accordance with ZATCA regulations. These are recorded as liabilities payable to ZATCA on behalf of the counter party from whom the amounts are withheld.

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4.11 Property and equipment

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

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

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

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

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

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

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

4.12 Investment properties

Investment properties are non-current assets (land or building - or part of it - or both) for the purpose of achieving rental income or capital appreciation 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.

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, which is not depreciated.

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

Investment properties are derecognised either when they have been disposed of (i.e., at the date the recipient obtains control) or when they are permanently withdrawn from use and no future economic benefit is expected from their 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 Group 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.

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4.13 Intangible assets (other than goodwill)

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

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

4.13.1 Software

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

4.13.2 Licence and frequency spectrum fees

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

4.13.3 Indefeasible Rights of Use ("IRU")

IRUs correspond to the right to use a portion of the capacity of a terrestrial or submarine transmission cable granted for a fixed period. IRUs are recognized at cost as an asset when the Group has the specific indefeasible right to use an identified portion of the underlying asset, generally optical fibres or dedicated wavelength bandwidth, and the duration of the right is for the major part of the underlying asset's economic life. They are amortized on a straight line basis over the shorter of the expected period of use and the life of the contract which ranges between 10 to 20 years.

4.13.4 Derecognition of intangible assets

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

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

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

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

Recoverable amount is the higher of fair value less costs of disposal and the present value of the estimated future cash flows expected to be derived from the asset (value in use). In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

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

An assessment is made at each reporting date to determine whether there is an indication that previously recognized impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying

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amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statement of profit or loss.

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

4.15 Inventories

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

4.16 Provisions

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

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the financial year, after taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material). When discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost in the consolidated statement of profit or loss.

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

4.17 Assets' decommissioning liabilities

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

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

4.18 Financial instruments

4.18.1 Classification, recognition, and presentation

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

The Group classifies its financial assets within the following categories:

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

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

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

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

4.18.2 Measurement

4.18.2.1 Initial measurement

Financial assets and financial liabilities, except for trade receivables, are initially measured at fair value plus or minus transaction costs that are directly attributable to the acquisition of financial assets and issue of financial liabilities. (Except for financial assets and financial liabilities classified at fair value where transaction costs directly attributable to the acquisition of financial assets or financial liabilities are recognized directly in the consolidated statement of profit or loss).

Purchases or sales of financial assets that require delivery of assets within a timeframe established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

4.18.2.2 Subsequent measurement of financial assets

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

a. Financial assets measured at amortized cost:

Assets that are held to collect contractual cash flows are measured at amortized cost using the effective interest rate ('EIR') method where those cash flows represent solely payments of principal and interest. Interest income from these financial assets is included in finance income. The Group's financial assets measured at amortised cost include trade receivables, Sukuk, Customers' trust accounts of stc Bank, loan to employees, and Murabahas.

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

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

This category includes derivative instruments and equity investments which the Group had not irrevocably elected to classify at fair value through OCI.

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 recognized in the consolidated statement of profit or loss.

Embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

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

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

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under "IAS 32 Financial Instruments: Presentation" and are not held for trading. The classification is determined on an instrument-by-instrument basis.

The Group elected to classify irrevocably its listed equity investments under this category.

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

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

| Measurement category | Recognition and presentation of gains and losses |
|----------------------|---|
| At amortized cost | <p>The following items are recognized in the consolidated statement of profit or loss:</p> <ul style="list-style-type: none"> · finance income using the effective interest method · expected credit losses (or reversals of such losses) · foreign exchange gains and losses. <p>When the financial asset is derecognized, the gain or loss is recognized in the consolidated statement of profit or loss.</p> |
| At FVOCI | <p>Debt instruments: Gains and losses are recognized in the consolidated statement of comprehensive income, except for the following items, which are recognized in consolidated statement of profit or loss in the same manner as for financial assets measured at amortized cost:</p> <ul style="list-style-type: none"> · finance income using the average effective interest method · expected credit losses (or reversals of such losses) · foreign exchange gains and losses. <p>Equity instruments: Gains and losses are recognized in the consolidated statement of comprehensive income. Dividends are recognized in the consolidated statement of profit or loss unless they clearly represent a repayment of part of the cost of the investment. The amounts recognized in the consolidated statement of comprehensive income are not reclassified to the consolidated statement of profit or loss under any circumstances.</p> |
| At FVTPL | Gains and losses, both on subsequent measurement and derecognition, are recognized in consolidated statement of profit or loss. |

4.18.2.3 Subsequent measurement of financial liabilities

a. Amortized cost

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

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

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

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b. Liabilities at fair value through profit or loss

Financial liabilities falling under this category include:

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

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

c. Financial guarantees

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

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

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

4.18.3 Impairment of financial assets

The Group 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 and subject for write off 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. Any subsequent recoveries are credited to impairment loss expense.

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

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

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognizes an allowance base on lifetime ECLs at each reporting date. The Group established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. For government, related parties and key private customers, the Group estimates the loss allowance based on the internal assessment to evaluate the collectability of the balances and such assessment is done based on the available information and negotiations underway. An estimate of the collectible amount is made when collection of the amount is no longer probable.

For certain customer categories, this estimate is performed on an individual basis while other customer categories are assessed collectively and an allowance is applied according to the length of time past due. The Group employs statistical models to analyse the data collected and generate estimates of the probability of default of exposures with passage of time. The analysis includes the identification for any changes between default rates and key macro-economic factors across various geographies of the Group. For trade receivables, the average credit terms vary by customer type.

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4.18.4 Derecognition of financial assets

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

4.18.5 Derecognition of financial liabilities

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

4.18.6 Offsetting between financial assets and financial liabilities

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

1. The Group currently has a legal enforceable right to offset the recognized amounts of the asset and liability.
2. The Group intends to settle on a net basis, or to realize 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 profit or loss. If such a modification is carried out because of financial difficulties of the borrower, then the gain or loss is presented together with impairment losses. In other cases, it is presented as financing income.

Financial liabilities

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

4.18.8 Derivative financial instruments and hedge accounting

The Group enters into derivative arrangements to hedge its certain risks such as share price risks, fair value 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 at each reporting date until settlement. The change in fair value is recognised in the consolidated statement of profit or loss unless designated in a hedging relationship. 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 recognized asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognized firm commitment.
- Fair value hedges when hedging the exposure to changes in fair value of a recognised asset or liability or an unrecognized firm commitment.
- Hedges of a net investment in a foreign operation.

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.

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

If 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.

In a fair value hedge, the effective and ineffective portion of gain or loss on hedging instrument is recognised in consolidated statement of profit or loss if the hedged item is recognised at FVTPL and in other comprehensive income if the hedged item is recognised at FVTOCI.

Hedges of a net investment in a foreign operation, including a hedge of a monetary item that is accounted for as part of the net investment, are accounted for in a way similar to cash flow hedges. On disposal of the foreign operation, the cumulative value of any such gains or losses recorded in equity is transferred to the consolidated statement of profit or loss.

4.19 Cash and cash equivalents

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

4.20 Fair values measurements

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. Disclosures of fair value are not required for lease liabilities and when the carrying amount is a reasonable approximation of fair value.

The Group uses valuation techniques appropriate to current circumstances that provide sufficient data to measure fair value, providing the maximum opportunity for the use of relevant inputs that are observable and the minimum use of inputs that are not observable. In addition, for financial reporting purposes, fair value measurements are categorized into Level 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:

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

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

4.21 Segmental Information

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

4.22 Cash dividends

The Company's dividends policy is approved by the General Assembly and the Company recognizes a liability to pay a dividend when the distribution is authorized and the distribution is no longer at the discretion of the Company. A corresponding amount is recognized directly in equity.

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4.23 Current versus non-current classification

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

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

All other assets are classified as non-current.

A liability is current when:

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

The Group classifies all other liabilities as non-current.

4.24 Non current asset held for sale

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

5. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

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

5.1 SIGNIFICANT ACCOUNTING JUDGEMENTS

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

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

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

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5.1.2 Revenue recognition

Gross versus net presentation

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

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

Whether the Group is principal or agent, depends whether the control of products and services is transferred to customers, and it has the ability to direct the use of the devices or obtain benefits from the devices and service. Below are the key criteria to determine whether the Group is acting as principal:

- The Group has primary responsibility for providing the products or services to the customer or for fulfilling the order, for example by being responsible for the acceptability of the products or
- services ordered or purchased by the customer;
- The Group has inventory risk before or after customer order, during shipping or on return; and
- The Group has latitude in establishing the prices, either directly and indirectly, for example by providing additional products or services.

5.1.3 Arrangements with multiple deliverables

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

5.1.4 Recognition of digital banking operations' client assets

The determination of whether the Group has control over customer funds or if they are being held in merely a fiduciary capacity requires careful consideration of facts and circumstances including applicable regulatory requirements. The Group has assessed that these assets meet the recognition criteria based on the assessment of liability of the Group towards its customers for the funds, contractual and legal rights held by the Group in relation to these funds and the Group's rights to economic benefits from other financial institutions where customer funds are deposited.

5.2 SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS

5.2.1 Impairment of non-financial assets

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

5.2.2 Customer activation service fees

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

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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 31 for details. Provisions are recorded by discounting the future cash flows at a current pre-tax rate that reflects the risks specific to the liability. The unwinding of the discount is recognized in the consolidated statement of profit or loss as a finance cost.

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

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

5.2.5 Provision for impairment losses on trade receivables and contract assets

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

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

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

5.2.6 Leases - Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in a lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease.

The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates.

5.2.7 Fair value measurement of financial instruments

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

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6. SUBSIDIARIES

Subsidiaries owned directly by the Company are as follows:

| Name of subsidiary | Country of incorporation | Effective shareholding percentage | |
|---|------------------------------|-----------------------------------|------------------|
| | | 31 December 2023 | 31 December 2022 |
| Arabian Internet and Communications Services Company ("Solutions") | (1) Kingdom of Saudi Arabia | 80% | 80% |
| Telecom Commercial Investment Company Limited ("TCIC") | (2) Kingdom of Saudi Arabia | 100% | 100% |
| stc Bahrain BSC (c) ("stc Bahrain") | (3) Kingdom of Bahrain | 100% | 100% |
| Aqalat Limited Company ("Aqalat") | (4) Kingdom of Saudi Arabia | 100% | 100% |
| Public Telecommunications Company ("Specialized") | (5) Kingdom of Saudi Arabia | 100% | 100% |
| stc Turkey Holding Ltd ("stc Turkey") | (6) British Virgin Islands | 100% | 100% |
| stc Asia Telecom Holding Ltd ("stc Asia") | (7) British Virgin Islands | 100% | 100% |
| stc Gulf Investment Holding ("stc Gulf") | (8) Kingdom of Bahrain | 100% | 100% |
| Gulf Digital Media Model Company Ltd ("GDMM") ("Intigral") | (9) Kingdom of Saudi Arabia | 100% | 100% |
| Saudi Telecom Channels Company ("Channels") | (10) Kingdom of Saudi Arabia | 100% | 100% |
| Kuwait Telecommunications Company ("stc Kuwait") | (11) State of Kuwait | 51.8% | 51.8% |
| Telecommunications Towers Company ("TAWAL") | (12) Kingdom of Saudi Arabia | 100% | 100% |
| stc Bank ("stc Pay") | (13) Kingdom of Saudi Arabia | 85% | 85% |
| Smart Zone Real Estate Company | (14) Kingdom of Saudi Arabia | 100% | 100% |
| Advanced Technology and Cybersecurity Company ("sirar") | (15) Kingdom of Saudi Arabia | 100% | 100% |
| stc GCC Cables System W.L.L. | (16) Kingdom of Bahrain | 100% | 100% |
| Company Sendouk Al-Abatakar for Investment | (17) Kingdom of Saudi Arabia | 100% | 100% |
| Digital Centers for Data and Telecommunications ("Center3") | (18) Kingdom of Saudi Arabia | 100% | 100% |
| Internet of Things Information Technology Company ("IoTquared") | (19) Kingdom of Saudi Arabia | 50% | 50% |
| General Cloud Computing Company for Information Technology ("SCCC") | (20) Kingdom of Saudi Arabia | 55% | 55% |
| Green Bridge Investment ("GBI") | (21) Luxembourg | 100% | - |
| Green Bridge Management ("GBM") | (22) Luxembourg | 100% | - |
| Digital Infrastructure Company | (23) Kingdom of Saudi Arabia | 100% | - |

1. Solutions was established in April 2002 and is engaged in providing internet services, operation of communications projects and transmission and processing of information in the Saudi market. In December 2007, the Group acquired 100% of the share capital of Solutions.

In September 2021, the Group completed the initial public offering "IPO" for 20% of its shareholding in Solutions in the Saudi Stock Exchange Market and 1% of the share capital of Solutions was allocated to be granted as part of its own employees' long term incentive plan (Note 46.2).

As at 31 December 2023, Solution's share capital is SR 1,200 million (2022: SR 1,200 million).

In October 2022, Solutions acquired an 88.19% stake in Giza Systems ("Giza"), in addition to acquiring 34% in Giza Arabia

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Systems Ltd., a subsidiary of Giza Systems. The value of the acquisition amounted to USD 124.2 million (equivalent to SR 465.6 million).

On 3 April 2023, Solutions completed the acquisition of Contact Center Company ("CCC") by acquiring all shares of stc (49%) and ESM Holding Company (51%) for a full cash consideration for the entire acquisition amounting to SR 513.7 million. CCC is engaged in providing services related to submission of proposals and technical solutions in the field of telecommunications and information technology support and maintenance, systems development, support, and communications programs and information technology.

The acquisition was considered, at the Group level, as a step acquisition with change in control in accordance with IFRS 3 'Business Combinations' and the Group started consolidating CCC from the acquisition completion date (Note 7). A gain was recognized from remeasuring the previously held equity interest in CCC amounting to SR 133 million within net other gains item in the consolidated statement of profit or loss.

2. TCIC was established in October 2007 with the purpose of operating and maintaining telecommunication networks, organizing computer systems' networks and internet networks, maintenance, operation and installation of telecommunication and information technology systems and programs in the Saudi market with share capital of SR 1 million as at 31 December 2023 (2022: SR 1 million).

3. stc Bahrain was established in February 2009 with the purpose of providing all mobile telecommunication services, international telecommunications, broadband and other related services in the Bahraini market. with share capital of BD 75 million as at 31 December 2023 (2022: BD 75 million) equivalent to SR 746 million at the exchange rate as of establishment date.

4. Aqalat was established in March 2013 with the purpose of establishing, owning, investing, managing of real estate and contracting, and providing consulting services, and importing and exporting services to the benefit of the Company with share capital of SR 70 million as at 31 December 2023 (2022: SR 70 million).

5. Specialized was established in February 2002 with the purpose of operating in the electrical business and communication networks, wholesale and retail trade in fixed telecommunications equipment, electrical appliances, import, marketing, installation and maintenance of fixed and mobile telecommunications and information technology licensed devices with share capital of SR 252 million as at 31 December 2023 (2022: SR 252 million).

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

In April 2008, stc Turkey acquired 35% of Oger Telecom Limited's ("OTL"). During the year 2023, OTL liquidation has been completed with most of its assets and liabilities disposed off (Note 8.1).

