

Annual Report

20  
21

Enriching  
people's lives  
**digitally**

Technology moves us further...

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**stc**

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## Chairman's Message



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

Dear Investors,

In 2021, stc Group continued to lead with many achievements. Its performance was highlighted by numerous successes and expansion of digital services that have established its role as a regional digital enabler, in line with the targets of the KSA's vision for moving towards digital transformation. In light of the recovery from the pandemic, we achieved an increase in revenues during 2021 (by 7.57%) compared to 2020, to reach (63,417) million Saudi riyals. The operating profit increased by (3.12%) compared to 2020, to reach (13,128) million Saudi riyals. The earnings before interest, taxes, depreciation, and amortization (EBITDA) also increased by (340%) compared to 2020, to reach (22,841) million Saudi riyals, and the net profit also increased by (2.87%) compared to 2020, to reach (11,311) million Saudi riyals.

These figures, thankfully, reflect the success of stc Group's investments and its progress towards achieving its ambitious strategy "Dare" to enable digital transformation in various fields and growth in new digital paths, in harmony with the rapid changes in the telecommunications and information technology sector.

The achievements made during the year included the successful secondary offering of stc Group shares. (120) million shares,

# 2021



Revenues increased during 2021 by 7.57% compared to 2020

**63,417** million Saudi riyals

Operating profit increased by 3.12% compared to 2020

**13,128** million Saudi riyals

Net profit increased by 2.87% compared to 2020

**11,311** million Saudi riyals

representing (6%) of the company's capital, were offered to a number of investors through a secondary public offering, which is the first and largest of its kind in the Saudi financial market. The size of such offering amounted to (12) billion Saudi riyals. This success reflects the great confidence in our future strategy which will enhance the company's attractiveness to international investors.

We were pleased to have successful subscription of the Arab Company for Internet and Communications Services "Solutions by stc". The market value of the company upon listing reached 18.1 billion Saudi riyals, and the total offering amounted to (3.624) billion Saudi riyals; representing (20%) of the company's capital. This offering reflects how stc was successful in providing innovative solutions and digital empowerment.

We also appreciate issuance approval of the Council of Ministers during 2021 to transform the Saudi digital payment company (stc pay) into a digital bank, supporting our strategy in this important and vital field. This would be one of the earliest digital banks in the Kingdom of Saudi Arabia. We appreciate the role of Saudi Central Bank "SAMA" in supporting, enabling and flourishing financial technology "fintech" in the KSA, which helped the Kingdom to be a destination for investment from the largest local and international companies in this field. Believing in importance of the cybersecurity sector as one of the promising and fast-growing sectors in the KSA and the world, we launched sirar, a company specialized in providing advanced cybersecurity services and solutions to keep pace with the growing demand for digital services.

We are also proud of the Company's achievement of Saudization percentage of (90%). This included empowerment of women in all jobs. We continue to support entrepreneurs, embracing the projects of young men and women, with investments of (10) billion Saudi riyals. stc also continued its presence and support for national forums as a pioneering national digital enabler in the region, which enhances the quality of life in KSA.

With the achievements made, I am honored on behalf of members of the Board of Directors of stc group to thank The Custodian of the Two Holy Mosques, His Royal Highness King Salman bin Abdul Aziz, and His Royal Highness Crown Prince Mohammed bin Salman, for their support to the ICT sector.

In conclusion, I would like to appreciate our visionary government's efforts and endeavors to develop and enhance the digital infrastructure in a record time to achieve digital transformation in accordance with the goals of KSA Vision 2030. I would like also to thank the distinguished shareholders for their trust in and continued support for the Board. I would like also to say thank you to all our success partners, who are our valued customers and Group staff inside and outside the Kingdom for their efforts in these continued successes.

Thank You

**Mohammed Bin Khaled  
Al Abdullah Al Faisal**  
stc Group Chairman

## CEO Message



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

Dear Investors,

During 2021, **stc** Group has achieved multiple successes and its technical capabilities have proven that the Group is the key digital enabler in the region. To keep pace with the demand for various digital services, **stc** has introduced a range of innovative technologies to meet the customer need at the retail and corporate levels. **stc** has achieved a remarkable success in various sectors, including 5G network, artificial intelligence, data analysis, the Internet of Things, cybersecurity, etc. It has embraced entrepreneurs and supported their projects for a promising future.

In a step forward on the path to be a leading regional digital service hub, **stc** has implemented several projects, including the largest data centers in the Middle East that came in line with the Kingdom's sustainability objectives and included the Digital Operation Control Center as the largest integrated operating center of its kind in the region. Such centers were designed to secure an ecosystem of data and voice transmission services and solutions for all target segments, enabling the digital transformation of the public and private sectors in order to enhance the cloud infrastructure of the local digital economy.

Cybersecurity was part of our focus in 2021, with **stc** launching **sirar by stc** as a technical arm in this field to support our strategy of developing new paths and enabling digital transformation. **sirar by stc** has developed

its services and adopted the best practices in cybersecurity management and sharing of proactive information on cyber threats and attacks.

The group continued its lead in 2021 as the core credit rating of the group has risen from A2 to A1, with Moody's giving **stc** an A1 rating on the long term. **stc** has also ranked first on the Brand Finance's annual IT Brand Value Ranking for the Middle East and Africa as its brand value grew by 16% to reach \$10.6 billion, leading the IT sector in the Middle East with the strongest value for the second year in a row.

There is no doubt that such advanced ranks have been the fruit of continued growth over the past years and our commitment to the values and strategy, and our innovative solutions and services.

At the 5G level, the Group developed 5G coverage and successfully deployed 5G networks on a larger scale. During pilgrimage season, **stc** managed to increase its network capacity in the Holy Sites by 48%. We also supported the Hajj smart bracelet service (Nusk) in cooperation with the Saudi Data and Artificial Intelligence Authority (SDAIA) and the Ministry of Hajj and Umrah to digitally monitor the health of pilgrims. The Group stood out during the **stc** Formula 1 Saudi Grand Prix. We provided the largest 5G coverage for this global event. **stc** has also worked to enhance



the experience of Riyadh Season visitors and provide them with the best 5G network coverage in the Kingdom in terms of speed, data capacity and coverage scope.

In fintech, **stc pay** proceeded with its successful contribution to empowerment of the fintech sector. This successful campaign culminated with the Council of Ministers' resolution to approve **stc pay** transformation into a bank. The Group provides full support for the financial sector development program; one of the crucial programs to achieve the Kingdom's vision and keep pace with the global developments in this sector.

As part of our sustainability strategy, the Group has launched its second sustainability report to have a greater strategic role as an enabler of digital transformation. This would have a positive environmental impact and would support social development by aligning the company's business through adoption of the best responsible practices to raise standards in the ICT sector.

Our commitment to promoting local content has been highlighted, with contribution of the Group's "Rawafed" program hitting more than 18 billion Saudi riyals. With this contribution, the Group aimed to raise the proportion of local content, support localization of the industry and establish new industries in the Kingdom, attract suppliers to localize supply chains and operations, and develop

and improve local innovation plans through training and learning in order to make a qualitative shift in the Saudi economy and increase the gross domestic product.

As part of its efforts to support and develop the entrepreneurship ecosystem in the KSA, support innovation and improve the digital economy in the technological fields, **stc** has continued to support entrepreneurship, enable innovation, and support innovators. The investments made by entrepreneurs under InspireU program edged up to more than 500 million Saudi riyals. Since its inception in 2015, the program has supported 75 start-ups in various fields, with more than 40 million users utilizing InspireU's pilot projects which provided more than 600,000 participatory jobs in the local market. This underlines our commitment to contributing to promote the digital economy, creating jobs, and transforming entrepreneurs' ideas into real projects.

The year of 2021 was full of achievements and successes, as the Group won many different awards, including the Speedtest Award for the fastest and best mobile network coverage in the Kingdom. It also won the fastest mobile internet and mobile coverage in the Kingdom for the fifth year straight. All the awards won by the group underscore our commitment to offer the best services to our customers, raise the efficiency of services and provide an ideal customer experience.

In conclusion, I would like to thank you for your trust and support. I would like also to assure you that **stc** Group is moving ahead in a steady pace to enhance its local and regional leadership and global reputation and to play its pivotal role as a leading digital enabler for transformation in the Kingdom in accordance with the objectives of the KSA Vision 2030.

**Eng. Olayan Mohammed Al-Wetaid**  
stc Group CEO



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



Saudi Telecom Company (the “Company”) was established as a Saudi Joint Stock Company pursuant to Royal Decree No. M/35 dated 24 Dhul Hijja 1418H (corresponding to 21 April 1998) that 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% as at 31 December 2021 (2020:70%). During the year 2021, the PIF through a secondary offering sold 6% of the Company’s shares.

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

The Company conducts its operational business in the kingdom and it has various investments in associate companies, subsidiaries, and joint ventures, collectively known in financial statements as the “Group”. **The following are the details of the subsidiaries, associates, and joint venture:**

■ **Subsidiaries:**

| Name of Subsidiary                                                  | Country of incorporation | Shareholding Percentage |           |
|---------------------------------------------------------------------|--------------------------|-------------------------|-----------|
|                                                                     |                          | 31-Dec-21               | 31-Dec-20 |
| Arabian Internet and Communications Services Company (“Solutions”)  | Kingdom of Saudi Arabia  | 80%                     | 100%      |
| Telecom Commercial Investment Company Limited (“TCIC”)              | Kingdom of Saudi Arabia  | 100%                    | 100%      |
| Aqalat Limited Company (“Aqalat”)                                   | Kingdom of Saudi Arabia  | 100%                    | 100%      |
| Public Telecommunication Company (“Specialized by stc”)             | Kingdom of Saudi Arabia  | 100%                    | 100%      |
| Sapphire Company Limited (“Sapphire”)                               | Kingdom of Saudi Arabia  | -                       | 100%      |
| Saudi Telecom Channels Company (Channels by stc)                    | Kingdom of Saudi Arabia  | 100%                    | 100%      |
| Telecommunications Towers Company (“TAWAL”)                         | Kingdom of Saudi Arabia  | 100%                    | 100%      |
| stc Bank (previously “Saudi Digital Payments Company” or “stc pay”) | Kingdom of Saudi Arabia  | 85%                     | 100%      |
| Smart Zone Real Estate Company                                      | Kingdom of Saudi Arabia  | 100%                    | 100%      |
| Advanced Technology and Cybersecurity Company (“sirar by stc”)      | Kingdom of Saudi Arabia  | 100%                    | 100%      |
| Gulf Digital Media Model Company Ltd (“GDMM”)                       | Kingdom of Saudi Arabia  | 100%                    | 100%      |
| Innovation Fund Investment Company                                  | Kingdom of Saudi Arabia  | 100%                    | -         |
| stc Bahrain BSC (c) (“stc Bahrain”)                                 | Kingdom of Bahrain       | 100%                    | 100%      |
| Kuwait Telecommunications Company (“stc Kuwait”)                    | Kuwait                   | 51.8%                   | 51.8%     |
| stc Turkey Holdings Ltd (“stc Turkey”)                              | British Virgin Islands   | 100%                    | 100%      |
| stc Asia Telecom Holdings Ltd (“stc Asia”)                          | British Virgin Islands   | 100%                    | 100%      |
| stc Gulf Investment Holding (“stc Gulf”)                            | Kingdom of Bahrain       | 100%                    | 100%      |
| stc GCC Cables System W.L.L.                                        | Kingdom of Bahrain       | 100%                    | -         |

## ■ Associate Companies:

| Name of Associate Companies                            | Country of incorporation | Shareholding Percentage |           |
|--------------------------------------------------------|--------------------------|-------------------------|-----------|
|                                                        |                          | 31-Dec-21               | 31-Dec-20 |
| Arab Satellite Communications Organisation ("Arabsat") | Kingdom of Saudi Arabia  | 36.66%                  | 36.66%    |
| Virgin Mobile Saudi Consortium ("VMSC")                | Kingdom of Saudi Arabia  | 10%                     | 10%       |
| Oger Telecom Limited ("OTL")                           | United Arab Emirates     | 35%                     | 35%       |
| Virgin Mobile Kuwait                                   | Kuwait                   | 10%                     | -         |

## ■ Joint Ventures:

| Name of Joint Ventures                | Country of incorporation | Shareholding Percentage |           |
|---------------------------------------|--------------------------|-------------------------|-----------|
|                                       |                          | 31-Dec-21               | 31-Dec-20 |
| Arab Submarine Cables Company Limited | Kingdom of Saudi Arabia  | 50%                     | 50%       |
| Contact Center Company ("CCC")        | Kingdom of Saudi Arabia  | 49%                     | 49%       |
| Binariang GSM Sdn Bhd ("BGSM")        | Malaysia                 | 25%                     | 25%       |

The Company's Board of Directors is pleased to submit to the valued shareholders this annual report on the Group's performance, and its results for the fiscal year 2021, reflecting the continued development of the Group's performance in the various aspects of its activities. The report illustrates the Group's role in the promotion and development of the telecommunications sector in the Kingdom of Saudi Arabia so as to serve Saudi society, achieve national development plans, effectively contribute in strengthening the national economy, and achieve rewarding returns for its shareholders, in line with the objectives of Saudi Vision 2030.

## ■ Activities of the Group:

The main activities of the Company and its subsidiaries (collectively referred to as the "**Group**") 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.

## ■ Activities of the Group (continued):

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

Moreover, 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.



# Enriching people's lives digitally

Technology moves us further...

## 01

**stc** Performance and Main  
Activities during the fiscal  
year 2021





## A – Operational Performance

### 1 - Saudi Telecom Company (stc) Kingdom of Saudi Arabia

#### ■ Consumer:

B2C continued its strong performance in 2021 despite lingering COVID-19 disruptions, especially on expats and roaming services engagement. This achievement demonstrates that our strategy is delivering, driven by a continuous focus on customer base management, retention efforts, exceptional customer experience as well as a more targeted sales approach. B2C's performance throughout the year also attests to its ability to maintain market leadership and preserve its value positioning despite dynamic and changing COVID-19 restrictions. B2C preserved its over-performance in the market by closely monitoring market dynamics, and enabling an agile and data-driven decision-making framework across the organization. B2C also maintained its digital evolution through reimagining its customer journeys thus unifying our digital experience and maintaining our competitive edge in digital sales, fulfillment & communications. Worth mentioning that Mystc App were able to reach more than 9 million users acquisition.

Despite market challenges, B2C was able to preserve market leadership in the mobility market and increase its share of gross ads by (1) leveraging digital fulfillment capabilities, (2) capitalizing on 5G-network leadership and providing exceptional offerings, (3) enhancing data analytics and

base management capabilities, and (4) launching timely, aggressive promotions to counter competitive and market challenges. On postpaid, we managed to grow on both revenues and base. We also maintained solid prepaid market leadership through innovative offerings and targeted efforts to increase customers' attachment to bundles.

On residential, the market is experiencing a growth spurt; mainly due to (1) work-from-home and eLearning measures, (2) enactment of Open Access and maturing 5G Fixed Wireless Access offerings, and (3) aggressive push by all operators to uplift BB penetration. Competition is intensifying in the residential market as competitors' commercial and operational capabilities mature and regulatory pressure on stc intensifies due to its dominance designation. However, we leveraged our full suite of capabilities and reach to exceed expectations across the whole Kingdom. Overall, we have recorded impressive growth driven by (1) an aggressive sales push on Baity home broadband plans in FTTH-covered areas as well as the ever-growing 5G-covered areas, (2) targeted efforts on base management to increase attachment to higher-end, triple-play and longer commitment plans, and (3) systematic push on copper base cutover to FTTH and Fixed Wireless Access.



**stc play** achieved  
**500K** registrations to the  
platform in less than  
6 months

Beyond core telco services, B2C has achieved impressive results across a multitude of digital and growth areas covering devices, gaming, digital media, smart home services, financial services, eCommerce and logistics.

Our devices business delivered exceptional performance this year, fully leveraging our digital acquisition and last mile delivery efforts. We were also able to mitigate global supply chain disruptions through our exceptional relationships with top OEMs.

On gaming, we successfully launched stc play and surpassed all expectations on customer uptake. We achieved 500K registrations to the platform in less than 6 months with aggressive plans to double that in the next few months. B2C has been pushing the digital media offering through cross-bundling and promotions. Recently, we also revalidated our strategy to provide a superior platform experience by doubling down on content aggregation with a wider portfolio through new partnerships.



(continued)

On smart home and IoT, we recently went to market with packages that bundle broadband, smart home devices and a management platform to provide our customers with a complete smart home experience.

Moving forward, we have an ambitious plan to deliver optimal returns to our shareholders. We aim to sustain our growth on residential services while asserting our market leadership on mobility through

superior core offerings and an increasingly digital customer experience. We will also expand our focus on digital services to expand our product offerings & boost uptake across offerings, as well as improve data collection, analytics and monetization at an ecosystem level. This will be key in monetizing 5G and fiber investments, and unlocking the next wave of growth for the B2C ecosystem.

## ■ Business Unit:

During the year 2021, the business sector focused on expanding its partnerships to include many global and local partnerships, providing more new products and services, in addition to building and implementing many solutions to contribute to achieving the goals of **Vision 2030**. The business sector also focused during the year 2021 on strengthening internal communication between managers and employees to create The highest standards for a successful work environment.

## Our Partnerships

More than 20 global and local strategic partnerships for the business sector were signed during the year 2021, including stc's partnership with Cubic Telecom to accelerate the entry of car manufacturers into the Kingdom with connected software solutions inside the car. And the signing of a partnership agreement between stc, represented by the business sector, and RPMANetworks to enhance the security of smart homes in NEOM. In addition to signing a partnership between SDAIA, the Guests of

Allah Program, and stc to launch the Smart Bracelet for Pilgrims (NESK). A memorandum of understanding was also signed with orange Business Services, which represents a new stage in our partnership to support digital transformation.

## Our Sponsorships

The business sector was keen to sponsor many international and local events and participate in several exhibitions to show stc's capabilities in many sectors, including

education, health, and industry, the most important of which was stc's participation and sponsorship of the Artificial Intelligence Marathon, and stc was a partner and digital enabler for @Hack. stc is also proud of its participation in the Arab Health Exhibition in Dubai 2021. stc sponsors the KAUST Challenge and sponsors the virtual dialogue for technical cybersecurity.

## Our Products and Services

stc has been interested in launching many products and services during this year to build and implement many solutions that contribute to accelerating the digital transformation in the Kingdom, the most important of which are the SOC cyber security service, the launch of the truck monitoring service, the SD-Edge service, in addition to the DIA internet connection service. Customers have also been enabled to order business products directly through the company's website.

## Our initiatives

Several internal initiatives were launched to enhance communication and support the client and the various departments in the business sector, such as Business Breakfast to support government sales and inviting their clients in a breakfast session to strengthen the relationship with our clients. And the "An Hour with" is one of the sector leaders' initiatives, which is a series of dialogue sessions to enhance internal communication. The business sector was also keen to invite many of our partners to

visit multiple sites in stc, including receiving a delegation from Alibaba eWTP at the Digital Operations Control Center, the head of SDAIA visiting the Digital Operations Center and the CEO of Alibaba to visit the Docc building.

During the year 2021, the business sector conducted many workshops that promote digital transformation, the most important of which was a workshop with the Ministry of Health, in the presence of the Assistant Minister of Health, Dr. Muhammad Al-Abdali. In addition to holding a workshop from corporate sales to its clients about Managed Services.

## ■ stc Wholesale Unit:

**stc** has achieved qualitative achievements in the field of carrier and operator services by providing all the needs and international services to the business units within the company, including voice and data services, as well as to the company's customers of operators, providers and service providers locally, regionally and internationally. **These achievements were particularly evident in the following areas:**

### International presence

- The Wholesale services unit represented **stc** in many international conferences specialized in carriers, operators, data centers, international connectivity, cloud content, and others. By sponsoring events and ceremonies such as Data Center World (Platinum Sponsor), the Middle East Capacity Conference, the European Capacity Conference, and the ITW World Telecom Week.

### International Infrastructure

In terms of international infrastructure, **stc** has maintained its peculiarity and confirmed its international presence through the most advanced and modern network in the Middle East and North Africa region. This is due to the development, expansion and upgrading of terrestrial and submarine cables, taking advantage of the latest and most reliable technologies available. **In the year 2021, several achievements were accomplished, the most important of which are:**

- Adding a huge international capacity equivalent to 10.3 TB through multiple updates to IMEWE, SeaMeWe5, EIG, and

as a leading digital center in the Middle East and North Africa region.

- In cooperation with the Regulatory Affairs Sector, work to gain the support of the Ministry of Communications and Information Technology and the Communications and Information Technology Commission.

### Major Deals and Projects

- Marketing had a leading role in the success of the RFI for fixed-telephone/mobile network infrastructure in NEOM (JV proposal).
- As a joint venture with the business sector for the customized development of Alibaba:
  1. Custom agreement for data center value proposition.
  2. Providing connectivity services as part of the joint venture.
- Successful completion of a deal to host the first hyper-scale company with Google.

(continued)

- Raising JEDIX's position in the region in two steps by connecting customer bases.
- Winning the SABIC DF deal in coordination with the Business Sector Unit.
- Signing of two agreements for IoT-VNO solutions with Mobile Virtual Network Operators (Photonics and MT).
- Develop the regional e-SIM concept and close the first pricing model with the supplier to introduce their e-SIMs in the region.

### Local Market Transformations

- Signing a deal with Etihad Atheeb Telecom for 400 L2VPN links.
- Signing Zain contract for 16 DWDM IRU fiber links.
- Signing open access agreements for fiber optics connected to the building (FTTB) with Etihad Atheeb Telecom, Salam, Zain, Mobily, and Photonics.
- Create a carrier offer for Mobily (4 x 100 GB) at an irrevocable IRU price, and sign the IPLC services offer.

### Regulatory Aspects

- Reviewing, evaluating, and enhancing the updated RIO reference offer in coordination with internal stakeholders, Regulatory Affairs Sector, and the Communications and Information Technology Commission, taking into account the impact on the profitability and portfolio of **stc** services.

- Assessment of the AtPF regulation and its impact on the carriers, operators, and **stc** sector in terms of revenue, strategic impact, and proposed alternatives to mitigate risks associated with the regulation.

### Products and Services

- As part of the ongoing enhancement of the existing portfolio and changing market dynamics, 38% of existing services have been completed.
- Cost optimization, working with costing and other stakeholders to optimize the cost of OPEX (average up to 66%) for high-demand products to increase the profitability of the carriers and operators segment and provide a stronger competitive position for **stc** in the market.
- Enriching the existing carriers and operators' services portfolio by introducing 6 new products in key areas such as DCs, communication, and value-added services to enhance customer experience, generate income through **stc's** infrastructure, and raise the profile of the carriers and operators sector.

### Customer Experience

- The customer Experience Program was launched, with 12 initiatives completed.





## 2 - Local Subsidiaries

### Arabian Internet and Communications Services Company ("Solutions") - Kingdom of Saudi Arabia

Arabian Internet and Communications Services Company ("Solutions") was established in April 2002 and is engaged in providing internet services, operation of communications projects and transmission and processing of information in the Saudi market. Its head office is located in the Kingdom and it fulfills its operational activity in the Kingdom. In December 2007, the Group acquired 100% of the share capital of Arabian Internet and Communications Services Company Limited for SR100 million. During the year 2020, the share capital of Solutions was increased to SR1,200 million.

In September 2021, the Group completed the initial public offering "IPO" for 20% of its shareholding in its subsidiary – Solutions with total proceeds of SR 3,624 million before deducting total IPO costs of SR 63.7 million. As a result of this offering, the non-controlling interests increased by SR 428 million and equity attributable to the shareholders of the parent company (other reserves) increased by SR 3,132 million at the transaction date. In addition, at the completion of the IPO, 1% of the share capital of Solutions was allocated to be granted as part of its own employees' long-term incentive plan. (For more details, see note 45-2 in the annual financial statements).

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

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

### Aqalat Limited Company - Kingdom of Saudi Arabia

Aqalat was established in March 2013 with a capital of SR 70 million fully owned by the Company with the purpose of establishing, owning, investing, managing of real estate and contracting, and providing consulting services, and importing and exporting services to the benefit of the Company. Its head office is located in the Kingdom and it fulfills its operational activity in the Kingdom.



## 2 - Local Subsidiaries (continued)

### Public Telecommunications Company (Specialized by stc)

#### - Kingdom of Saudi Arabia

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

### Sapphire Company Limited (Sapphire)

#### - Kingdom of Saudi Arabia

Sapphire was established in June 2014 with a capital of SR 100 million fully owned by the Company to operate in the retail and wholesale trade of computer systems and devices, fixed and mobile telecommunication, internet equipment, advertising and publicity material, spare parts, electrical equipment, advance payment devices, point-of-sale devices, telecom operator services, establish telecom sales and service centers, Its head office is located in the Kingdom and it fulfills its operational activity in the Kingdom. In November 2017, the Group's Board of Directors decided to wind up Sapphire and

integrate its business with Saudi Telecom Company starting from 1 January 2018. During the year 2021, the Group has completed all legal and regulatory procedures of Sapphire liquidation.

### Saudi Telecom Channels Company (Channels by stc)

#### - Kingdom of Saudi Arabia

Saudi Telecom Channels Company ("Channels by stc") was established in the Kingdom in January 2008 and operates in the wholesale and retail trade of recharge card services, telecommunication equipment and devices, computer services, sale and re-sale of all fixed and mobile telecommunication services, and commercial centers' maintenance and operation. The Company operates in Saudi Market, its head office is located in the Kingdom, and it fulfills its operational activity in the Kingdom, Bahrain, and Oman through its subsidiaries who are working in the same field. Saudi Telecom Company acquired 60% of Channels SR 100 million share capital in December 2011. On January 2017, the Company acquired the remaining shares in Channels by stc by SR 400 million. Accordingly, Channels by stc became a wholly-owned subsidiary of Saudi Telecom Company.

## 2 - Local Subsidiaries (continued)

### Telecommunications Towers Co. (TAWAL) - Kingdom of Saudi Arabia

During the year 2018, the Company established Telecommunications Towers Company (TAWAL), a closed joint stock company (formerly a "limited liability company") with a share capital of SR 200 million. Its head office is located in the Kingdom and it fulfills its operational activity in the Kingdom. TAWAL is responsible for owning, constructing, operating, leasing and commercializing telecom towers in the Kingdom. During the year 2019, TAWAL obtained the necessary operating license from the Communications and Information Technology Commission (CITC) and the Group increased the capital of TAWAL by SR 2,300 million, for a total capital of SR 2,500 million.

### stc Bank (previously "Saudi Digital Payments Company" or "stc pay")

#### - Kingdom of Saudi Arabia

During the year 2017, Solutions established Saudi Digital Payments Company (stc pay) (currently "stc Bank") with a capital of SR 100 million and its main activity is to provide digital payments services.

During the year 2019, Saudi Digital Payments Company ownership was transferred from Solutions to the Company. During the same year, the Company increased the capital by SR 300 million, for a total capital of SR 400 million.

In January 2020, The Saudi Central Bank licensed Saudi Digital Payments Company as an electronic wallet company. Its head office is located in the Kingdom and it fulfills its operational activity in the Kingdom. During the year 2020, the Group signed an agreement with Western Union ("WU") to sell 15% of the Group's share in the Saudi Digital Payments Company for a total of SR 750 million (equivalent to USD 200 million).

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 a share capital of SR 2.5 billion. Accordingly, WU and the Group deposited an amount of SR 750 million and SR 802 million, respectively in a restricted account by the Saudi Central Bank until the final approval is obtained. Therefore, the cash and cash equivalents balance include an amount of SR 1,552 million, which represents cash balances restricted by the Saudi Central Bank (SAMA) until the regulatory requirements are completed to conclude the agreement with WU. The non-controlling interests increased by SR 251 million and shareholders' equity (other reserves) increased by SR 499 million at the transaction date.



## 2 - Local Subsidiaries (continued)

### Smart Zone Real Estate Company (Sapphire) - Kingdom of Saudi Arabia

During the year 2019, the Company established Smart Zone Real Estate Company – a limited liability company with a share capital of approximately SR 107 million and its main activity is the development, financing and management of real estate projects, the establishment of facilities, complexes, commercial, office and residential buildings. Its head office is located in the Kingdom and it fulfills its operational activity in the Kingdom.

### Advanced Technology and Cyber Security Company ("sirar by stc") - Kingdom of Saudi Arabia

During the year 2020, the Company established Advanced Technology and Cyber Security Company - a limited liability company with a cash capital of SR 120 million to provide cybersecurity services, and its head office is located in the Kingdom and it fulfills its operational activity in the Kingdom.

### Gulf Digital Media Model Company Ltd ("GDMM") - Kingdom of Saudi Arabia

Gulf Digital Media Model Company Ltd ("GDMM") is a limited liability company with a share capital of SR 811 million with the purpose of providing broadcasting and media production services. Its head office is located in the Kingdom and it fulfills its operational activity in the Kingdom.

During the year 2021, the ownership of GDMM has been transferred to stc through the restructuring of Intigral Holding Company.

### The Innovation Fund Investment Company - Kingdom of Saudi Arabia

During the year 2021, the Group has established the Innovation Fund Investment Company - a limited liability company with a total capital of SR 56.2 million wholly owned by the Group, and its main activity includes administrative services and IT and telecommunication support. Its head office is located in the Kingdom and it fulfills its operational activity in the Kingdom.

## 3 - International Subsidiaries

### stc Bahrain - Kingdom of Bahrain

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

### Kuwait Telecommunication Company (stc Kuwait) - Kuwait

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

During the year 2015, the Company has submitted a voluntary offer to acquire the issued shares of stc Kuwait not already

owned by the Company, which represented 74% of stc Kuwait issued shares. The offer presented by the Company to stc Kuwait's shareholders amounted to KD 1 per share (which is equivalent to approximately SR 12.37 at the exchange rate as at that date). The offer ended on 31 January 2016 and the number of shares accepted under the offer amounted to 128,860,518 shares which represents 25.8% of total issued shares of stc Kuwait. Saudi Telecom Company now owns 51.8% of the total issued shares of stc Kuwait. (For more details, see note 25 in the annual financial statements).

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

### stc Turkey Holdings Limited (stc Turkey)

stc Turkey is a limited liability company which was established under the Commercial Companies Law in the British Virgin Islands on 8 April 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") USD 3.6 billion share capital, which is equivalent to approximately SR 13.5 billion, at the exchange rate as at that date, and its head office is located in Dubai, Arab Emirates Ltd. During 2016, and due to the continuing losses and the depletion of the Group's

### 3 - International Subsidiaries (continued)

entire investment balance in OTL, the Group has stopped recognizing its share in OTL additional losses (For more details, see note 7-1 in the annual financial statements)

#### stc Asia Holdings Ltd (stc Asia)

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

stc Malaysia Holding Ltd in turn holds the Group's 25% stake in Binariang GSM Sdn Bhd ("BGSM") and its head office is located in Malaysia. (For more details, see note 7-2 in the annual financial statements). The principal activity of both stc Asia and its subsidiary is to provide services and support required in respect of investment activities of the Group.

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

stc Gulf was incorporated on 12 March 2008 and has wholly-owned subsidiaries in the Kingdom of Bahrain, as listed below. The primary objective of this company and its following subsidiaries is to provide services and support required in respect of investment activities of the Group:

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

stc Gulf Investment Holding 3 W.L.L. and stc Gulf Investment Holding 2 W.L.L. hold 100% (2020: 100%) in Intigral Holding BSC (C) ("Intigral Holding"). Intigral Holding was established on June 2009 with a share capital amounting to BD 28 million which is equivalent to approximately SR 281 million at the exchange rate as at that date. Intigral Holding is a holding company which owns shares in companies operating in the field of content services and digital media in Gulf countries. During 2018, the Group increased its capital to reach BD 101 million which is equivalent to approximately SR 1,008 million at the exchange rate as at 31 December 2018. During the year 2021, the Group restructured the capital of Intigral to reach BD 20 million (which is equivalent approximately to SR 199.6 million) through transfer of ownership of Gulf Digital Media Model Company to the stc.

#### stc GCC Cable Systems W.L.L. - Kingdom of Bahrain

During the year 2021, the Group established stc GCC Cable Systems W.L.L. - a limited liability company with a capital of BD 18.9 million (which is equivalent approximately to SR 188.6 million) 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. stc Gulf Cable Systems Company main activities include the sale and installation of telecommunications equipment and the construction of utilities projects, Its head office is located in the Kingdom of Bahrain.

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

### 4 - Investments

#### a- Investments registered under the Equity Method

##### ■ Investments in Joint Ventures:

#### Arab Submarine Cables Company Limited - Kingdom of Saudi Arabia

Arab Submarine Cables Company Limited was established on September 2002 for the purpose of constructing, leasing, managing and operating a submarine cable connecting the Kingdom and the Republic of Sudan for the telecommunications between them and any other country.

The operations of the Company started in June 2003 and Saudi Telecom Company acquired 50% of its SR 75 million share capital in September 2002. In November 2016, the company's capital was reduced to SR 25 million. Its head office is located in the Kingdom and it fulfills its operational activity in the Kingdom.