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

stc Malaysia Holding Ltd in turn holds the Group's 25% stake in Binariang GSM Sdn Bhd ("BGSM") (Note 8-2) that invests in companies operating primarily in Malaysia. The principal activity of both stc Asia and stc Malaysia is to provide services and support required in respect of investment activities of the Group.

8. stc Gulf was incorporated in March 2008, which is a special purpose vehicle, in the Kingdom of Bahrain. The primary objective of this company is to provide services and support required in respect of investment activities of the Group.

9. Intigral, a limited liability company, was established in March 2002 with the purpose of providing broadcasting and media production services with share capital of SR 811 million as at 31 December 2023 (2022: SR 811 million).

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10. Channels was established in January 2008 with the purpose of operating in the wholesale and retail trade of recharge card services, telecommunication equipment and devices, computer services, sale and re-sale of all fixed and mobile telecommunication services, and commercial centres' maintenance and operation. The Company operates in the Saudi Market with subsidiaries in Bahrain, Oman, and Kuwait whom are working in the same field with a share capital of SR 100 million as at 31 December 2023 (2022: SR 100 million).

11. stc Kuwait was established in July 2008 with the purpose of operating in the field of mobile services in the Kuwaiti market. stc Kuwait was listed as a joint stock company on the Kuwait Stock Exchange on 14 December 2014 with share capital of KD 100 million as at 31 December 2023 (2022: KD 100 million) equivalent to SR 1,298 million at the exchange rate as of establishment date.

12. TAWAL, a closed joint stock company, was established in January 2018. TAWAL is responsible for owning, constructing, operating, leasing and commercializing telecom towers in the Kingdom with share capital of SR 2,500 million as at 31 December 2023 (2022: SR 2,500 million).

During October 2022, the Company received a non-binding offer from the Public Investment Fund (PIF) (a related party: the ultimate controlling party- note 1-A) to acquire 51% of the shares of Telecommunications Towers Company (Tawal), while stc will maintain 49% of the shares of Tawal. Tawal was valued at SR 21,940 million (100% enterprise value on cash free and debt free basis). The offer does not represent any binding commitment on both parties and it remains subject to completing the due diligence and reaching final and binding agreement which will be conditional upon obtaining the General Assembly approval and all regulatory approvals from relevant authorities including the approval from the General Authority for Competition, internal approvals of the respective parties, and any other conditions that may be agreed between the parties.

During the first quarter of the year 2022, Tawal has entered into an initial agreement to acquire a 100% equity shareholding of AWAL Telecom Company, registered in the Republic of Pakistan, subject to regulatory approvals. AWAL is licensed by the Pakistan Telecommunication Authority to build and operate telecommunication infrastructure primarily in the northwest region of the Republic of Pakistan. On 1 February 2023, AWAL's acquisition was completed (Note 7).

On 24 August 2023, TAWAL (through one of its subsidiaries) signed a sale and purchase agreement ("SPA") to acquire three telecommunications towers companies based in Bulgaria, Croatia and Slovenia from United Group to expand the business outside of the Kingdom of Saudi Arabia and provide Infrastructure services in European markets for a cash consideration for the entire transaction of approximately SR 5 billion (equivalent to EUR 1,220 million) (100% Enterprise Value) and the transaction was funded through bank loans. One of the main transaction terms is 20-year master services agreement providing United Group with long-term leasing services from TAWAL, including a plan to rollout 2,054 new sites (Note 7).

13. stc Bank, a closed joint stock company, was established in November 2017 and its main activity is to provide digital payments services. During 2020, Saudi Central Bank licensed Saudi Digital Payments Company as an electronic wallet company. During the year 2021, the Council of Ministers approved granting Saudi Digital Payments Company a digital banking services license to become a digital bank with share capital of SR 2.5 billion. In January 2023, Saudi Central Bank lifted the restrictions on the deposited capital of stc Bank for the amount of SR 1,552 million, which was deposited for the conversion of the Bank from a limited liability company to a closed joint stock company.

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14. Smart Zone Real Estate, a limited liability company, was established in September 2019 and its main activity is the development, financing and management of real estate projects, the establishment of facilities, complexes, commercial, office and residential buildings with share capital of SR 417 million as at 31 December 2023 (2022: SR 417 million).

15. Sirar, a limited liability company, was established in November 2020 to provide cybersecurity services with share capital of SR 250 million as at 31 December 2023 (2022: SR 250 million).

16. stc GCC Cable Systems W.L.L., a limited liability company, was established in April 2021 with the purpose of the sale and installation of telecommunications equipment and the construction of utilities projects. stc GCC Cable Systems W.L.L. is wholly owned by the Group as part of the agreement to invest in a fund aimed to drive innovation in the communications and information technology sector in the Kingdom of Bahrain and other GCC Countries with share capital of BD 32 million as at 31 December 2023 (2022: BD 32 million) equivalent to SR 319 million at the exchange rate as of establishment date..

17. Company Sendouk Al-Abatakar for Investment, a limited liability company, was established in August 2021 with the purpose of providing administrative services and IT and telecommunication support and with share capital of SR 187.5 million as at 31 December 2023 (2022: SR 56.2 million).

18. Center3, a limited liability company, was established in February 2022 with the purpose of providing services related to big data, data analytics and cloud computing with share capital of SR 100 million as at 31 December 2023 (2022: SR 100 million).

19. IoTquared, a limited liability company, was established in May 2022 by signing a partnership agreement with the Public Investment Fund for the purpose of establishing a company specialized in the field of Internet of Things

with share capital amounting to SR 900 million (2022: SR 492 million) with 50% shareholding for each. The Group is accounting for this entity as a subsidiary as it has the right to appoint the majority of board of directors and key management personnel.

20. SCCC, a limited liability company, was established in May 2022 by signing a shareholder agreement with eWTP Arabia Technology Innovation Limited Company ("eWTPA"), Alibaba (Singapore) Private Limited ("Alibaba Cloud"), Saudi Company for Artificial Intelligence ("SCAI"), and Saudi Information Technology Company ("SITE") specializing in cloud computing services with share capital amounting to SR 894 million as at 31 December 2023 (2022: SR 894 million). The Group has granted a put option to non-controlling interest shareholders in SCCC in which the Group commits to purchase 27% shareholding in the subsidiary at fair value at the exercise date of the option (Note 32-1).

21. Green Bridge Investment was established during the third quarter of the year 2023 in Luxemburg. It is a special purpose vehicle established to provide services and necessary support for the Group's investing activities.

22. Green Bridge Management was established during the third quarter of the year 2023 in Luxemburg. It is a special purpose vehicle established to provide services and necessary support for the Group's investing activities.

23. Digital Infrastructure Company was established during the fourth quarter of the year 2023 in Kingdom of Saudi Arabia. It is a simplified closed joint stock company, established to provide services and necessary support for the Group's investing activities.

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7. BUSINESS COMBINATIONS

- On 24 August 2023, TAWAL (through one of its subsidiaries) signed a sale and purchase agreement ("SPA") to acquire three telecommunications towers companies based in Bulgaria, Croatia and Slovenia from United Group to expand the business outside of the Kingdom of Saudi Arabia and provide Infrastructure services in European markets for a cash consideration for the entire transaction of approximately SR 5 billion (equivalent to EUR 1,220 million).
- On 3 April 2023, Solutions completed the acquisition of Contact Center Company (CCC) by acquiring all shares of stc (49%) and ESM Holding Company (51%) for a full cash consideration for the entire acquisition amounting to SR 513.7 million.
- On 1 February 2023, Tawal completed the acquisition of AWAL Telecom Company, registered in the Republic of Pakistan, for cash consideration for the entire acquisition amounting to SR 27 million.

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

| | Tawal's acquisition of three towers companies from United Group (Note 6.12) | Solutions' acquisition of Contact Center Company ("CCC") (Note 6.1) | Tawal's acquisition of AWAL Telecom Company (Note 6.12) | Total |
|---|---|--|---|--------------------------|
| Assets | | | | |
| Property and equipment | 384,816 | 7,589 | 12,421 | 404,826 |
| Intangible assets | 17 | 160,413 ⁽¹⁾ | - | 160,430 |
| Right of use assets | 535,275 | 28,717 | 1,362 | 565,354 |
| Trade receivables | 206,635 | 126,530 | 1,255 | 334,420 |
| Cash and cash equivalents | 7,105 | 98,617 | 2,034 | 107,756 |
| Financial assets and others | 7,438 | 282,988 | 5,563 | 295,989 |
| Total assets | 1,141,286 | 704,854 | 22,635 | 1,868,775 |
| Liabilities | | | | |
| Trade and other payables | 18,920 | 148,920 | 1,623 | 169,463 |
| Lease liabilities | 550,347 | 29,142 | 1,660 | 581,149 |
| Borrowings | 111,847 | - | - | 111,847 |
| Provisions | 106,949 | 95,870 | 44 | 202,863 |
| Financial liabilities and others | 41,529 | 61,076 | 11,996 | 114,601 |
| Total liabilities | 829,592 | 335,008 | 15,323 | 1,179,923 |
| Total identifiable net assets at fair value | 311,694 | 369,846 | 7,312 | 688,852 |
| Goodwill arising on acquisition | 4,651,696 ⁽²⁾ | 143,854 | 19,794 ⁽²⁾ | 4,815,344 |
| Purchase consideration | 4,963,390 | 513,700 | 27,106 ⁽³⁾ | 5,504,196 ⁽⁴⁾ |

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⁽¹⁾ Includes intangible assets arising from Solutions' acquisition of CCC as follows:

| Intangible assets from acquisition | Amount recognized on acquisition | Valuation approach |
|------------------------------------|----------------------------------|---|
| Brand name | 61,000 | Relief from royalty |
| Customer relationship | 56,000 | Multiperiod excess earnings method (MEEM) |
| Order Backlog | 23,000 | Multiperiod excess earnings method (MEEM) |
| Software | 6,200 | Incremental cost approach |
| Total | 146,200 | |

⁽²⁾ Goodwill resulted from Tawal's acquisition of United Group and AWAL Telecom Company companies represents a provisional goodwill until the completion of the price purchase allocation reports (Note 12).⁽³⁾ Tawal's acquisition of AWAL Telecom Company includes contingent consideration of SAR 10.9 million.⁽⁴⁾ The consolidated statement of cash flows includes a payment of SR 28.5 million related to an acquisition during the year 2022.

- From the date of acquisition, business combination of the three towers companies from United Group has contributed SR 123.7 million of revenue and SR 78.4 million of net profit. If the business combination had taken place at the beginning of the year, revenue would have been SR 344 million and net profit would have been SR 178 million.
- From the date of acquisition, business combination of CCC has contributed SR 581 million of revenue and SR 85 million of net profit. If the business combination had taken place at the beginning of the year, revenue would have been SR 775 million and net profit would have been SR 82 million.
- From the date of acquisition, business combination of AWAL Telecom Company has contributed SR 8 million of revenue and SR 3.1 million of net losses. If the business combination had taken place at the beginning of the year, revenue would have been SR 9.7 million and net losses would have been SR 3.9 million.

Acquisition related costs of SR 23.6 million is expensed to the consolidated statement of profit or loss and classified under general and administration expenses.

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8. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES**8.1 Investments in associates**

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

8.1.1 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 2023 | 31 December 2022 |
| 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 | Liquidated | 35% |
| Virgin Mobile Kuwait | 4 State of Kuwait | 10% | 10% |
| Giza Systems Company for Electromechanical Contracting | 5 Egypt | 50.01% | 50.01% |
| Edu Apps | 6 Egypt | 40% | 40% |

1) Arabsat was established in April 1976 by the members of the League of Arab States. Arabsat offers a number of services to these member states, as well as to all public and private sectors within its coverage area, and principally in the Middle East. Current services offered include: Regional telephony (voice, data, fax and telex), television broadcasting, regional radio broadcasting, restoration services and leasing of capacity. In April 1999, Saudi Telecom Company acquired 36.66% of Arabsat's USD 500 million share capital (equivalent to approximately SR 1,875 million at the exchange rate as of that date).

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

3) OTL is a holding company registered in Dubai, the United Arab Emirates. In April 2008, Saudi Telecom Company through one of its subsidiaries (stc Turkey Holding Ltd) acquired 35% of OTL's share capital. During the year 2023, OTL liquidation has been completed.

4) Virgin Mobile Kuwait is indirectly owned through stc Kuwait with 10% ownership. The Group's ability to exercise significant influence is evidenced by the reliance of Virgin Mobiles Kuwait on stc Kuwait's technical network.

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

6) Edu Apps is indirectly owned through Solutions with 40% ownership. Edu Apps, a private limited company, was established in 2016 to execute software designing and development services.

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8.1.2 Financial information of material associates

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

| | Arabsat | 31 December 2023(*) | 31 December 2022(*) |
|---|---------|---------------------|---------------------|
| Statement of financial position | | | |
| Current assets | | 1,439,022 | 1,316,698 |
| Non-current assets | | 3,844,428 | 4,008,575 |
| Current liabilities | | (398,997) | (381,346) |
| Non-current liabilities | | (1,358,064) | (1,624,374) |
| For the year ended 31 December | | | |
| | | 2023(*) | 2022(*) |
| Statement of income and other comprehensive income | | | |
| Revenue | | 856,286 | 844,644 |
| Net income | | 179,347 | 153,124 |
| Other comprehensive income | | 19,648 | 12,638 |
| Total comprehensive income | | 198,995 | 165,762 |
| The Group's share in net income (loss and impairment) | | 65,749 | (23,265) (**) |

(*) The Group recorded its share in Arabsat results based on the latest available financial information.

(**) During 2022, impairment of SR 79.4 million has been recorded as a result of completing impairment test of Arabsat assets and issuance of Arabsat financial statements of the year ended 31 December 2021 during 2022. In 2023, no impairment has been recorded due to absence of impairment indicators.

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

| | 31 December 2023 | 31 December 2022 |
|---|------------------|------------------|
| Net assets of the associate | 3,526,389 | 3,319,553 |
| Proportion of the Group's ownership interest in Arabsat | 36.66% | 36.66% |
| Carrying amount of the Group's interest in Arabsat | 1,292,774 | 1,216,948 |

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8.1.3 Financial information on not individually material associates

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

| | 2023 | 2022 |
|--|---------|--------|
| The Group's share in net (loss) profit | (6,242) | 1,052 |
| Aggregate carrying amount of the Group's interests in these associates | 3,368 | 10,438 |

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

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

| | 2023 | 2022 |
|--|------------------|------------------|
| Material associate (8.1.2) | 1,292,774 | 1,216,948 |
| Not individually material associates (8.1.3) | 3,368 | 10,438 |
| Total carrying amount of the Group's interest in associates | 1,296,142 | 1,227,386 |

8.2 Investments in joint ventures

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

8.2.1 Details of joint ventures

Below is the detail of joint ventures as at:

| Name of joint venture | Country of incorporation | Proportion of ownership interest/ voting rights | |
|--|---------------------------|---|------------------|
| | | 31 December 2023 | 31 December 2022 |
| Arab Submarine Cables Company Limited | 1 Kingdom of Saudi Arabia | 50% | 50% |
| Contact Centres Company ("CCC") | 2 Kingdom of Saudi Arabia | - | 49% |
| Binariang GSM Sdn Bhd ("BGSM") | 3 Malaysia | 25% | 25% |
| Integrated Data Company for Information and Technology | 4 Kingdom of Saudi Arabia | 39% | - |

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) CCC 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 with the Company acquiring 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%. On 3 April 2023, Solutions completed the acquisition of CCC by acquiring all shares of stc (49%) and ESM Holding Company (51%) for a full cash consideration for the entire acquisition amounting to SR 513.7 million. CCC is engaged in providing services related to submission

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of proposals and technical solutions in the field of telecommunications and information technology support and maintenance, systems development, support, and communications programs and information technology. The acquisition was considered, at the Group level, as a step acquisition with change in control in accordance with IFRS 3 'Business Combinations' and the Group started consolidating CCC from the acquisition completion date (note 7). A gain was recognized from remeasuring the previously held equity interest in CCC amounting to SR 133 million within net other gains item in the consolidated statement of profit or loss.