#### Contact Center Company (CCC) - Kingdom of Saudi Arabia

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

#### Binariang GSM Holding (BGSM) - Malaysia

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

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, which is 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 - Investments (continued)

## ■ Investments in Associate Companies:

## Arab Satellite Communications Organization (Arabsat)

## - Kingdom of Saudi Arabia

Arab Satellite Communications Organisation ("Arabsat") was established on April 1976 by the members of the League of Arab States, and its head office is located in the Kingdom. Arabsat offers a number of services to these member states, as well as to all public and private sectors within its coverage area, and principally in the Middle East. Current services offered include: Regional telephony (voice, data, fax and telex), television broadcasting, regional radio broadcasting, restoration services and leasing of capacity. In April 1999, Saudi Telecom Company acquired 36.66% of Arabsat's USD 500 million share capital (which is equivalent to SR 1,875 million at the exchange rate as of that date).

## Virgin Mobile Saudi Consortium (VMSC) - Kingdom of Saudi Arabia

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

Oger Telecom Limited  
- United Arab Emirates

Oger Telecom Limited ("OTL") is a holding company registered in Dubai, the United Arab Emirates. In April 2008, Saudi Telecom Company through one of its subsidiaries (stc Turkey Holding Ltd) acquired 35% of OTL's share capital amounting to approximately USD 3.6 billion, which is equivalent to approximately SR 13.5 billion at the exchange rate as at that date. As at 31 December 2021, OTL has reached the final stages of liquidation with most of its assets and liabilities disposed of. As a result, the Group has reclassified to the consolidated statement of profit or loss an amount of SR 152 million in relation to its share in other reserves that may be reclassified to profit or loss (Note 7-1-3 in the annual financial statements). Furthermore, an amount of SR 849 million relating to other reserves that may not be reclassified to consolidated statement of profit or loss has been reclassified directly to retained earnings.

## Virgin Mobile Kuwait ("VMK") - Kuwait

Virgin Mobile Kuwait ("VMK") was established in 2021 as a mobile virtual network operator. Its head office is located in Kuwait and it fulfills its operational activity in Kuwait. During the year 2021, stc Kuwait acquired a 10% equity shareholding in VMK. The Group's ability to exercise significant influence is evidenced by VMK's reliance on the stc Kuwait's technical network.

## 4 - Investments (continued)

## b-Other Investments

## stc Venture Fund

stc Ventures Fund which is a fund investing in emerging, small and medium-sized companies operating in the field of Communications and Information Technology in the Kingdom and other global markets. Investment units were valued at SR 77 million as at 31 December 2021 (2020: SR 186 million).

## STV LP Fund

STV LP Fund which is a fund investing internationally in high-growth pioneer private technology companies with total value of SR 1,875 million (which is equivalent to USD 500 million) financed in five equal instalments of SR 375 million (which is equivalent to USD 100 million) each. Up until 31 December 2021, the Company has contributed SR 1,500 million (which is equivalent to USD 400 million) in relation to the first four instalments. Investment units were valued at SR 2,058 million as at 31 December 2021 (2020: SR 934 million).

## Investments in the Sukuk Issued by the Ministry of Finance

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

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

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

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 SR 1,383 million) for a period of 50 years (callable after 10 years) with an annual profit margin of 10.75% up to 28 December 2017 and then a profit margin of 9.25% for subsequent periods. These sukuk are not past due or low in value with a book value of SR 1,360 million as of 31 December 2021 (2020: SR 1,408 million).

## B- Financial Performance of the Group



Revenue for the year 2021 amounted to

**SR 63,417**  
million

compared to SR 58,953 million for 2020, with an increase of

**7.57%**

Operating profit for the year 2021 amounted to

**SR 13,128**  
million

compared to SR 12,731 million for 2020, with an increase of

**3.12%**

Net profits for the year 2021 amounted to

**SR 11,311**  
million

compared to SR 10,995 million for the year 2020, with an increase of

**2.87%**

Earnings per share for 2021 amounted to SR 5.66 compared to SR 5.50 for 2020

Total assets amounted to

**SR 127,779**  
million

at the end of 2021 compared to SR 121,972 million at the end of 2020, with an increase of

**4.76%**

Earnings before Interest, Taxes, Depreciation, and Amortization (EBITDA) for 2021 amounted to

**SR 22,841**  
million

compared to SR 22,090 million for 2020, with an increase of

**3.40%**

Commitments amounted to

**SR 56,393**  
million

at the end of 2021 compared to SR 56,705 million at the end of 2020, with a decrease of

**(0.55%)**

The Group's shareholders' equity amounted to

**SR 69,271**  
million

at the end of 2021, compared to SR 63,946 million at the end of 2020, with an increase of

**8.33%**



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

- The Group's main activity is the provision of telecommunication services and related goods. The majority of the Group's revenues, assets, and income related to its operations in the Kingdom (stc and channels by stc). The Group operates outside the Kingdom through its subsidiaries, associate companies, and joint ventures in multiple countries.
- Revenue is allocated to the operating sector based on the entity that submitted the revenue report. Intersectoral sales are calculated at normal business transaction rates.
- The sectors that were independently disclosed exceeded 75% of the total revenues. Therefore, the rest of the operating sectors were grouped under "other operating sectors".

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

| Item (Thousands of Riyals)                                               | 2021         | 2020         |
|--------------------------------------------------------------------------|--------------|--------------|
| <b>Revenues <sup>(1)</sup></b>                                           |              |              |
| stc                                                                      | 45,445,839   | 42,898,826   |
| channels by stc                                                          | 20,629,472   | 17,527,801   |
| Other operating sectors <sup>(2)</sup>                                   | 17,762,813   | 15,733,883   |
| Exclusions/Adjustments                                                   | (20,421,147) | (17,207,192) |
| Total revenues                                                           | 63,416,977   | 58,953,318   |
| Cost of operations (excluding depreciation and amortization)             | (40,576,377) | (36,863,318) |
| Depreciation and amortization                                            | (9,712,845)  | (9,358,875)  |
| Cost of early retirement program                                         | (313,258)    | (600,000)    |
| Financing income                                                         | 377,911      | 413,873      |
| Financing costs                                                          | (618,956)    | (623,925)    |
| Net other income (expenses)                                              | 49,996       | (42,995)     |
| Net Share in the results of investments in associates and joint ventures | (778,028)    | 52,953       |
| Net Other (losses) gains                                                 | 789,643      | 424,612      |
| Zakat and income tax                                                     | (1,040,366)  | (1,170,446)  |
| Net profit                                                               | 11,594,697   | 11,185,197   |
| Net profit attributable to Equity holders of the parent Company          | 11,311,342   | 10,994,875   |
| Non-controlling interests                                                | 283,355      | 190,322      |
| Total revenue                                                            | 11,594.697   | 11.185.197   |

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

| Item (Thousands of Riyals)             | 2021        | 2020       |
|----------------------------------------|-------------|------------|
| stc                                    | 26,664,945  | 26,736,799 |
| channels by stc                        | 1,587,953   | 1,384,058  |
| Other operating sectors <sup>(2)</sup> | 7,271,449   | 6,401,124  |
| Exclusions/Adjustments                 | (1,730,318) | (567,586)  |
| Total profit                           | 33,794,029  | 33,954,395 |

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

| Item (Thousands of Riyals)             | 2021         | 2020         |
|----------------------------------------|--------------|--------------|
| <b>Assets</b>                          |              |              |
| stc                                    | 133,034,376  | 129,915,566  |
| channels by stc                        | 8,146,496    | 5,527,646    |
| Other operating sectors <sup>(2)</sup> | 41,835,141   | 37,788,535   |
| Eliminations /Adjustments              | (55,236,596) | (51,259,647) |
| Total assets                           | 127,779,417  | 121,972,100  |
| <b>Liabilities</b>                     |              |              |
| stc                                    | 51,024,262   | 52,654,060   |
| channels by stc                        | 6,603,833    | 3,943,509    |
| Other operating sectors <sup>(2)</sup> | 25,311,757   | 24,302,252   |
| Eliminations /Adjustments              | (26,546,414) | (24,194,736) |
| Total liabilities                      | 56,393,438   | 56,705,085   |

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

| Item (Thousands of Riyals)             | 2021             | 2020       |
|----------------------------------------|------------------|------------|
| <b>Additions to non-current assets</b> |                  |            |
| <b>stc</b>                             | <b>6,524,157</b> | 10,104,014 |
| <b>stc channels</b>                    | <b>128,715</b>   | 185,082    |
| Other operating sectors <sup>(2)</sup> | <b>2,182,984</b> | 1,646,304  |
| <b>Total</b>                           | <b>8,835,856</b> | 11,935,400 |

1. Segment revenue reported above represents revenue generated from external and internal customers. There were SR 20,421 million for the year ended 31 December 2021 (2020: SR 17,207 million,) inter-segment sales and adjustments (between the Group's Companies) which were eliminated at consolidation.
2. Other operating segments include: Arabian Internet and Communications Services Company "Solutions", Telecommunications Towers Company "TAWAL", stc Bank (previously "Saudi Digital Payments Company or stc pay"), Kuwait Telecom Company "stc Kuwait", stc Bahrain, Public Telecommunications Company "specialized by stc", Advanced Technology and Cybersecurity Company "sirar by stc", Aqalat, Gulf Digital Media Model Company, stc Gulf Investment Holding, stc GCC Cable Systems W.L.L. and Innovation Fund Investment Company. (For more details, see note 6 in the annual financial statements).

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

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

| Statement<br>(Thousands of Riyals)                                                                     | 2017<br>Consolidated<br>Revised | 2018<br>Consolidated<br>Revised | 2019<br>Consolidated<br>Revised | 2020*<br>Consolidated<br>Revised | 2021<br>Consolidated |
|--------------------------------------------------------------------------------------------------------|---------------------------------|---------------------------------|---------------------------------|----------------------------------|----------------------|
| <b>Income statement</b>                                                                                |                                 |                                 |                                 |                                  |                      |
| Revenues activity                                                                                      | 50,661,335                      | 51,963,243                      | 54,367,531                      | 58,953,318                       | <b>63,416,977</b>    |
| Costs of revenues activity                                                                             | (22,105,926)                    | (21,490,161)                    | (21,976,306)                    | (24,998,923)                     | <b>(29,622,948)</b>  |
| Total profit of the activity                                                                           | 28,555,409                      | 30,473,082                      | 32,391,225                      | 33,954,395                       | <b>33,794,029</b>    |
| Operating expenses                                                                                     | (17,569,398)                    | (18,227,857)                    | (19,910,832)                    | (21,223,270)                     | <b>(20,666,274)</b>  |
| Profit from operating activity                                                                         | 10,986,011                      | 12,245,225                      | 12,480,393                      | 12,731,125                       | <b>13,127,755</b>    |
| Other revenues and expenses - net                                                                      | 3,362                           | (417,060)                       | (793,418)                       | (375,482)                        | <b>(492,692)</b>     |
| Zakat, taxes, and non-controlling interests                                                            | (973,797)                       | (1,048,394)                     | (1,022,309)                     | (1,360,768)                      | <b>(1,323,721)</b>   |
| Net profit attributable to the Company's shareholders                                                  | 10,015,576                      | 10,779,771                      | 10,664,666                      | 10,994,875                       | <b>11,311,342</b>    |
| <b>Other comprehensive income</b>                                                                      |                                 |                                 |                                 |                                  |                      |
| Net profit including non-controlling interests                                                         | 10,268,673                      | 11,080,498                      | 10,924,831                      | 11,185,197                       | <b>11,594,697</b>    |
| Total items that will not be reclassified subsequently to the consolidated statement of profit or loss | (26,804)                        | 126,957                         | (710,054)                       | (562,514)                        | <b>317,616</b>       |
| Total items that will be reclassified subsequently to the consolidated statement of profit or loss     | (23,728)                        | (257,320)                       | 212,050                         | 31,430                           | <b>99,789</b>        |
| Total (comprehensive loss) / other comprehensive income                                                | (50,532)                        | (130,363)                       | (498,004)                       | (531,084)                        | <b>417,405</b>       |
| Total comprehensive income                                                                             | 10,218,141                      | 10,950,135                      | 10,426,827                      | 10,654,113                       | <b>12,012,102</b>    |
| Total comprehensive income attributable to the Company's shareholders                                  | 9,958,319                       | 10,651,283                      | 10,163,477                      | 10,478,455                       | <b>11,717,489</b>    |
| Total comprehensive income attributable to noncontrolling interests                                    | 259,822                         | 298,852                         | 263,350                         | 175,658                          | <b>294,613</b>       |



(continued)

| Statement of Financial Position:                       |             |             |             |              |              |
|--------------------------------------------------------|-------------|-------------|-------------|--------------|--------------|
| Current assets (A)                                     | 44,435,991  | 46,029,525  | 44,841,492  | 45,858,916   | 51,468,074   |
| Current liabilities (B)                                | 33,638,873  | 29,457,055  | 32,606,772  | 32,891,183   | 33,560,552   |
| Working capital (A-B)                                  | 10,797,118  | 16,572,470  | 12,234,720  | 12,967,733   | 17,907,522   |
| Current assets                                         | 44,435,991  | 46,029,525  | 44,841,492  | 45,858,916   | 51,468,074   |
| Fixed and intangible assets                            | 47,115,191  | 51,480,528  | 54,992,030  | 58,314,031   | 57,939,836   |
| Other non-current assets                               | 16,930,891  | 11,860,541  | 18,492,734  | 17,799,153   | 18,371,507   |
| Total assets                                           | 108,482,073 | 109,370,594 | 118,326,256 | 121,972,100  | 127,779,417  |
| Current liabilities                                    | 33,638,873  | 29,457,055  | 32,606,772  | 32,891,183   | 33,560,552   |
| Long term loans                                        | 4,005,980   | 3,965,479   | 8,923,476   | 8,637,605    | 7,846,606    |
| Other non-current liabilities                          | 7,035,639   | 9,286,462   | 13,740,962  | 15,176,297   | 14,986,280   |
| Total liabilities                                      | 44,680,492  | 42,708,996  | 55,271,210  | 56,705,085   | 56,393,438   |
| Paid Capital                                           | 20,000,000  | 20,000,000  | 20,000,000  | 20,000,000   | 20,000,000   |
| Reserves, retained earnings and exchange differences   | 42,862,401  | 45,513,684  | 41,762,594  | 43,945,782   | 49,270,505   |
| Equity attributable to shareholders of the Company     | 62,862,401  | 65,513,684  | 61,762,594  | 63,945,782   | 69,270,505   |
| Non-controlling interests                              | 939,180     | 1,147,914   | 1,292,452   | 1,321,233    | 2,115,474    |
| Total equity                                           | 63,801,581  | 66,661,598  | 63,055,046  | 65,267,015   | 71,385,979   |
| Total liabilities and equity                           | 108,482,073 | 109,370,594 | 118,326,256 | 121,972,100  | 127,779,417  |
| Cash flow statement:                                   |             |             |             |              |              |
| Net operating cash flow                                | 15,916,051  | 19,132,416  | 9,920,626   | 28,324,705   | 11,220,155   |
| Net investment cash flow                               | (7,005,637) | (5,027,028) | (1,977,126) | (17,429,177) | (1,714,583)  |
| Net financing cash flow                                | (9,980,182) | (8,516,962) | (8,067,645) | (9,919,218)  | (10,235,177) |
| Net cash flow                                          | (1,069,768) | 5,588,426   | (124,145)   | 976,310      | (729,605)    |
| Cash and cash equivalents at the beginning of the year | 3,631,202   | 2,567,044   | 8,153,865   | 8,031,010    | 9,004,286    |
| Impact of foreign currency exchange differences        | 5,610       | (1,605)     | 1,290       | (3,034)      | 6,620        |
| Cash and cash equivalents at the end of the year       | 2,567,044   | 8,153,865   | 8,031,010   | 9,004,286    | 8,281,301    |

\*Certain comparative figures for the year ended 31 December 2020, were reclassified to conform with the classification used in the financial statements for the year ended 31 December 2021.

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

During the year 2021, the Group achieved total revenues of SR 63,416,977 thousand. Foreign investments at the Group's level accounted for 8% of this total. The following table shows their geographical distribution:

achieved total revenues of  
**SR 63,416,977**  
 thousand

| Revenues of the Kingdom of Saudi Arabia - Local (Thousands of Riyals)                                                                                             | Other revenues Non-local (Thousands of Riyals) | Total      |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------|------------|
| solutions, TCIC, channels by stc, Specialized by stc, Aqalat, stc Bank, TAWAL, Smart Zone Real Estate Co., sirar by stc, GDMM, and Innovation Fund Investment Co. | stc Bahrain and stc Kuwait                     |            |
| 58,392,134                                                                                                                                                        | 5,024,843                                      | 63,416,977 |

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

## Highlights of the Group's operating results in 2021 compared to 2020:

| Statement<br>(Thousands of Riyals)                    | 2021<br>Consolidated | 2020<br>Consolidated | Difference  | %        |
|-------------------------------------------------------|----------------------|----------------------|-------------|----------|
| <b>Income statement:</b>                              |                      |                      |             |          |
| Revenues                                              | 63,416,977           | 58,953,318           | 4,463,659   | 7.57%    |
| Cost of revenues                                      | (29,622,948)         | (24,998,923)         | (4,624,025) | 18.50%   |
| Total profit                                          | 33,794,029           | 33,954,395           | (160,366)   | (0.47%)  |
| Total operating expenses                              | (20,666,274)         | (21,223,270)         | 556,996     | (2.62%)  |
| Operating Profit                                      | 13,127,755           | 12,731,125           | 396,630     | 3.12%    |
| Other income and expenses                             | (492,692)            | (375,482)            | (117,210)   | 31.22%   |
| Zakat and income tax                                  | (1,040,366)          | (1,170,446)          | 130,080     | (11.11%) |
| Net Income                                            | 11,594,697           | 11,185,197           | 409,500     | 3.66%    |
| Net income attributable to the Company's shareholders | 11,311,342           | 10,994,875           | 316,467     | 2.88%    |
| Net income attributable to non-controlling interests  | 283,355              | 190,322              | 93,033      | 48.88%   |

## The increase in the net profit of the year 2021 by SR 316 million compared to the previous year is mainly due to the following reasons:

- The increase in revenues by SR 4,464 million, which was offset by an increase in cost of revenues by SR 4,624 million.
- The decrease in operating expenses by SR 557 million due to the decreases in selling and marketing expenses by SR 590 million and general and administration expenses by SR 321 million which was offset by an increase in depreciation and amortization by SR 354 million.
- Zakat and income tax decreased by SR 130 million.
- SR (493 million) was booked as other income and (expenses) in 2021, as compared to SR (375 million) for last year, mainly as a result of:
  1. The booking of net share in results and impairment of investments in associates and joint ventures in an amount of SR (778 million) as compared to SR 53 million.
  2. The decrease in finance income in an amount of SR 36 million.

(continued)

## This is in despite of:

1. The booking of net other gains in an amount of SR 790 million as compared to SR 425 million, mainly due to the revaluation of STV LP Fund investment units.
2. The booking of net other income (expenses) in an amount of SR 50 million as compared to SR (43 million).
3. The decrease in cost of early retirement by SR 287 million.
4. The decrease in finance cost by SR 5 million.

## The Group's loans are as follows:

| Statement (Millions of Riyals) | 2021 Consolidated | 2020 Consolidated |
|--------------------------------|-------------------|-------------------|
| Short term Murabaha            | 1,457             | 318               |
| Long term Murabaha             | 1,174             | 1,966             |
| Total Murabaha                 | 2,631             | 2,284             |
| Sukuk                          | 6,673             | 6,672             |
| Tawarruq                       | -                 | -                 |
| <b>Total</b>                   | <b>9,304</b>      | <b>8,956</b>      |

## Sukuk details are as follows:

The company issued a sukuk program with a maximum of SR 5,000 million. The first tranche of SR 2,000 million was issued on June 2014 for a period of ten years under the established program. At the General Assembly meeting on 19 Shaaban of 1440 H (corresponding to April 24, 2019), the Company approved the establishment of an international sukuk program either directly or through special purpose vehicle (SPV) which to be established and used to issue primary or secondary sukuk in one or several parts or one or several stages, or through a series of issues in US dollars, not exceeding the total amount of USD 5,000 million for the total value of the sukuk issues and parts of sukuk program referred to above at any time. Accordingly, the Saudi Telecom Sukuk Company Limited during the second quarter of 2019 (a company established for the purpose of issuing sukuk under the sukuk program referred to above in US dollar) issued first tranche of the sukuk program amounting to USD 1,250 million (which is equivalent to SR 4,688 million), carrying annual profit rate of 3.89% with a maturity profile of 10 years. This international USD program is 144A/Reg-S compliant. Below is the information as of December 31, 2021:

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



## ■ Borrowing:

Total loans paid during the year ended 31 December 2021 amounted to SR 731 million (2020: SR 402 million). Total loans received during the year ended 31 December 2021 amounted to SR 1,124 million (2020: SR 21 million). A list of the loans are as follows:

| All amounts in SR Million  |                                  |                    |                   |                             |          |                    |             | Paid during the year |      | Outstanding Balance |      |                     |       |
|----------------------------|----------------------------------|--------------------|-------------------|-----------------------------|----------|--------------------|-------------|----------------------|------|---------------------|------|---------------------|-------|
| Company                    | Granting Authority               | Type of Financing  | Term of Financing | Date of Obtaining Financing | Currency | Value of Financing | Amount Used | 2021                 | 2020 | Current portion     |      | Non-Current portion |       |
|                            |                                  |                    |                   |                             |          |                    |             | 2021                 | 2020 | 2021                | 2020 | 2021                | 2020  |
| stc - Kingdom Saudi Arabia | Debt Instruments Market          | Sukuk              | 10 years          | June 2014                   | SAR      | 2,000              | 2,000       | 0                    | 0    | 0                   | 0    | 2,000               | 2,000 |
|                            | Debt Instruments Market          | Sukuk              | 10 years          | May 2019                    | USD      | 4,673              | 4,673       | 0                    | 0    | 0                   | 0    | 4,673               | 4,672 |
|                            | Loan                             | ECA                | 8.5 years         | Mar 2021                    | USD      | 584                | 426         | 34                   | 0    | 61                  | 0    | 332                 | 0     |
| Total                      |                                  |                    |                   |                             |          | 7,257              | 7,099       | 34                   | 0    | 61                  | 0    | 7,005               | 6,672 |
| Subsidiaries               | Local & International Banks      | Murabaha & Tawaruq | 1 year - 10 years | since 2011                  | Mixed    | 3,735              | 3,370       | 697                  | 402  | 1,396               | 318  | 842                 | 1,966 |
|                            | Total Group's Murabahas or Loans |                    |                   |                             |          | 10,992             | 10,469      | 731                  | 402  | 1,457               | 318  | 7,847               | 8,638 |

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

| Statement                                                                    | SR Million | Description                                                                                                                                                                 | Reason                 |
|------------------------------------------------------------------------------|------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------|
| Government Fees                                                              | 1,062      | The amounts paid or carried forward to the period for licensing granted to the Company for the provision of commercial services and spectrum usage fees.                    | Regulatory requirement |
| Dividends                                                                    | 7,617      | The amounts paid or carried forward as dividends to governmental and semi-governmental authorities (Public Investment Fund, and General Organization for Social Insurance). | Regulatory requirement |
| Social insurance                                                             | 605        | The amounts paid or carried forward to the period pursuant to the provisions of the Kingdom's Labor Law.                                                                    | Regulatory requirement |
| Zakat, withholding tax, and others                                           | 1,085      | The amounts paid or carried forward to the period pursuant to the zakat provisions and rules, income tax law, and fees payment laws applicable in the Kingdom.              | Regulatory requirement |
| Total amounts due and paid to governmental and semi-governmental authorities | 10,369     | This represents the due regulatory amounts or the paid to the Government.                                                                                                   |                        |

## ■ Sanctions and Reserve Restrictions

GAC and CITC violation committee, as well as others, have issued a number of decisions against stc, and based on the responsibility of stc to defend the rights of the shareholders and the mandate granted to the company under Telecommunication act, stc has grieved these decisions by filing lawsuits before courts. There are various reasons for these decisions, some of them related to prepaid SIMs issuance, national calls transit services through other operator's services, not activating Mobile Number Portability (MNP), providing offers not authorized by CITC, using unlicensed frequencies, and decisions that related to customer's complaints Which CITC find stc's directives implementation and information providing processes to be overdue. This is in addition

to decisions of imposing equivalent fees for studying customer's complaints, whereas, the cases filed by the company against these decisions reached (2,542) cases by the end of fiscal year 2021, with total amount of SR (1,050,873,500) detailed as follows:

- Cases ended with final judgments in favor the company by the end of fiscal year 2021, the total (2,061) with total amount of SR (368,222,500).
- Cases ended with final judgments against the company by the end of fiscal year 2021, the total (354) with total amount of SR (601,159,000).
- Active cases handling in the grievance board by the end fiscal year 2021, (127) cases, with total value of SR (81,492,000).

## Enterprise Risk Management

The telecom sector is witnessing many challenges in terms of growth due to the structural decline in the demand for voice services with the expansion and spread of data services. The digital market is characterized by dynamism and rapid development, a development that the pandemic has accelerated in many ways. But one of the drivers of this dynamic is the continuing and accelerating effects of new revolutionary technologies on entire business systems, threatening existing and potential revenue streams.

### ■ Risk Management Governance:

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

### ■ Identifying our risks:

All Group entities identify and assess risks that could affect the strategy and operations. A consolidated list of these risks is then presented to a selection of Group senior leaders and executives, alongside the outputs from an external environment scan and related benchmarks. Applying a Group-wide perspective, these executives evaluate and determine our top

risks and which emerging threats warrant further exploration. The proposed top risks, emerging risks, and risk watchlist are defined and agreed by our Risk Management Committee before being submitted to the Board Risk Committee and the Board for the final challenge and approval.

### ■ Managing our risks:

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

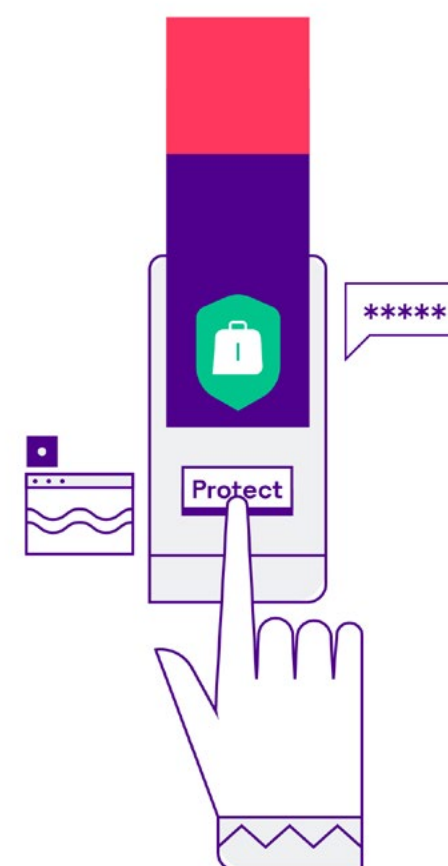
### ■ Business continuity:

The company's business continuity, data centers, mobile communications network, and other network infrastructure and facilities, and the safety of its employees and customers are among the most important priorities of the company. It has an immediate and appropriate response to disaster and emergency incidences. The company carries out Business Continuity Plans (BCP) tests for critical operations systematically

and periodically according to the business impact analysis (BIA) of all critical systems in order to ensure the effectiveness of the plans developed. The Group has recently obtained the international standard for business continuity management (ISO 22301:2019); this comes as a testament to the diligent approach taken by the Group to implement protocols and guidelines to maintain all business-related operations.

### ■ Covid:

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



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

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



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

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

## Financial Risks:

### ■ Credit Risk Management

The Group has approved guidelines and policies that allows it to only deal with creditworthy counterparties and limits counterparty exposure. The guidelines and policies allow the Group to invest only with those counterparties that have high investment grade credit ratings issued by international credit rating agencies and limits the exposure to a single counterparty by stipulation that the exposure should not exceed 30% of the counterparty's shareholders' equity. Further, the Group's credit risk is monitored on a quarterly basis. Other than the concentration of credit risk disclosed in Note 17 in the annual financial statements, concentration of credit risk with respect to trade receivables are limited given that the Group's customer consists of a large number of unrelated customers. Payment terms and credit limits are set in accordance with industry norms.

On-going evaluation is performed on the financial condition of trade 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 17 in the annual financial statements).

In addition, the Group is exposed to credit risk in relation to financial guarantees given to some subsidiaries with regard to financing arrangements. The Group's maximum exposure in this respect is the maximum amount the Group may have to pay if the guarantee is called on. There is no indication 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 44 in the annual financial statements).

### ■ Foreign Currency Risk Management

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

### ■ Liquidity Risk Management

The Group has established a comprehensive liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity requirements under the guidelines approved. The Group ensures its liquidity by maintaining cash reserves, short-term investments and committed undrawn credit facilities with high credit rated local and international banks. The Group determines its liquidity requirements by continuously monitoring short and long term cash forecasts in comparison to actual cash flows.

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

The following table detail the Group's remaining contractual maturity for financial liabilities with agreed repayment periods. The table have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

| 31 December, 2021<br>(Thousands of Riyals) | Undiscounted cash flows |                |                   |               |
|--------------------------------------------|-------------------------|----------------|-------------------|---------------|
|                                            | Carrying amount         | 1 year or less | Above 1 - 5 years | above years 5 |
| Trade and other payables (Note 32)         | 17,114,298              | 17,114,298     | -                 | -             |
| Borrowings (Note 26)                       | 9,303,290               | 1,688,367      | 3,876,231         | 5,288,416     |
| Lease liabilities (Note 28)                | 3,223,167               | 984,130        | 1,847,417         | 769,576       |
| Dividends payables (Note 31-1)             | 2,193,995               | 2,193,995      | -                 | -             |
| Other financial liabilities (Note 31-1)    | 4,470,715               | 2,692,254      | 1,207,232         | 1,269,814     |
| <b>31 December, 2020 (SR Thousand)</b>     |                         |                |                   |               |
| Trade and other payables (Note 32)         | 19,711,207              | 19,711,207     | -                 | -             |
| Borrowings (Note 26)                       | 8,956,090               | 318,485        | 3,985,545         | 5,508,341     |
| Lease liabilities (Note 28)                | 2,980,038               | 742,185        | 2,313,448         | 940,218       |
| Dividends payables (Note 31-1)             | 2,151,116               | 2,151,116      | -                 | -             |
| Other financial liabilities (Note 31-1)    | 4,009,919               | 1,729,028      | 1,839,001         | 1,269,814     |

\*The above notes are for the annual financial statements

The Group has unused financing facilities amounting to SR 5,629 million as at 31 December 2021 (2020: SR 6,263 million). The Group expects to meet its obligations from operating cash flows, cash and cash equivalents and proceeds of maturing financial assets.

In accordance with the terms of the agreements with the operators, commercial debtors and creditors are settled in connection to call routing and roaming fees and only the net amounts are settled or collected. Accordingly, the net amounts are presented in the consolidated statement of financial position.

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



(continued)

| 31 December 2021 (Thousands of Riyals) | Gross amounts | Amounts set off | Net Amounts |
|----------------------------------------|---------------|-----------------|-------------|
| <b>Financial assets</b>                |               |                 |             |
| Trade and other receivables            | 25,586,728    | (122,573)       | 25,464,155  |
| Contract assets                        | 13,465,419    | (7,196,745)     | 6,268,674   |
| <b>Financial liabilities</b>           |               |                 |             |
| Trade and other payables               | 17,124,765    | (10,467)        | 17,114,298  |
| Contract liabilities                   | 11,693,650    | (7,329,785)     | 4,363,865   |

| 31 December 2020 (Thousands of Riyals) | Gross amounts | Amounts set off | Net Amounts |
|----------------------------------------|---------------|-----------------|-------------|
| <b>Financial assets</b>                |               |                 |             |
| Trade and other receivables            | 15,862,047    | (137,322)       | 15,724,725  |
| Contract assets                        | 12,331,107    | (5,814,010)     | 6,517,097   |
| <b>Financial liabilities</b>           |               |                 |             |
| Trade and other payables               | 19,725,167    | (13,960)        | 19,711,207  |
| Contract liabilities                   | 8,610,524     | (5,937,372)     | 2,673,152   |

Changes in liabilities arising from financial activities are as follows:

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

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

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

## Profit Rate Risks

The Group's main profit rate risk arises from borrowings and financial assets with variable profit margin rates. Some of the Group's companies, through the use of profit swap contracts, manage the profit rate risk. There has been no change to the Group's exposure to profit risks or the manner in which these risks are managed and measured.