3) BGSM is an investment holding group registered in Malaysia which owns 62% of Maxis Malaysian Holding Group ("Maxis"), a major telecom operator in Malaysia.

During the year 2007, the Company acquired (through its subsidiaries stc Asia holding and stc Malaysia holding) 25% of BGSM's MYR 20.7 billion share capital, equivalent to approximately SR 23 billion at the exchange rate as at that date.

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

4) During the second quarter of 2023, Integrated Data Company for Information and Technology was established in the Kingdom of Saudi Arabia as a joint venture among the Company (39%), Etihad Etisalat Company (30%) and Mobile Telecommunication Saudi Company (31%) with share capital of SR 22 million. This entity provides various services including demographic analyses, population statistics, data on population size, as well as traffic and transportation statistics, public road routes, and parking information.

8.2.2 Financial information of material joint ventures

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

| BGSM | 31 December 2023 | 31 December 2022 |
|--|---------------------|---------------------|
| Statement of financial position | | |
| Current assets | 3,094,948 | 3,416,444 |
| Non-current assets | 25,348,786 | 26,840,930 |
| Current liabilities | (4,996,051) | (3,986,564) |
| Non-current liabilities | (13,420,215) | (15,501,884) |

The above amounts of assets and liabilities include the following:

| | 31 December 2023 | 31 December 2022 |
|---|---------------------|---------------------|
| Cash and cash equivalents | 1,220,719 | 1,626,723 |
| Current financial liabilities (excluding trade and other payables and provisions) | (894,803) | (1,154,190) |
| Non-current financial liabilities (excluding trade and other payables and provisions) | (10,983,308) | (12,606,767) |

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| | For the year ended 31 December | |
|---|-----------------------------------|-------------|
| | 2023 | 2022 |
| Statement of income and other comprehensive income | | |
| Revenues | 8,112,835 | 8,264,249 |
| Net profit | 364,165 | 493,374 |
| Other comprehensive (loss) income | (10,644) | 5,091 |
| Total comprehensive income | 353,521 | 498,465 |
| Depreciation and amortization | (1,487,860) | (1,547,736) |
| Finance income | 38,180 | 37,828 |
| Finance cost | (772,653) | (764,413) |
| Income tax expense | (389,223) | (477,935) |
| Net (loss) profit after non-controlling interest | (64,840) | 148,647 |
| The Group's share in net loss (*) | (16,210) | (1,221,305) |

(*) During the year 2022, the Group recorded an impairment provision amounting to SR 1,259 million related to its investment in BGSM (a joint venture) due to decline in fair value as a result of the decline in market conditions and quoted share prices of key underlying investment. The Group determined the recoverable amount of its investment in BGSM Holding Group using the value in use method considering five years long range plan and applied a weighted average cost of capital of 6.1% - 7.2% and a terminal growth rate of 2.3% - 2.6% in its business model.

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

| | 31 December 2023 | 31 December 2022 |
|---|---------------------|---------------------|
| Net assets of BGSM (excluding non-controlling interest share) | 11,407 | 320,160 |
| Proportion of the Group's ownership interest in the joint venture | 2,852 | 80,040 |
| Adjustments: the carve-out of Aircel Group and others | 3,452,473 | 3,449,989 |
| Goodwill and fair value adjustments | 1,352,070 | 1,352,070 |
| Accumulated impairment | (1,603,461) | (1,603,461) |
| Carrying amount of the Group's interest in the joint venture | 3,203,934 | 3,278,638 |

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8.2.3 Financial information of not individually material joint ventures

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

| | 2023 | 2022 |
|--|--------|---------|
| The Group's share of net profit | 9,282 | 31,594 |
| The Group's share of other comprehensive loss | (402) | (9,806) |
| The Group's share of total comprehensive income | 8,880 | 21,788 |
| Aggregate carrying amount of the Group's interests in these joint ventures | 25,073 | 129,632 |

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

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

| | 2023 | 2022 |
|---|------------------|------------------|
| Material joint venture (8.2.2) | 3,203,934 | 3,278,638 |
| Not individually material joint ventures (8.2.3) | 25,073 | 129,632 |
| Total carrying amount of the Group's share in the joint ventures | 3,229,007 | 3,408,270 |

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9. SEGMENT INFORMATION

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

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

The disclosed operating segments exceeded the 75% of total external Group revenue.

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

| | 2023 | 2022 |
|---|-------------------|-------------------|
| Revenues ⁽¹⁾ | | |
| stc | 49,218,179 | 48,776,400 |
| Channels | 14,194,210 | 11,451,268 |
| Solutions | 11,040,493 | 8,805,091 |
| stc Kuwait | 4,278,282 | 4,113,509 |
| Tawal | 3,343,350 | 2,868,172 |
| stc Bahrain | 1,913,287 | 1,790,151 |
| stc Bank | 1,063,006 | 1,040,786 |
| Intigral | 643,314 | 538,058 |
| Sirar | 588,606 | 430,288 |
| Specialized | 397,492 | 361,769 |
| Other operating segments ⁽²⁾ | 1,300,436 | 61,196 |
| Eliminations / adjustments | (15,644,044) | (12,805,142) |
| Total revenues | 72,336,611 | 67,431,546 |
| Cost of operations (excluding depreciation, amortization and impairment) | (47,653,600) | (42,352,879) |
| Depreciation, amortization and impairment | (10,482,577) | (9,990,226) |
| Cost of early retirement program | (862,842) | (365,727) |
| Finance income | 1,512,581 | 602,463 |
| Finance cost | (1,270,744) | (696,602) |
| Net other expenses | (110,549) | (136,220) |
| Net share in results and impairment of investments in associates and joint ventures | 52,579 | (1,211,924) |
| Net other gains | 1,273,518 | 189,666 |
| Zakat and income tax | (1,375,498) | (1,083,175) |
| Net profit | 13,419,479 | 12,386,922 |
| Net profit attributable to: | | |
| Equity holders of the Parent Company | 13,295,381 | 12,170,537 |
| Non-controlling interests | 124,098 | 216,385 |
| | 13,419,479 | 12,386,922 |

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

| | 2023 | 2022 |
|---|-------------------|-------------------|
| Stc | 30,456,154 | 30,650,068 |
| Channels | 3,083,568 | 2,480,001 |
| Solutions | 2,792,163 | 2,172,378 |
| stc Kuwait | 2,061,419 | 1,974,042 |
| Tawal | 2,684,415 | 2,250,720 |
| stc Bahrain | 878,634 | 825,145 |
| stc Bank | 207,653 | 158,195 |
| Intigral | 445,684 | 416,431 |
| Sirar | 173,207 | 129,880 |
| Specialized | 178,078 | 203,692 |
| Other operating segments ⁽²⁾ | 501,288 | (2,168) |
| Eliminations / adjustments | (5,658,573) | (3,865,129) |
| Gross profit | 37,803,690 | 37,393,255 |

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

| | 31 December 2023 | 31 December 2022 |
|---|--------------------|--------------------|
| Assets | | |
| Stc | 151,346,881 | 137,287,162 |
| Channels | 11,148,734 | 8,538,854 |
| Solutions | 11,516,244 | 10,282,336 |
| stc Kuwait | 5,462,864 | 5,210,735 |
| Tawal | 18,490,654 | 11,932,999 |
| stc Bahrain | 5,629,610 | 6,053,709 |
| stc Bank | 5,028,908 | 3,807,596 |
| Intigral | 958,351 | 970,807 |
| Sirar | 598,762 | 437,443 |
| Specialized | 780,705 | 681,644 |
| Other operating segments ⁽²⁾ | 23,213,588 | 8,548,024 |
| Eliminations / adjustments | (74,492,531) | (56,531,323) |
| Total assets | 159,682,770 | 137,219,986 |
| Liabilities | | |
| Stc | 58,068,759 | 49,199,031 |
| Channels | 9,789,528 | 7,077,118 |
| Solutions | 8,163,690 | 7,459,278 |
| stc Kuwait | 2,486,943 | 2,246,463 |
| Tawal | 14,341,336 | 8,406,669 |
| stc Bahrain | 4,112,396 | 4,639,682 |
| stc Bank | 4,116,537 | 2,784,891 |
| Intigral | 920,837 | 995,981 |
| Sirar | 338,872 | 199,852 |
| Specialized | 746,836 | 673,131 |
| Other operating segments ⁽²⁾ | 17,591,430 | 3,337,055 |
| Eliminations / adjustments | (42,509,560) | (25,824,757) |
| Total liabilities | 78,167,604 | 61,194,394 |

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Additions to property and equipment, intangible assets and goodwill

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

| | 2023 | 2022 |
|---|------------|------------|
| stc | 9,197,707 | 6,751,241 |
| Channels | 172,697 | 169,779 |
| Solutions | 463,715 | 452,102 |
| stc Kuwait | 265,093 | 517,835 |
| Tawal | 6,017,568 | 996,555 |
| stc Bahrain | 359,549 | 684,391 |
| stc Bank | 210,787 | 62,226 |
| Intigral | 230,274 | 285,786 |
| Sirar | 12,040 | 1,555 |
| Specialized | 3,869 | 13,620 |
| Other operating segments ⁽²⁾ | 384,459 | 216,865 |
| | 17,317,758 | 10,151,955 |

(1) Segment revenue reported above represents revenue generated from external and internal customers. There were SR 15,644 million for the year ended 31 December 2023 (2022: SR 12,805 million) inter-segment sales and adjustments (between the Group's Companies) which were eliminated at consolidation.

(2) Other operating segments include the following subsidiaries: Aqalat Limited ("Aqalat"), Smart Zone Real Estate, stc Gulf Investment Holding ("stc Gulf"), stc GCC Cable Systems W.L.L., Company Sendouk Al-Abatakar for Investment, Digital Centers for Data and Telecommunications ("Center3"), Internet of Things Information Technology ("IoTquared"), and General Cloud Computing Company for Information Technology ("SCCC"), stc Asia Holding, stc Turkey Limited Holding, Green Bridge Investment ("GBI") and Green Bridge Management ("GBM") (Note 6).

Information about major customers

Included in revenues arising from sales to major customers are revenues of approximately SR 11,647 million for the year ended 31 December 2023 (2022: SR 12,240 million) resulting from sales to Government entities (Note 21.2). No other single customers contributed 10% or more to the Group's revenues.

Information about geographical segmentation

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

| | Revenues for the year ended | | Non-current assets as at | |
|-------------------------------------|-----------------------------|-------------------|--------------------------|-------------------|
| | 31 December 2023 | 31 December 2022 | 31 December 2023 | 31 December 2022 |
| Kingdom of Saudi Arabia | 63,798,268 | 60,929,840 | 67,984,284 | 66,434,371 |
| Outside the Kingdom of Saudi Arabia | 8,538,343 | 6,501,706 | 20,474,361 | 9,995,168 |
| | 72,336,611 | 67,431,546 | 88,458,645 | 76,429,539 |

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10. PROPERTY AND EQUIPMENT

| | Land and buildings | Telecommu- nication network and equipment | Other assets ⁽³⁾ | Capital work in progress | Total |
|--|--------------------|--|--------------------------------|--------------------------------|--------------------|
| Cost | | | | | |
| As at 1 January 2023 | 15,097,119 | 107,046,598 | 9,263,154 | 3,562,587 | 134,969,458 |
| Additions | 105,516 | 130,449 | 164,035 | 8,278,020 | 8,678,020 |
| Effect of acquisition of new subsidiaries (Note 7) | 749 | 992,280 | 60,558 | 3,960 | 1,057,547 |
| Disposals | (599,694) | (2,279,257) | (310,497) | (1,231) | (3,190,679) |
| Transfers/ Reclassifications | 914,375 | 6,719,965 | 234,216 | (8,305,125) | (436,569) |
| Effect of foreign currency exchange differences | (2,946) | (21,519) | (5,245) | (2,196) | (31,906) |
| As at 31 December 2023 | 15,515,119 | 112,588,516 | 9,406,221 | 3,536,015 | 141,045,871 |
| Accumulated depreciation and impairment | | | | | |
| As at 1 January 2023 | 9,136,357 | 73,082,504 | 6,105,331 | - | 88,324,192 |
| Depreciation and impairment | 300,918 | 6,122,619 | 411,440 | - | 6,834,977 |
| Effect of acquisition of new subsidiaries (Note 7) | 1,388 | 603,701 | 47,632 | - | 652,721 |
| Disposals | (562,726) | (2,077,801) | (298,969) | - | (2,939,496) |
| Transfers/ Reclassifications | 41,586 | 15,394 | 32,985 | - | 89,965 |
| Effect of foreign currency exchange differences | (427) | (14,128) | (3,266) | - | (17,821) |
| As at 31 December 2023 | 8,917,096 | 77,732,289 | 6,295,153 | - | 92,944,538 |
| Net book value as at 31 December 2023 | 6,598,023 | 34,856,227 | 3,111,068 | 3,536,015 | 48,101,333 |

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| | Land and buildings | Telecommu- nication network and equipment | Other assets ⁽³⁾ | Capital work in progress | Total |
|--|--------------------|--|--------------------------------|--------------------------------|--------------------|
| Cost | | | | | |
| As at 1 January 2022 | 16,417,378 | 102,806,208 | 9,720,848 | 2,674,499 | 131,618,933 |
| Additions | 1,250 | 572,692 | 111,764 | 6,103,781 | 6,789,487 |
| Effect of acquisition of new subsidiaries (Note 7) | 18,607 | 16,676 | 33,028 | 891 | 69,202 |
| Disposals | (226,540) | (2,412,715) | (438,310) | (104,654) | (3,182,219) |
| Transfers/ Reclassifications | (1,110,275) | 6,122,631 | (159,615) | (5,110,436) | (257,695) |
| Effect of foreign currency exchange differences | (3,301) | (58,894) | (4,561) | (1,494) | (68,250) |
| As at 31 December 2022 | 15,097,119 | 107,046,598 | 9,263,154 | 3,562,587 | 134,969,458 |
| Accumulated depreciation and impairment | | | | | |
| As at 1 January 2022 | 9,267,603 | 69,035,341 | 6,110,951 | - | 84,413,895 |
| Depreciation | 396,924 | 5,919,862 | 485,940 | - | 6,802,726 |
| Effect of acquisition of new subsidiaries (Note 7) | 3,408 | 13,429 | 25,325 | - | 42,162 |
| Disposals | (163,323) | (2,374,937) | (367,901) | - | (2,906,161) |
| Transfers/ Reclassifications | (367,649) | 525,786 | (148,695) | - | 9,442 |
| Effect of foreign currency exchange differences | (606) | (36,977) | (289) | - | (37,872) |
| As at 31 December 2022 | 9,136,357 | 73,082,504 | 6,105,331 | - | 88,324,192 |
| Net book value as at 31 December 2022 | 5,960,762 | 33,964,094 | 3,157,823 | 3,562,587 | 46,645,266 |

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

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

1) Land and buildings include lands with a total value of SR 1,898 million as at 31 December 2023 (2022: SR 2,207 million). This includes land with ongoing ownership transfer to the Company with a value of SR 105 million as at 31 December 2023 (2022: SR 141 million).