The sensitivity analyses below have been determined based on the exposure to profit rates for non-derivative instruments at the end of the financial year. These show the effects of changes in market profit rates on profit and loss. For floating rate assets and liabilities, the analysis is prepared assuming the amounts outstanding at the end of the year were outstanding for the whole year. A 20-basis point increase or (decrease) represents management's assessment of the reasonably possible change in profit rates. If profit rates had been 20 basis points higher (lower) and all other variables were held constant, the impact on the profit of the Group would have been lower (higher) by SR 8 million (2020: SR 13 million). This hypothetical effect on profit of the Group primarily arises from potential effect of variable profit financial liabilities.

## Fair Value of Financial Instruments

The Group uses valuation techniques appropriate to current circumstances that provide sufficient data to measure fair value. For financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety. (For more details, see note 4-20 in the annual financial statements).

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

Financial assets and liabilities measured at fair value:

| 31 December 2021 (Thousands of Riyals)                                                 | Carrying amount | Fair Value |         |           |
|----------------------------------------------------------------------------------------|-----------------|------------|---------|-----------|
|                                                                                        |                 | Level 1    | Level 2 | Level 3   |
| Financial assets                                                                       |                 |            |         |           |
| At fair value through profit or loss:<br>stc Ventures Fund and STV LP Fund (Note 15-1) | 2,135,246       | -          | -       | 2,135,246 |
| Financial liabilities                                                                  |                 |            |         |           |
| At fair value through profit or loss:<br>Other financial liabilities (Note 31-1)       | 675             | -          | 675     | -         |

(continued)

| 31 December 2020 (Thousands of Riyals)                                                 | Carrying amount | Fair Value |         |           |
|----------------------------------------------------------------------------------------|-----------------|------------|---------|-----------|
|                                                                                        |                 | Level 1    | Level 2 | Level 3   |
| Financial assets                                                                       |                 |            |         |           |
| At fair value through profit or loss:<br>stc Ventures Fund and STV LP Fund (Note 15-1) | 1,119,413       | -          | -       | 1,119,413 |
| Financial liabilities                                                                  |                 |            |         |           |
| At fair value through profit or loss:<br>Other financial liabilities (Note 31-1)       | 9,882           | -          | 9,882   | -         |

\*The above notes are for the annual financial statements

#### There were no transfers between levels of the fair value hierarchy during year ended 31 December 2021.

The fair value of the Group's investment in the units of stc Ventures Fund and STV LP Fund (the "Funds") is obtained from the net asset value ("NAV") reports received from the Funds' managers. The Funds' managers deploy various techniques (such as discounted cash flow models and multiples method) for the valuation of underlying financial instruments classified under level 3 of the respective Fund's fair value hierarchy. Significant unobservable inputs embedded in the models used by the Funds' managers include risk adjusted discount rates, marketability and liquidity discounts and control premiums.

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

| Statement (Thousands of Riyals)                                                                                                      | 2021      | 2020      |
|--------------------------------------------------------------------------------------------------------------------------------------|-----------|-----------|
| Net asset value as at 1 January                                                                                                      | 1,119,413 | 1,550,869 |
| Contributions paid to the funds during the year                                                                                      | 375,020   | 375,700   |
| Distributions received from the funds during the year                                                                                | (172,395) | (723,767) |
| Net unrealized gain (losses) recognized in the consolidated statement of profit or loss (Note 40 in the annual financials statement) | 813,208   | (83,389)  |
| Net asset value as at 31 December                                                                                                    | 2,135,246 | 1,119,413 |

(continued)

#### 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 2021 (Thousands of Riyals)     | Carrying amount | Fair Value |           |         |
|--------------------------------------------|-----------------|------------|-----------|---------|
|                                            |                 | Level 1    | Level 2   | Level 3 |
| Financial assets                           |                 |            |           |         |
| Financial assets at amortized cost - Sukuk | 3,955,568       | -          | 4,268,749 | -       |
| Financial liabilities                      |                 |            |           |         |
| Borrowings - Sukuk                         | 4,673,254       | -          | 5,381,490 | -       |

|                                            |                 | Fair Value |           |         |
|--------------------------------------------|-----------------|------------|-----------|---------|
| 31 December 2020 (Thousands of Riyals)     | Carrying amount | Level 1    | Level 2   | Level 3 |
| Financial assets                           |                 |            |           |         |
| Financial assets at amortized cost - Sukuk | 3,963,916       | -          | 4,129,629 | -       |
| Financial liabilities                      |                 |            |           |         |
| Borrowings - Sukuk                         | 4,671,615       | -          | 5,177,147 | -       |

There are no transfers between levels of the fair value hierarchy during year ended 31 December 2021.



## 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 2021.

The Group reviews the capital structure on an annual basis to evaluate the cost of capital and the risks associated with capital.

The Group has the following target ratios:

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

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

| Statement (Thousands of Riyals) | 2021       | 2020       |
|---------------------------------|------------|------------|
| Debt (1)                        | 9,303,290  | 8,956,090  |
| EBITDA (2)                      | 22,840,600 | 22,090,000 |
| Debt to EBITDA                  | 41%        | 41%        |
| Debt                            | 9,303,290  | 8,956,090  |
| Debt + Equity (3)               | 80,689,269 | 74,223,105 |
| Debt to (Debt + Equity)         | 12%        | 12%        |

1. Debt is defined as current and non-current borrowings. (For more details, see note 26 in the annual financial statements).
2. EBITDA is defined as operating profit for the year adjusted for depreciation, amortization and impairment.
3. Equity is defined as total equity including share capital, reserves, retained earnings and non-controlling interest.

## Transactions with Related Parties

### Trading Transactions and Balances with Related Entities (Associate Companies and Joint Ventures – Note 7 in the annual financial statements)

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

| Statement (Thousands of Riyals) | 2021    | 2020    |
|---------------------------------|---------|---------|
| Services Provided               | 329,614 | 322,058 |
| Services Received               | 391,028 | 347,615 |

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

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

| Statement (Thousands of Riyals) | Amounts due from related parties |                  | Amounts due to related parties |                  |
|---------------------------------|----------------------------------|------------------|--------------------------------|------------------|
|                                 | 31 December 2021                 | 31 December 2020 | 31 December 2021               | 31 December 2020 |
| Associate companies             | 292,223                          | 354,554          | 72,006                         | 63,820           |
| Joint ventures                  | 27,717                           | 47,249           | 158,634                        | 157,830          |
| Total                           | 319,940                          | 401,803          | 230,640                        | 221,650          |

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

Revenues related to transactions with government and government entities for the year ended 31 December 2021 amounted to SR 12,194 million (2020: SR 9,646 million) and expenses related to transactions with government and government entities for the year ended 31 December 2021 (including government charges) amounted to SR 6,405 million (2020: SR 3,753 million).

As at 31 December 2021, accounts receivable from government entities totalled SR 21,616 million (2020: SR 13,889 million) (Note 17-2 in the annual financial statements) and as at 31 December 2021, accounts payable to government entities amounted to SR 1,062 million (2020: SR 1,058 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. ) For more details, see note 15-1 in the annual financial statements).

The total balance of receivables with government related entities as of 31 December 2021 was SR 931 million (2020: SR 657 million). The total balance of accounts payable with government related entities as of 31 December 2021 was SR 120 million (2020: SR 305 million).

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

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

| Statement (Thousands of Riyals) | 31 December 2021 | 31 December 2020 |
|---------------------------------|------------------|------------------|
| Less than a year                | 12,675,429       | 10,275,707       |
| More than one year to two years | 7,626,172        | 3,153,841        |
| More than two years             | 1,314,687        | 459,707          |
| Total                           | 21,616,288       | 13,889,255       |

## Loans to Related Entities

| Statement (Thousands of Riyals)       | 31 December 2021 | 31 December 2020 |
|---------------------------------------|------------------|------------------|
| Loans to the Group's Senior Executive | 4,762            | 4,598            |

## Employees Long-Term Incentives Program

The Company's Board of Directors has approved the purchase of number of the Company's shares up to a maximum of 5.5 million shares and an amount not to exceed SR 300 million to be allocated for the employees long-term incentives program (the Program). ) For more details, see note 41 in the annual financial statements).

The Board raised its recommendation to the extraordinary general assembly ("EGM") to approve the Program and to purchase the shares within a period of (8) months from the EGM's date of approval. The EGM has voted on the approval of this Program during its meeting held on 27 Shaban 1441 H (corresponding to 20 April 2020). The shares to be purchased will not have the right to vote in the Company's shareholders general assemblies, and will not be entitled to any

dividends while the shares still under the Company's possession.

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

The program is generally equity-settled. However, in certain circumstances, the awards are settled in cash. Shares are granted to employees over three cycles with three tranches each. As at 31 December 2021, the shares granted by the Group are as follows:

During the year 2021, the group awarded the second tranche of the first cycle and the first tranche of the second cycle of the program as follows:

| First cycle:                                    | Tranche1            | Tranche2                         |
|-------------------------------------------------|---------------------|----------------------------------|
| Grant date                                      | 1 July 2020         | 1 July 2021                      |
| Total number of shares granted (*)              | 135 thousand shares | 222 thousand shares              |
| Average Fair value per share at grant date (**) | SR 494              | SR 128.6                         |
| Vesting date                                    | 1 July 2021         | 14 May 2022                      |
| Total number of shares actually vested          | 135 thousand shares | To be determined at vesting date |

| Second cycle:                                   | Tranche1                         |
|-------------------------------------------------|----------------------------------|
| Grant date                                      | 1 July 2021                      |
| Total number of shares granted (*)              | 122 thousand shares              |
| Average Fair value per share at grant date (**) | SR 128.6                         |
| Vesting date                                    | 14 May 2022                      |
| Total number of shares actually vested          | To be determined at vesting date |

(continued)

(\*) 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 following table shows the shares granted and outstanding at the beginning and ending of the reporting period:

| Statement (Thousands of Riyals)   | 2021  | 2020 |
|-----------------------------------|-------|------|
| At the beginning of the year      | 130   | -    |
| Shares granted during the year    | 349   | 130  |
| Shares vested during the year (*) | (135) | -    |
| At the end of the year            | 344   | 130  |

(\*) The number of equity-settled shares vested during the year amounted to 132 thousand.

Total expenses related to the Program for the year ended 31 December 2021 amounted to SR 33.7 million (31 December 2020: SR 6.1 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 23 in the annual financial statements).*

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. *(For more details, see note 23 in the annual financial statements).*

The total number of Treasury shares related to the Employees Stock Incentives Plan stood at 2,850,655 shares on 31 December 2021.

The total number of Treasury shares related to the Employees Stock Incentives Plan stood at

**2,850,655**  
shares

## Interests of Related Parties (Board of Directors members and Executive Management)

The Company did not conduct any business or conclude any contracts in which there was a substantial interest owned by the Directors, the CEO, the Chief Financial Officer (CFO) or any other related person, other than what was disclosed in the General Assembly meeting dated 21/2/2022, on transactions and contracts between stc and Wala'a Cooperative Insurance Co. (Walaa). The transactions and contracts have an indirect interest for Mr. Jameel A. Al-Mulhem, a Member of the Boards of Directors of stc and Walaa. The disclosed indirect interest is regarding the agreement with Walaa, which includes signing a supplementary contract to provide stc with insurance coverage for six years starting 10/12/2021 for an amount of SR 19.3 million and as part of the ordinary businesses that have offered no preferential advantages.

And the disclosed in the General Assembly meeting dated 30/11/2021, on the Company's entry and execution of the Book runners Agreement, which the following members of the Board of Directors have indirect interest therein as representatives of the Public Investment Fund ("PIF"): H.E Dr. Khaled H. Biyari, Mr. Yazeed A. AlHumied, Ms. Rania M. Nashar, Mr. Arndt F. Rautenberg, and Mr. Sanjay Kapoor. It is an agreement by virtue of which PIF will sell a portion of its shares in the Company to institutional investors and retail investors in the Kingdom of Saudi Arabia, as well as international institutional investors in accordance with Rule 144 A and Regulation S under the United States Securities Act, while maintaining its majority stake of more than 50% of the shares of the Company (the "Secondary Offering").

Pursuant to the Book runners, Agreement PIF and the Company will appoint Goldman Sachs Saudi Arabia, Morgan Stanley Saudi Arabia and HSBC Saudi Arabia, as joint global coordinators, and appoint the aforementioned banks and SNB Capital Company and/or any other global coordinators/book runners to be determined by the Company and PIF in connection with the Secondary Offering.



## C - stc Strategy Directions

Following the outbreak of COVID-19 and the challenges the world faced in 2020, 2021 has been a transformational year from different trends aspects. The pandemic has irrevocably changed the way people work, the businesses operate and the governments serve their communities and as a result, new global trends have become dominant in people's daily lives and businesses.

In line with this dynamic context, **stc** focused to expand its services further into new businesses and reinforced its role as the leading ICT company in the region and the national champion, supporting the Kingdom's Vision 2030 and government's initiatives while serving the businesses and the society overall. These efforts served the Kingdom in terms of advanced infrastructure capabilities and enhanced digitization and digital skills.

**stc's** operational performance also translated into solid financial results in 2021 as it increased its revenues and secured its global rankings by market capitalization and profitability among the top global telcos.

### ■ stc's dare 2.0 strategy and strategic directions

In 2020, **stc** had refreshed its strategy to **dare 2.0**. The themes includes

**D - Digitize stc,**  
**A - Accelerate performance,**  
**R - Reinvent customer experience,**  
**and E - Expand scale and scope.**

While fundamentally keeping the same strategic direction, **dare 2.0** focused on the execution of the prioritized and quantitatively significant growth areas. **These areas include:**

### Comprehensive IT services market (ICT)

In line with its refreshed strategy, **stc** is partnering with global hyperscalers, such as Alibaba, to deliver Cloud services (IaaS, PaaS, SaaS), building an integrated services portfolio for IT professional services with successfully IPOed solutions by **stc**, and establishing new entities, **sirar** by **stc**, to deliver Cybersecurity services

### Internet of Things (IoT)

Leveraging on existing capabilities, **stc** focuses on developing use cases for smart city applications, industrial automation, smart logistics and smart home applications.

### Digital Financial Services

Having received an investment from Western Union, continues to move forward to evolve into a digital bank as the Saudi Council of Ministers had approved the licensing of to become a digital bank with a paid-up capital of SAR 2.5 billion. The above approval is conditional upon completing the regulatory requirements of the Saudi Central Bank (SAMA) and the relevant Saudi Arabian authorities.

### MENA Data Hub and connectivity market

In line with the strategy, **stc** is moving forward to become a strong regional hub for international connectivity and related co-location space in data centers for

(continued)

global and local enterprises, government entities, Hyperscalers, OTT players, and content providers. Recently announced wholly owned Saudi Vision Cable is another example of how **stc** supports Vision 2030.

In addition to these key growth areas, **stc** also made entry to the fast-growing gaming market, with **stc play**, and is building a customer base in parallel. On the traditional telco business growth, **stc** remains active for international expansion opportunities that will add value and synergies to the overall Group portfolio.

Execution of **dare 2.0 strategy** has also seen advancements in the other key pillars:

### d – digitize stc

**stc** is recognized as #1 digital company in MENA and #44 globally, with significant digital capabilities built this year and key internal and external journeys redesigned

### a – accelerate performance

further focus in increasing women in senior positions, #2 employer of choice among the fresh graduate students, delivering first and fastest 5G mobile speed with 75+ cities coverage and contributing significantly to Local Content by spend

## r – reinvent experience

**stc** continues to increase its self-service / digital channels and its adoption as the pandemic requires and signs strategic partnerships with the Government and ecosystem players (NEOM, Aramco) to deliver best experience



Future expectations of the Market and telecom industry and its implications on **stc**

Despite the uncertainty that COVID-19 bring along and the threats on the traditional telecom business growth globally, **stc** managed to deliver repeatedly solid financial results and in order to continuing do so, it is investing in trending businesses that complement the telecoms business. This is expected to result with a diverse revenue composition in the upcoming years.

In line with its vision of becoming a **digital and telco leader enabling the society and economy to thrive, in KSA and beyond**, and with its values of Devotion, Dynamism and Drive, **stc** is fully executing its **dare 2.0 strategy** under its strong leadership, progressive workforce and support from its stakeholders.

## D - People Sector

### ■ A General Overview:

At the beginning of 2021, the human resources sector began implementing the "Human Resources Sector" Strategy, where 18 projects were launched, which were given priority to building the necessary foundations for the future state of human resources in **stc**, which include but are not limited to the following:

- **Manpower Planning**
- **Remote work**
- **Competency and skill-based framework**
- **Diversity and inclusion**
- **Data management**

As part of the annual Corporate Strategy Practices, a corporate strategy update (DARE) and improvements were made, requiring the HR sector to review and realign the two strategies to ensure an effective and direct contribution to our organization's strategy.

As for the annual workforce practices, the human resources sector is constantly working towards contributing to Vision 2030 through various products and services such as promoting diversity, inclusion, insertion, empowering women, training and development, and providing an opportunity for new graduates to join stc through the TIP Talent Incubation Program. **These efforts yielded the following summary results:**

**363**

Saudi Nationals

**130**

Fresh Graduates

**91%**

Saudization rate



Increasing the number of roles filled by women by

**55%**

compared to 2020, which include

**1 VP,  
3 General Managers,  
17 Directors and  
41 section managers.**

**381**

beneficiaries of the "Wafaa" program in 2021

Training

**150**

university students through the co-op program for 2021

Training and development:

**11,681**

employees took part in training programs

with a total of

**336,751 hours**

through various platforms

## ■ Summarized main points At the Level of Public Administration:

In 2021, the Center for Organizational Excellence restructured the HR Synergy function into the HR Group Affairs Department with a mandate to cover all **stc** group mobility demands, consultation on aggregate bonuses, talent development, and synergies activities.

The following provides an overview of the activities carried out in 2021:

Restructuring the HR Synergy function to HR Group affairs with the mandate to cover all **stc** group mobility demand, total reward consulting, talent development, and synergy activities

- Providing expert advisory services to **stc** Group subsidiaries in areas such as rewards, talent development, expertise and participation, human resource analysis, etc.
- Successful implementation of talent programs (SDP, HiPo, and TiP) for all affiliates.
- Successful implementation of the **stc** scholarship program for all subsidiaries in the Kingdom of Saudi Arabia.
- Managed 6 different businesses across the group (Technology, Diversity & Inclusion, Total Rewards, Talent Development, Learning & Development, HR Operations).

Designing the organizational structure, revising the current organizational structures to match the approved operating model and ensure alignment with our strategic objectives, and meeting

daily challenges by conducting multiple organizational structures to enhance and refine how business units are created by reviewing, modifying, and introducing the following:

- Risk Management
- Operations and review of RA structure related to cable cutting.
- Business unit structure review.
- Sonic JV operating model and chassis.
- Review all programs across the organization and view the new program framework.
- Review of the corporate job operating model.

Group-wide strategic manpower plan launched a group-wide workforce strategic plan, which will be completed by October 2022 for the Saudi Telecom Group to have the appropriate number of manpower in terms of the ability to achieve the strategic goals of the Saudi Telecom Group.

## 1.1 Business Partners:

Business partners have served the internal clients of the organization in various ways, including but not limited to providing advisory and support services with human resource practices such as organization design, talent development, redeployment, outsourcing, and much more. The following list highlights some of the activities that took place in 2021:

### 1.1.1 Business Partner of Business Units

#### - Mega Projects:

**stc** is a strategic partner in many mega projects across the Kingdom such as NEOM and Qiddiya City. The business partners have played a vital role in re-engineering the structure to ensure better alignment and active participation with key stakeholders in the mega project and its successful implementation on the ground.

#### - Virtualization of EBU Enterprise accounts and outsourcing of unmanaged accounts:

The enterprise business unit has been redesigned by introducing virtualization into the organization to better focus on sectors and industry as well as increase focus on production to support portfolio maximization and achieve the desired business objectives. Furthermore, to streamline operations to enforce greater efficiency and effectiveness, an unmanaged account has been outsourced to **stc** channels who are responsible for continuing the business onward.

#### - Resourcing:

During the year multiple resourcing activities were undertaken to support the ongoing transformation of the European Union, including satellites and missions critical to being part of the product portfolio under one umbrella, pricing, and profitability, and 909 ICT to centralize all customer services into one entity.



## 1.1.2 Business Partner for Technology Units

Support stc technology units in identifying several aspects of the sectors' (operating model, workflow, procedures, structures, and systems) to enhance the effectiveness of the sectors' performance and align them with the current business reality and objectives:

- Uploading data center software to cover planning, design, implementation, and operations.
- Developing a new group for OSP.
- Centralizing data development use cases in the CAD sector to end-to-end data ownership.
- Raising the level of quality, performance, and executive office in special technology solutions to provide an outstanding customer experience.
- Enhancing corporate analytics, data segment operating model, and organizational structure to enable future CAD blueprint and enhance focus.
- stc tech staff enhance learning, employee engagement, and talent management to drive organizational performance and productivity.
- Sending the first batch of technology unit employees to study the master's program (local and international universities).
- Initiating a new development program for cloud infrastructure.
- Implementation of the initiative (Learning Lab for the Mujtahids), which

focuses on providing an educational environment for operations staff.

- Design and initiate implementation of a technology leadership program to develop leadership competencies for current and potential leaders.

## 1.1.3 Business partner for sectors Strategy and support

The OD practices implemented during 2021 by the Support Units Business Partner include the following:

- Redesigning the Sustainability Program By transforming the program into a more horizontal model, stc's sustainability program shapes its operating model in a multidisciplinary network of sectors across the organization. The participation of diverse sectors is the main key to achieving the multidisciplinary vision of the Dare strategy, in addition to the sustainable development goals and the vision of the Kingdom of Saudi Arabia 2030.
- Restructuring the institutional development sector to expand the scope of stc by exploring and benefiting from opportunities and dealing with end-to-end integration for any new business, whether acquisitions, mergers, or joint ventures. Additionally, it has established a fund to tap into potential startup opportunities.

(continued)

Additional activities related to human resources consulting and support services conducted during the year include:

- Increase learning solutions by designing a specialized development program for modules such as Legal, Regulatory, and Risk.
- Launching the Procurement Academy Portal for Procurement Officers. Training is based on a specific competency model and the learning journey assigned to employees for each role.
- Enhancing culture by designing a full sectoral participation plan at all administrative levels.
- Professional certification courses offered to +100 employees.

## 1.2 HR Services

To ensure the provision of services to employees at the highest level, Human Resources Services took the lead in launching the Professional Happiness Program which focuses on four main pillars:

**Work environment, health, financial and social.**

Human Resources Services devoted its main efforts to maintaining a safe environment for stc employees by taking the following measures:

- Coincided with the Ministry of Health and the Ministry of Interior regarding

the frequent updates of the preventive measures for COVID-19 by preparing a comprehensive guide and applying it to all employees.

- Development of the COVID-19 detection model on HUB by 100% automated with integration between the COVID-19 detection model and other systems (Security Support System - Attendance).
- Republish sanctions for non-compliance with the preventive measures taken against COVID-19 and following the directives of the Ministry of Interior.

We also improve HR services through the following activities:

- Obtaining ISO certification for business continuity in compensation services.
- Renewing the ISO certificate for the General Administration of Human Resources Services.
- Establish a flexible mechanism to control access to the system for compensation and other management teams at the user and privilege level.
- Holding two sessions to raise awareness about social insurance regulations.
- Signing an agreement with Social Security to implement the integration that increases our digitization level.
- Design and publish many services to increase digitization.



1.3 Employee Strategy and Experience

Working as a strategic arm for the human resources sector, the General Department of Employee Strategy and Experience has started implementing and monitoring Sector Strategy 2.0 in line with the strategy of the Saudi Telecom Company Dare, aiming for the human resources sector to be a distinguished model in the Middle East by 2023 by attracting, developing and retaining the best talents in An environment that fosters innovation for employees. By acquiring, developing, and retaining employees in an environment that fosters innovation through multiple talent development initiatives and projects, enhancing the employee journey at every touchpoint to increase productivity and maintain efficiency.

As a result of the extensive efforts made throughout 2021 regarding the promotion of the stc brand along with the employee journey, stc was ranked second by Universum as the second ideal employer brand and

the most attractive employer in the report for study students New Saudi graduates in the fields of engineering and information technology in 2021. Linkedin also ranked Stc as one of the top 3 workplaces to grow your career in Saudi Arabia in 2022.

To further enhance contributions to the Dare strategy, the HR Analytics and Technology Enablement Department has worked to digitize and automate digitization and automation practices to ensure effective decision making for business leaders by implementing the following:

Analytics:

- 19 analytics use cases were developed to support the objectives of the HR sector. Most notably, the use case was used to predict staff attrition.
- Developing over 70 dashboards and training over 100 employees to emphasize a culture of data usage and facilitate self-service.
- 11 basic dashboards have been implemented and automated work is underway on them. These dashboards monitor and track the HR KPIs that are defined in ISO 30414.

Technique:

- Processing more than 1200 requests between service creation, service update, and systems update.
- The completion of the implementation of several systems related to human resources.

E - stc Academy

We seek to be a pioneer in the field of learning and innovation and the supporting and enabling arm for the group's strategy to lead through its digital and cultural transformation in the Kingdom of Saudi Arabia and abroad by developing future leaders and supporting them with strategic capabilities through innovative scientific solutions and expertise.

Academy Services

Executive Development

By providing specialized development programs focusing on and developing the needs of leaders and executives.

- Strategic Leadership Program
- Digital leadership for managers
- Artificial intelligence for managers
- Analyzing corporate data for managers

| Satisfaction Rate | Total Learning Hours | Total Participants | Number of Delivered Courses |
|-------------------|----------------------|--------------------|-----------------------------|
| 63                | 1090                 | 17,379             | 4.6                         |

Specialized programs have been introduced to develop business needs or functional units.

| Number of certificates | Total participants | Total learning hours | satisfaction rate |
|------------------------|--------------------|----------------------|-------------------|
| 28                     | 29,450             | 106,890              | 4.5               |

Evaluation Services

Tests were provided to identify the capabilities, abilities, and behaviors of employees for development and recruitment.

| Number of tests offered |
|-------------------------|
| 1749                    |

Research and Innovation

Research, innovation, and design thinking services are provided. Organizing more than 25 Mini-Jam workshops

+400K  
ساعات التعلم



## ■ Overview of the Academy for the year 2021 AD

- Launching a DVC lab that aims to display all types of data in one place to complete the presentation and analysis process to facilitate comprehensive decision-making.
- Starting to work on 5G labs.
- Establishing a strategic partnership with Galvanize.
- Establishing strategic partnerships with PwC, PMI, NeLC.
- Providing 150 licenses to various tracks Udacity's Nanodegrees.
- The Academy obtained 4 ISO certificates in the areas of assessment, quality management system, and digital education.

- Winning two global awards from Brandon Hall in partnership with the CCL Center of Creative Leaders:



**The Golden Award:**  
Excellence in developing leaders.



**The Silver Award:**  
Discrimination Learning.

Winning the CIPD Middle East Award for Best Program in Learning and Development.



### TIP Fresh Graduate Program

Training 3 batches of the newly graduated development program with a total of

**475**  
trainees

### Summer training

The program is designed to target university students and provides two tracks for the program:

- Data analysis basics
- Data science basics

**70**  
Students

### Knowledge Transfer Program

**51** vocational training programs

**30** trainers joined the Knowledge Transfer Program

### Ramadan competition

Design and implementation of an online learning competition and its implementation in the month of Ramadan

**+3K**  
completed hours of learning

**454**  
subscribers

(continued)

## Expert program

A program targeting Saudi competencies who have a passion for learning and high potential in scientific or technical fields and other areas that the company needs with the aim of building experts and consultants specialized in several fields and achieving internal sufficiency of experts in the strategic areas of the company such as the Internet of things, cybersecurity, and data science and digital marketing, among others. The program is based on building the employee's development path through development plans dedicated to each field.

**195**  
Experts

## ■ National projects:

### Academy Support Services



The Academy has obtained **4 ISO certificates** in the areas of assessment, quality management system, learning outside formal education, and digital education.





## F - Sustainability at stc

### Our social investment to enrich communities' lives and customer experiences

As a major digital enabler in the Middle East, **stc** is committed to enriching the lives and experiences of communities by providing high-quality digital communication products and services through the **stc** sustainability platform. Our goal is to provide the best possible support to the community throughout the Kingdom of Saudi Arabia, and **stc** is committed to creating value and being a role model in enriching the lives of communities.

#### 1. stc Sustainability Platform:

The main platform to highlight **stc**'s sustainability strategy, ambitions, and commitments towards adopting international best practices in this field, through which it is possible to download the company's sustainability reports, review related news, and review projects and initiatives undertaken by **stc** in the field of sustainability. In addition, the platform contains key services that support our strategic goals towards enriching the lives and experiences of communities, stimulating innovative digital opportunities, and harnessing them to serve and empower the non-profit sector.

#### 2. Technical Enablement:

The program aims to technically empower the non-profit sector organizations, by providing integrated packages of advanced technical solutions that contribute to the digitization of all the work (administrative, financial, and operational) of the organization.

##### Important Information

- The program provides 11 services in various major technical fields (human resources, training, consulting, ..).

- 648 technical services were provided to non-profit organizations, as more than one service was provided to the less fortunate associations to raise their technical readiness and efficiency.
- The various administrative regions in the Kingdom and the governorates and centers affiliated with them were covered by a total of 56 cities and governorates.
- The total number of beneficiaries of the program: are 25,386 beneficiaries.

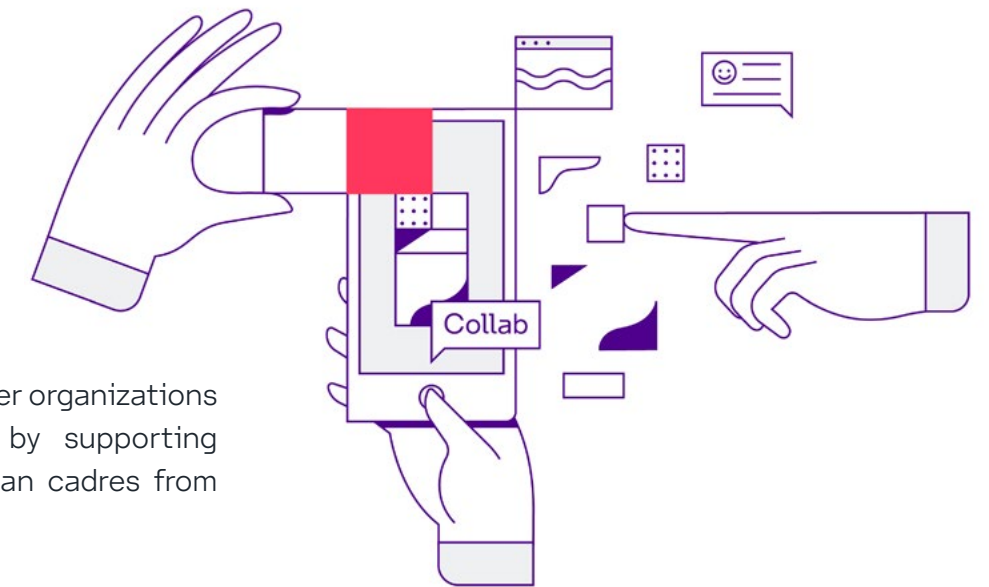


#### 3. Volunteering Program:

The program aims to empower organizations in the non-profit sector by supporting them with specialized human cadres from **stc** employees.

##### Important Information

- The program was launched in December 2021 to overlap with International Volunteer Day.
- On the sustainability platform, there are 612 volunteer opportunities at an average



of 2112 volunteer hours, which were provided by 33 non-profit organizations in 12 cities in the Kingdom in various related fields.

#### 4. YANMO Program:

An initiative targeting education and rehabilitation service providers for people with disabilities in the Kingdom. It aims to embrace technology and improve care and education services for people with disabilities in various regions of the Kingdom and provide professional development for practitioners in line with the latest evidence-based methods and methods.

##### Important Information

- 30 Educational Centers for people with disabilities benefited from the services of the "Ynmo" platform, in which more than 1,000 students with disabilities and more than 500 of their teachers and practitioners from different regions of the Kingdom participated.
- The initiative included providing a free one-year subscription to the Ynmo platform, providing 200 support sessions, and 12 training hours.

#### 5. impactU from stc

A social business incubator that provides training and consultancy in the field of social entrepreneurship and sustainability to support entrepreneurial projects and achieve a social, environmental, and economic impact that is reflected on the company and society.

##### Important Information

- Consultations and training were provided to 179 participants.
- The program provides financial grants to the winning projects, as 5 winning projects were supported at the end of the program (3 projects in the social field and 2 projects in the environmental field).

## 6. Hardware recycling

As part of stc's sustainability initiatives, an agreement was reached in 2018 with the Charitable Society for Rehabilitation of Computers "Irtiqaa" on a "computer donation project and its accessories" to benefit from computers and their accessories - out of service - for the benefit of the non-profit sector in the Kingdom and to maximize the hoped-for effect.

### Important Information

- The number of donated devices so far is 3668 computers and accessories.
- The number of beneficiaries of the devices is 68, including (non-profit associations and centers, schools, and educational institutes), in 18 cities in the Kingdom.

## 7. Jood Eleskan:

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

### Important Information

- stc employees have contributed to securing 8 homes for needy families through the Jood Eskin Initiative implemented by the company as part of its adoption of sustainable initiatives that impact the community.
- 10 families benefited from the initiative (the total number of beneficiary families with parents is: 53 people) distributed over 8 cities in the Kingdom.
- The total value of employee donations is about 2.3 million Saudi riyals.

## 8. Homes Renovating:

The project aims to implement an initiative aimed at restoring and maintaining some homes for needy families in the peripheral centers of the Riyadh region, in continuation of stc's efforts to support and empower the less fortunate groups in society and support quality of life programs.

### Important Information

- The project aims to restore and rehabilitate 40 houses in the 22 governorates of the Riyadh region and its affiliated centers.
- The target group (divorced women, widows, orphans, the elderly and people with disabilities, children of martyrs, and participants in the southern border).

## 9. Deaf Center:

Deaf people are served in stc sales centers so that all stc branches are connected by providing a QR Code that can be read using a smartphone. After reading, the deaf is directed to a page that allows direct communication with a sign language interpreter to serve them, through secure video communication.

### Important Information

- Approximately 1,000 deaf customers have been served, as 74 calls are received per month through 3 translators working in the customer service center.
- The center works to respond to all inquiries from deaf customers daily from Sunday to Thursday from 8 am to 10 pm at a rate of 14 hours per day.

## 10. Sehhaty App:

A vital and sustainable initiative in promoting e-health by stc Group, as it contributed to enhancing the management of interactive operations with beneficiaries in the Sehhaty application, by allocating a unified call center to support the application from the CCC Contact Center Company, which is affiliated with the group and is specialized in customer management experiences.

### Important Information

- 60 customer service representatives represented 16 working hours per day, as the number of closed tickets amounted to more than 18,000 tickets.

## 11. Virtual Visits:

It is a community initiative by stc in cooperation with the Ministry of Health for hospitalized patients and their companions to enable them to greet their relatives and friends on the occasion of the blessed Eid Al-Adha in light of the renewed Coronavirus pandemic through visual communication by providing free smart devices equipped with data cards.

### Important Information

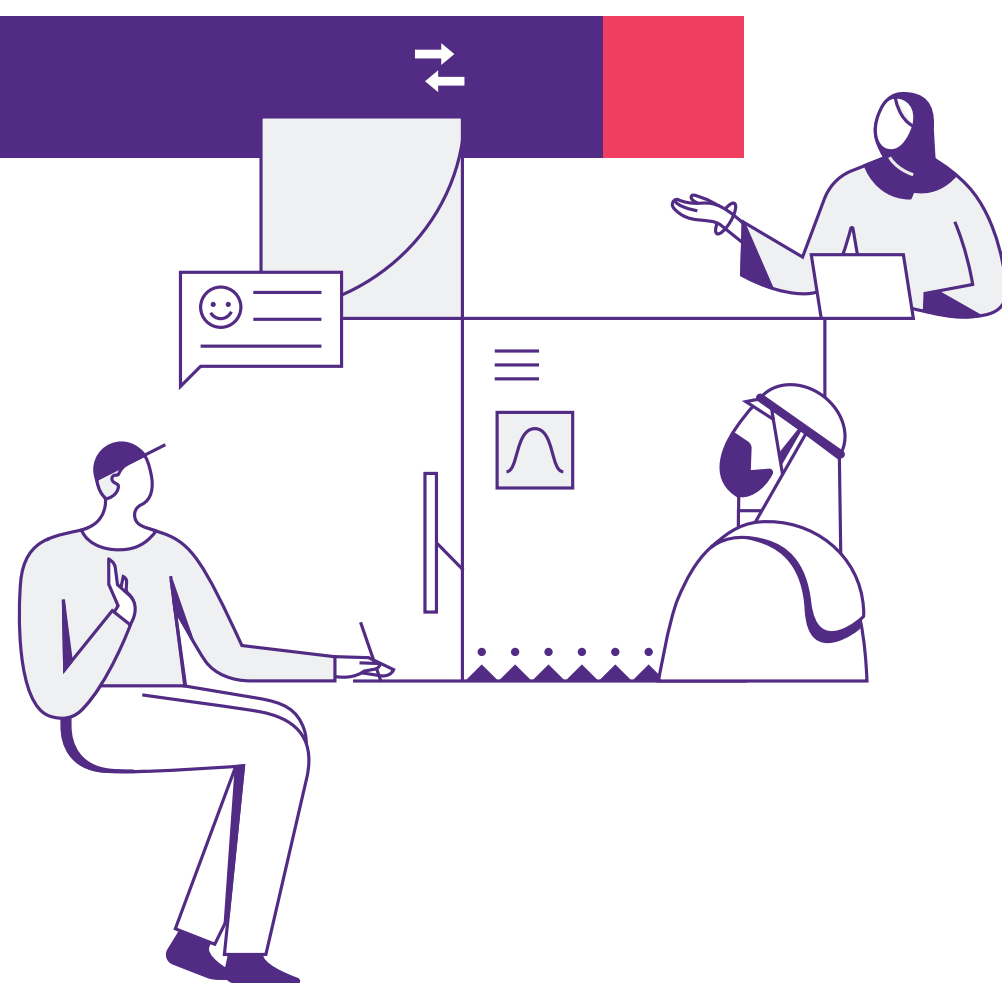
- A total of 134 iPad tablets and a data chip have been provided to hospitalized patients.
- The number of beneficiaries (inpatients) of the initiative reached 6,881 in 19 hospitals in the regions of the Kingdom in the departments of isolation and hypnosis since the launch of the initiative on the blessed Eid al-Adha for the year 1442 AH.

## 12. Knowledge Exchange

Workshops designed to increase trainees' understanding and awareness of the concept of social impact measurement and to introduce them to the mechanism of impact measurement and the process of calculating the overall value and return on investment (SROI) for social investment projects.

### Important Information

- 3 training courses were provided in 2021, which our partners benefited from in more than 40 entities in the non-profit sector and various government sectors, with the aim of spreading a culture of awareness of the principle of social investment.



## G - Pilgrim Experience Program

During the Hajj of the year 1442 AH, the company recorded a remarkable presence in the Pilgrim Experience Program and the government and private sectors participating in the Hajj and providing all its services in digital form through the company's mystc platform.

As part of its active role as a digital enabler, the company contributed during the year to the success of the smart Hajj fence service (NESC), which was launched in cooperation with the Saudi Data and Artificial Intelligence Authority (SDAIA), the Ministry of Hajj and Umrah, the pilgrim service program, and the Royal Commission for Makkah and the Holy Sites, to digitally monitor the health of the pilgrim.

The company increased the coverage of the **5G network** in Makkah and the Holy Sites by **48%** compared to last year. The data traffic on the day of Arafah increased by **220%** compared to last year, while the volume of voice traffic increased by **350%**, and this increase was transmitted through the fifth and fourth generation networks by **97%**.

stc also harnessed the latest technologies in serving pilgrims by providing two types of "personal" and "security" robots to assist pilgrims and monitor and follow up on compliance with precautionary and preventive measures, to develop services provided to the guests of the Holy House of God and provide innovative digital solutions to government sectors participating in pilgrim service.

The fifth-generation network was supported by hundreds of sites in different areas of the holy sites, as it included the sites of the Two Holy Mosques and vital sites frequented by pilgrims and visitors to the House of God, which reflects the civilized interface of the Kingdom and its global technology development.

The number of international voice channels increased by 33% distributed over 8 international exchanges, and voice traffic recorded a growth of more than 737% over last year, and more than 65% of it was transmitted through the fourth generation, while the fourth and fifth-generation networks carried more than 96% of the traffic Internet in Mina.

During the Hajj of 1442 AH, the company kept pace with the latest technologies and solutions in the ICT industry.

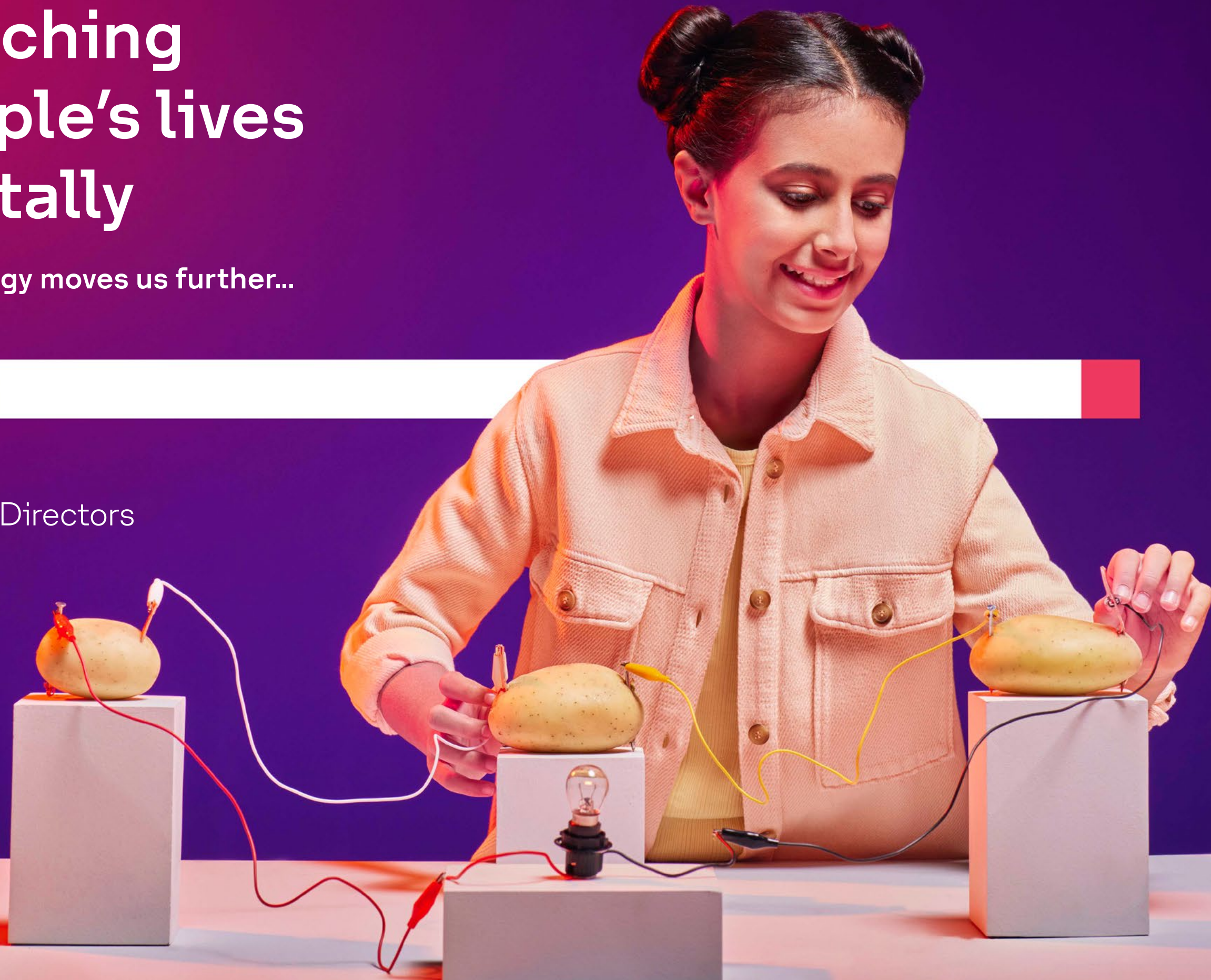


# Enriching people's lives digitally

Technology moves us further...

## 02

Board of Directors





## Second: Board of Directors



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

The Board of Directors shall be composed of eleven Directors as per stc Articles of Association, which is in line with the Corporate Governance Regulations issued by the Capital Market Authority. A new Board of Directors was elected on 28/4/2021 for the 8th term for a period of three years.



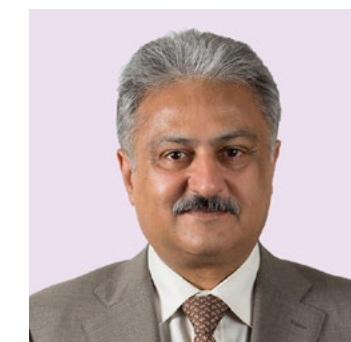
**HRH Prince Mohammed K. A. Al-Faisal**

Chairman of the Board



**Mr. Arndt Rautenberg**

Member of the Board



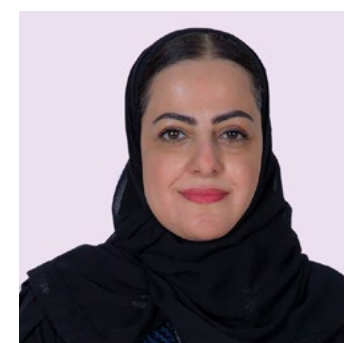
**Mr. Sanjay Kapoor**

Member of the Board



**Ms. Sarah J. AL-Suhaimi**

Member of the Board



**Ms. Rania M. Nashar**

Member of the Board



**Mr. Jameel A. AlMulhem**

Member of the Board



**Mr. Walid Ibrahim Shukri**

Member of the Board



**H.E. Dr. Khaled H. Biyari**

Member of the Board



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

Member of the Board



**Mr. Yazeed A. AL-Humied**

Vice Chairman of the Board



**Mr. Ahmed M. Al Omran**

Member of the Board

The following tables includes 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 and Committees members and their membership classification

| No | Name                                | Membership                                                                            | Academic Qualifications                     | Vocational Experience                                                                                     | Current Occupation                                                         | Previous Occupation                        | Membership                      |
|----|-------------------------------------|---------------------------------------------------------------------------------------|---------------------------------------------|-----------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------|--------------------------------------------|---------------------------------|
| 1  | HRH Prince Mohammed K. A. Al-Faisal | Chairs the Board of Directors, the Executive Committee, and the Investment Committee. | MBA                                         | Banking and administrative experience.                                                                    | Chairman, Al Faisaliah Holding Group                                       | Vice President, Al Faisaliah Holding Group | Independent                     |
| 2  | H.E. Dr. Khaled H. Biyari           | Member of the Board of Directors and the Executive Committee                          | PhD. Electrical Engineering                 | Associate Professor, King Fahd University of Petroleum and Minerals for 13 years. Experience in business. | Assistant Secretary of Defense for Executive Affairs - Ministry of Defense | <b>stc</b> CEO                             | Non-executive / non-independent |
| 3  | H.E. Mr. Mohammed T. Al-Nahas       | Member of the Board of Directors and the Executive Committee                          | Bachelor of Accounting                      | Banking, business development, and administration experience.                                             | Governor of the General Organization for Social Insurance                  | Governor of the Public Pension Agency      | Non-executive / non-independent |
| 4  | Mr. Yazeed A. AL-Humied             | Vice Chairman of the Board of Directors and a Member of the Executive Committee       | MBA                                         | Experience in finance and administration.                                                                 | PIF, Deputy Governor, Head of MENA Investments                             | Chief of Staff and Advisor to PIF Governor | Non-executive / non-independent |
| 5  | Ms. Rania M. Nashar                 | Member of the Board of Directors and Chairs the Risk Committee                        | Master of Science in Information Technology | Experience in banking and administration.                                                                 | PIF, Head of Compliance and Governance Division                            | Advisor to PIF Governor                    | Non-executive / non-independent |

(continued)

| No | Name                     | Membership                                                                             | Academic Qualifications       | Vocational Experience                                 | Current Occupation                                | Previous Occupation                                 | Membership                      |
|----|--------------------------|----------------------------------------------------------------------------------------|-------------------------------|-------------------------------------------------------|---------------------------------------------------|-----------------------------------------------------|---------------------------------|
| 6  | Mr. Arndt Rautenberg     | Member of the Board of Directors and the Investment Committee                          | MBA                           | Administrative experience.                            | Founder and Managing partner of several companies | Managing Partner, OC&C Strategy Consultants.        | Non-executive / non-independent |
| 7  | Mr. Sanjay Kapoor        | Member of the Board of Directors and the Executive Committee                           | MBA                           | Administrative experience.                            | Consultant                                        | Executive President of Micromax                     | Non-executive / non-independent |
| 8  | Ms. Sarah J. AL-Suhaimi  | Member of the Board of Directors and the Investment Committee                          | Bachelor of Accounting        | Finance and Investment experience.                    | Chairperson of Tadawul                            | CEO NCB Capital                                     | Independent                     |
| 9  | Mr. Jameel A. AlMulhem   | Member of the Board of Directors and Chairs the Nomination and Remuneration Committee  | Bachelor in science marketing | Administrative experience.                            | Managing Director of Takween Group                | Board Member, Shaker Group                          | Independent                     |
| 10 | Mr. Walid Ibrahim Shukri | Member of the Board of Directors and the Risk Committee and Chairs the Audit Committee | Bachelor of Accounting        | Administrative experience.                            | Member of several Boards and Committees           | Principal Partner in Price Waterhouse, Saudi Arabia | Independent                     |
| 11 | Mr. Ahmed M. Al Omran    | Member of the Board of Directors and the Risk Committee                                | Master of Computer Science    | Administrative and information technology experience. | GOSI Governor Assistant for IT Affairs            | GM, IT Infrastructure, GOSI                         | Non-executive / non-independent |



## External Members of the Board Committees

| No | Name                              | Membership                            | Academic Qualifications                                                         | Vocational Experience                                                                                                | Current Occupation                                                                                                | Previous Occupation                                                            | Member-ship     |
|----|-----------------------------------|---------------------------------------|---------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------|-----------------|
| 1  | Mr. Khalid bin Abdullah Al Ankari | Audit Committee                       | Bachelor of Accounting                                                          | Technical and managerial experience in auditing                                                                      | General Manager, Babel Al Khair Trading & Real Estate Est                                                         | Head of Private Banking and Lending Products, Samba Financial Group            | External Member |
| 2  | Mr. Medhat F. Tawfik              | Audit Committee                       | Master Program Citibank Asia Pacific                                            | Professional and managerial experience in auditing, risk management                                                  | Founder of IRSAA, Business Solutions an outsourcing company of Responsible for risk management and internal audit | Account Manager, Samba Financial Group                                         | External Member |
| 3  | Dr. Ammr K. Kurdi                 | Audit Committee                       | PhD. in Accounting                                                              | Accounting experience                                                                                                | CFO, Tawuniya                                                                                                     | Executive Vice President of Business for DUSSUR                                | External Member |
| 4  | Eng. Tarek Abdulaziz Alrikhaimi   | Risk Committee                        | Master of Science                                                               | Experience in financial, banking services, risks management, operations, strategic planning and projects management. | Independent Financial Advisor, Investment and Risk Management Advisor                                             | CEO, Saudi Kuwaiti Finance House                                               | External Member |
| 5  | Mr. Rashid I. Sharif              | Investment Committee                  | MBA                                                                             | Experience in finance and a member in several listed companies                                                       | CEO, SNB Capital and an Executive Member of the Board                                                             | Head of the General Administration, Saudi Investments - Public Investment Fund | External Member |
| 6  | Mr. Johan Brand                   | Nomination and Remuneration Committee | Master of Business Economics<br>Master of Business Law<br>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-Ghosen             | 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  | Eng. Ulayan Mohammed H. Bin Wetaid | Bachelor of Electrical Engineering | stc GCEO                                    | CEO                                                           | stc Bahrain                            |
| 2  | Mr. Ameen Fahad Alshiddi           | Master of Accounting               | Chief Financial Officer (CFO)               | VP Finance                                                    | stc                                    |
| 3  | Mr. Riyadh Saeed Muawad            | Bachelor of Computer Science       | Chief Business Officer (CBO)                | VP, Government & Corporate Sales                              | stc                                    |
| 4  | Eng. Haithem M. Alfaraj            | Bachelor of Computer Engineering   | Chief Technology Officer (CTO)              | VP, Technology & Operations                                   | stc                                    |
| 5  | Eng. Abdullah Abdulrahman Alkanhl  | MBA                                | Chief Corporate Affairs Officer             | Deputy Minister for Communications and Digital Infrastructure | MCIT                                   |
| 6  | Mr. Faisal S. Alsaber              | MBA                                | Chief Commercial Officer                    | CEO                                                           | Channels by stc                        |
| 7  | Mr. Jose Del Valle                 | MBA                                | Chief Strategy Officer                      | CEO                                                           | Telefonica                             |
| 8  | Eng. Mohammed Abdullah Alabbadi    | MBA                                | Chief Wholesales Officer                    | CEO CISCO                                                     | CISCO                                  |
| 9  | Mr. Mathad Faisal Alajmi           | MBA                                | Chief Legal Officer and General Counsel     | GM, Legal and Senior Counsel                                  | SABIC                                  |
| 10 | Mr. Abdullah S. Alanizi            | Master of Executive Management     | Chief Executive Audit (CEA)                 | Chief Audit                                                   | stc                                    |
| 11 | Eng. Ahmad M. Alghamdi             | Bachelor Ind. Engineering          | Chief People Officer (CPO)                  | GM, HR Planning and Organization Design                       | stc                                    |
| 12 | Dr. Moudhi M. ALJamea              | PhD. Information Security          | VP and stc Academy Dean                     | Ass. Prof. Cybersecurity                                      | Imam Abdulrahman Bin Faisal University |
| 13 | Mr. Markus M. Golder               | MBA                                | VP, Customer Value Management and Analytics | VP, Marketing                                                 | stc                                    |
| 14 | Dr. Sultan Hassan Bin Saeed        | PhD of Industrial Engineering      | VP, B2B Strategy & Performance              | CEO                                                           | Solutions by stc                       |
| 15 | Eng. Abdullah Mohsen. Alowini      | Master of Computer Engineering     | VP, Technology & Strategy Architecture      | VP, Technology Sector                                         | stc                                    |
| 16 | Mr. Mohammed A. Alassaf            | Bachelor of Accounting             | VP, Business Finance                        | CFO                                                           | stc Kuwait                             |
| 17 | Mr. Yasser Najeeb Alswailem        | Bachelor of Information Systems    | VP, Cybersecurity                           | GM, Information Security                                      | stc                                    |
| 18 | Eng. Bader A. Allhieb              | Bachelor of Electrical Engineering | VP, Infrastructure Sector                   | GM, Customer Service Operation                                | stc                                    |

(continued)

| No | Name                             | Academic Qualifications               | Current Occupation (stc)             | Previous Occupation                          | Company          |
|----|----------------------------------|---------------------------------------|--------------------------------------|----------------------------------------------|------------------|
| 19 | Mr. Jamal A. Alshahri            | MBA                                   | VP, Corporate Analytics & Data       | GM, Services Planning                        | stc              |
| 20 | Eng. Khaled Ibrahim Aldharab     | Bachelor Industrial Engineering       | VP, Operations Sector                | GM, Infrastructure Design                    | stc              |
| 21 | Mr. Yazeed Abdulaziz Alfari      | Master of Computer Science            | VP, Applications                     | GM, Applications                             | stc              |
| 22 | Mr. Othman Dahash Aldahash       | MBA                                   | VP, Corporate Development            | VP, Research & Development                   | Solutions by stc |
| 23 | Mr. Omar A. Alshabibi            | Bachelor of Accounting                | VP, Financial Reporting & Control    | GM, Accounting                               | stc              |
| 24 | Mr. Munif Nayef Bin Darwish      | MBA                                   | VP, Residential Services             | VP, Distribution Services                    | Channels by stc  |
| 25 | Mr. Wijnand Ernst Van Till       | MBA                                   | VP, Corporate Strategy               | Vice President Strategy pricing & Incentives | Etisalat, UAE    |
| 26 | Mr. Mohammed Rashid Aba Alkheel  | MBA                                   | VP, Corporate Communication          | GM, Corporate Communication                  | stc              |
| 27 | Mr. Faisal Abdulaziz Albakri     | Bachelor in Int'l Business Management | VP, Government Accounts              | GM, Government Accounts                      | stc              |
| 28 | Eng. Emad Aoudah Alaoudah        | Bachelor of Information Systems       | VP, Procurement and Support Services | CEO                                          | NUPCO            |
| 29 | Eng. Saud A. Alsheraih           | Bachelor of Electrical Engineering    | VP, Products and Solutions           | GM, Business Development                     | stc              |
| 30 | Mr. Riyadh Hamdan Alonazi        | BSc Information Systems               | VP, Customer Experience & Operations | GM, Customer Care                            | stc              |
| 31 | Mr. Bandar Mosalm Allehyani      | MBA                                   | VP, Mobility Services                | GM, Mobility Services                        | stc              |
| 32 | Mr. Abdul Aziz Abdullah Alqatie  | Bachelor of Accounting                | VP, Investment Operations            | VP, Financial Reporting & Control            | stc              |
| 33 | Mr. Ali Abdullah Alharbi         | Master of Accounting                  | VP, Corporate Finance                | CFO                                          | Bahrin           |
| 34 | Mr. Amir Abdulaziz Algibreen     | Master of Advanced Management         | VP, Regulatory Affairs               | Regulatory Transformation Program Manager    | stc              |
| 35 | Eng. Yasser Zaben AlOtaibi       | Bachelor of Electrical Engineering    | VP, Business Operations              | GM, Business Development                     | stc              |
| 36 | Eng. Abdulaziz Mohammed Alhaider | Bachelor of Electrical Engineering    | VP, Enterprise Accounts              | GM, Government Accounts                      | stc              |

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

| No | Companies where stc Board Members are currently Board Members or Executives in | Location |        | Legal Entity (Listed, unlisted joint stock company, LLC/ ...) | Companies where stc Board Members were previously Board Members or Executives in | Location |        | Legal Entity (Listed, unlisted joint stock company, LLC/ ...) |
|----|--------------------------------------------------------------------------------|----------|--------|---------------------------------------------------------------|----------------------------------------------------------------------------------|----------|--------|---------------------------------------------------------------|
|    |                                                                                | KSA      | Abroad |                                                               |                                                                                  | KSA      | Abroad |                                                               |
| 1  | HRH Prince Mohammed K. A. Al-Faisal                                            |          |        |                                                               |                                                                                  |          |        |                                                               |
|    | Chairman of the Board of Directors                                             |          |        |                                                               |                                                                                  |          |        |                                                               |
|    | Chairman of the Executive Committee                                            |          |        |                                                               |                                                                                  |          |        |                                                               |
|    | Chairman of the Investment Committee                                           |          |        |                                                               |                                                                                  |          |        |                                                               |
| 1  | stc                                                                            | ✓        |        | Listed joint stock                                            | -                                                                                | -        | -      | -                                                             |
| 2  | Al Faisaliah Group                                                             | ✓        |        | Closed joint stock                                            |                                                                                  |          |        |                                                               |
| 3  | Al khozama                                                                     | ✓        |        | Closed joint stock                                            |                                                                                  |          |        |                                                               |
| 4  | JP Morgan Saudi Arabia                                                         | ✓        |        | Closed joint stock                                            |                                                                                  |          |        |                                                               |
| 2  | H.E. Dr. Khaled H. Biyari                                                      |          |        |                                                               |                                                                                  |          |        |                                                               |
|    | Member of the Board of Directors and the Executive Committee.                  |          |        |                                                               |                                                                                  |          |        |                                                               |
|    |                                                                                |          |        |                                                               |                                                                                  |          |        |                                                               |
| 1  | stc                                                                            | ✓        |        | Listed joint stock                                            |                                                                                  |          |        |                                                               |
| 2  | Saudi Information Technology Company (SITE)                                    | ✓        |        | Closed Joint-stock                                            |                                                                                  |          |        |                                                               |
| 3  | Saudi Arabian Military Industries (SAMI)                                       | ✓        |        | Closed Joint-stock                                            |                                                                                  |          |        |                                                               |
| 3  | H.E. Mr. Mohammed T. Al-Nahhas                                                 |          |        |                                                               |                                                                                  |          |        |                                                               |
|    | Member of the Board of Directors and the Executive Committee                   |          |        |                                                               |                                                                                  |          |        |                                                               |
|    |                                                                                |          |        |                                                               |                                                                                  |          |        |                                                               |
|    |                                                                                |          |        |                                                               |                                                                                  |          |        |                                                               |
|    |                                                                                |          |        |                                                               |                                                                                  |          |        |                                                               |
|    |                                                                                |          |        |                                                               |                                                                                  |          |        |                                                               |
|    |                                                                                |          |        |                                                               |                                                                                  |          |        |                                                               |
|    |                                                                                |          |        |                                                               |                                                                                  |          |        |                                                               |
| 1  | stc                                                                            | ✓        |        | Listed joint stock                                            | Taiba Holding Company                                                            | ✓        |        | Listed joint stock                                            |
| 2  | Riyad Bank                                                                     | ✓        |        | Listed joint stock                                            | Saudi Travel Cheque Company                                                      | ✓        |        | Unlisted joint stock                                          |
| 3  | Sabir                                                                          | ✓        |        | Listed joint stock                                            | National Center for Privatization                                                | ✓        |        | Unlisted joint stock                                          |
| 4  | Spimaco                                                                        | ✓        |        | Listed joint stock                                            | Acwa Power                                                                       | ✓        |        | Unlisted joint stock                                          |
| 5  | Acwa Power                                                                     | ✓        |        | Unlisted joint stock                                          |                                                                                  |          |        |                                                               |
| 6  | Tawuniyah Real Estate Invest. Co.                                              | ✓        |        | Unlisted joint stock                                          |                                                                                  |          |        |                                                               |
| 7  | Raidah Invest. Co.                                                             | ✓        |        | Unlisted joint stock                                          |                                                                                  |          |        |                                                               |
| 8  | Raza Real Estate Co                                                            | ✓        |        | Unlisted joint stock                                          |                                                                                  |          |        |                                                               |

| (continued) |                                                                                                                                          | No | Companies where stc Board Members are currently Board Members or Executives in | Location |        | Legal Entity (Listed, unlisted joint stock company, LLC/ ....) | Companies where stc Board Members were previously Board Members or Executives in | Location |        | Legal Entity (Listed, unlisted joint stock company, LLC/ ....) |
|-------------|------------------------------------------------------------------------------------------------------------------------------------------|----|--------------------------------------------------------------------------------|----------|--------|----------------------------------------------------------------|----------------------------------------------------------------------------------|----------|--------|----------------------------------------------------------------|
|             |                                                                                                                                          |    |                                                                                | KSA      | Abroad |                                                                |                                                                                  | KSA      | Abroad |                                                                |
| 3           | H.E. Mr. Mohammed T. AL-Nahas<br>Member of the Board of Directors and the Executive Committee                                            | 9  | ASMA Capital                                                                   |          | ✓      | Unlisted joint stock                                           |                                                                                  |          |        |                                                                |
|             |                                                                                                                                          | 10 | Dammam Pharma                                                                  | ✓        |        | Unlisted joint stock                                           |                                                                                  |          |        |                                                                |
| 4           | Mr. Yazeed A. AL-Humied<br>Vice Chairman of the Board of Directors. Member of the Executive Committee                                    | 1  | stc                                                                            | ✓        |        | Listed joint stock                                             | Samba Financial Group                                                            | ✓        |        | Listed joint stock                                             |
|             |                                                                                                                                          | 2  | Saudi National Bank (SNB)                                                      | ✓        |        | Listed joint stock                                             |                                                                                  |          |        |                                                                |
|             |                                                                                                                                          | 3  | National Security Services Co. (SAFE)                                          | ✓        |        | Closed Joint-stock                                             |                                                                                  |          |        |                                                                |
|             |                                                                                                                                          | 4  | Saudi Arabian Airlines General Organization                                    | ✓        |        | State-owned enterprise                                         |                                                                                  |          |        |                                                                |
|             |                                                                                                                                          | 5  | Flyadeal                                                                       | ✓        |        | Closed Joint-stock                                             |                                                                                  |          |        |                                                                |
|             |                                                                                                                                          | 6  | Saudi Civil Aviation Holding Co.                                               | ✓        |        | Closed Joint-stock                                             |                                                                                  |          |        |                                                                |
|             |                                                                                                                                          | 7  | Saudi Tadawul Group Holding                                                    | ✓        |        | Listed joint stock                                             |                                                                                  |          |        |                                                                |
|             |                                                                                                                                          | 8  | Richard Attias & Associates                                                    | ✓        |        | Closed joint stock                                             |                                                                                  |          |        |                                                                |
|             |                                                                                                                                          | 9  | Saudi Egyptian Invest. Co.                                                     | ✓        |        | Closed joint stock                                             |                                                                                  |          |        |                                                                |
|             |                                                                                                                                          | 10 | Savvy Gaming Group (SGG)                                                       | ✓        |        | Closed joint stock                                             |                                                                                  |          |        |                                                                |
| 5           | Ms. Rania M. Nashar<br>Member of the Board of Directors and the Nomination and Remuneration Committee, Chairperson of the Risk Committee | 1  | stc                                                                            | ✓        |        | Samba Financial Group                                          | Listed joint stock                                                               | ✓        |        | Listed joint stock                                             |
|             |                                                                                                                                          | 2  | Saudi Tadawul Group Holding                                                    | ✓        |        | Samba Capital                                                  | Listed joint stock                                                               | ✓        |        | Closed joint stock                                             |
|             |                                                                                                                                          | 3  | Saudi Space Commission                                                         | ✓        |        | Samba Bank Ltd.                                                | Government Entity                                                                |          | ✓      | Listed joint stock                                             |
|             |                                                                                                                                          | 4  | National Center for Performance Measurement (Aaaa)                             | ✓        |        | Samba Bank Limited Global Markets Ltd.                         | Government Entity                                                                |          | ✓      | LLC.                                                           |

| (continued) |                                                                                          | No | Companies where stc Board Members are currently Board Members or Executives in | Location |        | Legal Entity (Listed, unlisted joint stock company, LLC/ ....) | Companies where stc Board Members were previously Board Members or Executives in | Location |        | Legal Entity (Listed, unlisted joint stock company, LLC/ ....) |
|-------------|------------------------------------------------------------------------------------------|----|--------------------------------------------------------------------------------|----------|--------|----------------------------------------------------------------|----------------------------------------------------------------------------------|----------|--------|----------------------------------------------------------------|
|             |                                                                                          |    |                                                                                | KSA      | Abroad |                                                                |                                                                                  | KSA      | Abroad |                                                                |
| 6           | Mr. Arndt Rautenberg<br>Member of the Board of Directors and the Investment Committee    | 1  | stc                                                                            | ✓        |        | Listed joint stock                                             | Protection One GmbH                                                              |          | ✓      | Unlisted joint stock                                           |
|             |                                                                                          | 2  | B Capital Partners AG                                                          |          | ✓      | Unlisted joint stock                                           | d&b audiotchnik GmbH                                                             |          | ✓      | Unlisted joint stock                                           |
|             |                                                                                          | 3  | Arcus Infrastructure Partners LLP                                              |          | ✓      | LLP.                                                           | Materna SE                                                                       |          | ✓      | Unlisted joint stock                                           |
|             |                                                                                          | 4  | Push Technologies SL                                                           |          | ✓      | Unlisted joint stock                                           |                                                                                  |          |        |                                                                |
| 7           | Mr. Sanjay Kapoor<br>Member of the Board of Directors and the Executive Committee        | 1  | stc                                                                            | ✓        |        | Listed joint stock                                             | Bennett Coleman Co. Ltd.                                                         |          | ✓      | Unlisted joint stock                                           |
|             |                                                                                          | 2  | VLCC Healthcare Ltd.                                                           |          | ✓      | Listed joint stock                                             | PVR, Ltd.                                                                        |          | ✓      | Listed joint stock                                             |
|             |                                                                                          | 3  | ObMobile Global Ltd.                                                           |          | ✓      | Listed joint stock                                             | MicroMax Informatics Ltd.                                                        |          | ✓      | Unlisted joint stock                                           |
|             |                                                                                          | 4  | Tanla Platforms Ltd.                                                           |          | ✓      | Listed joint stock                                             | Indus Towers Ltd.                                                                |          | ✓      | Listed joint stock                                             |
|             |                                                                                          | 5  | Tech-Connect Retail Pvt. Ltd.                                                  |          | ✓      | Unlisted joint stock                                           | IFFCO Kisan Sancher Ltd.                                                         |          | ✓      | Unlisted joint stock                                           |
|             |                                                                                          | 6  | Napino Auto and Electronics Ltd.                                               |          | ✓      | Unlisted joint stock                                           | Bharti Cellular Ltd.                                                             |          | ✓      | Unlisted joint stock                                           |
|             |                                                                                          | 7  | Z-Axis Management, Consultants, and Strategic Advisors LLP                     |          | ✓      | LLP.                                                           | GSMA                                                                             |          | ✓      | Unlisted joint stock                                           |
|             |                                                                                          | 8  | Richard Attias & Associates                                                    |          | ✓      |                                                                | IBus Network & Infrastructure Pvt. Ltd                                           |          | ✓      | Unlisted joint stock                                           |
| 8           | Ms. Sarah J. Al-Suhaimi<br>Member of the Board of Directors and the Investment Committee | 1  | stc                                                                            | ✓        |        | Listed joint stock                                             | SNB Capital                                                                      | ✓        |        | Joint stock company                                            |
|             |                                                                                          | 2  | Saudi Tadawul Group Holding                                                    | ✓        |        | Listed joint stock                                             |                                                                                  |          |        |                                                                |
|             |                                                                                          | 3  | Saudi Arabian Airlines General Organization                                    | ✓        |        | State-owned enterprise                                         |                                                                                  |          |        |                                                                |
|             |                                                                                          | 4  | Culture Development Fund                                                       | ✓        |        | State-owned Fund                                               |                                                                                  |          |        |                                                                |