2) Pursuant to Royal Decree No. M/35 Dated 24 Dhu al-Hijjah 1418 (corresponding to 21 April 1998), referred to in Note (1-A), ownership of the assets was transferred to the Company on 2 May 1998, but the transfer of legal title for some land are still ongoing. The value of land with legal titles transferred to the Company up to 31 December 2023 amounted to SR 1,995 million (2022: SR 1,959 million). Ownership transfer of the remaining land with total value of SR 49 million (2022: SR 85 million) is ongoing, which constitutes part of the amount referred to in paragraph (1) above.

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

4) Additions include Non-cash additions amounted to SR 1,441 million (2022: SR 1,293 million).

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

| | 2023 | 2022 |
|-------------------------------------|------------------|------------------|
| Cost of revenues | 5,710,425 | 5,622,501 |
| Selling and marketing expenses | 8,123 | 8,390 |
| General and administrative expenses | 1,116,429 | 1,171,835 |
| | 6,834,977 | 6,802,726 |

11. INVESTMENT PROPERTIES

| | 31 December 2023 | 31 December 2022 |
|-----------------------|------------------|------------------|
| Lands (*) | 348,647 | 36,980 |
| Work in-progress (**) | 453,088 | 173,841 |
| | 801,735 | 210,821 |

(*) During the year ended 31 December 2023, the Group transferred lands with a book value of SR 312 million (2022: nil) from property and equipment to investment properties for the purpose of real estate development and investment property.

(**) During the year ended 31 December 2023, the additions to work in-progress amounted to SR 279 million (2022: SR 140 million), including non-cash additions amounted to SR 58 million (2022: SR 10 million).

The fair value of the lands amounted to SR 1,626 million (2022: a land with fair value of SR 269 million), which were valued by RAWAJ Real Estate Valuation license no. 1210000062 and First Valuator license no. 1210000221 appointed as an independent, professionally qualified valuers accredited by the Saudi Authority for Accredited Valuers (Taqeem). The fair value measurement is classified within level 3 based on valuation techniques applied (residual value method, comparables method and discounted cash flow method).

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12. INTANGIBLE ASSETS AND GOODWILL

| | Computer software | Telecom-muni-cation Licenses | Goodwill ⁽¹⁾ | Others ⁽²⁾ | Projects in progress | Total |
|--|-------------------|------------------------------|-------------------------|-----------------------|----------------------|-------------------|
| Cost | | | | | | |
| As at 1 January 2023 | 16,097,614 | 8,936,077 | 323,282 | 3,093,399 | 1,208,773 | 29,659,145 |
| Additions | 235,054 | 393,299 | 26,200 | 221,539 | 2,383,046 | 3,259,138 |
| Effect of acquisition of new subsidiaries (Note 7) | 46,842 | - | 4,815,344 | 146,200 | - | 5,008,386 |
| Disposals | (3,623,386) | (78,830) | - | (11,137) | - | (3,713,353) |
| Transfers/ Reclassifications | 2,185,680 | - | 76,555 | (58,260) | (2,243,597) | (39,622) |
| Effect of foreign currency exchange differences | (665) | (4,060) | (13,789) | (61,172) | (11) | (79,697) |
| As at 31 December 2023 | 14,941,139 | 9,246,486 | 5,227,592 | 3,330,569 | 1,348,211 | 34,093,997 |
| Accumulated amortization and impairment | | | | | | |
| As at 1 January 2023 | 12,302,088 | 4,083,924 | 25,117 | 1,472,994 | - | 17,884,123 |
| Amortization and impairment | 1,624,220 | 542,922 | 13,464 | 437,336 | - | 2,617,942 |
| Effect of acquisition of new subsidiaries (Note 7) | 32,612 | - | - | - | - | 32,612 |
| Disposals | (3,613,643) | (78,830) | - | (9,030) | - | (3,701,503) |
| Transfers/ Reclassifications | (95) | 14 | - | 14,893 | - | 14,812 |
| Effect of foreign currency exchange differences | (517) | (1,655) | (155) | (33,738) | - | (36,065) |
| As at 31 December 2023 | 10,344,665 | 4,546,375 | 38,426 | 1,882,455 | - | 16,811,921 |
| Net book value as at 31 December 2023 | 4,596,474 | 4,700,111 | 5,189,166 | 1,448,114 | 1,348,211 | 17,282,076 |

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| | Computer software | Telecom- muni- cation Licenses | Goodwill ⁽¹⁾ | Others ⁽²⁾ | Projects in progress | Total |
|--|-------------------|---|-------------------------|-----------------------|----------------------------|-------------------|
| Cost | | | | | | |
| As at 1 January 2022 | 14,786,097 | 8,904,494 | 143,222 | 2,703,537 | 652,444 | 27,189,794 |
| Additions | 170,061 | 79,173 | - | 286,796 | 2,272,315 | 2,808,345 |
| Effect of acquisition of new subsidiaries (Note 7) | - | - | 220,303 | 341,780 | - | 562,083 |
| Disposals | (592,807) | (45,325) | - | (271,820) | (5,066) | (915,018) |
| Transfers/ Reclassifications | 1,735,757 | - | - | 35,339 | (1,710,920) | 60,176 |
| Effect of foreign currency exchange differences | (1,494) | (2,265) | (40,243) | (2,233) | - | (46,235) |
| As at 31 December 2022 | 16,097,614 | 8,936,077 | 323,282 | 3,093,399 | 1,208,773 | 29,659,145 |
| Accumulated amortization | | | | | | |
| As at 1 January 2022 | 11,492,906 | 3,602,422 | 25,395 | 1,334,273 | - | 16,454,996 |
| Amortization | 1,414,644 | 519,464 | - | 353,899 | - | 2,288,007 |
| Effect of acquisition of new subsidiaries (Note 7) | - | - | - | 35,000 | - | 35,000 |
| Disposals | (590,250) | (37,617) | - | (271,263) | - | (899,130) |
| Transfers/ Reclassifications | (14,198) | - | - | 24,230 | - | 10,032 |
| Effect of foreign currency exchange differences | (1,014) | (345) | (278) | (3,145) | - | (4,782) |
| As at 31 December 2022 | 12,302,088 | 4,083,924 | 25,117 | 1,472,994 | - | 17,884,123 |
| Net book value as at 31 December 2022 | 3,795,526 | 4,852,153 | 298,165 | 1,620,405 | 1,208,773 | 11,775,022 |

1) Goodwill consists of:

- Goodwill resulted from the Company's acquisition of Solutions amounting to SR 75.6 million (2022: SR 75.6 million).
- Goodwill resulted from stc Kuwait's acquisition of Qualitynet amounting to SR 42.2 million (2022: SR 42.2 million).
- Goodwill resulted from stc Kuwait's acquisition of E-Portal Holding amounting to SR 103.5 million. During the year 2023, an incremental goodwill resulted from stc Kuwait's acquisition of E-Portal Holding, after the completion of the purchase price allocation of net assets reports, amounting to SR 76.6 million in addition to a provisional goodwill amounting to SR 26.9 million recorded in the year 2022.
- Goodwill resulted from Solutions' acquisition of Giza amounting to SR 219.6. During the year 2023, an incremental goodwill resulted from Solutions' acquisition of Giza, after the completion of the purchase price allocation of net assets reports, amounting to SR 26.2 million in addition to a provisional goodwill amounting to SR 193.4 million recorded in the year 2022. The currency exchange losses effect as at 31 December 2023 amounted to SR 53.6 million (2022: SR 40 million).
- Goodwill resulted from Solutions' acquisition of Contact Centers Company ("CCC") amounting to SR 144 million (Note 7).
- A provisional goodwill resulted from Tawal's acquisition of three towers companies from United Group (In Bulgaria, Croatia and Slovenia), amounting to SR 4,652 million until the completion of the reports on the fair value allocation of net assets (Note 7).
- A provisional goodwill of SR 6.3 million (net after recording a goodwill impairment of SR 13.5 million) resulted from Tawal's acquisition of AWAL Telecom Company, registered in the Republic of Pakistan, until the completion of the reports on the fair value allocation of net assets (Note 7).

2) Includes contractual intangible assets such as submarine cable networks, content agreements.

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

4) Non-cash additions amounted to SR 927 million (2022: SR 603 million).

Intangible assets are amortized using the following estimated useful lives:

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

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

| | 2023 | 2022 |
|-------------------------------------|------------------|------------------|
| Cost of revenues | 740,668 | 635,598 |
| Selling and marketing expenses | 45,392 | 32,171 |
| General and administrative expenses | 1,831,882 | 1,620,238 |
| | 2,617,942 | 2,288,007 |

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

| Country | End of amortization period | 31 December 2023 | 31 December 2022 |
|-------------------------|----------------------------------|------------------|------------------|
| Kingdom of Saudi Arabia | 2029 / 2032 / 2033 / 2034 / 2037 | 2,663,085 | 2,628,315 |
| State of Kuwait | 2023/ 2033 / 2039 | 1,461,711 | 1,604,981 |
| Kingdom of Bahrain | 2031 / 2034 / 2038 | 575,315 | 618,857 |
| | | 4,700,111 | 4,852,153 |

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

| Country | License type | End of amortization period | 31 December 2023 | 31 December 2022 |
|-------------------------|---|----------------------------|------------------|------------------|
| Kingdom of Saudi Arabia | Frequency spectrum: (1930-1980)/(2150-2170) Megahertz | 2029 | 753,750 | 753,750 |
| Kingdom of Saudi Arabia | Frequency spectrum 1: (703-718)/(758-773) MHZ (1727-1735)/(1822-1830)MHZ | 2032 | 2,175,673 | 2,175,673 |
| Kingdom of Saudi Arabia | Frequency spectrum 2: (718-723)/(773-778) MHZ (1735-1745)/(1830-1840) MHZ | 2033 | 470,606 | 470,606 |
| Kingdom of Saudi Arabia | Frequency spectrum 3: (2300-2400)MHZ | 2034 | 279,573 | 279,573 |
| Kingdom of Saudi Arabia | Frequency spectrum 4: (3600-3700)MHZ | 2034 | 587,586 | 587,586 |
| Kingdom of Saudi Arabia | Spectrum License 5 - non-terrestrial networks / CH1-1980-1995 MHz based | 2037 | 149,750 | - |
| Kingdom of Saudi Arabia | Spectrum License 6 - non-terrestrial networks/ CH2- 1995-2010 MHz based | 2037 | 164,719 | - |
| | | | 4,581,657 | 4,267,188 |
| State of Kuwait | Frequency spectrum 2 | 2023 | 79,003 | 79,492 |
| State of Kuwait | Kuwait License | 2033 | 3,256,133 | 3,256,133 |
| State of Kuwait | ISP License | 2039 | 234,725 | 236,178 |
| | | | 3,569,861 | 3,571,803 |
| Kingdom of Bahrain | MT - TRA Licenses | 2031 | 77,935 | 78,086 |
| Kingdom of Bahrain | Spectrum 800 & 2600 MHz | 2034 | 44,108 | 44,193 |
| Kingdom of Bahrain | TRA Mobile License Services | 2038 | 892,821 | 894,549 |
| Kingdom of Bahrain | LTE Spectrum Fees | 2038 | 66,113 | 66,140 |
| Kingdom of Bahrain | Others | 2038 | 13,991 | 14,118 |
| | | | 1,094,968 | 1,097,086 |
| | | | 9,246,486 | 8,936,077 |

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| | Lands and Buildings | Motor Vehicles | Leased Towers | Total |
|---|---------------------|----------------|---------------|------------------|
| At 1 January 2023 | 2,937,746 | 45,583 | 46,495 | 3,029,824 |
| Additions (*) | 1,222,709 | 4,561 | 21,884 | 1,249,154 |
| Effect of acquisition of new subsidiaries | 565,354 | - | - | 565,354 |
| Depreciation | (972,101) | (45,868) | (11,689) | (1,029,658) |
| Terminations and modifications | (12,384) | - | - | (12,384) |
| At 31 December 2023 | 3,741,324 | 4,276 | 56,690 | 3,802,290 |
| At 1 January 2022 | 2,788,762 | 96,049 | 66,841 | 2,951,652 |
| Additions (*) | 1,082,861 | - | - | 1,082,861 |
| Effect of acquisition of new subsidiaries | 6,990 | - | - | 6,990 |
| Depreciation | (828,681) | (50,466) | (20,346) | (899,493) |
| Terminations and modifications | (112,186) | - | - | (112,186) |
| At 31 December 2022 | 2,937,746 | 45,583 | 46,495 | 3,029,824 |

(*) Non-cash additions amounted to SR 1,249 million (2022: SR 1,083 million).

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

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

The Group elected not to recognize right-of-use assets for short-term and low-value leases, and hence the lease payments associated with these contracts were recognized as expenses during the year in the consolidated statement of profit or loss and amounted to SR 133 million (2022: SR 127 million).

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

| | 2023 | 2022 |
|-------------------------------------|------------------|----------------|
| Cost of revenues | 798,204 | 695,983 |
| Selling and marketing expenses | 6,420 | 9,862 |
| General and administrative expenses | 225,034 | 193,648 |
| | 1,029,658 | 899,493 |

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14. ASSETS HELD FOR SALE

Property and equipment have been reclassified as held for sale measured at the lower of carrying amount and fair value less costs to sell as at 31 December:

| | 2023 | 2022 |
|--|---------------|---------------|
| Lands at carrying amount ⁽¹⁾ | 21,259 | 82,006 |
| Telecom towers at fair value less costs to sell ⁽²⁾ | 30,000 | - |
| | 51,259 | 82,006 |

⁽¹⁾ During the year 2023, a land owned by the Company was sold, with a carrying amount of SR 82 million through a public auction, at a value of SR 1,378 million and recorded a gain amounting to SR 1,296 million in net other gains in consolidated statement of profit or loss (Note 41). During the year 2023, lands with carrying amount of SR 21 million have been reclassified as assets held for sale (2022: SR 82 million).

⁽²⁾ During the year 2023, Tawal entered into the settlement agreement with one of the customers. This settlement offer is for exiting the contract and transferring certain number of towers back to the customer with book value of SR 42 million and a fair value less costs to sell of SR 30 million.

15. CONTRACT ASSETS AND COSTS**15.1 Contract assets**

| | 31 December 2023 | 31 December 2022 |
|-------------------------------------|------------------|------------------|
| Unbilled revenue | 8,616,210 | 7,525,919 |
| Less: allowance for impairment loss | (205,071) | (206,056) |
| | 8,411,139 | 7,319,863 |
| Current ⁽¹⁾ | 7,398,762 | 6,579,898 |
| Non-current ⁽²⁾ | 1,012,377 | 739,965 |
| | 8,411,139 | 7,319,863 |

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

⁽²⁾ Non-current contract assets represent balances related to unbilled receivables on sold devices. The term of the contracts for the sold devices ranges between 12 - 24 months.