(continued)

| No | Companies where stc Board Members are currently Board Members or Executives in         | Location                          |        | Legal Entity (Listed, unlisted joint stock company, LLC/ ....) | Companies where stc Board Members were previously Board Members or Executives in | Location                           |        | Legal Entity (Listed, unlisted joint stock company, LLC/ ....) |
|----|----------------------------------------------------------------------------------------|-----------------------------------|--------|----------------------------------------------------------------|----------------------------------------------------------------------------------|------------------------------------|--------|----------------------------------------------------------------|
|    |                                                                                        | KSA                               | Abroad |                                                                |                                                                                  | KSA                                | Abroad |                                                                |
| 9  | Mr. Jameel A. AlMulhem                                                                 |                                   |        |                                                                |                                                                                  |                                    |        |                                                                |
|    | Member of the Board of Directors Chairman of the Nomination and Remuneration Committee |                                   |        |                                                                |                                                                                  |                                    |        |                                                                |
|    | 1                                                                                      | stc                               | ✓      |                                                                | Listed joint stock                                                               | New Vision Co.                     | ✓      | LLC                                                            |
|    | 2                                                                                      | Takween Advanced Ind.             | ✓      |                                                                | Listed joint stock                                                               | Energy Service Co.                 | ✓      | LLC                                                            |
|    | 3                                                                                      | Wala'a Cooperative Insurance Co.  | ✓      |                                                                | Listed joint stock                                                               | Al Hassan Ghazi Ibrahim Shaker Co. | ✓      | Listed joint stock                                             |
|    | 4                                                                                      | Electrical Ind. Co.               | ✓      |                                                                | Listed joint stock                                                               | Selco Co.                          | ✓      | LLC                                                            |
|    | 5                                                                                      | Alessa Ind. Co.                   | ✓      |                                                                | Closed joint stock                                                               | Contact Center Co.                 | ✓      | LLC                                                            |
|    | 6                                                                                      | New Marina for Plastic Industries |        | ✓                                                              | Closed joint stock                                                               | Viva Kuwait                        | ✓      | Listed joint stock                                             |
|    | 7                                                                                      |                                   |        |                                                                | Viva Bahrain                                                                     |                                    | ✓      | LLC                                                            |
|    | 8                                                                                      |                                   |        |                                                                | Cell- C                                                                          |                                    | ✓      | LLC                                                            |
|    | 9                                                                                      |                                   |        |                                                                | Avea                                                                             |                                    | ✓      | LLC                                                            |
|    | 10                                                                                     |                                   |        |                                                                | Turk Telekom                                                                     |                                    | ✓      | LLC                                                            |
|    | 11                                                                                     |                                   |        |                                                                | Intigral                                                                         |                                    | ✓      | LLC                                                            |

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|                                                         |   |                                                             |   |   |                    |  |  |  |
|---------------------------------------------------------|---|-------------------------------------------------------------|---|---|--------------------|--|--|--|
| Mr. Waleed I. Shukri                                    | 1 | stc                                                         | ✓ |   | Listed joint stock |  |  |  |
|                                                         | 2 | Saudi Agricultural and Livestock Investment Company (SALIC) | ✓ |   | Closed joint stock |  |  |  |
|                                                         | 3 | Saudi Electricity Co. (SEC)                                 | ✓ |   | Listed joint stock |  |  |  |
|                                                         | 4 | Middle East Paper Co. (Mepco)                               | ✓ |   | Listed joint stock |  |  |  |
|                                                         | 5 | Kanoo Group                                                 |   | ✓ | LLC                |  |  |  |
| Member of the Board of Directors and the Risk Committee |   |                                                             |   |   |                    |  |  |  |
| Chairman of the Audit Committee                         |   |                                                             |   |   |                    |  |  |  |

(continued)

| No | Companies where stc Board Members are currently Board Members or Executives in | Location                   |        | Legal Entity (Listed, unlisted joint stock company, LLC/ ....) | Companies where stc Board Members were previously Board Members or Executives in | Location                          |        | Legal Entity (Listed, unlisted joint stock company, LLC/ ....) |
|----|--------------------------------------------------------------------------------|----------------------------|--------|----------------------------------------------------------------|----------------------------------------------------------------------------------|-----------------------------------|--------|----------------------------------------------------------------|
|    |                                                                                | KSA                        | Abroad |                                                                |                                                                                  | KSA                               | Abroad |                                                                |
| 11 | Mr. Ahmed M. Al Omran                                                          |                            |        |                                                                |                                                                                  |                                   |        |                                                                |
|    | Member of the Board of Directors and the Risk Committee                        |                            |        |                                                                |                                                                                  |                                   |        |                                                                |
|    | 1                                                                              | stc                        | ✓      |                                                                | Listed joint stock                                                               | Saudi Industrial Investment Group | ✓      | Listed joint stock                                             |
|    | 2                                                                              | Takamul Holding Company    | ✓      |                                                                | LLC                                                                              | Saudi Cement                      | ✓      |                                                                |
|    | 3                                                                              | Arab National Bank         | ✓      |                                                                | Listed joint stock                                                               | Samba Financial                   | ✓      |                                                                |
|    | 4                                                                              | Madad IT Services          | ✓      |                                                                | LLC                                                                              | -                                 | -      | -                                                              |
|    | 5                                                                              | Masdr Data Solutions       | ✓      |                                                                | LLC                                                                              |                                   |        |                                                                |
|    | 6                                                                              | Hassana Investment Company | ✓      |                                                                | LLC                                                                              |                                   |        |                                                                |
|    | 7                                                                              | Ra'idah Investment Company | ✓      |                                                                | Closed joint stock                                                               |                                   |        |                                                                |

## ■ Participation of Members in Board and Committees' Meetings

### First:

The following tables show the meetings of the Board of Directors and Committees during the 7th term, ending on 27/04/2021, as well as members' attendance of these meetings in 2021:



### Meetings of the Board of Directors

(7th term ended on 27/04/2021):

| No | Name                                | Membership                              | Board        | Total |
|----|-------------------------------------|-----------------------------------------|--------------|-------|
|    |                                     |                                         | 15th meeting |       |
|    |                                     |                                         | 25 March     |       |
| 1  | HRH Prince Mohammed K. A. Al-Faisal | Chairman of the Board of Directors      | ✓            | 1     |
| 2  | H.E. Dr. Khaled H. Biyari           | Vice Chairman of the Board of Directors | ✓            | 1     |
| 3  | H.E. Mr. Mohammed T. Al-Nahas       | Member                                  | ✓            | 1     |
| 4  | Mr. Rashid I. Sharif                | Member                                  | ✓            | 1     |
| 5  | Mr. Sanjay Kapoor                   | Member                                  | ✓            | 1     |
| 6  | Mr. Roy Chestnutt                   | Member                                  | ✓            | 1     |
| 7  | Dr. Ibrahim A. Kadi                 | Member                                  | ✓            | 1     |
| 8  | Mr. Osama Y. Al-Khiary              | Member                                  | ✓            | 1     |
| 9  | Mr. Ahmed M. Al Omran               | Member                                  | ✓            | 1     |

### Meetings of Board Committees

(7th term ended on 27/04/2021):

#### Executive Committee:

| No | Name                                 | Membership | ExCom        | Total |
|----|--------------------------------------|------------|--------------|-------|
|    |                                      |            | 14th meeting |       |
|    |                                      |            | 9 March      |       |
| 1  | HRH Prince Mohammed K. A. Al-Faisal  | Chairman   | ✓            | 1     |
| 2  | H.E. Dr. Khaled H. Biyari            | Member     | ✓            | 1     |
| 3  | Mr. Sanjay Kapoor                    | Member     | ✓            | 1     |
| 4  | Dr. Ibrahim A. Kadi                  | Member     | ✓            | 1     |
| 5  | Mr. Sultan Bin Abdul Malik Al-Sheikh | Member     | ✓            | 1     |
| 6  | Eng. Nasser bin Sulaiman Al Nasser   | Member     | ✓            | 1     |

#### Nomination and Remuneration Committee:

| No | Name                   | Membership | NRC          | Total |
|----|------------------------|------------|--------------|-------|
|    |                        |            | 14th meeting |       |
|    |                        |            | 17 March     |       |
| 1  | Mr. Osama Y. Al-Khiary | Chairman   | ✓            | 1     |
| 2  | Mr. Ahmed M. Al Omran  | Member     | ✓            | 1     |
| 3  | Mr. Johan Brand        | Member     | ✓            | 1     |
| 4  | Ms. Hoda M. Al-Ghosen  | Member     | ✓            | 1     |

#### Audit Committee:

| No | Name                              | Membership | IC Meetings |            |         |          |          | Total |
|----|-----------------------------------|------------|-------------|------------|---------|----------|----------|-------|
|    |                                   |            | 22nd        | 23rd       | 24th    | 25th     | 26th     |       |
|    |                                   |            | 20 January  | 21 January | 3 March | 20 April | 22 April |       |
| 1  | Dr. Ibrahim A. Kadi               | Chairman   | ✓           | ✓          | ✓       | ✓        | ✓        | 5     |
| 2  | Mr. Khalid Bin Abdullah Al Ankari | Member     | ✓           | ✓          | ✓       | ✓        | ✓        | 5     |
| 3  | Mr. Medhat F. Tawfik              | Member     | ✓           | ✓          | ✓       | ✓        | ✓        | 5     |
| 4  | Dr. Ammr K. Kurdi                 | Member     | ✓           | ✓          | ✓       | ✓        | ✓        | 5     |
| 5  | Eng. Tarek Ab-dulaziz Alrikhaimi  | Member     | ✓           | ✓          | ✓       | ✓        | ✓        | 5     |

**Investment Committee:**

| No | Name                                | Membership | IC Meetings |          |         | Total |
|----|-------------------------------------|------------|-------------|----------|---------|-------|
|    |                                     |            | 14th        | 15th     | 16th    |       |
|    |                                     |            | 2 February  | 10 March | 7 April |       |
| 1  | HRH Prince Mohammed K. A. Al-Faisal | Chairman   | ✓           | ✓        | ✓       | 3     |
| 2  | H.E. Mr. Mohammed T. Al-Nahhas      | Member     | ✓           | ✓        | ✓       | 3     |
| 3  | Mr. Rashid I. Sharif                | Member     | ✓           | ✓        | ✓       | 3     |
| 4  | Mr. Roy Chestnutt                   | Member     | x           | ✓        | ✓       | 2     |
| 5  | Mr. Mazen Ahmed Al-Jubeir           | Member     | ✓           | ✓        | ✓       | 3     |

**Second:**

The following tables show the meetings of the Board of Directors and Committees during the eighth term, started on 28/4/2021, **as well as members' attendance of these meetings in 2021:**

**Meetings of the Board of Directors**

(8th term started on 28/04/2021):

The Board of Directors convened five meetings. The following table illustrate these meetings convened in 2021 and members' attendance.

| No | Name                                | Membership                              | IC Meetings |         |        |        |        | Total |
|----|-------------------------------------|-----------------------------------------|-------------|---------|--------|--------|--------|-------|
|    |                                     |                                         | 1st         | 2nd     | 3rd    | 4th    | 5th    |       |
|    |                                     |                                         | 29 Apr      | 17 June | 27 Sep | 19 Dec | 20 Dec |       |
| 1  | HRH Prince Mohammed K. A. Al-Faisal | Chairman of the Board of Directors      | ✓           | ✓       | ✓      | ✓      | ✓      | 5     |
| 2  | H.E. Dr. Khaled H. Biyari           | Member                                  | ✓           | ✓       | ✓      | ✓      | ✓      | 5     |
| 3  | H.E. Mr. Mohammed T. Al-Nahhas      | Member                                  | ✓           | ✓       | ✓      | ✓      | ✓      | 5     |
| 4  | Mr. Yazeed A. AL-Humied             | Vice Chairman of the Board of Directors | ✓           | ✓       | ✓      | ✓      | ✓      | 5     |
| 5  | Ms. Rania M. Nashar                 | Member                                  | ✓           | ✓       | ✓      | ✓      | ✓      | 5     |
| 6  | Mr. Arndt Rutenberg                 | Member                                  | ✓           | ✓       | ✓      | ✓      | ✓      | 5     |
| 7  | Mr. Sanjay Kapoor                   | Member                                  | ✓           | ✓       | ✓      | ✓      | ✓      | 5     |
| 8  | Ms. Sarah J. AL-Suhaimi             | Member                                  | ✓           | ✓       | ✓      | ✓      | ✓      | 5     |
| 9  | Mr. Jameel A. AlMulhem              | Member                                  | ✓           | ✓       | ✓      | ✓      | ✓      | 5     |
| 10 | Mr. Walid I. Shukri                 | Member                                  | ✓           | ✓       | ✓      | ✓      | ✓      | 5     |
| 11 | Mr. Ahmed M. Al Omran               | Member                                  | ✓           | ✓       | ✓      | ✓      | ✓      | 5     |

**Meetings of Board Committees (8th Term)**

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

**Executive Committee:**

The Executive Committee (ExCom) consists of Five Board Directors. ExCom reviews and approves strategies, estimated annual budgets, and local and international organic and inorganic businesses within board-approved authorities. ExCom held three meetings in 2021:

| No | Name                                | Membership | ExCom Meetings |             |            | Total |
|----|-------------------------------------|------------|----------------|-------------|------------|-------|
|    |                                     |            | 1st            | 2nd         | 3rd        |       |
|    |                                     |            | 31 May         | 7 September | 7 December |       |
| 1  | HRH Prince Mohammed K. A. Al-Faisal | Chairman   | ✓              | ✓           | ✓          | 3     |
| 2  | H.E. Dr. Khaled H. Biyari           | Member     | ✓              | ✓           | ✓          | 3     |
| 3  | H.E. Mr. Mohammed T. Al-Nahhas      | Member     | ✓              | ✓           | ✓          | 3     |
| 4  | Mr. Yazeed A. AL-Humied             | Member     | ✓              | ✓           | ✓          | 3     |
| 5  | Mr. Sanjay Kapoor                   | Member     | ✓              | ✓           | ✓          | 3     |

**Nomination and Remuneration Committee:**

The Nomination and Remuneration Committee (NRC) consists of two Board Directors and two external Members. The NRC reviews and approves the process of designing an appropriate operating model and fair incentives of salary scales in conformity with market standards and requirements and best governance practices. The NRC also reviews the structure of the Board and recommends appropriate amendments; ensures annually the independence of external members; ensures Board Directors have no conflict of interest, especially if they are Board members of other companies; and reviews and approves Board and Committees remunerations and incentives prior to submission before the Board for ratification. The NRC held four meetings in 2021:



| No | Name                   | Membership | NRC Meetings |           |             |            | Total |
|----|------------------------|------------|--------------|-----------|-------------|------------|-------|
|    |                        |            | 1st          | 2nd       | 3rd         | 4th        |       |
|    |                        |            | 8 June       | 17 August | 9 September | 9 December |       |
| 1  | Mr. Jameel A. AlMulhem | Chairman   | ✓            | ✓         | ✓           | ✓          | 4     |
| 2  | Ms. Rania M. 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 1/6/2021. The General Assembly approved AC tasks, controls and the remuneration of its Members. AC consists of one Board Director and three external Members 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 issue recommendations to the Board of directors on the appointment, dismissal, remuneration and independence of legal accountants.

AC examines preliminary and annual financial statements before being submitted to the Board of Directors and provides opinions and guidance thereon. AC reviews the legal accountant's observations on the statements and reviews the audit plan with the legal accountant, making its observations thereon. AC fulfills other works periodically and regularly in order to assess the efficiency and effectiveness of stc control activities and risk management. AC held four meetings in 2021:

| No | Name                              | Membership      | AC Meetings |          |            |            | Total |
|----|-----------------------------------|-----------------|-------------|----------|------------|------------|-------|
|    |                                   |                 | 1st         | 2nd      | 3rd        | 4th        |       |
|    |                                   |                 | 10 June     | 2 August | 21 October | 26 October |       |
| 1  | Mr. Walid I. Shukri               | Chairman        | ✓           | ✓        | ✓          | ✓          | 4     |
| 2  | Dr. Ammr K. Kurdi                 | Deputy Chairman | ✓           | ✓        | ✓          | ✓          | 4     |
| 3  | Mr. Khalid Bin Abdullah Al Ankari | Member          | ✓           | ✓        | ✓          | ✓          | 4     |
| 4  | Mr. Medhat F. Tawfik              | Member          | ✓           | ✓        | ✓          | ✓          | 4     |

### Investment Committee:

The Investment Committee (IC) consists of three Board Directors and an external Member. IC is responsible for reviewing the investments policy as per stc strategies. IC also reviews and examines strategic investment opportunities and recommends feasible investments. IC held six meetings in 2021:

| No | Name                                | Membership | IC Meetings |       |        |       |        |       | Total |
|----|-------------------------------------|------------|-------------|-------|--------|-------|--------|-------|-------|
|    |                                     |            | 1st         | 2nd   | 3rd    | 4th   | 5th    | 6th   |       |
|    |                                     |            | 2 Jun       | 9 Jun | 15 Jul | 8 Sep | 31 Oct | 8 Dec |       |
| 1  | HRH Prince Mohammed K. A. Al-Faisal | Chairman   | ✓           | ✓     | x      | ✓     | ✓      | ✓     | 5     |
| 2  | Mr. Arndt Rautenberg                | Member     | ✓           | ✓     | ✓      | ✓     | ✓      | ✓     | 6     |
| 3  | Ms. Sarah J. AL-Suhaimi             | Member     | ✓           | ✓     | ✓      | ✓     | ✓      | ✓     | 6     |
| 4  | Mr. Rashid I. Sharif                | Member     | ✓           | ✓     | ✓      | ✓     | ✓      | ✓     | 6     |

### Risk Committee:

The Risk Committee (RC) consists of three Board Directors and an external Member. RC is responsible for reviewing risk policies in accordance with stc strategies. RC ensures applying best practice of risk management and internal control systems. RC also ensures the appropriateness of plans to carry out tasks and responsibilities, risk strategy, and business continuity. RC also reviews top risks that stc faces and the corrective measures to mitigate these risks. RC held three meetings in 2021:

| No | Name                              | Membership  | RC Meetings |        |       | Total |
|----|-----------------------------------|-------------|-------------|--------|-------|-------|
|    |                                   |             | 1st         | 2nd    | 3rd   |       |
|    |                                   |             | 6 Jun       | 13 Sep | 5 Dec |       |
| 1  | Ms. Rania M. Nashar               | Chairperson | ✓           | ✓      | ✓     | 3     |
| 2  | Mr. Walid I. Shukri               | Member      | ✓           | ✓      | ✓     | 3     |
| 3  | Mr. Ahmed M. Al Omran             | Member      | ✓           | ✓      | ✓     | 3     |
| 4  | M Eng. Tarek Abdulaziz Alrikhaimi | Member      | ✓           | ✓      | ✓     | 3     |

## Dates of the shareholders' General Assembly meetings held during the fiscal year 2021, and the names of the present board members:

### First:

The Extraordinary General Assembly on 26/04/2021  
Corresponding to 14/09/1442:

The Extraordinary General Assembly's meeting held remotely through modern technology via Tadawulaty services on 26/04/2021 corresponding to 14/09/1442 based on the Capital Market Authority circular, which stipulates that listed companies conduct their general assemblies through modern technology, and suspend the presence until further notice. The meeting's results were published on Tadawul's website on the next day 27/04/2021. **Voting results in the General Assembly's agenda were as follows:**

1. Approve the Board of Director's report for the fiscal year ending on 31-12-2020.
2. Approve the report of stc auditor for the fiscal year ending on 31-12-2020.
3. Approve stc consolidated financial statements for the year ending on 31-12-2020.
4. Approve the amendment of Article No. (17) of stc Incorporation document relating to the company board of directors.
5. Approve the election of members of the board of directors from among the candidates for the next term through cumulative voting process which starts on 28-04-2021 and lasts for three years, ending on 27-04-2024, and their names are as follows:

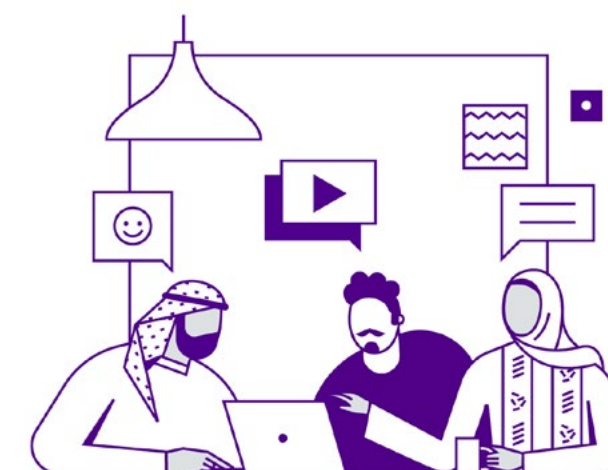
1. **HRH Prince Mohammed K. A. Al-Faisal.**
2. **H.E. Dr. Khaled H. Biyari**
3. **H.E. Mr. Mohammed T. Al-Nahhas**
4. **Mr. Yazeed A. AlHumied**
5. **Ms. Rania M. Nashar**
6. **Mr. Sanjay Kapoor**
7. **Mr. Arndt F. Rautenberg**
8. **Ms. Sarah J. Al-Suhaimi**
9. **Mr. Ahmed M. Alomran**
10. **Mr. Jameel A. AlMulhem**
11. **Mr. Waleed I. Shukri**

6. Approve appointing the auditor Ernest & Young (EY) for the Company from among the candidates based on the Audit Committee's recommendation. The appointed auditor shall examine, review and audit the (second, third, and fourth) quarter and annual financial statements of the fiscal year 2021, and the first quarter of the fiscal year 2022, and the determination of the auditor's remuneration (SR 12,359,200).

7. Approve the Board of Directors recommendation for the additional one-time distributions for the year 2020, of SR (1) per share which represents 10% of the share's par value with a total amount of SR 2,000 million, the eligibility for dividend will be to Shareholders who own the shares on the day of Company's general assembly and registered in the company's shareholders register at Securities Depository Center by the end of the second trading day following the day of general assembly, thus the total dividends distributed and proposed to be distributed for the year 2020 is SR (5) per share which represents 50% of the share's par value with a total amount of SR 10,000 million, the Dividends distribution for 2,000 million eligible shares shall be in 24/05/2021, as previously announced.

8. Approve delegating the authority of the General Assembly to the Board of Directors with the license mentioned in Paragraph (1) of Article 71 of the Companies Bylaw for a period of one year from the date of approval of the General Assembly or until the end of the term of the delegated Board of Directors, whichever is earlier, and in accordance with the conditions mentioned in the related regulations.

9. Approve the business and contracts that have been signed between the Company and Masdr Data Solutions, "a subsidiary of the General Organization for Social Insurance (GOSI)", In which Mr. Ahmed M. Al Omran "a member of the Board of Directors" has an indirect interest within the ordinary course of business and did not grant any preferential benefits, with an amount of (215,000) Saudi riyals in 2020.



10. Approve paying (4,425,000) Saudi riyals as remunerations for the board of directors members for the fiscal year ending on 31/12/2020.

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

| No | Name                                                        | Attendance |
|----|-------------------------------------------------------------|------------|
| 1  | HRH Prince Mohammed K. A. Al-Faisal (Chairman of the Board) | ✓          |
| 2  | H.E. Dr. Khaled H. Biyari (Vice Chairman)                   | ✓          |
| 3  | H.E. Mr. Mohammed T. Al-Nahhas                              | ✓          |
| 4  | Mr. Rashid I. Sharif                                        | ✓          |
| 5  | Mr. Sanjay Kapoor*                                          | x          |
| 6  | Mr. Roy Chestnutt                                           | ✓          |
| 7  | Dr. Ibrahim A. Kadi                                         | ✓          |
| 8  | Mr. Osama Y. Al-Khiary                                      | ✓          |
| 9  | Mr. Ahmed M. Al Omran                                       | ✓          |

\* Due to emergency circumstances, Mr. Kapoor apologized for not attending the EGM.

\* Minutes of meetings can be found on stc's website [www.stc.com.sa](http://www.stc.com.sa)

## Second:

The Ordinary General Assembly on 01/06/2021 Corresponding to 20/10/1442 :

The Ordinary General Assembly's meeting held remotely through modern technology via Tadawulaty services on 01/06/2021 corresponding to 20/10/1442 H based on the Capital Market Authority circular, which stipulates that listed companies conduct their general assemblies through modern technology, and suspend the presence until further notice. The meeting's results were published on Tadawul's website on the next day 02/06/2021. Voting results in the General Assembly's agenda were as follows:

1. Approve the forming of the Audit Committee(AC),ControlsandProcedures of its work, and remunerations, starting 1-6-2021 and until the end of the Board term on 27-4-2024. The Audit Committee Members are:
  1. Mr. Waleed I. Shukri.
  2. Mr. Khaled A. AlAnkari.
  3. Mr. Medhat F. Tawfik.
  4. Dr. Ammr K. Kurdi.
2. Approve amending the Audit Committee Charter.

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

| No | Name                                                        | Attendance |
|----|-------------------------------------------------------------|------------|
| 1  | HRH Prince Mohammed K. A. Al-Faisal (Chairman of the Board) | ✓          |
| 2  | H.E. Dr. Khaled H. Biyari                                   | ✓          |
| 3  | H.E. Mr. Mohammed T. Al-Nahhas                              | ✓          |
| 4  | Mr. Yazeed A. AlHumied (Vice Chairman)                      | ✓          |
| 5  | Ms. Rania M. Nashar                                         | ✓          |
| 6  | Mr. Sanjay Kapoor*                                          | x          |
| 7  | Mr. Arndt F. Rautenberg *                                   | x          |
| 8  | Ms. Sarah J. Al-Suhaimi                                     | ✓          |
| 9  | Mr. Jameel A. AlMulhem                                      | ✓          |
| 10 | Mr. Ahmed M. Al Omran                                       | ✓          |
| 11 | Mr. Waleed I. Shukri                                        | ✓          |

\* Due to emergency circumstances, Mr. Kapoor and Mr. Rautenberg apologized for not attending the AGM.

\* Minutes of meetings can be found on stc's website [www.stc.com.sa](http://www.stc.com.sa)

## Third:

The Ordinary General Assembly on 30/11/2021 Corresponding to 25/04/1443:

The Ordinary General Assembly's meeting held remotely through modern technology via Tadawulaty services on 30/11/2021 corresponding to 25/04/1443 H based on the Capital Market Authority circular, which stipulates that listed companies conduct their general assemblies through modern technology, and suspend the presence until further notice. The meeting's results were published on Tadawul's website on the next day 01/12/2021. Voting results in the General Assembly's agenda were as follows:

1. Approve stc dividends policy for the next three years starting from the fourth quarter of 2021.
2. Approve the Company's entry and execution of the Bookrunners Agreement.
3. Approve authorizing the Company's Board of Directors, or any person delegated by the Board of Directors to approve the terms and conditions of the Bookrunners Agreement and any other related agreements, applications, documents and instruments relating to the Secondary Offering, including the offering document (prospectus); and execute such agreements and documentation and negotiate the same; and to carry out all other actions to execute the Secondary Offering.
4. Approve ratifying all previous actions carried out by the Company's Board of Directors in relation to the Secondary Offering including preparatory work carried out with the Public Investment Fund in relation to the Secondary Offering and appointment of the relevant advisors.

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

| No | Name                                                        | Attendance |
|----|-------------------------------------------------------------|------------|
| 1  | HRH Prince Mohammed K. A. Al-Faisal (Chairman of the Board) | ✓          |
| 2  | H.E. Dr. Khaled H. Biyari                                   | ✓          |
| 3  | H.E. Mr. Mohammed T. Al-Nahhas                              | ✓          |
| 4  | Mr. Yazeed A. AlHumied (Vice Chairman)                      | ✓          |
| 5  | Ms. Rania M. Nashar                                         | ✓          |
| 6  | Mr. Sanjay Kapoor*                                          | x          |
| 7  | Mr. Arndt F. Rautenberg *                                   | x          |
| 8  | Ms. Sarah J. Al-Suhaimi                                     | ✓          |
| 9  | Mr. Jameel A. AlMulhem                                      | ✓          |
| 10 | Mr. Ahmed M. Al Omran                                       | ✓          |
| 11 | Mr. Waleed I. Shukri                                        | ✓          |

\* Mr. Kapoor and Mr. Rautenberg apologized for not attending the AGM.

\* Minutes of meetings can be found on stc's website [www.stc.com.sa](http://www.stc.com.sa)





## ■ Annual Assessment of the Board of Directors

The Board of Directors resolved on 21/3/2018 to approve the Performance Assessment Policy of the Board of Directors and Committees. The policy aims to define rules and regulations of assessing performance for follow up and enhancement objectives, fulfill requirements, apply best governance practice, and strengthen the Board's effectiveness. The Chairman of the Board of Directors directed the Nomination and Remuneration Committee to write to specialized advisory firms and request them to submit their Board assessment proposals for the first year of the 8th term during the second quarter of 2022, provided that the consultant is highly qualified and experienced to assess the effectiveness and performance of the Board and committees in several aspects including their:

structure, role, interaction, governance, challenges and risk management. The advisory firm should also pinpoint strength points and build upon them to enhance the Board and the Committees performance, which will be reflected positively on stc.

## ■ The Company's Dividend Distribution Policy

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

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

share of the profits. The Company may also distribute interim profits to its shareholders semiannually or quarterly in accordance with the regulations issued by the competent authority, on the basis of a mandate issued by the Ordinary General Assembly of the Board of Directors to distribute interim profits.

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

On 9 Rabi Thani 1440H (corresponding to 16 December 2018) the Board of Directors have approved the Company's dividends policy for the next three years starting from the fourth quarter of 2018, which was approved by the General Assembly on 19 Sha'ban 1440H (corresponding to 24 April 2019).



The objective of the dividends policy is based on maintaining a minimum level of dividend of SR 1 per share on a quarterly basis. The Company will consider and pay additional dividend subject to the Board of Directors recommendation after assessment and determination of the Company's financial situation, outlook and capital expenditure requirements.

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

#### The dividends policy will remain subject to:

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

#### Description of any interest, contractual papers, and subscription rights belonging to members of the Board of Directors and their relatives in stc shares or debt instruments in stc (7th term).

| No | Board Member                        | Start of 2021 |                 | On 27/04/2021 |                 | Net difference | Change percentage |
|----|-------------------------------------|---------------|-----------------|---------------|-----------------|----------------|-------------------|
|    |                                     | Shares        | Debt instrument | Shares        | Debt instrument |                |                   |
| 1  | HRH Prince Mohammed K. A. Al-Faisal | 1,000         | 0               | 1,000         | 0               | 0              | 0%                |
| 2  | H.E. Dr. Khaled H. Biyari           | 2,000         | 0               | 2,000         | 0               | 0              | 0%                |
| 3  | H.E. Mr. Mohammed T. Al-Nahhas      | 0             | 0               | 0             | 0               | 0              | 0%                |
| 4  | Mr. Rashid I. Sharif                | 0             | 0               | 0             | 0               | 0              | 0%                |
| 5  | Mr. Sanjay Kapoor                   | 0             | 0               | 0             | 0               | 0              | 0%                |
| 6  | Mr. Roy Chestnutt                   | 0             | 0               | 0             | 0               | 0              | 0%                |
| 7  | Dr. Ibrahim A. Kadi                 | 2,666         | 0               | 2,666         | 0               | 0              | 0%                |
| 8  | Mr. Osama Y. Al-Khiary              | 0             | 0               | 0             | 0               | 0              | 0%                |
| 9  | Mr. Ahmed M. Al Omran               | 0             | 0               | 0             | 0               | 0              | 0%                |

On April 26, 2021, the General Assembly approved, during its meeting, the recommendation of the Board of Directors to distribute additional cash dividends for the year 2020 at the rate of SR 1 per share.

In accordance with dividends policy, the Company distributed cash dividends to the shareholders of the Company for the first, second and third quarters of the year 2021 at a rate of SR 1 per share, respectively.

The Board of Directors, in their meeting held on 20 Safar 1443H (corresponding to 27 September 2021) have approved the Company's dividends policy for the next three years starting from the fourth quarter of 2021 at a rate of SR 1 per share, which was approved by the General Assembly on 25 Rabi Thani 1443H (corresponding to 30 November 2021). In addition, in line with the same policy, the Company will distribute cash dividends to the shareholders of the Company for the fourth quarter of 2021 at a rate of SR 1 per share.

#### 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 in stc (8th term).

| No | Board Member                        | On 28/04/2021 |                 | On 31/12/2021 |                 | Net difference | Change percentage |
|----|-------------------------------------|---------------|-----------------|---------------|-----------------|----------------|-------------------|
|    |                                     | Shares        | Debt instrument | Shares        | Debt instrument |                |                   |
| 1  | HRH Prince Mohammed K. A. Al-Faisal | 1,000         | 0               | 1,000         | 0               | 0              | 0%                |
| 2  | H.E. Dr. Khaled H. Biyari           | 2,000         | 0               | 2,000         | 0               | 0              | 0%                |
| 3  | H.E. Mr. Mohammed T. Al-Nahhas      | 0             | 0               | 0             | 0               | 0              | 0%                |
| 4  | Mr. Yazeed A. AlHumied              | 0             | 0               | 9,349         | 0               | 9,349          | 100%              |
| 5  | Ms. Rania M. Nashar                 | 0             | 0               | 0             | 0               | 0              | 0%                |
| 6  | Mr. Sanjay Kapoor                   | 0             | 0               | 0             | 0               | 0              | 0%                |
| 7  | Mr. Arndt F. Rautenberg             | 0             | 0               | 0             | 0               | 0              | 0%                |
| 8  | Ms. Sarah J. Al-Suhaimi             | 0             | 0               | 0             | 0               | 0              | 0%                |
| 9  | Mr. Jameel A. AlMulhem              | 0             | 0               | 0             | 0               | 0              | 0%                |
| 10 | Mr. Waleed I. Shukri                | 0             | 0               | 0             | 0               | 0              | 0%                |
| 11 | Mr. Ahmed M. Al Omran               | 0             | 0               | 0             | 0               | 0              | 0%                |

#### Description of any interest, contractual papers, and subscription rights belonging to members of the Board of Directors and their relatives in the form of shares or debt instruments in stc Subsidiaries (8th term).

| No | Board Member                        | Start of 28/04/2021 |                 | End of 31/12/2021 |                 | Net difference | Change percentage |
|----|-------------------------------------|---------------------|-----------------|-------------------|-----------------|----------------|-------------------|
|    |                                     | Shares              | Debt instrument | Shares            | Debt instrument |                |                   |
| 1  | HRH Prince Mohammed K. A. Al-Faisal | 0                   | 0               | 0                 | 0               | 0              | 0%                |
| 2  | H.E. Dr. Khaled H. Biyari           | 0                   | 0               | 0                 | 0               | 0              | 0%                |
| 3  | H.E. Mr. Mohammed T. Al-Nahhas      | 0                   | 0               | 0                 | 0               | 0              | 0%                |
| 4  | Mr. Yazeed A. AlHumied              | 0                   | 0               | 0                 | 0               | 0              | 0%                |
| 5  | Ms. Rania M. Nashar                 | 0                   | 0               | 0                 | 0               | 0              | 0%                |
| 6  | Mr. Sanjay Kapoor                   | 0                   | 0               | 0                 | 0               | 0              | 0%                |
| 7  | Mr. Arndt F. Rautenberg             | 0                   | 0               | 0                 | 0               | 0              | 0%                |
| 8  | Ms. Sarah J. Al-Suhaimi             | 0                   | 0               | 0                 | 0               | 0              | 0%                |
| 9  | Mr. Jameel A. AlMulhem              | 0                   | 0               | 0                 | 0               | 0              | 0%                |
| 10 | Mr. Waleed I. Shukri                | 0                   | 0               | 0                 | 0               | 0              | 0%                |
| 11 | Mr. Ahmed M. Al Omran               | 0                   | 0               | 0                 | 0               | 0              | 0%                |

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

| No | Executive name                     | Start of 2021 |                 | End of 2021 |                 | Net difference | Change percentage |
|----|------------------------------------|---------------|-----------------|-------------|-----------------|----------------|-------------------|
|    |                                    | Shares        | Debt instrument | Shares      | Debt instrument |                |                   |
| 1  | Eng. Ulayan Mohammed H. Bin Wetaid | 0             | 0               | 3,468       | 0               | 3,468          | 100%              |
| 2  | Mr. Ameen Fahad Alshiddi           | 0             | 0               | 3,468       | 0               | 3,468          | 100%              |
| 3  | Mr. Riyadh Saeed Muawad            | 0             | 0               | 3,468       | 0               | 3,468          | 100%              |
| 4  | Eng. Haithem M. Alfaraj            | 0             | 0               | 3,468       | 0               | 3,468          | 100%              |
| 5  | Eng. Abdullah Abdulrahman Alkanhl  | 0             | 0               | 0           | 0               | 0              | 0%                |
| 6  | Mr. Faisal S. Alsaber              | 0             | 0               | 1,719       | 0               | 1,719          | 100%              |
| 7  | Mr. Jose Del Valle                 | 0             | 0               | 0           | 0               | 0              | 0%                |
| 8  | Eng. Mohammed Abdullah Alabbadi    | 0             | 0               | 1,719       | 0               | 1,719          | 100%              |
| 9  | Mr. Mathad Faisal Alajmi           | 0             | 0               | 1,719       | 0               | 1,719          | 100%              |
| 10 | Mr. Abdullah S. Alanizi            | 0             | 0               | 1,875       | 0               | 1,875          | 100%              |
| 11 | Eng. Ahmad M. Alghamdi             | 0             | 0               | 0           | 0               | 0              | 0%                |
| 12 | Dr. Moudhi M. ALJamea              | 0             | 0               | 952         | 0               | 952            | 0%                |
| 13 | Mr. Markus M. Golder               | 0             | 0               | 1,719       | 0               | 1,719          | 100%              |
| 14 | Dr. Sultan Hassan Bin Saeed        | 0             | 0               | 1,875       | 0               | 1,875          | 100%              |
| 15 | Eng. Abdullah Mohsen. Alowini      | 0             | 0               | 1,875       | 0               | 1,875          | 100%              |
| 16 | Mr. Mohammed A. Alassaf            | 0             | 0               | 0           | 0               | 0              | 0%                |
| 17 | Mr. Yasser Najeeb Alswailem        | 0             | 0               | 1,719       | 0               | 1,719          | 100%              |
| 18 | Eng. Bader A. Allhieab             | 0             | 0               | 1,875       | 0               | 1,875          | 100%              |
| 19 | Mr. Jamal A. Alshahri              | 0             | 0               | 1,038       | 0               | 1,038          | 100%              |
| 20 | Eng. Khaled Ibrahim Aldharrab      | 0             | 0               | 1,875       | 0               | 1,875          | 100%              |
| 21 | Mr. Yazeed Abdulaziz Alfari        | 1,200         | 0               | 3,075       | 0               | 1,875          | 156.25%           |
| 22 | Mr. Othman Dahash Aldahash         | 0             | 0               | 1,719       | 0               | 1,719          | 100%              |
| 23 | Mr. Omar A. Alshabibi              | 50            | 0               | 1,002       | 0               | 952            | 1,904%            |
| 24 | Mr. Munif Nayef Bin Darwish        | 0             | 0               | 1,719       | 0               | 1,719          | 100%              |
| 25 | Mr. Wijnand Ernst Van Till         | 0             | 0               | 1,875       | 0               | 1,875          | 100%              |
| 26 | Mr. Mohammed Rashid Aba Alkheel    | 0             | 0               | 952         | 0               | 952            | 100%              |
| 27 | Mr. Faisal Abdulaziz Albakri       | 0             | 0               | 0           | 0               | 0              | 0%                |
| 28 | Eng. Emad Aoudah Alaoudah          | 0             | 0               | 1,875       | 0               | 1,875          | 100%              |
| 29 | Eng. Saud A. Alsheraih             | 0             | 0               | 1,038       | 0               | 1,038          | 100%              |
| 30 | Mr. Riyadh Hamdan Alonazi          | 0             | 0               | 1,719       | 0               | 1,719          | 100%              |
| 31 | Mr. Bandar Mosalm Allehyani        | 0             | 0               | 1,719       | 0               | 1,719          | 100%              |
| 32 | Mr. Abdul Aziz Abdullah Alqatie    | 7,243         | 0               | 8,000       | 0               | 757            | 10.45%            |
| 33 | Mr. Ali Abdullah Alharbi           | 0             | 0               | 1,875       | 0               | 1,875          | 100%              |
| 34 | Mr. Amir Abdulaziz Algibreen       | 0             | 0               | 1,875       | 0               | 1,875          | 100%              |
| 35 | Eng. Yasser Zaben AlOtaibi         | 0             | 0               | 1,719       | 0               | 1,719          | 100%              |
| 36 | Eng. Abdulaziz Mohammed Alhaider   | 0             | 0               | 1,918       | 0               | 1,918          | 100%              |

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

| No | Executive name                     | Start of 2021 |                 | End of 2021 |                 | Net difference | Change percentage |
|----|------------------------------------|---------------|-----------------|-------------|-----------------|----------------|-------------------|
|    |                                    | Shares        | Debt instrument | Shares      | Debt instrument |                |                   |
| 1  | Eng. Ulayan Mohammed H. Bin Wetaid | 0             | 0               | 0           | 0               | 0              | 0%                |
| 2  | Mr. Ameen Fahad Alshiddi           | 0             | 0               | 0           | 0               | 0              | 0%                |
| 3  | Mr. Riyadh Saeed Muawad            | 0             | 0               | 0           | 0               | 0              | 0%                |
| 4  | Eng. Haithem M. Alfaraj            | 0             | 0               | 0           | 0               | 0              | 0%                |
| 5  | Eng. Abdullah Abdulrahman Alkanhl  | 0             | 0               | 0           | 0               | 0              | 0%                |
| 6  | Mr. Faisal S. Alsaber              | 0             | 0               | 0           | 0               | 0              | 0%                |
| 7  | Mr. Jose Del Valle                 | 0             | 0               | 0           | 0               | 0              | 0%                |
| 8  | Eng. Mohammed Abdullah Alabbadi    | 0             | 0               | 0           | 0               | 0              | 0%                |
| 9  | Mr. Mathad Faisal Alajmi           | 0             | 0               | 0           | 0               | 0              | 0%                |
| 10 | Mr. Abdullah S. Alanizi            | 0             | 0               | 0           | 0               | 0              | 0%                |
| 11 | Eng. Ahmad M. Alghamdi             | 0             | 0               | 0           | 0               | 0              | 0%                |
| 12 | Dr. Moudhi M. ALJamea              | 0             | 0               | 0           | 0               | 0              | 0%                |
| 13 | Mr. Markus M. Golder               | 0             | 0               | 0           | 0               | 0              | 0%                |
| 14 | Dr. Sultan Hassan Bin Saeed        | 0             | 0               | 0           | 0               | 0              | 0%                |
| 15 | Eng. Abdullah Mohsen. Alowini      | 0             | 0               | 0           | 0               | 0              | 0%                |
| 16 | Mr. Mohammed A. Alassaf            | 0             | 0               | 0           | 0               | 0              | 0%                |
| 17 | Mr. Yasser Najeeb Alswailem        | 0             | 0               | 0           | 0               | 0              | 0%                |
| 18 | Eng. Bader A. Allhieab             | 0             | 0               | 0           | 0               | 0              | 0%                |
| 19 | Mr. Jamal A. Alshahri              | 0             | 0               | 0           | 0               | 0              | 0%                |
| 20 | Eng. Khaled Ibrahim Aldharrab      | 0             | 0               | 0           | 0               | 0              | 0%                |
| 21 | Mr. Yazeed Abdulaziz Alfari        | 0             | 0               | 0           | 0               | 0              | 0%                |
| 22 | Mr. Othman Dahash Aldahash         | 0             | 0               | 0           | 0               | 0              | 0%                |
| 23 | Mr. Omar A. Alshabibi              | 0             | 0               | 0           | 0               | 0              | 0%                |
| 24 | Mr. Munif Nayef Bin Darwish        | 0             | 0               | 0           | 0               | 0              | 0%                |
| 25 | Mr. Wijnand Ernst Van Till         | 0             | 0               | 0           | 0               | 0              | 0%                |
| 26 | Mr. Mohammed Rashid Aba Alkheel    | 0             | 0               | 0           | 0               | 0              | 0%                |
| 27 | Mr. Faisal Abdulaziz Albakri       | 0             | 0               | 0           | 0               | 0              | 0%                |
| 28 | Eng. Emad Aoudah Alaoudah          | 0             | 0               | 0           | 0               | 0              | 0%                |
| 29 | Eng. Saud A. Alsheraih             | 0             | 0               | 0           | 0               | 0              | 0%                |
| 30 | Mr. Riyadh Hamdan Alonazi          | 0             | 0               | 0           | 0               | 0              | 0%                |
| 31 | Mr. Bandar Mosalm Allehyani        | 0             | 0               | 0           | 0               | 0              | 0%                |
| 32 | Mr. Abdul Aziz Abdullah Alqatie    | 0             | 0               | 0           | 0               | 0              | 0%                |
| 33 | Mr. Ali Abdullah Alharbi           | 0             | 0               | 0           | 0               | 0              | 0%                |
| 34 | Mr. Amir Abdulaziz Algibreen       | 0             | 0               | 0           | 0               | 0              | 0%                |
| 35 | Eng. Yasser Zaben AlOtaibi         | 0             | 0               | 0           | 0               | 0              | 0%                |
| 36 | Eng. Abdulaziz Mohammed Alhaider   | 0             | 0               | 0           | 0               | 0              | 0%                |



## ■ Corporate Governance

stc Board of Directors has been keen to establish an effective governance system as an integral part of stc administrative and financial systems responsible for regulating internal businesses by identifying the relationship between the Board of Directors and the General Assembly and between the Board of Directors and the Executive Management. stc governance regulates businesses, transactions & relationships with various Government and legislative bodies, suppliers, and contractors to increase efficiency and effectiveness in realizing stc strategic and operational objectives, in manner consistent with the Companies Law, issued by the Ministry of Commerce, the Corporate Governance Regulations, issued by the Board of Directors of the Capital Market Authority, and other pertinent local regulations and legislation. stc governance was designed to be aligned with the aspirations of the Saudi Vision 2030. stc governance is also aligned with stc Strategy DARE 2.0, where the latter contains strategic plans and initiatives to enable stc 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 sustainability, one of the main pillars of stc Strategy, which includes documenting stc businesses and activities as per pertinent regulatory and legislative authorities. These items include, but are not limited to:

- stc Articles of Association was recently amended and approved by the Ministry of Commerce. **The amendment increased the number of Board Directors from nine to eleven Directors** to enhance and diversify the Board's experiences, qualifications, capabilities, and for more effective participation in the Board Committees.
- stc General Assembly approved stc Dividend Policy.
- Formation of the Risk Committee and drafting its Charter.
- Updating the Charters of the Board of Directors, the Investment Committee, and the Executive Committee.
- stc General Assembly approved updating the Audit Committee Charter.

stc has developed the delegation of the strategic and financial authorities matrix to govern strategic and financial decision-making mechanisms at all levels, including the General Assembly, the Board of Directors, its Committees, and the Executive Management represented by stc CEO or whom he may delegate.

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](http://www.stc.com.sa)) which are listed below:

- stc Articles of Association.
- stc Corporate Governance Charter.
- The Charters of the Board of Directors and its Committees.
- Strategic Policies (Nomination and Remuneration Policy, Code of Conduct Policy, Conflict of Interest Policy, and Whistleblowing Policy).

Financial information and Investor reports are also published on stc website, including the financial statements, quarterly and annual financial performance reports, and minutes of the General Assembly meetings. In an effort to enhance digital communication, an Investor Relations application (stc IR) was launched to provide information on stc shares, financial information and various publications related to investor relations. The purpose of the app is to build trust and enhance communication with investors and financial analysts.

## ■ Corporate Compliance

In terms of excellence, stc has received an 'Excellence in Governance' 2020 Award for the fourth time, presented by the Corporate Governance Center, which is supervised by the Capital Market Authority and the General Investment Authority, and managed by Al-Faisal University. stc strives to promote the implementation of the highest standards in corporate governance practices and with this in mind has partnered with the Pearl Initiative (PI), the region's leading business-led non-profit organization promoting a culture of corporate transparency and accountability across the Gulf Region. In 2019, stc became a member of the World Economic Forum – Partnering against Corruption Initiative (PACI) forum that undertakes initiatives to address industry, regional, country or global issues tied to anti-corruption and compliance. In 2020, stc joined Ethisphere's Business Ethics Leadership Alliance (BELA); a 300+ member strong globally recognized organization of leading companies collaborating to share best practices in governance, risk management, compliance and ethics.



The Corporate Governance Regulations requirements issued by the Capital Market Authority in Article No. 70 and 90 under Paragraph No. 1, clearly stipulate the need to implement the provisions of the Company Governance Regulations and to provide the reasons in case of a non-implementation. The Company acknowledges the application of all the provisions mentioned in the Corporate Governance Regulations issued by the Capital Market Authority (CMA) with the exception of the provisions listed below:

| Article No. | Article's Statement                                                                                                                                                                                                                                                                   | Reasons for not applying                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
|-------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 87          | The Ordinary General Assembly, based on the Board of Directors recommendation, shall establish a policy that guarantees a balance between its objectives and those of the community for purposes of developing the social and economic conditions of the community. (Guiding Article) | stc has developed a Social Responsibility Policy to ensure business continuity and flexibility. The policy is the prerogative of the Board of Directors, which delegated the policy to the stc CEO.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| 95          | Formation of a Corporate Governance Committee (Guiding Article)                                                                                                                                                                                                                       | Article No. 50 "Forming the Committees" of the Corporate Governance Regulations stipulates that the Board of Directors shall form specialized Committees as may be needed depending on the Company's circumstances in order to enable it to effectively perform its duties. Despite the fact that Article No. 95 "Formation of a Corporate Governance Committee" of the Corporate Governance Regulations is a guiding article, stc Board of Directors is cognizant of the importance of the aforementioned committee's responsibilities and tasks, which are taken care of by the Nomination and Remuneration Committee as per its Charter, approved by the General Assembly on 24/4/2019. |

stc is of the firm belief that ethical leadership is the building block for culture, and it is culture that drives positive compliant behaviors. Therefore, to ensure the Compliance Program's effectiveness, stc is developing its Ethics and Compliance Program as per international best practices and in conformity with local regulations and guidelines. The stc Code of Ethics, Integrity takes us forward, covers 16 integrity risk areas. The stc Code of Ethics can be found at:

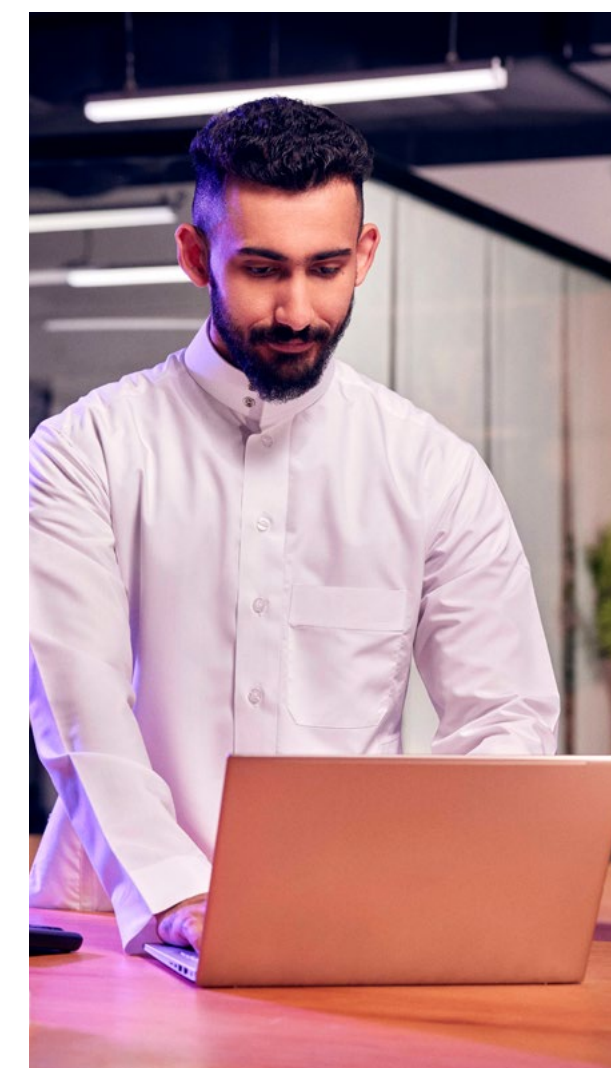
**stc's Corporate Ethics and Compliance (CEC) General Manager is responsible for the Compliance Program and this role reports directly to the Company's Chief Legal Officer.**

The CEC Management report to the stc Board of Directors and the stc Board Audit Committee on a regular basis to update them on the Program's progress. The Board Audit Committee oversees the Program and works with CEC to ensure the necessary programs and policies are in place to prevent Integrity violations. These are violations of the stc Code of Ethics, which may include allegations of fraud and corruption as well as any other violations of applicable law, regulations or other legal obligations.

With the intention to identify and mitigate integrity risks, the Corporate Ethics and Compliance Management conducts compliance reviews across stc by engaging with the respective general departments. Based on the risks identified through these reviews, mitigation plans are developed for each sector and tracked to closure. stc employees and stakeholders, who are aware of a violation of the stc Code of Ethics (referred to as Integrity concerns), are required to report these integrity concerns through the designated Speak Up channels. Whistleblowers are not required to disclose their identities or personal information.

stc takes every integrity concern seriously, and each case is reviewed and investigated carefully and professionally. As training and awareness ensures appropriate ethical behavior and is helpful in setting the right ethical expectations, stc has developed a

series of comprehensive Integrity related training courses. Employees and contractors are introduced to stc commitment to Integrity through an Ethics and Compliance training sessions. All stc employees, are required to complete a mandatory basic online integrity training that introduces them to all the risk areas in the stc Code of Ethics and increase their awareness. Employees and contractors are required to fill out a mandatory Conflict of Interest disclosure annually as well as throughout the year whenever they come across an actual or apparent Conflict of Interest.



[https://www.stc.com.sa/wps/wcm/connect/english/stc/corporategovernance/code\\_of\\_ethics](https://www.stc.com.sa/wps/wcm/connect/english/stc/corporategovernance/code_of_ethics)

## ■ Internal Control

The Board of Directors declares that the accounting records have been prepared correctly and that the internal control system and procedures have been properly prepared and effectively implemented without material observations, and that there is little doubt as to the Company's ability to continue its activities. The Audit Committee oversees the compliance, internal audit, and the external audit, which regularly reviews the adequacy and effectiveness of the internal control system and procedures to provide a continuous assessment of the system and its effectiveness. This is part of the objectives of the Board to obtain reasonable assurance about the soundness of the design of **stc** internal control system and its effectiveness. In this regard, during the fiscal year 2021, the Audit Committee held Nine meetings and discussed a number of topics falling under its competencies, such as reviewing financial statements, investments, and business units, as well as strategic and organizational affairs, human resources, procurement, and IT systems, among other issues relevant to **stc** businesses. This is during the presence of the Executive Management and the Internal Audit.

## ■ The Internal Audit

The Internal Audit provides independent objective assertions and advisory services for value-adding purposes, improving operations, and achieving **stc** main objectives. The Internal Audit supports **stc** in adopting methods to improve the Risk Management and the Internal Control. The Internal Audit conducted periodical audits as per its annual plan, approved by the Audit Committee. This aims to give assertions about the effectiveness and efficiency of the Internal Controls and the Risk Management, with emphasis on high-risk activities and functions. The Internal Audit also provides consulting services to contribute, alongside the Executive Management, to more efficient and effective operations, higher revenue, and cost reductions. The Internal Audit also contributes to the review of annual financial statements and the coordination of the work done by external auditors. The executed internal audits have resulted in no substantial observations that may affect **stc** ability to continue carrying out business.

## ■ Shareholders' Register

The company requested the shareholder register from the Securities Depository Center Company –Edaa- (15) times during the year 2021 for the following purposes:

- Updating the shareholders register monthly.
- Quarterly dividend distribution.
- Holding the General Assembly.

| No | Date of request of the shareholders register | Reasons for the request                    |
|----|----------------------------------------------|--------------------------------------------|
| 1  | 31/01/2021                                   | Updating the shareholders register monthly |
| 2  | 28/02/2021                                   | Updating the shareholders register monthly |
| 3  | 31/03/2021                                   | Updating the shareholders register monthly |
| 4  | 26/04/2021                                   | General Assembly                           |
| 5  | 26/04/2021                                   | Quarterly Dividend Distribution Q4 2020    |
| 6  | 04/05/2021                                   | Quarterly Dividend Distribution Q1 2021    |
| 7  | 01/06/2021                                   | General Assembly                           |
| 8  | 30/06/2021                                   | Updating the shareholders register monthly |
| 9  | 06/07/2021                                   | Updating the shareholders register monthly |
| 10 | 05/08/2021                                   | Quarterly Dividend Distribution Q2 2021    |
| 11 | 31/08/2021                                   | Updating the shareholders register monthly |
| 12 | 30/09/2021                                   | Updating the shareholders register monthly |
| 13 | 28/10/2021                                   | Quarterly Dividend Distribution Q3 2021    |
| 14 | 30/11/2021                                   | General Assembly                           |
| 15 | 31/12/2021                                   | Updating the shareholders register monthly |



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## 03

Dividends and Board Recommendations



## ■ Distribution of Dividends

The Company announced the distribution of cash dividends amounting to SR 2,000 million to shareholders for Q4 2021, with SR 1 per share. This is in accordance with the dividend distribution policy approved by stc's Board of Directors of stc on September 27, 2021 and by the General Assembly held on November 30, 2021. The Company also distributed cash dividends amounting to SR 2,000 million to shareholders for Q1, Q2, and Q3 2021, with SR 1 per share. This is in accordance with the dividend distribution policy approved by stc's Board of Directors of stc on December 16, 2018 and by the General Assembly held on April 24, 2019.

Accordingly, the total distributed dividends for the year 2021, amounts to SR 4 per share (2020: SR 5 per share). The following is a breakdown of the 2021 distributions:

| Statement                  | Total Distribution (SR Million) | Earnings per share (SR) | Date of announcement | Due date   | Payment Date |
|----------------------------|---------------------------------|-------------------------|----------------------|------------|--------------|
| Cash dividends for Q1 2021 | 2,000                           | 1                       | 22/04/2021           | 04/05/2021 | 31/05/2021   |
| Cash dividends for Q2 2021 | 2,000                           | 1                       | 02/08/2021           | 05/08/2021 | 26/08/2021   |
| Cash dividends for Q3 2021 | 2,000                           | 1                       | 21/10/2021           | 28/10/2021 | 18/11/2021   |
| Cash dividends for Q4 2021 | 2,000                           | 1                       | 21/02/2022           | 27/02/2022 | 17/03/2022   |
| Total Distributions        | 8,000                           | 4                       |                      |            |              |

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

On 24/4/2019 the General Assembly resolved to approve amending the remuneration policy of the Board of Directors, the Committees, and the Executives Management. The General Assembly also approved amending the Audit Committee Charter, tasks, roles, responsibilities, and remunerations (published on stc website). Each Director of the Board receives an amount of SR 200,000 for his/her Membership in the Board and a remuneration of SR 200,000 for being a Committee Member. Each Member of the Audit Committee receives an amount of SR 150,000 for being a Member. Each external Member in the other committees receives an amount of SR 100,000. Members are paid SR 5,000 for each meeting they attend.