⁽³⁾ The average expected credit loss rate on contract assets for the year ended 31 December 2023 is 2.3% (2022: 2.7%).

⁽⁴⁾ Significant changes in contract assets balances: contract assets increased by SR 121 million for the year ended 31 December 2023 (2022: SR 117 million) as a result of the acquisition of new subsidiaries

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

| | 2023 | 2022 |
|---|----------------|----------------|
| Balance at 1 January | 206,056 | 215,227 |
| Additions (Note 37) | 135,851 | 122,879 |
| Effect of acquisition of new subsidiaries | - | 3,178 |
| Written off | (136,836) | (135,228) |
| Balance at 31 December | 205,071 | 206,056 |

15.2 Contract costs

Contract costs consist of the following:

| | 31 December 2023 | 31 December 2022 |
|--|------------------|------------------|
| Costs to obtain the contracts ⁽¹⁾ | 87,658 | 111,475 |
| Costs to fulfil the contracts ⁽²⁾ | 428,007 | 369,047 |
| | 515,665 | 480,522 |
| Current | 83,174 | 44,435 |
| Non-current | 432,491 | 436,087 |
| | 515,665 | 480,522 |

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

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

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

| | 2023 | 2022 |
|--|----------------|----------------|
| Cost of revenues (Note 36) | 150,725 | 171,647 |
| Selling and marketing expenses (Note 37) | 93,645 | 117,200 |
| | 244,370 | 288,847 |

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16. FINANCIAL ASSETS AND OTHERS**16.1 Financial assets**

| | 31 December 2023 | 31 December 2022 |
|---|---------------------|---------------------|
| Financial assets measured at FVTOCI | | |
| Listed equity investments ⁽¹⁾ | 4,130,284 | - |
| Financial assets measured at FVTPL | | |
| Investment funds and unlisted equity investments ⁽²⁾ | 3,532,376 | 2,929,065 |
| Advance cash collateral against purchase of a listed equity investment ⁽³⁾ | 4,468,557 | - |
| | 8,000,933 | 2,929,065 |
| Financial assets at amortized cost: | | |
| Sukuk ^{(4) (5)} | 5,313,050 | 5,234,375 |
| Customers' trust accounts of stc Bank | 2,532,874 | 1,781,098 |
| Loans to employees ⁽⁶⁾ | 410,679 | 382,541 |
| Investment accounts of stc Bank | 500,000 | - |
| Others | 1,489,404 | 1,271,996 |
| | 10,246,007 | 8,670,010 |
| Financial derivatives- options ⁽⁷⁾ | 662,073 | - |
| | 23,039,297 | 11,599,075 |
| Current | 10,724,517 | 2,763,111 |
| Non-current | 12,314,780 | 8,835,964 |
| | 23,039,297 | 11,599,075 |

¹⁾ During the third quarter of the year 2023, the Group has completed the purchase of 4.9% direct shareholding in Telefonica. Telefonica is a leading European telecommunications operator through its significant presence in three of the largest European markets, namely Spain, Germany and the UK, in addition to Brazil which is the largest market in Latin America. These investments are irrevocably designated at fair value through OCI. The Group has received dividends during the fourth quarter of 2023 amounting to SR 173 million which are included as other income in the consolidated statement of profit or loss.

²⁾ The Group invests in various venture funds which are investing in emerging, small and medium-sized companies operating in the field of Communications and Information Technology in the Kingdom and other global markets.

³⁾ Amount represents an advance collateral payment, until obtaining the relevant regulatory approvals expected within one year, against the Group's signing a contingent sale purchase agreement with one of the international investment banks to acquire an additional shareholding of 5% in Telefonica.

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⁴⁾ The Group invested in Sukuk issued by the Ministry of Finance during the first quarter of 2019 as the following:

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

⁵⁾ During the year 2007, stc Asia Holding Company Limited (a subsidiary) invested in Sukuk issued by Binariang GSM Sdn Bhd ("BGSM") in the amount of RM 1,508 million (equivalent to SR 1,383 million) period for a of 50 years (callable after 10 years) with an annual profit margin of 6 months KLIBOR+8.51%. These sukuks are not past due or low in value with a book value of SR 1,230 million as of 31 December 2023 (2022: SR 1,287 million).

⁶⁾ The Company has provided its employees interest-free loans to acquire residential housing and motor vehicles for a period of 15 years and 4 years, respectively. The repayment is made in equal instalments over the term of the loan duration while the employee remains in service, otherwise, they are required to be repaid in full upon the employee leaving the Company. Any new housing loans provided to an employee after June 2016 are being funded through a local commercial bank and are guaranteed by the Company. The Company bears the finance cost of the loans.

⁷⁾ The Group has entered into options agreement to hedge against price risk in relation to its investment in Telefonica with a hedge ratio of 1:1. The contractual arrangements of these instruments entail the partial return of dividends for the underlying investment to the counterparty. During the year 2023, the transferred dividends to the counterparty amounted to SR 224 million (Note 32.1), which are included as other expenses in the consolidated statement of profit or loss.

Below are the details of the fair value changes for the year ended 31 December 2023:

| | EUR'000 | SR'000 |
|--|----------------|----------------|
| Portion at fair value through other comprehensive income | 59,129 | 241,845 |
| Portion at fair value through profit or loss | 60,336 | 246,782 |
| | 119,465 | 488,627 |

16.2 Other assets

| | 31 December 2023 | 31 December 2022 |
|-------------------|------------------|------------------|
| Advances | 612,612 | 742,390 |
| Prepaid expenses | 421,598 | 287,831 |
| Deferred expenses | 317,376 | 191,517 |
| Others | 313,525 | 235,192 |
| | 1,665,111 | 1,456,930 |
| Current | 1,478,697 | 1,335,996 |
| Non-current | 186,414 | 120,934 |
| | 1,665,111 | 1,456,930 |

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17. INVENTORIES

| | 31 December 2023 | 31 December 2022 |
|---|---------------------|---------------------|
| Goods held for resale* | 2,090,694 | 1,254,232 |
| Less: allowance for slow moving inventories | (185,723) | (231,631) |
| | 1,904,971 | 1,022,601 |

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

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

| | 2023 | 2022 |
|---|----------------|----------------|
| Balance at 1 January | 231,631 | 283,495 |
| Additions | 44,323 | 31,297 |
| Effect of acquisition of new subsidiaries | - | 1,002 |
| Write off /adjustment | (90,231) | (84,163) |
| Balance at 31 December | 185,723 | 231,631 |

18. TRADE RECEIVABLES

| | 31 December 2023 | 31 December 2022 |
|-------------------------------------|---------------------|---------------------|
| Trade receivables | 23,786,025 | 25,633,279 |
| Less: allowance for impairment loss | (2,384,754) | (2,454,692) |
| | 21,401,271 | 23,178,587 |

Ageing analysis of trade receivables as follows (*):

| | 31 December 2023 | | | 31 December 2022 | | |
|------------------|-------------------|-------------------------------------|--------------|-------------------|-------------------------------------|-------------|
| | Gross Amounts | Allowance for impairment loss | ECL Rate | Gross Amounts | Allowance for impairment loss | ECL Rate |
| Not past due | 3,828,989 | (291,027) | 7.6% | 3,746,101 | (332,506) | 8.9% |
| Past due: | | | | | | |
| 1 – 30 days | 390,994 | (30,615) | 7.8% | 527,723 | (31,853) | 6.0% |
| 31 – 90 days | 2,212,927 | (276,045) | 12.5% | 2,074,871 | (192,051) | 9.3% |
| 91 – 150 days | 2,063,922 | (176,427) | 8.6% | 2,776,183 | (247,167) | 8.9% |
| 151 – 365 days | 7,091,967 | (598,577) | 8.4% | 7,861,864 | (825,507) | 10.5% |
| 365 > days | 8,197,226 | (1,012,063) | 12.4% | 8,646,537 | (825,608) | 9.5% |
| | 23,786,025 | (2,384,754) | 10.0% | 25,633,279 | (2,454,692) | 9.6% |

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

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

| | 2023 | 2022 |
|---|------------------|------------------|
| Balance at 1 January | 2,454,692 | 2,758,363 |
| Additions (Note 37) | 449,144 | 821,993 |
| Effect of acquisition of new subsidiaries | 1,676 | 51,012 |
| Written off /recovered | (520,758) | (1,176,676) |
| Balance at 31 December | 2,384,754 | 2,454,692 |

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

Trade receivables balance from Government entities amounted to SR 17,129 million as at 31 December 2023 (2022: SR 19,311 million) (Note 21-2). No other clients represent more than 10% of the total balance of trade receivables.

Receivable aging from government entities is as follows:

| | 31 December 2023 | 31 December 2022 |
|--|---------------------|---------------------|
| Less than a year | 10,323,282 | 11,695,931 |
| More than one year but less than two years | 4,243,442 | 4,631,346 |
| More than two years | 2,562,511 | 2,983,376 |
| | 17,129,235 | 19,310,653 |

19. SHORT TERM MURABAHAS

The Group invests part of its excess cash in murabahas that have maturity of more than three months but less than a year with several banks, with a profit rate ranging from 5.20 % to 6.45 % (2022: 1.18 % to 5.50 %).

20. CASH AND CASH EQUIVALENTS

| | 31 December 2023 | 31 December 2022 |
|---|---------------------|---------------------|
| Short term murabaha (with three months maturity or less)* | 10,914,555 | 14,166,570 |
| Cash at banks and in hand | 2,499,570 | 3,627,823 |
| | 13,414,125 | 17,794,393 |

*The Group invests a part of its surplus cash in murabahas with maturities of three months or less with several banks with a profit rate ranging between 3.30% - 6.42% (2022: 0.35 % - 5.50 %).

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21. RELATED PARTY TRANSACTIONS**21.1 Trading transactions and balances with related parties
(Associates and Joint Ventures – Note 8)**

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

| | 2023 | 2022 |
|--------------------------|----------------|----------------|
| Services provided | | |
| Associates | 369,852 | 336,571 |
| Joint ventures | 6,655 | 7,659 |
| | 376,507 | 344,230 |
| Services received | | |
| Associates | 36,069 | 13,331 |
| Joint ventures | 115,018 | 427,745 |
| | 151,087 | 441,076 |

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

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 2023 | 31 December 2022 | 31 December 2023 | 31 December 2022 |
| Associates | 320,247 | 254,377 | 28,011 | 44,532 |
| Joint ventures | 2,414 | 13,185 | 5,960 | 178,872 |
| | 322,661 | 267,562 | 33,971 | 223,404 |

In addition, the Group invests in sukuk issued by a joint venture entity (BGSM) amounting to RM 1,508 million (equivalent to SR 1,383 million at the exchange rate as at investment date) with a book value of SR 1,230 million as of 31 December 2023 (2022: SR 1,287 million) (Note 16.1).

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

Revenues from transactions with government and government related entities for the year ended 31 December 2023 amounted to SR 13,168 million (2022: SR 13,847 million) and expenses related to transactions with government and government related entities for the year ended 31 December 2023 (including government charges) amounted to SR 5,806 million (2022: SR 6,098 million).

As at 31 December 2023, accounts receivable from government entities totalled SR 17,129 million (2022: SR 19,311 million) (Note 18) and as at 31 December 2023, accounts payable to government entities totalled SR 1,503 million (2022: SR 1,142 million). Among the balances with government entities, the Group invested SR 3,902 million in the Sukuk issued by the Ministry of Finance during the first quarter of 2019 (Note 16.1).

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The total balance of accounts receivable with government related entities as of 31 December 2023 was SR 1,526 million (2022: SR 1,451 million). Total balance of accounts payable with government related entities as of 31 December 2023 was SR 1,884 million (2022: SR 1,621 million).

The transactions with government/government related entities are conducted during the ordinary course of the Group's business based on terms comparable to the terms of transactions enacted with other entities that are not government-related. The Group has also established its procurement policies and approval processes for purchases of products and services, which do not depend on whether the counterparties are government-related entities or not.

Government entities are defined as ministries, commissions and other entities of the Government. On the other hand, Government related entities are defined as PIF and its subsidiaries, associates and joint ventures.

21.3 Loans to related parties

| | 31 December 2023 | 31 December 2022 |
|----------------------------|---------------------|---------------------|
| Loans to senior executives | 26,377 | 5,355 |

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:

| | 2023 | 2022 |
|---|----------------|----------------|
| Short-term benefits and remuneration | 625,666 | 467,522 |
| Provision for leave and end of service benefits | 172,177 | 178,305 |
| Share-based payments | 121,479 | 112,292 |
| Others | 9,452 | 13,664 |
| Total compensations | 928,774 | 771,783 |

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22. SHARE CAPITAL

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

| | 31 December 2023 | 31 December 2022 |
|--|---------------------|---------------------|
| Authorized, issued and fully paid capital comprises | | |
| 5 billion fully paid ordinary shares at SR 10 each share | 50,000,000 | 50,000,000 |
| Number of outstanding shares "in thousands" | 4,984,506 | 4,982,178 |
| Number of treasury shares "in thousands" | 15,494 | 17,822 |
| | 5,000,000 | 5,000,000 |

23. STATUTORY RESERVE

The EGA approved in its meeting on 4 Thul-Hijjah 1444H (corresponding to 22 June 2023) the amendment of the Company's Bylaws in accordance with the new Companies Law which became effective as at 19 January 2023. The EGA also approved transferring the balance of the statutory reserve as at 31 December 2022 amounting to SR 11,217 million to the retained earnings since the statutory reserve is not required in light of the new Companies Law and the amended bylaws. During the third quarter of the year 2023, the relevant regulatory procedures and requirements have been completed and the balance of the statutory reserve has been transferred to retained earnings.

24. TREASURY SHARES

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

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

The following is the number of treasury shares (in thousands) as at 31 December:

| | 2023 | 2022 |
|--|---------------|--------------|
| Treasury shares as at 1 January | 17,822 | 2,851 |
| Treasury shares re-issued | (2,328) | (357) |
| Treasury shares before effect of bonus issue | 15,494 | 2,494 |
| Effect of bonus issue | - | 3,740 |
| | 15,494 | 6,234 |
| Treasury shares purchased | - | 11,588 |
| Treasury shares as at 31 December | 15,494 | 17,822 |

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25. OTHER RESERVES

| | Foreign currency translation reserve | Actuarial gain (loss) | Changes in shareholding of subsidiaries | Other reserves | Total |
|---|---|-----------------------------|--|-------------------|------------------|
| As at 1 January 2023 | (90,800) | (320,583) | 2,041,018 | 402,604 | 2,032,239 |
| Remeasurement of the end of service benefit provision (Note 28) | - | (203,262) | - | - | (203,262) |
| Share-based payment transactions | - | - | - | 25,981 | 25,981 |
| Transactions with non-controlling interest (Note 6) | - | - | 225,501 | - | 225,501 |
| Exchange difference on translation of foreign operations | 83,453 | - | - | - | 83,453 |
| Share from associates and joint ventures | - | - | - | (26,539) | (26,539) |
| Changes in fair value for hedging instruments and equity investments through other comprehensive income | - | - | - | (12,181) | (12,181) |
| As at 31 December 2023 | (7,347) | (523,845) | 2,266,519 | 389,865 | 2,125,192 |

| | Foreign currency translation reserve | Actuarial gain (loss) | Changes in shareholding of subsidiaries | Other reserves | Total |
|---|---|-----------------------------|--|-------------------|------------------|
| As at 1 January 2022 | (16,231) | (1,145,871) | 2,303,593 | 430,966 | 1,572,457 |
| Remeasurement of the end of service benefit provision (Note 28) | - | 825,288 | - | - | 825,288 |
| Share-based payment transactions | - | - | - | 50,701 | 50,701 |
| Transactions with non-controlling interest (Note 6) | - | - | (262,575) | - | (262,575) |
| Exchange difference on translation of foreign operations | (74,569) | - | - | - | (74,569) |
| Share from associates and joint ventures | - | - | - | (79,063) | (79,063) |
| As at 31 December 2022 | (90,800) | (320,583) | 2,041,018 | 402,604 | 2,032,239 |

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26. NON-CONTROLLING INTERESTS**Details of non-wholly owned subsidiaries that have material non-controlling interests**

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

| Name of Subsidiary | Proportion of ownership and voting rights acquired by non-controlling interests | | Non-controlling share of profit (loss) for the year ended 31 December | | Non-controlling interests as of 31 December | |
|--------------------|---|-------|---|----------------|---|------------------|
| | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 |
| | stc Kuwait | 48.2% | 48.2% | 191,638 | 195,597 | 1,433,263 |
| Solutions | 20.0% | 20.0% | 239,029 | 210,743 | 693,384 | 564,611 |
| Others (*) | - | - | (306,569) | (189,955) | 403,574 | 532,677 |
| | | | 124,098 | 216,385 | 2,530,221 | 2,526,067 |

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

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

| | As at 31 December 2023 | |
|---|-------------------------------------|------------------|
| | stc Kuwait | Solutions |
| Statement of financial position | | |
| Current assets | 2,757,949 | 10,296,333 |
| Non-current assets | 2,704,915 | 1,219,911 |
| Current liabilities | (2,004,969) | (7,195,438) |
| Non-current liabilities | (481,974) | (968,252) |
| Net assets | 2,975,921 | 3,352,554 |
| Group's share of net assets | 1,542,658 | 2,659,170 |
| Non-controlling interests' share of net assets | 1,433,263 | 693,384 |
| | | |
| | For the year ended 31 December 2023 | |
| | stc Kuwait | Solutions |
| Statement of income and other comprehensive income | | |
| Revenues | 4,278,282 | 11,040,493 |
| Net Profit | 398,777 | 1,195,145 |
| Other comprehensive loss | (4,332) | (97,242) |
| Total comprehensive income | 394,445 | 1,097,903 |
| Group's share of comprehensive income | 204,472 | 878,322 |
| Non-controlling interests' share of comprehensive income | 189,973 | 219,581 |
| Dividends paid to non-controlling interests | 178,047 | 118,976 |

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| | For the year ended 31 December 2023 | |
|---|-------------------------------------|--------------------|
| | stc Kuwait | Solutions |
| Statement of cash flows | | |
| Operating activities | 1,123,998 | 1,715,337 |
| Investing activities | (349,583) | 1,036,159 |
| Financing activities | (482,670) | (688,976) |
| Net increase in cash and cash equivalents | 291,745 | 2,062,520 |
| | | |
| | As at 31 December 2022 | |
| | stc Kuwait | Solutions |
| Statement of financial position | | |
| Current assets | 2,329,921 | 9,383,268 |
| Non-current assets | 2,880,814 | 899,068 |
| Current liabilities | (1,736,347) | (6,656,330) |
| Non-current liabilities | (510,116) | (802,948) |
| Net assets | 2,964,272 | 2,823,058 |
| Group's share of net assets | 1,535,493 | 2,258,447 |
| Non-controlling interests' share of net assets | 1,428,779 | 564,611 |
| | | |
| | For the year ended 31 December 2022 | |
| | stc Kuwait | Solutions |
| Statement of income and other comprehensive income | | |
| Revenues | 4,113,509 | 8,805,091 |
| Net Profit | 406,123 | 1,053,713 |
| Other comprehensive income (loss) | 10,835 | (86,313) |
| Total comprehensive income | 416,958 | 967,400 |
| Group's share of comprehensive income | 215,984 | 773,920 |
| Non-controlling interests' share of comprehensive income | 200,974 | 193,480 |
| Dividends paid to non-controlling interests | 147,219 | 95,040 |
| Statement of cash flows | | |
| Operating activities | 971,581 | 2,106,500 |
| Investing activities | (571,206) | (3,206,525) |
| Financing activities | (266,342) | 56,884 |
| Net increase (decrease) in cash and cash equivalents | 134,033 | (1,043,141) |

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27. BORROWINGS

Total loans repaid during the year ended 31 December 2023 amounted to SR 433 million (2022: SR 133 million). Total loans received during the year ended 31 December 2023 amounted to SR 11,834 million (2022: SR 1,277 million). A list of the loans are as follows:

| Nature of borrowing | Date of borrowing | Date of final instalment | Currency | Profit rate | Current portion | | Non-current portion | |
|---------------------|-------------------|--------------------------|-------------------|---|--------------------------------|--------------------------------|--------------------------------|--------------------------------|
| | | | | | Balance as at 31 December 2023 | Balance as at 31 December 2022 | Balance as at 31 December 2023 | Balance as at 31 December 2022 |
| Sukuk (1) | May 2019 | May 2029 | US Dollar | 3.89% | - | - | 4,676,733 | 4,674,892 |
| Sukuk (2) | June 2014 | June 2024 | Saudi Riyal | 3 month SAIBOR + 0.70% | 2,000,000 | - | - | 2,000,000 |
| Murabaha (3) (4) | December 2017 | December 2027 | Malaysian Ringgit | 6 months KLIBOR + 0.65% | - | - | 1,231,344 | 1,287,156 |
| Murabaha (4) | September 2021 | August 2026 | US Dollar | 6 months LIBOR + 0.75% | - | - | 696,705 | 697,357 |
| Murabaha (5) | March 2021 | November 2029 | US Dollar | 1.27% | 68,757 | 79,078 | 342,800 | 401,110 |
| Murabaha (5) | September 2023 | September 2024 | US Dollar | 3 months SOFR + 0.85% (For first 6 Months) 3 months SOFR + 1.50 % (thereafter) | 5,962,629 | - | - | - |
| Murabaha (5) | August 2023 | February 2025 | US Dollar | 6 months SOFR + 0.50% | - | - | 1,125,000 | - |
| Murabaha (5) | August 2023 | August 2028 | US Dollar | 6 months SOFR + 0.95% | - | - | 4,095,000 | - |
| Murabaha(4) | February 2019 | December 2025 | Saudi Riyal | 3 months SAIBOR + 0.55% | - | - | 155,000 | 155,000 |
| Murabaha (5) | March 2022 | March 2028 | Kuwaiti Dinar | CBK + 0.55% | 70,168 | - | 210,503 | 282,409 |
| Mudarabha (5) | December 2018 | May 2026 | Bahraini Dinar | 2.10% | 3,594 | 3,317 | 6,386 | 10,695 |
| Murabaha (4) | January 2023 | January 2029 | US Dollar | 3 months SOFR + 0.95% | - | - | 248,675 | - |
| Murabaha (4) | August 2022 | August 2036 | Saudi Riyal | 6 months SAIBOR + 0.60% | - | - | 354,495 | 203,116 |
| Murabaha (4) | June 2022 | June 2027 | Saudi Riyal | 6 months SAIBOR + 0.45% | - | - | 499,127 | 498,878 |
| Others | | | | | 210,580 | 194,388 | - | 3,137 |
| Total | | | | | 8,315,728 | 276,783 | 13,641,768 | 10,213,750 |

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

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Based on the above, the Saudi Telecom Sukuk Company Limited during the second quarter of 2019 (a company established for the purpose of issuing sukuk under the sukuk program referred to above in US dollar) launched the first issue of the sukuk program in the amount of SR 4,688 million (equivalent to USD 1,250 million) for 10 years. This program is an international sukuk in US dollar, with a total number of 6,250 sukuk and a nominal value of USD 200 thousand per sukuk having an annual return of 3.89% and a maturity of ten years.

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

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

(4) These facilities are secured.

(5) These facilities are unsecured.

28. RETIREMENT 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 number of service years, calculated under the provisions of the Labour Law of the respective country and is payable upon resignation or termination of the employee. The expected costs of these benefits are accrued over the years of employment.

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

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

Calculation of end of service benefit provision was performed using the most recent actuarial valuation as at 31 December 2023. 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 2023, used in determining the end of service benefit obligation, represent the discount rate of (4.40 %-5.70 %) ,the expected increase in salary (1.25 %-6.00 %) and experience adjustments (2022: discount rate of (4.30 %-5.20 %) and the expected increase in salary (3.00 %-5.00 %) resulting in recording of net actuarial losses included in the consolidated statement of comprehensive income amounting to SR 214 million (2022: actuarial gain amounting to SR 828 million).

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

| | 2023 | 2022 |
|---------------|----------------|----------------|
| Services cost | 435,847 | 441,196 |
| Interest cost | 237,265 | 144,236 |
| | 673,112 | 585,432 |

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

| | 2023 | 2022 |
|--|------------------|------------------|
| Balance at 1 January | 4,871,335 | 5,466,916 |
| Expenses recognized in the consolidated statement of profit or loss | 673,112 | 585,432 |
| Effect of acquisition of new subsidiaries | 95,870 | 27,585 |
| Actuarial (gains) losses recognized in the consolidated statement of comprehensive income during the year resulting from: | | |
| - Changes in financial assumptions | 69,010 | (933,809) |
| - Experience adjustments | 145,464 | 105,415 |
| Paid | (609,280) | (384,132) |
| Exchange differences and others | 12,902 | 3,928 |
| Balance at 31 December | 5,258,413 | 4,871,335 |

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

| | 2023 | 2022 |
|---|------------------|------------------|
| One year or less | 55,389 | 101,177 |
| Above one year but less than five years | 502,206 | 612,516 |
| Above five years | 7,256,948 | 7,000,163 |
| | 7,814,543 | 7,713,856 |

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

| | Change in Assumption | 2023 | | |
|--------------------|----------------------|------------|------------------------------|------------------------------|
| | | Base Value | After increase in assumption | After decrease in assumption |
| Discount rate | 100 basis points | 5,258,413 | 4,780,950 | 5,660,836 |
| Salary change rate | 100 basis points | 5,258,413 | 5,662,816 | 4,771,957 |

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

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.

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Defined contribution plans

The Group participates in pension schemes for its employees which are managed by government institutions in the countries concerned. The amount recognized as an expense for defined contribution plans for the year ended 31 December 2023 is SR 661 million (2022: SR 586 million).

Early retirement plan

The Group has early retirement plan for its employees. The amount recognized as an expense early retirement plan for the year ended 31 December 2023 is SR 863 million (2022: SR 366 million).

29. LEASE LIABILITIES

Following is the movement on lease liabilities:

| | 2023 | 2022 |
|---|------------------|------------------|
| Balance as at 1 January | 3,296,120 | 3,223,167 |
| Additions | 1,633,022 | 1,224,574 |
| Effect of acquisition of new subsidiaries | 581,149 | 6,677 |
| Payments | (1,218,622) | (1,037,357) |
| Financing costs (Note 40) | 120,395 | 83,447 |
| Other adjustments | (212,823) | (204,388) |
| Balance as at 31 December | 4,199,241 | 3,296,120 |
| Current | 947,703 | 912,914 |
| Non-current | 3,251,538 | 2,383,206 |
| | 4,199,241 | 3,296,120 |

30. CONTRACT LIABILITIES

| | 31 December 2023 | 31 December 2022 |
|--|------------------|------------------|
| Deferred revenue from services | 5,119,536 | 4,927,796 |
| Material right/ customer loyalty program | 572,557 | 515,560 |
| | 5,692,093 | 5,443,356 |
| Current ⁽¹⁾ | 4,581,371 | 4,671,441 |
| Non-current ⁽²⁾ | 1,110,722 | 771,915 |
| | 5,692,093 | 5,443,356 |

⁽¹⁾ The current portion of contract liabilities relates to unearned revenue pertaining to unutilized prepaid card units sold and the value of customer loyalty program points not yet redeemed. Revenue recognized during the year that was included in the contract liability balance at the beginning of the year amounted to SR 4,777 million (2022: SR 3,591 million).⁽²⁾ The non-current portion of contract liabilities mainly relates to amounts received by one of the group subsidiaries from a key customer to construct a fibre optic network for which capital work completed amounted to SR 591 million (Note 45.3).⁽³⁾ Significant changes in contract liabilities balances: contract liabilities increased by SR 41 million as a result of the acquisition of new subsidiaries (2022: SR 77 million).

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31. PROVISIONS

| | 31 December 2023 | 31 December 2022 |
|--|---------------------|---------------------|
| Legal and regulatory provisions ⁽¹⁾ | 2,593,786 | 2,450,092 |
| Decommissioning provision ⁽²⁾ | 318,639 | 163,488 |
| | 2,912,425 | 2,613,580 |
| Current | 2,221,748 | 2,124,132 |
| Non-current | 690,677 | 489,448 |
| | 2,912,425 | 2,613,580 |
| | 2023 | 2022 |
| Legal and regulatory provision ⁽¹⁾ | | |
| Balance as at 1 January | 2,450,092 | 4,095,264 |
| Additions | 389,517 | 172,122 |
| Effect of acquisition of new subsidiaries | - | 24,265 |
| Reversal of provision | (86,435) | (1,369,240) |
| Payment / settlements | (159,388) | (472,319) |
| Balance as at 31 December | 2,593,786 | 2,450,092 |
| Decommissioning provision ⁽²⁾ | | |
| Balance as at 1 January | 163,488 | 103,204 |
| Additions | 5,635 | 8,910 |
| Unwinding of discount | 8,853 | 5,799 |
| Effect of acquisition of new subsidiaries | 106,993 | - |
| Adjustment | 33,670 | 45,575 |
| Balance as at 31 December | 318,639 | 163,488 |

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

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

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32. FINANCIAL LIABILITIES AND OTHERS**32.1 Financial liabilities**

| | 31 December 2023 | 31 December 2022 |
|--|---------------------|---------------------|
| Customers' deposits – stc Bank (Note 16.1) | 2,532,874 | 1,781,098 |
| Dividends payable | 2,246,738 | 2,223,109 |
| Financial liabilities related to frequency spectrum licenses | 1,792,926 | 1,849,838 |
| Government charges | 1,552,086 | 1,198,765 |
| Financial derivatives - forward contract ⁽¹⁾ | 262,998 | - |
| Other financial liabilities ⁽²⁾ | 547,534 | 523,469 |
| | 8,935,156 | 7,576,279 |
| Current | 6,734,287 | 5,257,941 |
| Non-current | 2,200,869 | 2,318,338 |
| | 8,935,156 | 7,576,279 |

⁽¹⁾ The Group has entered into a forward agreement in relation to its investment in Telefonica to ensure that the Group has synthetic stake of 5% in Telefonica pending regulatory approval such that it is eligible to obtain all economic benefits as ordinary shareholders. During the year 2023, the manufactured dividends received amounted to SR 167 million which are included as other income in the consolidated statement of profit or loss.