The remuneration of attending the meeting by the Directors of the Board and the Members of the Committees in 2021, in addition to stc top five Executives, including the CEO and the CFO, are as follows:

## Remuneration and Compensation of the Directors of the Board for the 8th term - Started in 28/04/2021

| (SR)                                | Fixed Remunerations |                                        |                  |                                                                |                                                                                                                            | Variable Remunerations |                       |                |                            |                           | Indemnity | Total | Expense Allowance |                |
|-------------------------------------|---------------------|----------------------------------------|------------------|----------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------|------------------------|-----------------------|----------------|----------------------------|---------------------------|-----------|-------|-------------------|----------------|
|                                     | Fixed remunerations | Allowance for attending Board meetings | In-kind benefits | Remuneration for technical, administrative and consulting work | Remuneration of the Chairman of the Board, the Managing Director or the Secretary if a member First: Independent Directors | Total                  | Percentage of profits | Periodic bonus | Short-term incentive plans | Long-term incentive plans |           |       |                   | Shares granted |
| First: Independent members          |                     |                                        |                  |                                                                |                                                                                                                            |                        |                       |                |                            |                           |           |       |                   |                |
| HRH Prince Mohammed K. A. Al-Faisal | 200,000             | 5,000                                  |                  |                                                                |                                                                                                                            | 205,000                |                       |                |                            |                           |           | -     | 205,000           |                |
| Dr. Ibrahim A. Kadi                 | 200,000             | 5,000                                  |                  |                                                                |                                                                                                                            | 205,000                |                       |                |                            |                           |           | -     | 205,000           |                |
| Mr. Osama Y. Al-Khairy              | 200,000             | 5,000                                  |                  |                                                                |                                                                                                                            | 205,000                |                       |                |                            |                           |           | -     | 205,000           |                |
| Total                               | 600,000             | 15,000                                 |                  |                                                                |                                                                                                                            | 615,000                |                       |                |                            |                           |           | -     | 615,000           |                |
| Second: Non-executive members       |                     |                                        |                  |                                                                |                                                                                                                            |                        |                       |                |                            |                           |           |       |                   |                |
| H.E. Dr. Khaled H. Biyari *         | 200,000             | 5,000                                  |                  |                                                                |                                                                                                                            | 205,000                |                       |                |                            |                           |           | -     | 205,000           |                |
| H.E. Mr. Mohammed T. Al-Nahas       | 200,000             | 5,000                                  |                  |                                                                |                                                                                                                            | 205,000                |                       |                |                            |                           |           | -     | 205,000           |                |
| Mr. Rashid I. Sharif **             | 200,000             | 5,000                                  |                  |                                                                |                                                                                                                            | 205,000                |                       |                |                            |                           |           | -     | 205,000           |                |
| Mr. Sanjay Kapoor *                 | 200,000             | 5,000                                  |                  |                                                                |                                                                                                                            | 205,000                |                       |                |                            |                           |           | -     | 205,000           |                |
| Mr. Roy Chestnutt *                 | 200,000             | 5,000                                  |                  |                                                                |                                                                                                                            | 205,000                |                       |                |                            |                           |           | -     | 205,000           |                |
| Mr. Ahmed M. Al Omran               | 200,000             | 5,000                                  |                  |                                                                |                                                                                                                            | 205,000                |                       |                |                            |                           |           | -     | 205,000           |                |
| Total                               | 1,200,000           | 30,000                                 |                  |                                                                |                                                                                                                            | 1,230,000              |                       |                |                            |                           |           | -     | 1,230,000         |                |
| Third: Executive members            |                     |                                        |                  |                                                                |                                                                                                                            |                        |                       |                |                            |                           |           |       |                   |                |
| None                                | -                   | -                                      |                  |                                                                |                                                                                                                            | -                      |                       |                |                            |                           |           | -     | -                 |                |
| Total                               | -                   | -                                      |                  |                                                                |                                                                                                                            | -                      |                       |                |                            |                           |           | -     | -                 |                |
| Net total                           | 1,800,000           | 45,000                                 |                  |                                                                |                                                                                                                            | 1,845,000              |                       |                |                            |                           |           | -     | 1,845,000         |                |



On 13/3/2017 the Board of Directors resolved to approve amending the remuneration of the Chairman of the Board to be SR 100,000 per month. On 8/5/2018 the Board of Directors resolved to approve amending the remuneration of the Deputy Chairman of the Board to be SR 100,000 per month.

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

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

### Remuneration of Committees' Members for the 7th term ending on 27/04/2021

| Committee Member                      | The Committee                | Fixed remunerations<br>(without meetings' attendance allowance) | meetings attendance allowance | Total               |
|---------------------------------------|------------------------------|-----------------------------------------------------------------|-------------------------------|---------------------|
| HRH Prince Mohammed K. A. Al-Faisal   | ExCom / Investment           | 64,835.16                                                       | 20,000                        | 84,835.16           |
| H.E. Dr. Khaled H. Biyari             | ExCom                        | 64,835.16                                                       | 5,000                         | 69,835.16           |
| H.E. Mr. Mohammed T. Al-Nahhas        | Investment                   | 64,835.16                                                       | 15,000                        | 79,835.16           |
| Mr. Rashid I. Sharif *                | Investment                   | 64,835.16                                                       | 15,000                        | 79,835.16           |
| Mr. Sanjay Kapoor                     | ExCom                        | 64,835.16                                                       | 5,000                         | 69,835.16           |
| Mr. Roy Chestnutt                     | Investment                   | 64,835.16                                                       | 10,000                        | 74,835.16           |
| Dr. Ibrahim A. Kadi                   | ExCom /Audit                 | 214,835.16                                                      | 30,000                        | 244,835.16          |
| Mr. Osama Y. Al-Khiary                | NRC                          | 64,835.16                                                       | 5,000                         | 69,835.16           |
| Mr. Ahmed M. Al Omran                 | NRC                          | 64,835.16                                                       | 5,000                         | 69,835.16           |
| Mr. Khalid bin Abdullah Al Ankari     | Audit (External Member)      | 150,000                                                         | 25,000                        | 175,000             |
| Mr. Medhat F. Tawfik                  | Audit (External Member)      | 150,000                                                         | 25,000                        | 175,000             |
| Dr. Ammr K. Kurdi                     | Audit (External Member)      | 150,000                                                         | 25,000                        | 175,000             |
| Eng. Tarek Abdulaziz Alrikhaimi       | Audit (External Member)      | 150,000                                                         | 25,000                        | 175,000             |
| Mr. Sultan bin Abdulmalek Al Sheikh * | ExCom (External Member)      | 100,000                                                         | 5,000                         | 105,000             |
| Eng. Nasser bin Suleiman AlNasser     | ExCom (Executive Member)     | 100,000                                                         | 5,000                         | 105,000             |
| Mr. Johan Brand                       | NRC (External Member)        | 100,000                                                         | 5,000                         | 105,000             |
| Ms. Hoda M. Al-Ghason                 | NRC (External Member)        | 100,000                                                         | 5,000                         | 105,000             |
| Mr. Mazen Bin Ahmed Al-Jubair         | Investment (External Member) | 100,000                                                         | 15,000                        | 115,000             |
| <b>Total</b>                          |                              | <b>1,833,516.44</b>                                             | <b>245,000</b>                | <b>2,078,516.44</b> |

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

### Remuneration and Compensation of the Directors of the Board for the 8th term - Started in 28/04/2021

| (SR)                                 | Fixed Remunerations |                                        |                  |                                                                |                                                                                               | Variable Remunerations       |                |                       |                |                            | Indemnity                 | Total          | Expense Allowance |
|--------------------------------------|---------------------|----------------------------------------|------------------|----------------------------------------------------------------|-----------------------------------------------------------------------------------------------|------------------------------|----------------|-----------------------|----------------|----------------------------|---------------------------|----------------|-------------------|
|                                      | Fixed remunerations | Allowance for attending Board meetings | In-kind benefits | Remuneration for technical, administrative and consulting work | Remuneration of the Chairman of the Board, the Managing Director or the Secretary if a member | First: Independent Directors | Total          | Percentage of profits | Periodic bonus | Short-term incentive plans | Long-term incentive plans | Shares granted | Total             |
| <b>First: Independent members</b>    |                     |                                        |                  |                                                                |                                                                                               |                              |                |                       |                |                            |                           |                |                   |
| HRH Prince Mohammed K. A. Al-Faisal  |                     | 25,000                                 |                  |                                                                |                                                                                               |                              | 25,000         |                       |                |                            |                           |                | 25,000            |
| Ms. Sarah J. AL-Suhaimi              |                     | 25,000                                 |                  |                                                                |                                                                                               |                              | 25,000         |                       |                |                            |                           |                | 25,000            |
| Mr. Jameel A. AlMulhem               |                     | 25,000                                 |                  |                                                                |                                                                                               |                              | 25,000         |                       |                |                            |                           |                | 25,000            |
| Mr. Walid Ibrahim Shukri             |                     | 25,000                                 |                  |                                                                |                                                                                               |                              | 25,000         |                       |                |                            |                           |                | 25,000            |
| <b>Total</b>                         |                     | <b>100,000</b>                         |                  |                                                                |                                                                                               |                              | <b>100,000</b> |                       |                |                            |                           |                | <b>100,000</b>    |
| <b>Second: Non-executive members</b> |                     |                                        |                  |                                                                |                                                                                               |                              |                |                       |                |                            |                           |                |                   |
| H.E. Dr. Khaled H. Biyari *          |                     | 25,000                                 |                  |                                                                |                                                                                               |                              | 25,000         |                       |                |                            |                           |                | 25,000            |
| H.E. Mr. Mohammed T. Al-Nahhas       |                     | 25,000                                 |                  |                                                                |                                                                                               |                              | 25,000         |                       |                |                            |                           |                | 25,000            |
| Mr. Yazeed A. AL-Humied **           |                     | 25,000                                 |                  |                                                                |                                                                                               |                              | 25,000         |                       |                |                            |                           |                | 25,000            |
| Ms. Rania M. Nashar **               |                     | 25,000                                 |                  |                                                                |                                                                                               |                              | 25,000         |                       |                |                            |                           |                | 25,000            |
| Mr. Roy Chestnutt                    |                     | 25,000                                 |                  |                                                                |                                                                                               |                              | 25,000         |                       |                |                            |                           |                | 25,000            |
| Mr. Sanjay Kapoor *                  |                     | 25,000                                 |                  |                                                                |                                                                                               |                              | 25,000         |                       |                |                            |                           |                | 25,000            |
| Mr. Ahmed M. Al Omran                |                     | 25,000                                 |                  |                                                                |                                                                                               |                              | 25,000         |                       |                |                            |                           |                | 25,000            |
| <b>Total</b>                         |                     | <b>175,000</b>                         |                  |                                                                |                                                                                               |                              | <b>175,000</b> |                       |                |                            |                           |                | <b>175,000</b>    |
| <b>Third: Executive members</b>      |                     |                                        |                  |                                                                |                                                                                               |                              |                |                       |                |                            |                           |                |                   |
| None                                 |                     | -                                      |                  |                                                                |                                                                                               |                              | -              |                       |                |                            |                           |                | -                 |
| <b>Total</b>                         |                     | -                                      |                  |                                                                |                                                                                               |                              | -              |                       |                |                            |                           |                | -                 |
| <b>Net total</b>                     |                     | <b>275,000</b>                         |                  |                                                                |                                                                                               |                              | <b>275,000</b> |                       |                |                            |                           |                | <b>275,000</b>    |



On 13/3/2017 the Board of Directors resolved to approve amending the remuneration of the Chairman of the Board to be SR 100,000 per month.

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

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

### Remuneration of Committees' Members for the 8th term started in 28/04/2021

| Committee Member                      | The Committee                | Fixed remunerations<br>(without meetings' attendance allowance) | meetings attendance allowance | Total               |
|---------------------------------------|------------------------------|-----------------------------------------------------------------|-------------------------------|---------------------|
| HRH Prince Mohammed K. A. Al-Faisal   | ExCom / Investment           | 135,164.84                                                      | 40,000                        | 175,164.84          |
| H.E. Dr. Khaled H. Biyari             | ExCom                        | 135,164.84                                                      | 15,000                        | 150,164.84          |
| H.E. Mr. Mohammed T. Al-Nahas         | ExCom                        | 135,164.84                                                      | 15,000                        | 150,164.84          |
| Mr. Rashid I. Sharif *                | ExCom                        | 135,164.84                                                      | 15,000                        | 150,164.84          |
| Mr. Sanjay Kapoor                     | NRC / Risk                   | 135,164.84                                                      | 35,000                        | 170,164.84          |
| Mr. Roy Chestnutt                     | Investment                   | 135,164.84                                                      | 30,000                        | 165,164.84          |
| Dr. Ibrahim A. Kadi                   | ExCom                        | 135,164.84                                                      | 15,000                        | 150,164.84          |
| Mr. Osama Y. Al-Khiary                | Investment                   | 135,164.84                                                      | 30,000                        | 165,164.84          |
| Mr. Ahmed M. Al Omran                 | NRC                          | 135,164.84                                                      | 20,000                        | 155,164.84          |
| Mr. Khalid bin Abdullah Al Ankari     | Audit / Risk                 | 135,164.84                                                      | 35,000                        | 170,164.84          |
| Mr. Medhat F. Tawfik                  | Risk                         | 135,164.84                                                      | 15,000                        | 150,164.84          |
| Dr. Ammr K. Kurdi                     | Audit (External Member)      | -                                                               | 20,000                        | 20,000              |
| Eng. Tarek Abdulaziz Alrikhaimi       | Audit (External Member)      | -                                                               | 20,000                        | 20,000              |
| Mr. Sultan bin Abdulmalek Al Sheikh * | Audit (External Member)      | -                                                               | 20,000                        | 20,000              |
| Eng. Nasser bin Suleiman AlNasser     | Risk (External Member)       | -                                                               | 15,000                        | 15,000              |
| Mr. Johan Brand                       | Investment (External Member) | -                                                               | 30,000                        | 30,000              |
| Ms. Hoda M. Al-Ghosen                 | NRC (External Member)        | -                                                               | 20,000                        | 20,000              |
| Mr. Mazen Bin Ahmed Al-Jubair         | NRC (External Member)        | -                                                               | 20,000                        | 20,000              |
| <b>Total</b>                          |                              | <b>1,486,813.24</b>                                             | <b>410,000</b>                | <b>1,896,813.24</b> |

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

### Remunerations of the Top Five Senior Executives (Including the CEO and the CFO in 2021)

| (SAR)        | Fixed Remunerations  |                     |                  |                   | Variable Remunerations |          |                            |                           |                                |                   | Indemnity | Board remunerations for executives if applicable | Net total            |
|--------------|----------------------|---------------------|------------------|-------------------|------------------------|----------|----------------------------|---------------------------|--------------------------------|-------------------|-----------|--------------------------------------------------|----------------------|
|              | Salaries             | Allowances          | In-kind benefits | Total             | Periodic remunerations | Revenues | Short-term incentive plans | Long-term incentive plans | Shares granted (value entered) | Total             |           |                                                  |                      |
| <b>Total</b> | <b>13,118,844.99</b> | <b>4,169,067.01</b> | <b>-</b>         | <b>17,287,912</b> | <b>-</b>               | <b>-</b> | <b>25,595,734</b>          | <b>-</b>                  | <b>2,275,008</b>               | <b>27,870,742</b> | <b>-</b>  | <b>1,905,150.27</b>                              | <b>47,063,804.27</b> |

## ■ Board of Directors' Acknowledgment:

- 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 2021 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 2021.
- No debt instruments were convertible into shares or option rights, warrants or similar rights issued or granted by stc in 2021.
- There were no refunds, purchases or cancellations by stc in 2021 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 in 2021 consolidated financial statements.
- There are no recommendations from the Audit Committee that there is a conflict between the Committee and the Resolutions of the Board of Directors, or the Board's refusal to take them into account regarding the appointment of stc External Auditor, dismissing the firm, determining their fees and evaluating their performance or appointing the Internal Audit.

# Conclusion

**After thanking Allah almighty, the Board of Directors would like to thank**

the Custodian of the Two Holy Mosques King Salman Bin Abdul Aziz Al Saud, HRH Crown Prince Mohammed Bin Salman Bin Abdul Aziz Al Saud, and our wise Government for the support, care and encouragement they have given stc in its quest to improve its performance and services. The Board also expresses its gratitude and appreciation to stc clients and shareholders for their trust, and stc employees for their dedication and diligence in the performance of their work. The Board confirms its commitment to develop stc services to meet the requirements of its clients, realize shareholders' aspirations, achieve its social objectives, and sustains the leadership position of stc in the region's telecommunications sector.







**Ernst & Young Professional Services (Professional LLC)**  
**Paid-up capital (SR 5,500,000 - Five million five hundred thousand Saudi Riyal)**  
Head Office  
Al Faisaliah Office Tower, 14<sup>th</sup> Floor  
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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 2021, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity for the year then ended, and notes to these consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2021, 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 that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the professional code of conduct and ethics endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the consolidated financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in 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                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Revenue recognition</b><br><br>The Group's revenue consists primarily of subscription fees for telecommunication, data packages and use of the network totalling SR 63.4 billion for the year ended 31 December 2021.<br><br>We considered this a key audit matter as the application of accounting standard for revenue recognition in the telecommunication sector includes number of key judgments and estimates.<br><br>Additionally, there are inherent risks about the accuracy of revenues recorded due to the complexity associated with the network environment, dependency on IT applications, large volumes of data, changes caused by price updates and promotional offers affecting the various products and services offered, as well as the materiality of the amounts involved.<br><br><i>Refer to note 4.5 for the accounting policy related to revenue recognition and note 34 for the related disclosures.</i> | <br>Our audit procedures included, among others, the following: <ul style="list-style-type: none"><li>Involved our IT specialists to test the design, implementation and operating effectiveness of system internal controls related to revenue recognition.</li><li>Assessed the Group's revenue recognition policies, for compliance with IFRS as endorsed by SOCPA.</li><li>Inspected a sample of revenues reconciliations prepared by management between the primary billing system and the general ledger.</li><li>Tested the accuracy of customer invoice generation on a sample basis and tested a sample of the credits and discounts applied to customers invoices.</li><li>Tested cash receipts for a sample of customers back to the invoice.</li><li>Performed analytical procedures by comparing expectations of revenues with actual results and analysed variances.</li><li>Assessed the adequacy of the relevant disclosures in the consolidated financial statement.</li></ul> |



**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                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Accounting for withholding tax claim from the Zakat, Tax and Customs Authority ("ZATCA")</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| <p>As at 31 December 2021, the Group received the Appeal Committee for Tax Violations and Disputes ("appeal committee") decision with respect to the withholding tax assessments from ZATCA for the service of renting international operators' networks outside the Kingdom of Saudi Arabia for the years from 2004 to 2015. The Group's management believes that this service should not be subject to withholding tax and has objected against such assessments in prior years. During 2021, the Group submitted to the appeal committee a petition for reconsideration.</p> <p>We considered this as a key audit matter as accounting for withholding tax involves management estimates in addition to the materiality of the amounts claimed.</p> <p><i>Refer to note 4.10 for the accounting policy related to withholding taxes and note 44-5 for the related disclosures.</i></p> | <p>Our audit procedures performed included, among others, the following:</p> <ul style="list-style-type: none"> <li>Inspected correspondences between the Group and ZATCA to determine the amount of the additional assessments made by ZATCA.</li> <li>Attended meetings with those charged with governance and the Group's management to obtain an update on the withholding tax matters and the results of their interactions with the relevant committees.</li> <li>Inspected the decisions from the relevant committee on withholding tax assessments.</li> <li>Involved our specialists in evaluating the key assumptions used by management of the exposures disclosed for withholding tax for the years assessed by ZATCA.</li> <li>Assessed the adequacy of the relevant disclosures included in the consolidated financial statements.</li> </ul> |

**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                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Allowance for impairment of trade receivable</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
| <p>As at 31 December 2021, the Group's gross trade receivables amounted to SR 27.2 billion against which an impairment allowance of SR 2.8 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 5.7 for the accounting and critical judgements policies related to allowance for impairment of trade receivable and note 17 for the related disclosures.</i></p> | <p>Our audit procedures performed included, among others, the following:</p> <ul style="list-style-type: none"> <li>Assessed the design, implementation, and operating effectiveness of the key controls over the following: <ul style="list-style-type: none"> <li>- Recording of trade receivables and settlements.</li> <li>- Trade receivables aging reports.</li> </ul> </li> <li>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.</li> <li>Tested the mathematical accuracy of the ECL model.</li> <li>Assessed the adequacy of the relevant disclosures included in the consolidated financial statements.</li> </ul> <p>In addition to the above, we also performed the following procedures for certain customers categories where the Group performed a standalone assessment:</p> <ul style="list-style-type: none"> <li>Inspected the respective meeting minutes for standalone assessments.</li> <li>Obtained an understanding of the latest development and the basis of measuring the allowance and assessed management assumption given the circumstances.</li> <li>Tested on sample basis, the calculation performed by management of the allowances.</li> </ul> |



**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                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Accounting for withholding tax claim from the Zakat, Tax and Customs Authority ("ZATCA")</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| <p>As at 31 December 2021, the Group received the Appeal Committee for Tax Violations and Disputes ("appeal committee") decision with respect to the withholding tax assessments from ZATCA for the service of renting international operators' networks outside the Kingdom of Saudi Arabia for the years from 2004 to 2015. The Group's management believes that this service should not be subject to withholding tax and has objected against such assessments in prior years. During 2021, the Group submitted to the appeal committee a petition for reconsideration.</p> <p>We considered this as a key audit matter as accounting for withholding tax involves management estimates in addition to the materiality of the amounts claimed.</p> <p><i>Refer to note 4.10 for the accounting policy related to withholding taxes and note 44-5 for the related disclosures.</i></p> | <p>Our audit procedures performed included, among others, the following:</p> <ul style="list-style-type: none"> <li>• Inspected correspondences between the Group and ZATCA to determine the amount of the additional assessments made by ZATCA.</li> <li>• Attended meetings with those charged with governance and the Group's management to obtain an update on the withholding tax matters and the results of their interactions with the relevant committees.</li> <li>• Inspected the decisions from the relevant committee on withholding tax assessments.</li> <li>• Involved our specialists in evaluating the key assumptions used by management of the exposures disclosed for withholding tax for the years assessed by ZATCA.</li> <li>• Assessed the adequacy of the relevant disclosures included in the consolidated financial statements.</li> </ul> |

**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                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Valuation of property and equipment and intangible assets</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| <p>As at 31 December 2021, the Group's consolidated financial position included property and equipment amounting to SR 47.2 billion and intangible assets amounting to SR 10.7 billion.</p> <p>At each reporting date, the Group's management assesses whether there is any indication that property and equipment and intangible assets may be impaired.</p> <p>For intangible assets with indefinite life or if impairment indication exists for property and equipment, an assessment of the recoverable value of these assets or relevant cash generating units ("CGU") for any impairment.</p> <p>This involves significant judgments in respect of factors such as technological changes, challenging economic conditions, changing regulatory environment and restrictions, operating or capital costs and other economic assumptions used by the Group.</p> <p>We considered this as a key audit matter as it involves management's assumptions and estimates as well as the materiality of the amounts involved.</p> <p><i>Refer to notes 4.14 and 5.2 for the accounting and critical judgements policies related to valuation of property and equipment and intangible assets.</i></p> | <p>Our audit procedures performed included, among others, the following:</p> <ul style="list-style-type: none"> <li>• Assessed the Group's impairment policies for property and equipment and intangible assets, for compliance with IFRS as endorsed by SOCPA.</li> <li>• Reviewed the assessment performed by management to assess whether there is any indication of impairment.</li> </ul> <p>In addition to the above, we also performed the following procedures when impairment indication exists for property and equipment, or for indefinite life intangible assets:</p> <ul style="list-style-type: none"> <li>• Assessed management's assumptions and estimates used to determine the recoverable value of the assets based on our knowledge of the Group and the industry it operates in.</li> <li>• Assessed management's methods of identifying individual CGUs.</li> <li>• Tested the mathematical accuracy of cash flow models.</li> <li>• Assessed the adequacy of the relevant disclosures included in the consolidated financial statements.</li> </ul> |



#### Independent auditor's report (continued)

To the Shareholders of Saudi Telecom Company  
(A Saudi Joint Stock Company)

#### Other information included in The Group's 2021 Annual Report

Other information consists of the information included in the Group's 2021 annual report, other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information. The Group's 2021 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: 27 Rajab 1443H  
(28 February 2022G)





|                                                                        | Note | 31 December 2021   | 31 December 2020   |
|------------------------------------------------------------------------|------|--------------------|--------------------|
| <b>Assets</b>                                                          |      |                    |                    |
| <b>Non-Current Assets</b>                                              |      |                    |                    |
| Property and equipment                                                 | 9    | 47,205,038         | 47,847,623         |
| Investment properties                                                  | 10   | 70,523             | 36,980             |
| Intangible assets and goodwill                                         | 11   | 10,734,798         | 10,466,408         |
| Right of use assets                                                    | 12   | 2,951,652          | 2,892,814          |
| Investments in associates and joint ventures                           | 7    | 5,924,858          | 6,704,947          |
| Contract costs                                                         | 13   | 521,374            | 637,470            |
| Contract assets                                                        | 14   | 535,809            | 457,657            |
| Financial assets and others                                            | 15   | 8,367,291          | 7,069,285          |
| <b>Total non-current assets</b>                                        |      | <b>76,311,343</b>  | <b>76,113,184</b>  |
| <b>Current Assets</b>                                                  |      |                    |                    |
| Inventories                                                            | 16   | 917,510            | 1,008,645          |
| Contract assets                                                        | 14   | 5,732,865          | 6,059,440          |
| Trade and other receivables                                            | 17   | 25,464,155         | 15,724,725         |
| Financial assets and others                                            | 15   | 3,127,894          | 3,627,971          |
| Short term murabahas                                                   | 18   | 7,944,349          | 10,433,849         |
| Cash and cash equivalents                                              | 19   | 8,281,301          | 9,004,286          |
| <b>Total current assets</b>                                            |      | <b>51,468,074</b>  | <b>45,858,916</b>  |
| <b>Total assets</b>                                                    |      | <b>127,779,417</b> | <b>121,972,100</b> |
| <b>Equity And Liabilities</b>                                          |      |                    |                    |
| <b>Equity</b>                                                          |      |                    |                    |
| Share capital                                                          | 21   | 20,000,000         | 20,000,000         |
| Statutory reserves                                                     | 22   | 10,000,000         | 10,000,000         |
| Treasury shares                                                        | 23   | (286,563)          | (300,000)          |
| Other reserves                                                         | 24   | 1,572,457          | (3,262,245)        |
| Retained earnings                                                      |      | 37,984,611         | 37,508,027         |
| <b>Equity attributable to the equity holders of the Parent Company</b> |      | <b>69,270,505</b>  | <b>63,945,782</b>  |
| Non-controlling interests                                              | 25   | 2,115,474          | 1,321,233          |
| <b>Total equity</b>                                                    |      | <b>71,385,979</b>  | <b>65,267,015</b>  |

|                                      |    |                    |                    |
|--------------------------------------|----|--------------------|--------------------|
| <b>Liabilities</b>                   |    |                    |                    |
| <b>Non-Current Liabilities</b>       |    |                    |                    |
| Long term borrowings                 | 26 | 7,846,606          | 8,637,605          |
| End of service benefits provision    | 27 | 5,466,916          | 5,239,313          |
| Lease liabilities                    | 28 | 2,353,593          | 2,237,853          |
| Provisions                           | 29 | 550,741            | 725,625            |
| Contract liabilities                 | 30 | 771,915            | 771,915            |
| Financial liabilities and others     | 31 | 5,843,115          | 6,201,591          |
| <b>Total non-current liabilities</b> |    | <b>22,832,886</b>  | <b>23,813,902</b>  |
| <b>Current Liabilities</b>           |    |                    |                    |
| Trade and other payables             | 32 | 17,114,298         | 19,711,207         |
| Provisions                           | 29 | 3,647,727          | 4,158,923          |
| Contract liabilities                 | 30 | 3,591,950          | 1,901,237          |
| Zakat and income tax                 | 33 | 1,833,840          | 1,903,791          |
| Short term borrowings                | 26 | 1,456,684          | 318,485            |
| Lease liabilities                    | 28 | 869,574            | 742,185            |
| Financial liabilities and others     | 31 | 5,046,479          | 4,155,355          |
| <b>Total current liabilities</b>     |    | <b>33,560,552</b>  | <b>32,891,183</b>  |
| <b>Total liabilities</b>             |    | <b>56,393,438</b>  | <b>56,705,085</b>  |
| <b>Total equity and liabilities</b>  |    | <b>127,779,417</b> | <b>121,972,100</b> |

Chairman

Authorized Board  
MemberChief Executive  
OfficerChief Financial  
Officer

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

|                                                                                     | Note      | 2021                | 2020                |
|-------------------------------------------------------------------------------------|-----------|---------------------|---------------------|
| Revenues                                                                            | 34        | 63,416,977          | 58,953,318          |
| Cost of revenues                                                                    | 35        | (29,622,948)        | (24,998,923)        |
| Gross profit                                                                        |           | 33,794,029          | 33,954,395          |
| <b>Operating Expenses</b>                                                           |           |                     |                     |
| Selling and marketing                                                               | 36        | (5,463,336)         | (6,053,632)         |
| General and administration                                                          | 37        | (5,490,093)         | (5,810,763)         |
| Depreciation, amortisation and impairment                                           | 9, 11, 12 | (9,712,845)         | (9,358,875)         |
| <b>Total operating expenses</b>                                                     |           | <b>(20,666,274)</b> | <b>(21,223,270)</b> |
| <b>Operating profit</b>                                                             |           | <b>13,127,755</b>   | <b>12,731,125</b>   |
| <b>Other Income And Expenses</b>                                                    |           |                     |                     |
| Cost of early retirement program                                                    |           | (313,258)           | (600,000)           |
| Finance income                                                                      | 38        | 377,911             | 413,873             |
| Finance cost                                                                        | 39        | (618,956)           | (623,925)           |
| Net other income (expenses)                                                         |           | 49,996              | (42,995)            |
| Net share in results and impairment of investments in associates and joint ventures | 7         | (778,028)           | 52,953              |
| Net other gains                                                                     | 40        | 789,643             | 424,612             |
| <b>Total other income (expenses)</b>                                                |           | <b>(492,692)</b>    | <b>(375,482)</b>    |
| <b>Net profit before zakat and income tax</b>                                       |           | <b>12,635,063</b>   | <b>12,355,643</b>   |
| Zakat and income tax                                                                | 33        | (1,040,366)         | (1,170,446)         |
| <b>Net profit</b>                                                                   |           | <b>11,594,697</b>   | <b>11,185,197</b>   |
| Net profit attributable to:                                                         |           | 11,311,342          | 10,994,875          |
| Equity holders of the parent company                                                | 25        | 283,355             | 190,322             |
| Non-controlling interests                                                           |           | 11,594,697          | 11,185,197          |

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

|         |    |      |      |
|---------|----|------|------|
| Basic   | 41 | 5.66 | 5.50 |
| Diluted | 41 | 5.66 | 5.50 |



Chairman

Authorized Board  
MemberChief Executive  
OfficerChief Financial  
Officer

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

|                                                                                                          | Note | 2021              | 2020              |
|----------------------------------------------------------------------------------------------------------|------|-------------------|-------------------|
| Net Profit                                                                                               |      | 11,594,697        | 11,185,197        |
| <b>Other Comprehensive Income (Loss)</b>                                                                 |      |                   |                   |
| <b>Items that will not be reclassified subsequently to consolidated statement of profit or loss:</b>     |      |                   |                   |
| Remeasurement of end of service benefit provision                                                        | 27   | 312,523           | (568,893)         |
| Net share of other comprehensive income of associates and joint ventures                                 |      | 5,093             | 6,379             |
| <b>Total items that may not be reclassified subsequently to consolidated statement of profit or loss</b> |      | <b>317,616</b>    | <b>(562,514)</b>  |
| <b>Items that may be reclassified subsequently to consolidated statement of profit or loss:</b>          |      |                   |                   |
| Foreign currency translation differences                                                                 |      | 20,103            | (16,542)          |
| Net changes in fair value from cash flow hedges                                                          |      | -                 | 1,820             |
| Net share of other comprehensive income of associates and joint ventures                                 |      | 79,686            | 46,152            |
| <b>Total items that may be reclassified subsequently to consolidated statement of profit or loss</b>     |      | <b>99,789</b>     | <b>31,430</b>     |
| <b>Total other comprehensive income (loss)</b>                                                           |      | <b>417,405</b>    | <b>(531,084)</b>  |
| <b>Total comprehensive income</b>                                                                        |      | <b>12,012,102</b> | <b>10,654,113</b> |
| <b>Total comprehensive income attributable to:</b>                                                       |      |                   |                   |
| Equity holders of the Parent Company                                                                     |      | 11,717,489        | 10,478,455        |
| Non-controlling interests                                                                                |      | 294,613           | 175,658           |
|                                                                                                          |      | 12,012,102        | 10,654,113        |



Chairman

Authorized Board  
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OfficerChief Financial  
Officer