Below are the details of the forward agreement and the change in fair value for the year ended 31 December 2023:

| | EUR'000 | SR'000 |
|---|-----------|-----------|
| Notional value | 1,079,649 | 4,468,557 |
| Revaluation loss recognized in profit or loss | 63,543 | 259,899 |

⁽²⁾ Mainly includes the following:

a) During the year 2022, the Group has granted a put option to non-controlling interest shareholders in SCCC in which the Group commits to purchase 27% shareholding in the subsidiary at fair value at the exercise date of the option. As a result, the Group has recorded, as at 31 December 2022, a non-current financial liability of SR 469 million against the reduction in non-controlling interests of SR 206 million and other reserves of SR 263 million. As at 31 December 2023, the decrease in the fair value of the non-current liability resulting from the put option is recognized in equity amounting to SR 226 million (Note 43.2).

b) Deferred expense with a fair value amounting to SR 165 million as at 31 December 2023 on the options agreement the Group has entered into in relation to its investment in Telefonica.

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32.2 Other liabilities

| | 31 December 2023 | 31 December 2022 |
|---------------------|---------------------|---------------------|
| Deferred income (*) | 3,954,147 | 3,757,569 |
| Others | 472,347 | 352,993 |
| | 4,426,494 | 4,110,562 |
| Current | 483,667 | 364,324 |
| Non-current | 3,942,827 | 3,746,238 |
| | 4,426,494 | 4,110,562 |

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

| | 31 December 2023 | 31 December 2022 |
|------------------------|---------------------|---------------------|
| Government grants (**) | 3,612,879 | 3,722,846 |
| Others | 341,268 | 34,723 |
| | 3,954,147 | 3,757,569 |

(**) The government grants represent grants provided by Communications, Space & Technology Commission ("CST") to the Company to build telecommunication networks in different areas in the Kingdom (Note 4.8).

33. TRADE AND OTHER PAYABLES

| | 31 December 2023 | 31 December 2022 |
|-------------------|---------------------|---------------------|
| Accrued expenses | 11,617,247 | 11,165,147 |
| Trade payables | 4,875,450 | 4,546,557 |
| Notes payable | 2,709,851 | 2,340,614 |
| Employee accruals | 1,902,137 | 1,725,276 |
| Others | 1,048,833 | 930,323 |
| | 22,153,518 | 20,707,917 |

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

34. ZAKAT AND INCOME TAX

| | 31 December 2023 | 31 December 2022 |
|--------------------------|---------------------|---------------------|
| Zakat provision (a) | 2,570,467 | 2,044,356 |
| Income tax provision (b) | 62,301 | 40,356 |
| | 2,632,768 | 2,084,712 |

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a. Zakat provision

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

| | 2023 | 2022 |
|---|-------------------|-------------------|
| Share capital – beginning of the year | 50,000,000 | 20,000,000 |
| Additions: | | |
| Retained earnings, reserves , provisions and others – beginning of the year | 74,427,177 | 86,266,243 |
| Adjusted net profit | 12,223,309 | 10,501,592 |
| Adjusted total shareholders' equity | 136,650,486 | 116,767,835 |
| Deductions: | | |
| Net property (adjusted) and investments | 80,509,898 | 65,889,099 |
| Dividends paid | 7,921,068 | 7,984,024 |
| Deferred expenses and other balances | 4,819,438 | 3,902,000 |
| Total adjusted deductions | 93,250,404 | 77,775,123 |
| Zakat base | 43,400,082 | 38,992,712 |
| Zakat on wholly owned companies for the year | 1,109,221 | 996,951 |
| Zakat adjustments during the year | (12,539) | (57,666) |
| Add: zakat on partially owned companies for the year | 219,020 | 117,639 |
| Total zakat provision charged during the year | 1,315,702 | 1,056,924 |

The following is the movement of zakat provision:

| | 2023 | 2022 |
|---|------------------|------------------|
| Balance at 1 January | 2,044,356 | 1,805,742 |
| Additions | 1,315,702 | 1,056,924 |
| Effect of acquisition of new subsidiaries | 16,703 | - |
| Reversal / Settlements | 2,471 | (6,876) |
| Amounts paid | (808,765) | (811,434) |
| Balance at 31 December | 2,570,467 | 2,044,356 |

The Group submitted all zakat returns until the end of 2022, with payment of zakat due based on those returns, and accordingly the Group received zakat certificates for those years. Effective from year 2009, the Group started the submission of a consolidated zakat return for the Company and its wholly owned subsidiaries whether directly or indirectly in accordance with the executive regulations for collecting zakat.

The Group received from Zakat, Tax, and Customs Authority ("ZATCA") the final zakat assessments up to 2011 and the years ended 31 December 2014 and 2018. The Group did not receive the zakat assessments of the years 2012 and 2013 in addition to the years from 2019 up to 2022.

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

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The not wholly owned subsidiaries submit their zakat declarations separately in which they have submitted all zakat returns until the end of 2022, and have paid the zakat dues based on those returns without receiving the zakat assessments.

b. Income tax provision

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

The following is the movement of income tax provision:

| | 2023 | 2022 |
|--|---------------|---------------|
| Balance at 1 January | 40,356 | 28,098 |
| Additions | 59,796 | 26,251 |
| Effect of acquisition of new subsidiaries | 12,693 | 12,211 |
| Foreign currency exchange differences effect / Settlements | (2,125) | (6,330) |
| Amounts paid | (48,419) | (19,874) |
| Balance at 31 December | 62,301 | 40,356 |

35. REVENUES

| | For the year ended 31 December | |
|--------------------------------------|-----------------------------------|-------------------|
| | 2023 | 2022 |
| Rendering of services | 60,116,483 | 57,505,321 |
| Sale of devices | 12,150,518 | 9,806,060 |
| Others | 69,610 | 120,165 |
| | 72,336,611 | 67,431,546 |
| Timing of revenue recognition | | |
| Recognized over time | 60,186,093 | 57,625,486 |
| At a point in time | 12,150,518 | 9,806,060 |
| | 72,336,611 | 67,431,546 |

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

Disaggregation of revenues from government and government related entities are disclosed in related party transactions (Note 21.2).

The aggregate amount of unsatisfied or partially unsatisfied performance obligations related to contracts with customers amounted to SR 5,692 million as at 31 December 2023 (2022: SR 5,443 million). The Group expects to recognize approximately 80 % (2022: 86 %) of these obligations as revenues during the following reporting period.

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36. COST OF REVENUES

| | For the year ended 31 December | |
|---|-----------------------------------|-------------------|
| | 2023 | 2022 |
| Cost of devices, equipment and software | 13,620,534 | 11,394,685 |
| Network access charges (*) | 5,858,711 | 4,406,390 |
| Government charges (**) | 4,940,489 | 5,535,445 |
| Employees costs | 4,632,036 | 3,947,000 |
| Repairs and maintenance | 2,088,093 | 2,165,786 |
| Amortization and impairment of contract costs (Note 15.2) | 150,725 | 171,647 |
| Others | 3,242,333 | 2,417,338 |
| | 34,532,921 | 30,038,291 |

(*) Network access charges for the year ended 31 December 2022 includes a non-recurring item that represents a reversal of a provision amounting to SR 1,079 million.

(**) Government charges for the year ended 31 December 2023 includes a non-recurring item that represents a reversal of a provision amounting to SR 724 million.

"Others" comprises mainly: direct cost related to stc Bank operations and electricity expenses.

The details of government charges are as follows:

| | For the year ended 31 December | |
|--------------------------------------|-----------------------------------|------------------|
| | 2023 | 2022 |
| Commercial service provisioning fees | 4,038,601 | 4,720,484 |
| License fees | 444,266 | 446,428 |
| Frequency spectrum fees | 361,932 | 311,142 |
| Others | 95,690 | 57,391 |
| | 4,940,489 | 5,535,445 |

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37. SELLING AND MARKETING EXPENSES

| | For the year ended 31 December | |
|---|-----------------------------------|------------------|
| | 2023 | 2022 |
| Employee costs | 2,940,895 | 2,778,197 |
| Advertising, publicity and sales commissions | 1,807,283 | 1,553,291 |
| Impairment loss on trade receivables (Note 18) | 449,144 | 821,993 |
| Impairment loss on contract assets (Note 15.1) | 135,851 | 122,879 |
| Amortization and impairment of contract costs (Note 15.2) | 93,645 | 117,200 |
| Call centre expenses | 87,765 | 257,482 |
| Others | 399,756 | 459,196 |
| | 5,914,339 | 6,110,238 |

"Others" comprises mainly: repairs and maintenance, sadad service fees and consultancy.

38. GENERAL AND ADMINISTRATIVE EXPENSES

| | For the year ended 31 December | |
|---|-----------------------------------|------------------|
| | 2023 | 2022 |
| Employees costs | 4,912,080 | 3,991,597 |
| Consultancy and other contracted services (*) | 755,018 | 607,419 |
| Repairs and maintenance | 577,698 | 703,754 |
| Security and safety | 155,290 | 139,197 |
| Utilities and cleaning | 146,325 | 149,035 |
| Rent | 46,262 | 50,639 |
| Others | 613,667 | 562,709 |
| | 7,206,340 | 6,204,350 |

(*) Includes fees of the Group's primary external auditor and its global members' firms for audit and non-audit services amounting to SR 27.9 million and SR 2.6 million; respectively, for the year ended 31 December 2023.

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

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39. FINANCE INCOME

| | For the year ended 31 December | |
|----------------------|-----------------------------------|----------------|
| | 2023 | 2022 |
| Income from murabaha | 1,225,020 | 317,482 |
| Income from sukuk | 287,561 | 284,981 |
| | 1,512,581 | 602,463 |

40. FINANCE COST

| | For the year ended 31 December | |
|--|-----------------------------------|----------------|
| | 2023 | 2022 |
| Financing costs relating to sukuk | 476,294 | 274,850 |
| Financing costs relating to murabaha | 319,233 | 84,173 |
| Financing cost relating to lease liabilities (Note 29) | 120,395 | 83,447 |
| Unwinding of discounts on provisions and financial liabilities | 354,822 | 254,132 |
| | 1,270,744 | 696,602 |

41. NET OTHER GAINS

| | For the year ended 31 December | |
|---|-----------------------------------|----------------|
| | 2023 | 2022 |
| Gain (loss) on sale/disposal of property and equipment & assets held for sale | 1,113,114 | (180,705) |
| Gain on sale of an associate and a joint venture | 133,243 | 27,903 |
| Net gains arising on financial assets measured at FVTPL | 81,346 | 398,359 |
| Net foreign exchange losses and others | (54,185) | (55,891) |
| | 1,273,518 | 189,666 |

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42. EARNINGS PER SHARE

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

| | 2023 | 2022 |
|---|------------|------------|
| Net profit attributable to equity holders of the Parent Company | 13,295,381 | 12,170,537 |
| Number of shares "in thousands": | | |
| Weighted average number of ordinary shares for the purposes of calculating basic earnings per share | 4,983,652 | 4,991,503 |
| Weighted average number of repurchased ordinary shares | 16,348 | 8,497 |
| Weighted average number of ordinary shares for the purposes of calculating diluted earnings per share | 5,000,000 | 5,000,000 |
| Earnings per share attributable to equity holders of the Parent Company (in Saudi Riyals): | | |
| - Basic | 2.67 | 2.44 |
| - Diluted | 2.66 | 2.43 |

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

| | 2023 | 2022 |
|--------------------------------------|------------------|------------------|
| Outstanding shares as at 1 January | 4,982,178 | 1,997,149 |
| Outstanding shares issued | 2,328 | 357 |
| Effect of bonus shares issuance | - | 2,996,260 |
| | 4,984,506 | 4,993,766 |
| Treasury shares purchased | - | (11,588) |
| Outstanding shares as at 31 December | 4,984,506 | 4,982,178 |

43. FINANCIAL INSTRUMENTS**43.1 Capital management**

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

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

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

The Group is not subject to any externally imposed capital requirements. The Group did not introduce any amendments to the capital management objectives and procedures during the year ended 31 December 2023.

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

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

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

| | 2023 | 2022 |
|-------------------------|-------------|------------|
| Debt (a) | 21,957,496 | 10,490,533 |
| EBITDA (b) | 24,683,011 | 25,078,667 |
| Debt to EBITDA | 89% | 42% |
| Debt | 21,957,496 | 10,490,533 |
| Debt + Equity (c) | 103,472,662 | 86,516,125 |
| Debt to (Debt + Equity) | 21% | 12% |

a. Debt is defined as current and non-current borrowings (Note 27).

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

c. Equity is defined as total equity including share capital, reserves, retained earnings and non-controlling interest.

43.2 Fair value of financial instruments

The Group uses valuation techniques appropriate to current circumstances that provide sufficient data to measure fair value. In addition for financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety (Note 4.20).

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

Financial assets and liabilities measured at fair value:

| 31 December 2023 | Carrying amount | Fair value | | |
|--|-----------------|--------------------------|--------------------------|--------------------------|
| | | Level 1 | Level 2 | Level 3 |
| Financial assets | | | | |
| Listed equity investments (Note 16.1) | 4,130,284 | 4,130,284 ⁽¹⁾ | - | - |
| Investment funds and unlisted equity investments (Note 16.1) | 3,532,376 | - | - | 3,532,376 ⁽⁴⁾ |
| Cash collateral against purchase of a listed equity investment (note 16.1) | 4,468,557 | - | 4,468,557 ⁽²⁾ | - |
| Financial derivatives- options (Note 16.1) | 662,073 | - | 662,073 ⁽³⁾ | - |
| Financial liabilities | | | | |
| Put option to non-controlling interest shareholders (Note 32.1) | 243,000 | - | - | 243,000 ⁽⁵⁾ |
| Financial derivatives -forward contract (Note 32.1) | 262,998 | - | 262,998 ⁽⁴⁾ | - |

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| 31 December 2022 | Carrying amount | Fair value | | |
|---|-----------------|------------|---------|--------------|
| | | Level 1 | Level 2 | Level 3 |
| Financial assets | | | | |
| stc Ventures Fund and STV LP Fund (Note 16.1) | 2,929,065 | - | - | 2,929,065(6) |
| Financial liabilities | | | | |
| Put option to non-controlling interest shareholders (Note 32.1) | 469,000 | - | - | 469,000(5) |

The following methods / assumptions were used to estimate the fair values:

1. Fair value of equity instruments at level 1 is based on quoted market price at the reporting date.
2. The fair value of advance cash collateral against purchase of a listed equity investment approximates its carrying amount largely due to the short-term maturity of this instrument.
3. The fair value of financial derivatives- options were estimated by using Black Sholes Model. The significant observable inputs are the volatility of share prices and interest rate.
4. The fair value of the financial derivatives -forward contract was estimated by subtracting the quoted market price at the reporting date from the agreed price multiplied with forward number of shares.
5. The fair value of the non-current liability resulting from the put option to non-controlling interest shareholders has been determined within level 3 utilizing various methods including income approach and market approach (Note 32.1).
6. The fair value of the Group's investment in the units of stc Ventures Fund and STV LP Fund (the "Funds") is obtained from the net asset value ("NAV") reports received from the Funds' managers. The Funds' managers deploy various techniques (such as recent round of finance, discounted cash flow models and multiples method) for the valuation of underlying financial instruments classified under level 3 of the respective Fund's fair value hierarchy. Significant unobservable inputs embedded in the models used by the Funds' managers include risk adjusted discount rates and lack of marketability discount. An increase/(decrease) of 10% in the discount rate would lead to a (decrease)/increase of (SR 41 million)/ SR 45 million in fair value (2022: An increase/(decrease) of 10% in the discount rate would lead to a (decrease)/increase of (SR 152 million)/ SR 255 million in fair value). An increase/(decrease) of 10% in the lack of marketability discount would lead to a (decrease)/increase of (SR 61 million)/ SR 41 million in fair value (2022: An increase/(decrease) of 10% in the the lack of marketability discount would lead to a (decrease)/increase of (SR 56 million)/ SR 28 million in fair value).

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

| | 2023 | 2022 |
|--|-----------|-----------|
| Net asset value as at 1 January | 2,929,065 | 2,135,246 |
| Contributions paid to the funds | 572,808 | 412,342 |
| Distributions received from the funds | - | (16,882) |
| Net unrealised gain recognised in the consolidated statement of profit or loss (Note 41) | 30,503 | 398,359 |
| Net assets value as at 31 December | 3,532,376 | 2,929,065 |

There are no transfers between levels of the fair value hierarchy during year ended 31 December 2023.

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Financial assets and liabilities measured at amortized cost:

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

| 31 December 2023 | Carrying amount | Fair value | | |
|--|-----------------|------------|-----------|---------|
| | | Level 1 | Level 2 | Level 3 |
| Financial assets | | | | |
| Financial assets at amortized cost - Sukuk | 3,938,871 | - | 3,839,694 | - |
| Financial liabilities | | | | |
| Borrowings - Sukuk | 4,676,733 | - | 4,473,771 | - |

| 31 December 2022 | Carrying amount | Fair value | | |
|--|-----------------|------------|-----------|---------|
| | | Level 1 | Level 2 | Level 3 |
| Financial assets | | | | |
| Financial assets at amortized cost - Sukuk | 3,947,219 | - | 3,837,052 | - |
| Financial liabilities | | | | |
| Borrowings - Sukuk | 4,674,892 | - | 4,480,569 | - |

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

There are no transfers between levels of the fair value hierarchy during year ended 31 December 2023.

43.3 Profit rate risk

The Group's main profit rate risk arises from borrowings with variable profit margin rates.

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 analyses show the effects of changes in market profit rates on profit and loss. For floating rate liabilities, the analysis is prepared assuming the amounts outstanding at the end of the year were outstanding for the whole year. A 100-basis point increase or (decrease) represents management's assessment of the reasonably possible change in profit rates. If profit rates had been 100 basis points higher (lower) and all other variables were held constant, the impact on the profit of the Group would have been lower (higher) by SR 155 million (2022: the impact on the profit of the Group would have been lower (higher) by SR 39 million). This hypothetical effect on profit of the Group primarily arises from potential effect of variable profit financial liabilities.

The Group periodically monitors the impact of the incremental changes in profit rates and assesses the impact on the Group's profitability.

43.4 Foreign currency risk management

Saudi Riyal is considered as the functional currency of the Group which is pegged against the United States Dollar. Therefore, the Group is only exposed to exchange rate fluctuations from transactions denominated in foreign currencies other than United States dollar mainly euro. The fluctuation in exchange rates against currencies, which are not pegged with Saudi Riyal, are monitored on a continuous basis and risk is assessed via the Value-at-Risk (VaR) measure. The Group's exposure to foreign currency changes for all other currencies is not material. The sensitivity of the changes of SR/EUR exchange rates by 1% would have impacted equity by SR 88 million.

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43.5 Credit risk management

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

Other than the concentration of credit risk disclosed in Note 18, concentration of credit risk with respect to trade receivables are limited given that the Group's customer consists of a large number of unrelated customers. Payment terms and credit limits are set in accordance with telecom industry norms.

Ongoing evaluation is performed on the financial condition of trade receivables and management believes there is no further credit risk provision required in excess of the normal provision for impairment loss (Note 18).

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

Cash balances and short term investments were deposited with international banks with credit rating of A and above, while investments made with local banks had an investment grade credit rating of Baa3 and above.

The credit rating of the Company's investments in government sukuk and Binariang GSM Sdn Bhd ("BGSM") sukuk are A and Aa3, respectively as at 31 December 2023 (2022 : A and Aa3, respectively) (Note 16.1).

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

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.

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

| | Undiscounted Cash Flows | | | |
|--|-------------------------|------------------|---|------------------|
| | Carrying amount | One year or less | Above one year but less than five years | Above five years |
| 31 December 2023 | | | | |
| Trade and other payables (Note 33) | 22,153,518 | 22,153,518 | - | - |
| Borrowings (Note 27) | 21,957,496 | 8,963,880 | 9,214,542 | 5,587,201 |
| Lease liabilities (Note 29) | 4,199,241 | 1,234,213 | 2,214,102 | 1,102,776 |
| Dividends payable (Note 32.1) | 2,246,738 | 2,246,738 | - | - |
| Other financial liabilities (Note 32.1) | 6,425,420 | 4,400,599 | 1,513,042 | 922,784 |
| Financial derivatives - forward contract (Note 32.1) | 262,998 | 262,998 | - | - |
| 31 December 2022 | | | | |
| Trade and other payables (Note 33) | 20,707,917 | 20,707,917 | - | - |
| Borrowings (Note 27) | 10,490,533 | 610,768 | 6,129,748 | 5,486,557 |
| Lease liabilities (Note 29) | 3,296,120 | 1,032,911 | 1,698,639 | 989,055 |
| Dividends payable (Note 32.1) | 2,223,109 | 2,223,109 | - | - |
| Other financial liabilities (Note 32.1) | 5,353,170 | 3,339,956 | 1,353,514 | 1,436,506 |

The Group has unused financing facilities amounting to SR 5,917 million as at 31 December 2023 (2022: SR 5,843 million). The Group expects to meet its obligations from operating cash flows, cash and cash equivalents and proceeds of maturing financial assets.

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

| | Gross amounts | Amounts set off | Net amounts |
|--|---------------|-----------------|-------------|
| 31 December 2023 | | | |
| Financial assets subject to set off | 15,478,726 | (8,475,396) | 7,003,330 |
| Financial liabilities subject to set off | 19,731,959 | (8,475,396) | 11,256,563 |
| 31 December 2022 | | | |
| Financial assets subject to set off | 13,620,879 | (7,380,840) | 6,240,039 |
| Financial liabilities subject to set off | 17,730,741 | (7,380,840) | 10,349,901 |

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43.7 Changes in liabilities arising from financial activities

Changes in liabilities arising from financial activities are as follows:

| | 1 January 2023 | Cash flows | Non-monetary changes (*) | 31 December 2023 |
|-------------------------------|-------------------|-------------------|--------------------------|-------------------|
| Short-term borrowings | 276,783 | 5,893,969 | 2,144,976 | 8,315,728 |
| Lease liabilities current | 912,914 | (1,218,622) | 1,253,411 | 947,703 |
| Long-term borrowings | 10,213,750 | 5,507,222 | (2,079,204) | 13,641,768 |
| Lease liabilities non-current | 2,383,206 | - | 868,332 | 3,251,538 |
| | 13,786,653 | 10,182,569 | 2,187,515 | 26,156,737 |

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

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

43.8 Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises different types of risk: interest rate risk, currency risk, and price risk. Financial instruments affected by market risk include loans and borrowings, deposits, debt and equity investments.

The Group is exposed to changes in the value of equity investments and derivatives associated with such investments. To reduce the risk associated with variations in fair value and share price, the Group acquires derivative instruments that hedge the risk profile of such investments.

The hedge ratio for each designation is established by comparing the quantity of the hedging instrument and the quantity of the hedged item to determine their relative weighting; for Group's existing hedge relationships the hedge ratio has been determined as 1:1.

Hedge effectiveness is determined at the inception of the hedge relationship and through periodic prospective effectiveness assessments to ensure that an economic relationship exists between the hedged item and hedging instrument. To test the hedge effectiveness, the Group compares the changes in the fair value of the hedging instrument against the changes in fair value of the hedged item attributable to the hedged risk.

The hedge ineffectiveness can arise from a change in the credit risk of the counterparty with the hedging instrument.

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44. CAPITAL COMMITMENTS

- One of the Group's subsidiaries has an agreement to invest in a fund aiming to improve the telecommunication and internet environment sector in the Kingdom of Bahrain and other GCC Countries with an amount of SR 806 million (equivalent to USD 215 million) as at 31 December 2023 (31 December 2022: SR 806 million, equivalent to USD 215 million) (Note 6.16).
- The Group has contractual commitments for the acquisition of property and equipment and intangible assets amounting to SR 5,814 million as at 31 December 2023 (31 December 2022: SR 4,709 million).
- During 2022, the Company signed an agreement with STV LP Fund allocated an additional SR 1,125 million (equivalent to USD 300 million) additional investment in the fund out of which SR 221 million (equivalent to USD 59 million) was injected.

45. CONTINGENT ASSETS AND LIABILITIES

- The Group has outstanding letters of guarantee on behalf of the parent and its subsidiaries amounting to SR 5,466 million as at 31 December 2023 (2022: SR 5,181 million).
- The Group has outstanding letters of credit as at 31 December 2023 amounting to SR 1,634 million (2022: SR 1,544 million).
- On 21 March 2016, the Company received a letter from a key customer requesting a refund for paid balances amounting to SR 742 million related to construction of a fibre optic network. Based on independent legal opinions obtained, the management believes that the customer's claim has no merit and therefore this claim has no material impact on the financial results of the Group.
- 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.

- The Group received the Appeal Committee for Tax and Disputes' decision with respect to the withholding tax assessment on international operators' networks rentals for the years from 2004 to 2015, rejecting its appeal with an amount of SR 1,500 million. The Group submitted a petition for reconsideration, as it believes that Saudi tax regulations do not impose withholding tax on international interconnection services since the source of income does not occur inside the Kingdom, and therefore these services should not be subject to withholding tax. During the year 2022, the Group received the minutes of meeting of the Appeal Committee for Tax Violations and Disputes' regarding the petition for reconsideration which included the rejection of the petition by the Group. The Group submitted a petition for reconsideration based on new development on this matter. Based on the opinions of relevant consultants, the nature of the technical dispute, and new development on this matter, the Group believes that this assessment will not result into significant additional provisions.
- The Group received claims from Communications, Space & Technology Commission ("CST") related to imposing government fees on devices sold in instalments for the period from 2018 until the end of the first quarter of 2021, totalling SR 782 million. The Group has objected to these claims within the statutory deadline and a Supreme Court ruling was issued in favour of the Group in regards to two of the claims amounting to SR 724 million. A preliminary court ruling was issued in favor of the Group in regards to the remaining claims amounting to SR 58 million which CST has objected to before appeal court and a ruling was issued in favour of CST for the claims which the Group has objected to before the Supreme Court which is still pending with the Supreme Court as 31 December 2023.

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46. EMPLOYEES LONG-TERM INCENTIVES PROGRAM

46.1 Group's long-term incentives program

The Board of Directors approved on 17 March 2020 (corresponding to 22 Rajab 1441H) to repurchase a number of the Company's shares for an amount not to exceed SR 300 million to be allocated for the employees long-term incentives program (the Program). The Board raised its recommendation to the EGA to approve the Program and to repurchase the shares. The EGA has voted on the approval of this Program during its meeting held on 20 April 2020 (corresponding to 27 Shaban 1441 H).

The Board of Directors approved on 28 June 2022 (corresponding to 29 Thul-Qi'dah 1443H) to repurchase a number of the Company's shares for an amount not to exceed SR 453 million to be allocated for the Program and to raise its recommendation to the EGA for voting. Further, the shares shall be repurchased within 12 months from EGA's approval date. The EGA has voted on the approval during its meeting held on 30 August 2022 (corresponding to 3 Safar 1444H).

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

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

The grant and vesting dates, respectively are as follows:

| | Cycle 1 | Cycle 2 | Cycle 3 | Cycle 4 |
|-----------|-----------------------|---------------------|--------------------|--------------------|
| Tranche 1 | July 2020 / July 2021 | July 2021/ May 2022 | May 2022/ May 2023 | May 2023/ May 2024 |
| Tranche 2 | July 2021/ May 2022 | May 2022/ May 2023 | May 2023/ May 2024 | May 2024/ May 2025 |
| Tranche 3 | May 2022/ May 2023 | May 2023/ May 2024 | May 2024/ May 2025 | May 2025/ May 2026 |

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

| | 2023 | 2022 |
|---------------------------------|--------------|--------------|
| As at 1 January | 2,498 | 344 |
| Shares granted (*) | 2,808 | 1,012 |
| Shares vested | (2,328) | (357) |
| Effect of bonus shares issuance | - | 1,499 |
| As at 31 December | 2,978 | 2,498 |

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

The fair value was calculated based on the market price after deducting the expected dividends per share on the grant date. The average fair value of shares at grant date amounted to SR 43.4 per share (taken into consideration the effect of bonus shares issuance) (2022: SR 42.8 per share). Total expenses related to the Program for the year ended 31 December 2023 amounted to SR 112 million (31 December 2022: SR 85 million), which were included as part of employees benefits expense in the consolidated statement profit or loss, with the corresponding amount recorded under other reserves within equity in accordance with the requirements of International Financial Reporting Standard (2): Share-based Payment (Note 24).

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46.2 Subsidiary's long-term incentives program

During the year 2022, one of the subsidiaries started its own long-term incentive program whereby employees render services as consideration for a fixed number of its own shares. The total expense in relation to this program for the year ended 31 December 2023 amounted to SR 9 million (2022: 28 SR million).

47. DIVIDENDS

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

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

The dividends policy will remain subject to:

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

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

In line with the same policy, the Company will distribute cash dividends to the shareholders of the Company for the fourth quarter of 2023 at a rate of SR 0.40 per share.

On 19 February 2024, the board of directors recommended to distribute additional cash dividends for the year 2023 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.

48. SUBSEQUENT EVENTS

1. On 10 January 2024, IoT (a subsidiary) has completed the acquisition of 100% of Machines Talk for Contracting Company for cash consideration assuming 100% Enterprise Value of SR 560 million.
2. On 1 February 2024, Solutions (a subsidiary) has completed the acquisition of 40% of Devoteam Middle East for cash consideration assuming 100% Enterprise Value of AED 726.3 million (equivalent to SR 741.7 million).

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49. COMPARATIVE FIGURES

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

| Consolidated statement of financial position as 31 December 2022 | As previously reported | Amount of reclassification | Amounts after reclassification |
|---|-------------------------------|-----------------------------------|---------------------------------------|
| Contract liabilities (current) | 4,479,205 | 192,236 | 4,671,441 |
| Trade and other payables | 20,900,153 | (192,236) | 20,707,917 |
| Contract assets and costs (non-current) | 976,328 | 199,724 | 1,176,052 |
| Contract assets and costs (current) | 6,779,622 | (155,289) | 6,624,333 |
| Financial assets and others (current) | 4,086,580 | 12,527 | 4,099,107 |
| Financial assets and others (non-current) | 8,931,533 | 25,365 | 8,956,898 |
| Investment properties | 293,148 | (82,327) | 210,821 |

50. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The Board of Directors approved the consolidated financial statements for the year ended 31 December 2023 on 9 Sha'aban 1445H (corresponding to 19 February 2024).

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