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

|                                                                                     | Note      | 2021              | 2020              |
|-------------------------------------------------------------------------------------|-----------|-------------------|-------------------|
| <b>Cash Flows From Operating Activities</b>                                         |           |                   |                   |
| Net profit before zakat and income tax                                              |           | 12,635,063        | 12,355,643        |
| Adjustments for:                                                                    |           |                   |                   |
| Depreciation, amortisation and impairment                                           | 9, 11, 12 | 9,712,845         | 9,358,875         |
| Impairment loss and amortisation of contract costs and contract assets              | 35, 36    | 492,758           | 623,652           |
| Impairment loss on trade receivables                                                | 36        | 844,027           | 1,072,959         |
| Allowance for slow moving inventories                                               |           | 39,755            | 3,433             |
| Finance income                                                                      | 38        | (377,911)         | (413,873)         |
| Finance costs                                                                       | 39        | 618,956           | 623,925           |
| Provision for end of service benefits and other provisions                          |           | 772,747           | 560,627           |
| Net share in results and impairment of investments in associates and joint ventures | 7         | 778,028           | (52,953)          |
| Share- based payment expenses                                                       | 45        | 42,726            | 6,116             |
| Net other gains                                                                     | 40        | (789,643)         | (424,612)         |
| <b>Changes in :</b>                                                                 |           |                   |                   |
| Trade receivables and others                                                        |           | (11,236,400)      | 4,540,765         |
| Inventories                                                                         |           | 51,364            | 709,452           |
| Contract costs                                                                      |           | (258,224)         | (220,515)         |
| Contract assets                                                                     |           | 129,958           | 807,042           |
| Other assets                                                                        |           | 876,011           | 921,405           |
| Trade payables and others                                                           |           | (2,991,346)       | 280,331           |
| Contract liabilities                                                                |           | 1,690,723         | (564,499)         |
| Other liabilities                                                                   |           | (349,612)         | (434,684)         |
| <b>Cash generated from operations</b>                                               |           | <b>12,681,825</b> | <b>29,753,089</b> |
| Less: zakat and income tax paid                                                     | 33        | (1,106,049)       | (750,643)         |
| Less: provision for end of service benefits paid                                    | 27        | (355,621)         | (677,741)         |
| <b>Net cash generated from operating activities</b>                                 |           | <b>11,220,155</b> | <b>28,324,705</b> |
| <b>Cash Flows From Investing Activities</b>                                         |           |                   |                   |
| Additions to property and equipment                                                 |           | (6,030,788)       | (9,150,117)       |
| Additions to intangible assets                                                      |           | (2,179,186)       | (1,690,470)       |
| Proceeds from sale of property and equipment                                        |           | 21,171            | 16,748            |

|                                                                      |      |                     |                     |
|----------------------------------------------------------------------|------|---------------------|---------------------|
| Proceeds from sale of an associate                                   |      | 184,628             | 760,862             |
| Proceeds from the initial public offering of a stake in a subsidiary | 6-1  | 3,560,295           | -                   |
| Dividends from associates                                            |      | 83,087              | -                   |
| Proceeds from finance income                                         |      | 314,480             | 516,006             |
| Proceeds and payments related to financial assets, net               |      | 2,331,730           | (7,882,206)         |
| <b>Net cash used in investing activities</b>                         |      | <b>(1,714,583)</b>  | <b>(17,429,177)</b> |
| <b>Cash Flows From Financing Activities</b>                          |      |                     |                     |
| Dividends paid to the equity holders of the parent Company           |      | (9,954,612)         | (7,973,418)         |
| Dividends paid to non-controlling interests                          |      | (184,172)           | (102,781)           |
| Purchase of treasury shares                                          |      | -                   | (300,000)           |
| Payment of lease liabilities                                         |      | (976,719)           | (831,642)           |
| Repayment of borrowings                                              | 26   | (731,248)           | (402,386)           |
| Proceeds from borrowings                                             | 26   | 1,123,981           | 21,363              |
| Transactions with non-controlling interests                          | 6-14 | 750,000             | -                   |
| Finance costs paid                                                   |      | (262,407)           | (330,354)           |
| <b>Net cash used in financing activities</b>                         |      | <b>(10,235,177)</b> | <b>(9,919,218)</b>  |
| <b>Net (decrease) increase in cash and cash equivalents</b>          |      | <b>(729,605)</b>    | <b>976,310</b>      |
| <b>Cash and cash equivalents at beginning of the year</b>            |      | <b>9,004,286</b>    | <b>8,031,010</b>    |
| Net foreign exchange difference                                      |      | 6,620               | (3,034)             |
| <b>Cash and cash equivalents at end of the year</b>                  | 19   | <b>8,281,301</b>    | <b>9,004,286</b>    |

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

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



|                                                              | Note  | Total equity attributable to the equity holders of the Parent Company |                    |                 |                |                   |             | Non-controlling interests | Total equity |
|--------------------------------------------------------------|-------|-----------------------------------------------------------------------|--------------------|-----------------|----------------|-------------------|-------------|---------------------------|--------------|
|                                                              |       | Share capital                                                         | Statutory reserves | Treasury shares | Other reserves | Retained earnings | Total       |                           |              |
| Balance as at 1 January 2020                                 |       | 20,000,000                                                            | 10,000,000         | -               | (2,745,608)    | 34,508,202        | 61,762,594  | 1,292,452                 | 63,055,046   |
| Net profit                                                   |       | -                                                                     | -                  | -               | -              | 10,994,875        | 10,994,875  | 190,322                   | 11,185,197   |
| Other comprehensive loss                                     |       | -                                                                     | -                  | -               | (516,420)      | -                 | (516,420)   | (14,664)                  | (531,084)    |
| Total comprehensive income                                   |       | -                                                                     | -                  | -               | (516,420)      | 10,994,875        | 10,478,455  | 175,658                   | 10,654,113   |
| Dividends to the equity holders of the Parent Company        | 47    | -                                                                     | -                  | -               | -              | (7,995,050)       | (7,995,050) | -                         | (7,995,050)  |
| Dividends to non-controlling interests                       |       | -                                                                     | -                  | -               | -              | -                 | -           | (144,327)                 | (144,327)    |
| Share-based payment transactions                             | 45    | -                                                                     | -                  | -               | 6,116          | -                 | 6,116       | -                         | 6,116        |
| Purchase of treasury shares                                  |       | -                                                                     | -                  | (300,000)       | -              | -                 | (300,000)   | -                         | (300,000)    |
| Acquisition of a non-controlling interest                    |       | -                                                                     | -                  | -               | (4,369)        | -                 | (4,369)     | (2,550)                   | (6,919)      |
| Net share of other reserves of associates and joint ventures |       | -                                                                     | -                  | -               | (1,964)        | -                 | (1,964)     | -                         | (1,964)      |
| Balance as at 31 December 2020                               |       | 20,000,000                                                            | 10,000,000         | (300,000)       | (3,262,245)    | 37,508,027        | 63,945,782  | 1,321,233                 | 65,267,015   |
| Balance as at 1 January 2021                                 |       | 20,000,000                                                            | 10,000,000         | (300,000)       | (3,262,245)    | 37,508,027        | 63,945,782  | 1,321,233                 | 65,267,015   |
| Net profit                                                   |       | -                                                                     | -                  | -               | -              | 11,311,342        | 11,311,342  | 283,355                   | 11,594,697   |
| Other comprehensive income                                   |       | -                                                                     | -                  | -               | 406,147        | -                 | 406,147     | 11,258                    | 417,405      |
| Total comprehensive income                                   |       | -                                                                     | -                  | -               | 406,147        | 11,311,342        | 11,717,489  | 294,613                   | 12,012,102   |
| Dividends to the equity holders of the Parent Company        | 47    | -                                                                     | -                  | -               | -              | (9,985,483)       | (9,985,483) | -                         | (9,985,483)  |
| Dividends to non-controlling interests                       |       | -                                                                     | -                  | -               | -              | -                 | -           | (181,425)                 | (181,425)    |
| Share-based payment transactions                             | 23,45 | -                                                                     | -                  | 13,437          | 28,187         | -                 | 41,624      | 1,799                     | 43,423       |
| Transactions with non-controlling interest                   | 6     | -                                                                     | -                  | -               | 3,631,042      | -                 | 3,631,042   | 679,254                   | 4,310,296    |
| Net share of other reserves of associates and joint ventures | 7     | -                                                                     | -                  | -               | 769,326        | (849,275)         | (79,949)    | -                         | (79,949)     |
| Balance as at 31 December 2021                               |       | 20,000,000                                                            | 10,000,000         | (286,563)       | 1,572,457      | 37,984,611        | 69,270,505  | 2,115,474                 | 71,385,979   |

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

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

## 1 - General Information

### A) Establishment of The Company

Saudi Telecom Company (the "Company") was established as a Saudi Joint Stock Company pursuant to Royal Decree No. M/35 dated 24 Dhul Hijja 1418H (corresponding to 21 April 1998) that authorized the transfer of the telegraph and telephone division of the Ministry of Post, Telegraph and Telephone ("MoPTT") with its various components and technical and administrative facilities to the Company, and in accordance with the Council of Ministers' Resolution No. 213 dated 23 Dhul Hijja 1418H (corresponding to 20 April 1998) that approved the Company's by-laws ("By-laws"). The Company was wholly owned by the Government of the Kingdom of Saudi Arabia (the "Government"). The Government sold 30% of its shares pursuant to the Council of Ministers Resolution No. 171 dated 2 Rajab 1423H (corresponding to 9 September 2002),. The Public Investment Fund ("PIF") is the ultimate controlling party of the Company through its ownership of 64% as at 31 December 2021 (2020: 70%). During the year 2021, the PIF through a secondary offering sold 6% of the Company's shares.

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

### B) Group Activities

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

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

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

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

## 2 - Basis of Preparation and Consolidation

### 2.1 Basis of preparation

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

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

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

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

The significant accounting policies (Note 4) applied in preparing these consolidated

financial statements are consistent with those applied in comparative periods presented.

### 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.

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

### 2.2 Basis of consolidation (continued)

- Rights arising from other contractual arrangements.
- Group's voting rights and potential voting rights.

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

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

Profit or loss and each component of other comprehensive income are attributed to the equity holders of the Company and to the non-controlling interests.

Total comprehensive income of subsidiaries is attributed to the equity holders of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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

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

Changes in the Group's ownership interests in subsidiaries that do not result in losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Company.

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



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

### 2.2 Basis of consolidation (continued)

of profit or loss or transferred to another category of equity as specified/ permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9, and when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

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

### 3.1 New ifrs standards, issued and adopted

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

#### Amendments and interpretations

Amendments to IAS 39, IFRS 4, IFRS 7, IFRS 9 and IFRS 16:  
 Interest Rate Benchmark Reform – Phase 2

Amendments to IFRS 16:  
 Covid-19 Related Rent Concessions beyond 30 June 2021

### 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 2021 are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective. These standards are not expected to have a material impact on the Group at their effective dates.

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

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

#### Amendments and interpretations

Amendments to IAS 1:  
 Classification of Liabilities as Current or Non-current

Amendments to IFRS 3 :  
 Reference to the Conceptual Framework

Amendments to IAS 16:  
 Property, Plant and Equipment: Proceeds before intended use

Amendments to IAS 37:  
 Onerous Contracts – Cost of fulfilling a contract

Amendments to IFRS 9 Financial Instruments:  
 Fees in the "10 per cent" test for derecognition of financial liabilities

Amendments to IAS 12:  
 Deferred Tax related to Assets and Liabilities arising from a Single Transaction

Amendments to IAS 8:  
 Definition of Accounting Estimates

Amendments to IAS 1 and IFRS Practice Statement 2:  
 Disclosure of Accounting Policies

## 4 - Summary of Significant Accounting Policies

### 4.1 Business combinations

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

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

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

### 4.1 Business combinations (continued)

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

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

After initial recognition, goodwill is measured at cost less accumulated

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

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

Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable

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

### 4.1 Business combinations (continued)

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.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to its acquisition-date fair value and the

resulting gain or loss, if any, is recognized in the consolidated statement of profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognized in other comprehensive income are reclassified to the consolidated statement of profit or loss where such treatment would be appropriate if that interest were disposed of.

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

The Group recognizes additional assets or liabilities during the measurement period if new information becomes available about facts or circumstances that existed at the date of the acquisition and if it will result in recognition of assets or liabilities from that date. The measurement period ends

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

### 4.1 Business combinations (continued)

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 over. Significant influence is the Group's ability to participate in the financial and operating policy decisions of the investee but not to control or jointly control those policies.

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

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

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

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

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

the extent of the interest in the associate or joint venture.

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

On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is 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 approved 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).

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate or a joint venture,

or when the investment is classified as held for sale.

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

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



4 - Summary of Significant Accounting Policies (Continued)

4.3 Shared-based payment transactions

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

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

4.4 Treasury shares

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

4.5 Revenue recognition

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

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

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

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

4 - Summary of Significant Accounting Policies (Continued)

4.5 Revenue recognition (continued)

| Products and services      | Nature and timing of satisfaction of performance obligation                                                                                                                                                                                                                                                                                                                                                                           |
|----------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Telecommunication services | Telecommunication services include voice, data and text services. The Group recognizes revenues as and when these services are provided (i.e. actual usage by the customer).                                                                                                                                                                                                                                                          |
| Bundled packages           | Arrangements involving multiple products and services are separated into individual items and 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. |
| Devices                    | The Group recognizes revenues when the control of the device is transferred to the customer. This usually occurs at the contract inception when the customer takes the possession of the device.                                                                                                                                                                                                                                      |

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

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 - Summary of Significant Accounting Policies (Continued)

### 4.5 Revenue recognition (continued)

#### 4.5.1 Variable consideration

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

#### 4.5.2 Significant financing component

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

#### 4.5.3 Contract balances

##### 4.5.3.1 Contract Assets

A contract asset is the Group's right to consideration in exchange for goods and services transferred by the Group to the customer. If the Group transfers goods or services to a customer before the customer

pays any consideration or before payment is due, a contract asset is recognized for the earned consideration that is conditional.

##### 4.5.3.2 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.

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

### 4.6 Lease contracts

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

#### ■ The Group as a lessee

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

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

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

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

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

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

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

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

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

### 4.6 Lease contracts (continued)

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

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

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

#### ■ The Group as a lessor

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

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

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

### 4.7 Foreign currencies (continued)

translated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of gain or loss on change in fair value of the item to which it relates. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into Saudi Riyals using exchange rates prevailing at the reporting date. Income and expense items are translated at the average exchange rates for the reporting period, unless exchange rates fluctuate significantly during that

period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in equity (and attributed to non-controlling interests as appropriate).

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

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

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



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

### 4.8 Government grants (continued)

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

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

### 4.9 Employee benefits (continued)

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

are not reclassified to the consolidated statement of profit and loss in subsequent periods.

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

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

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

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

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

A liability is recognized for benefits accruing to employees in respect of wages

and salaries, annual leave and sick leave in the period in which the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service. Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

### 4.10 Zakat and Taxation

#### 4.10.1 Zakat

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

#### 4.10.2 Current and deferred taxes

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

Deferred income tax provisions for foreign entities are calculated using the liability method, based on temporary differences at the end of the financial year between the tax base of assets and liabilities and their carrying values for financial reporting purposes. Deferred tax liabilities and deferred tax assets are measured at the tax

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

### 4.10 Zakat and Taxation (continued)

#### 4.10.2 Current and deferred taxes (continued)

rates expected to be applied in the reporting period in which the obligation is settled, or the assets is realized.

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

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

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

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

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

### 4.11 Property and equipment

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

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

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

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

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

Depreciation is charged and reduces the cost of assets, other than land, using mainly the

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

### 4.11 Property and equipment (continued)

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

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

### 4.12 Investment properties

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

Investment property is recognized as an asset when it is probable that future economic benefits will flow to the Group, associated with the property and can be measured reliably. Investment properties are initially measured at cost, including transaction costs. It is subsequently measured after

recognition according to the "cost model", i.e. at cost minus accumulated depreciation and accumulated impairment losses, if any. Except for land, it is not depreciated.

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

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

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

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

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

### 4.13 Intangible assets other than goodwill

Intangible assets are presented in the consolidated statement of financial position at cost less accumulated amortisation and accumulated impairment losses. The cost of intangible assets acquired in a business combination represents their fair value as at the date of acquisition. The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite lives are amortized over the useful economic life and the estimated useful life and amortisation 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. Amortisation is charged to the consolidated statement of profit or loss on a straight line basis over the estimated useful life from the date the software is available for use.

#### 4.13.2 Licence and frequency spectrum fees

Amortisation periods for licence and frequency spectrum fees are determined

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

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

IRUs correspond to the right to use a portion of the capacity of a terrestrial or submarine transmission cable granted for a fixed period. IRUs are recognized at cost as an asset when the Group has the specific indefeasible right to use an identified portion of the underlying asset, generally optical fibres or dedicated wavelength bandwidth, and the duration of the right is for the major part of the underlying asset's economic life. They are amortized on a straight line basis over the shorter of the expected period of use and the life of the contract which ranges between 10 to 20 years.

#### 4.13.4 Derecognition of intangible assets

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

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

### 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 amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statement of profit or loss.

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

### 4.15 Inventories

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



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

### 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:

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

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

### 4.18 Financial instruments (continued)

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

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.

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

Derivatives embedded in host contracts are treated as separate derivatives when their

risks and characteristics are not closely related to those of host contracts and the host contracts are not measured at fair value with changes in fair value recognized in the consolidated statement of profit or loss.

#### 4.18.2 Measurement

##### 4.18.2.1 Initial measurement

Financial assets and financial liabilities are initially measured at fair value plus transaction costs that are directly attributable to the acquisition of financial assets and issue of financial liabilities or, where appropriate, deducted from them. (Except for financial assets and financial liabilities classified at fair value where transaction costs directly attributable to the acquisition of financial assets or financial liabilities are recognized directly in the consolidated statement of profit or loss).

Purchases or sales of financial assets that require delivery of assets within a timeframe established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

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

### 4.18 Financial instruments (continued)

#### 4.18.2 Measurement (continued)

##### 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.

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

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

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

Financial assets measured at fair value through other comprehensive income ("FVOCI") are measured at each reporting

date at fair value without the deduction of transaction costs that the Group may incur on sale or disposal of the financial asset in the future.

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

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

### 4.18 Financial instruments (continued)

#### 4.18.2 Measurement (continued)

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

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

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

| Measurement category                                                                            | Recognition and presentation of gains and losses                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
|-------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| At amortized cost                                                                               | <p>The following items are recognized in the consolidated statement of profit or loss:</p> <ul style="list-style-type: none"> <li>- finance income using the effective interest method</li> <li>- expected credit losses (or reversals of such losses)</li> <li>- foreign exchange gains and losses.</li> </ul> <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>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"> <li>- finance income using the average effective interest method</li> <li>- expected credit losses (or reversals of such losses)</li> <li>- foreign exchange gains and losses.</li> </ul> |
| Equity instruments – gain or loss – presented in consolidated statement of comprehensive income | <p>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                                                                                        | <p>Gains and losses, both on subsequent measurement and derecognition, are recognized in consolidated statement of profit or loss.</p>                                                                                                                                                                                                                                                                                                                                                             |

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

### 4.18 Financial instruments (continued)

#### 4.18.2 Measurement (continued)

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

#### 4.18.2.3 Subsequent measurement of financial liabilities

##### a. Amortized cost

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

1. financial liabilities at FVTPL
2. financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or is accounted for using the continuing involvement approach
3. commitments to provide a loan at a below-market interest rate and not measured at fair value through profit or loss
4. financial guarantee contracts

5. contingent consideration recognized at fair value by the Group in a business combination to which IFRS 3 applies (shall subsequently be measured at fair value with changes recognized in the consolidated statement of profit or loss).

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

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

Financial liabilities falling under this category include:

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

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

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

1. the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk

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

### 4.18 Financial instruments (continued)

#### 4.18.2 Measurement (continued)

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

##### b. Liabilities at fair value through profit or loss (continued)

of that financial liability is presented in the consolidated statement of comprehensive income

2. the remaining amount of change in the fair value of the financial liability is presented in the consolidated statement of profit or loss

##### c. Financial guarantees

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

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

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

#### 4.18.3 Impairment of financial assets

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

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

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



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

### 4.18 Financial instruments (continued)

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

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

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

#### 4.18.4 Derecognition of financial assets

Financial assets are derecognized from the consolidated statement of financial

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

#### 4.18.5 Derecognition of 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; and
2. The Group intends to settle on a net basis exists, or to realize the asset and settle the liability simultaneously.

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

### 4.18 Financial instruments (continued)

#### 4.18.7 Modifications of financial assets and financial liabilities

##### ■ Financial assets

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

If the cash flows of the modified asset carried at amortized cost are not substantially different, then the modification does not result in derecognition of the financial asset. In this case, the Group recalculates the gross carrying amount of the financial asset and recognizes the amount arising from adjusting the gross carrying amount as a modification gain or loss in the consolidated statement of income. If such a modification is carried out because of financial difficulties of the borrower, then the gain or loss is presented together with impairment losses. In other cases, it is presented as financing income.

##### ■ Financial liabilities

The Group derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new

financial liability based on the modified terms is recognized at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognized in consolidated statement of income.

#### 4.18.8 Derivative financial instruments and hedge accounting

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

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

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk

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

### 4.18 Financial instruments (continued)

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

management objective and strategy for undertaking the hedge.

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

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

### 4.19 Cash and cash equivalents

Cash and cash equivalents in the consolidated statement of financial position

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

### 4.20 Fair values

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

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

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

### 4.20 Fair values (continued)

and the minimum use of inputs that are not observable. In addition, for financial reporting purposes, fair value measurements are categorized into Level 2, 1 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, **which are described as follows:**

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

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

### 4.21 Segmental Information

The specific operating segments of the Group are identified based on internal

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

### 4.22 Cash dividends

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

### 4.23 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.**

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

### 4.22 Cash dividends (continued)

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.

## 5 - Significant Accounting Estimates and Assumptions and Judgements

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 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.

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

### 5.2 Impairment of non-financial assets

An impairment exists when the carrying value of an asset or CGU exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length for similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow (DCF) model. The cash flows are derived 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.

### 5.3 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.

### 5.4 Customer activation service fees

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

### 5.5 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 29 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 - Significant Accounting Estimates and Assumptions and Judgements (Continued)

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

The annual depreciation and amortisation charge is sensitive to the estimated lives allocated to each type of asset. 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.

### 5.7 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.

### 5.8 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

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

### 5.8 Determining the lease term of contracts with renewal and termination options – Group as lessee (continued)

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

### 5.9 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.

### 5.10 Fair value measurement of financial instruments

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

## 6 - Subsidiaries

Subsidiaries owned directly by the Company are as follows:

| Name of subsidiary                                                  | Country of incorporation | Effective shareholding percentage |                  |
|---------------------------------------------------------------------|--------------------------|-----------------------------------|------------------|
|                                                                     |                          | 31 December 2021                  | 31 December 2020 |
| Arabian Internet and Communications Services Company ("Solutions")  | Kingdom of Saudi Arabia  | 80%                               | 100%             |
| Telecom Commercial Investment Company Limited ("TCIC")              | Kingdom of Saudi Arabia  | 100%                              | 100%             |
| stc Bahrain BSC (c) ("stc Bahrain")                                 | Kingdom of Bahrain       | 100%                              | 100%             |
| Aqalat Limited Company ("Aqalat")                                   | Kingdom of Saudi Arabia  | 100%                              | 100%             |
| Public Telecommunications Company ("Specialized by stc")            | Kingdom of Saudi Arabia  | 100%                              | 100%             |
| Sapphire Company Limited ("Sapphire")                               | Kingdom of Saudi Arabia  | -                                 | 100%             |
| stc Turkey Holding Ltd ("stc Turkey")                               | British Virgin Islands   | 100%                              | 100%             |
| stc Asia Telecom Holding Ltd ("stc Asia")                           | British Virgin Islands   | 100%                              | 100%             |
| stc Gulf Investment Holding ("stc Gulf")                            | Kingdom of Bahrain       | 100%                              | 100%             |
| Gulf Digital Media Model Company Ltd ("GDMM")                       | Kingdom of Saudi Arabia  | 100%                              | 100%             |
| Saudi Telecom Channels Company ("Channels by stc")                  | Kingdom of Saudi Arabia  | 100%                              | 100%             |
| Kuwait Telecommunications Company ("stc Kuwait")                    | State of Kuwait          | 51.8%                             | 51.8%            |
| Telecommunications Towers Company ("TAWAL")                         | Kingdom of Saudi Arabia  | 100%                              | 100%             |
| stc Bank (previously "Saudi Digital Payments Company" or "stc pay") | Kingdom of Saudi Arabia  | 85%                               | 100%             |
| Smart Zone Real Estate Company                                      | Kingdom of Saudi Arabia  | 100%                              | 100%             |
| Advanced Technology and Cybersecurity Company ("sirar by stc")      | Kingdom of Saudi Arabia  | 100%                              | 100%             |
| stc GCC Cables System W.L.L.                                        | Kingdom of Bahrian       | 100%                              | -                |
| Innovation Fund Investment Company                                  | Kingdom of Saudi Arabia  | 100%                              | -                |

## 6 - Subsidiaries (Continued)

1. Arabian Internet and Communications Services Company ("Solutions") was established in April 2002 and is engaged in providing internet services, operation of communications projects and transmission and processing of information in the Saudi market. In December 2007, the Group acquired 100% of the share capital of Arabian Internet and Communications Services Company Limited for SR 100 million. During the year 2020, the share capital of Solutions was increased to SR 1,200 million.

In September 2021, the Group completed the initial public offering "IPO" for 20% of its shareholding in its subsidiary – Solutions with total proceeds of SR 3,624 million before deducting total IPO costs of SR 63.7 million. As a result of this offering, the non-controlling interests increased by SR 428 million and equity attributable to the shareholders of the parent company (other reserves) increased by SR 3,132 million at the transaction date. In addition, at the completion of the IPO, 1% of the share capital of Solutions was allocated to be granted as part of its own employees' long-term incentive plan (see Note 45.2).

2. Telecom Commercial Investment Company Limited was established in October 2007 with a capital of SR 1 million 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.

3. stc Bahrain was established in February 2009 with a capital of BD 75 million equivalent to about SR 746 million at the exchange rate as of that date. stc Bahrain provides all mobile telecommunication services, international telecommunications, broadband and other related services in the Bahraini market, and commenced its commercial operation on 3 March 2010. During the first quarter of 2018, stc Bahrain fully acquired "MENA Telecom Company Limited" in the Kingdom of Bahrain (as a subsidiary). The main activity is to provide Internet services.
4. Aqalat was established in March 2013 with a capital of SR 70 million fully owned by the Company with the purpose of establishing, owning, investing, managing of real estate and contracting, and providing consulting services, and importing and exporting services to the benefit of the Company.
5. Public Telecommunications Company (Specialized by stc) was established in February 2002. The Company acquired 100% of the SR 252 million share capital in January 2014. Specialized by stc operates in the electrical business and communication networks, wholesale and retail trade in fixed telecommunications equipment, electrical appliances, import, marketing, installation and maintenance of fixed and mobile telecommunications and information technology licensed devices.

## 6 - Subsidiaries (Continued)

6. Sapphire was established in June 2014 with a capital of SR 100 million fully owned by the Company to operate in the retail and wholesale trade of computer systems and devices, fixed and mobile telecommunication, internet equipment, advertising and publicity material, spare parts, electrical equipment, advance payment devices, point-of-sale devices, telecom operator services, establish telecom sales and service centres. In November 2017, the Group's Board of Directors decided to wind up Sapphire and integrate its business with Saudi Telecom Company starting from 1 January 2018. During the year 2021, the Group has completed all legal and regulatory procedures of Sapphire liquidation.
7. **stc** Turkey is a limited liability company which was established under the Commercial Companies Law in the British Virgin Islands on 8 April 2008. It is a special purpose vehicle established to provide services and support required in respect of investment activities of the Group.
8. **stc** Asia is a limited liability company which was established under the Commercial Companies Law in the British Virgin Islands on 24 July 2007 and is a special purpose vehicle that invests in companies operating primarily in Malaysia. It holds an investment in **stc** Malaysia Holdings Ltd ("**stc** Malaysia"), (a wholly owned subsidiary by **stc** Asia), which was incorporated under the Commercial Companies Law in the British Virgin Islands.
9. **stc** Gulf was incorporated on 12 March 2008 and has wholly-owned subsidiaries in the Kingdom of Bahrain, as listed below. The primary objective of this company and its following subsidiaries is to provide services and support required in respect of investment activities of the Group:

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

**stc** Gulf Investment Holding 3 W.L.L. and **stc** Gulf Investment Holding 2 W.L.L. hold 100% (2020: 100%) in Intigral Holding BSC (C) ("**Intigral** Holding"). **Intigral** Holding was established on June 2009 with a share capital amounting to BD 28 million which is equivalent to approximately SR

In April 2008, **stc** Turkey acquired 35% of Oger Telecom Limited's ("**OTL**") USD 3.6 billion share capital, equivalent to approximately SR 13.5 billion, at the exchange rate as at that date.

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

## 6 - Subsidiaries (Continued)

281 million at the exchange rate as at that date. **Intigral** Holding is a holding company which owns shares in companies operating in the field of content services and digital media in Gulf countries. During 2018, the Group increased its capital to reach BD 101 million equivalent to SR 1.008 million at the exchange rate as at 31 December 2018.

During the year 2021, the Group restructured the capital of **Intigral** to reach BD 20 million (equivalent to SR 199.6 million) through transfer of ownership of Gulf Digital Media Model Company to the **stc**.

10. Gulf Digital Media Model Company Ltd ("**GDMM**") is a limited liability company with a share capital of SR 811 million with the purpose of providing broadcasting and media production services. During the year 2021, the ownership of **GDMM** has been transferred to **stc** through the restructuring of **Intigral** Holding Company.
11. Saudi Telecom Channels Company ("**Channels by stc**") was established on January 2008 and operates in the wholesale and retail trade of recharge card services, telecommunication equipment and devices, computer services, sale and re-sale of all fixed and mobile telecommunication services, and commercial centres' maintenance and operation. The Company operates in the Saudi Market with subsidiaries in Bahrain and Oman whom are working in the same field. Saudi Telecom Company acquired 60% of **Channels** SR 100 million share

capital in December 2011. During the year 2017, the Company acquired the remaining shares in **Channels by stc** by SR 400 million. Accordingly, **Channels by stc** became a wholly-owned subsidiary of Saudi Telecom Company.

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

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

The offer ended on 31 January 2016 and the number of shares accepted under the offer amounted to 128,860,518 shares which represents 25.8% of total issued shares of **stc** Kuwait. Saudi Telecom Company now owns 51.8% of the total issued shares of **stc** Kuwait. (Note 25)

During the year 2019, **stc** Kuwait acquired 99% of Qualitynet General Trading



## 6 - Subsidiaries (Continued)

and Contracting Company W.L.L. (QualityNet), which operates in Kuwait providing internet services.

13. During the year 2018, the Company established Telecommunications Towers Company (TAWAL), a closed joint stock company (formerly a "limited liability company") with a share capital of SR 200 million. TAWAL is responsible for owning, constructing, operating, leasing and commercializing telecom towers in the Kingdom. During the year 2019, TAWAL obtained the necessary operating license from the Communications and Information Technology Commission (CITC) and the Group increased the capital of TAWAL by SR 2,300 million, for a total capital of SR 2,500 million.

14. During the year 2017, Solutions established Saudi Digital Payments Company (stc pay) (currently "stc Bank") with a capital of SR 100 million and its main activity is to provide digital payments services.

During the year 2019, Saudi Digital Payments Company ownership was transferred from Solutions to the Company. During the same year, the Company increased the capital by SR 300 million, for a total capital of SR 400 million. In January 2020, the Saudi Arabian Monetary Authority (SAMA) licensed Saudi Digital Payments Company as an electronic wallet company.

During the year 2020, the Group signed an agreement with Western Union ("WU") to sell 15% of the Group's share in the Saudi Digital Payments Company for a total of SR 750 million (equivalent to USD 200 million).

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 a share capital of SR 2.5 billion. Accordingly, WU and the Group deposited an amount of SR 750 million and SR 802 million, respectively in a restricted account by the Saudi Central Bank (SAMA) until the final approval is obtained. Therefore, the cash and cash equivalents balance include an amount of SR 1,552 million, which represents cash balances restricted by the Saudi Central Bank (SAMA) until the regulatory requirements are completed to conclude the agreement with WU. The non-controlling interests increased by SR 251 million and shareholders' equity (other reserves) increased by SR 499 million at the transaction date

15. During the year 2019, the Company established Smart Zone Real Estate Company – a limited liability company with a share capital of approximately SR 107 million and its main activity is the development, financing and management of real estate projects, the establishment of facilities, complexes, commercial, office and residential buildings.

## 6 - Subsidiaries (Continued)

16. During the year 2020, the Company established Advanced Technology and Cyber Security Company – a limited liability company with a cash capital of SR 120 million to provide cybersecurity services.

17. During the year 2021, the Group established stc GCC Cable Systems W.L.L. – a limited liability company with a capital of BHD 18.9 million (equivalent to SR 188.6 million) 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. stc Gulf Cable Systems Company main activities include the sale and installation of telecommunications equipment and the construction of utilities projects.

18. During the year 2021, the Group has established the Innovation Fund Investment Company – a limited liability company with a total capital of SR 56.2 million wholly owned by the Group, and its main activity includes administrative services and IT and telecommunication support.

## 7 - Investments in Associates and Joint Ventures

### 7.1 Investments in associates

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

#### 7.1.1 Details of associates

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

| Name of Associates                                     | Country of incorporation  | Proportion of ownership interest / voting rights |                  |
|--------------------------------------------------------|---------------------------|--------------------------------------------------|------------------|
|                                                        |                           | 31 December 2021                                 | 31 December 2020 |
| Arab Satellite Communications Organisation ("Arabsat") | 1 Kingdom of Saudi Arabia | 36.66%                                           | 36.66%           |
| Virgin Mobile Saudi Consortium ("VMSC")                | 2 Kingdom of Saudi Arabia | 10%                                              | 10%              |
| Oger Telecom Limited ("OTL")                           | 3 United Arab Emirates    | 35%                                              | 35%              |
| Virgin Mobile Kuwait                                   | 4 State of Kuwait         | 10%                                              | -                |

## 7 - Investments in Associates and Joint Ventures (Continued)

### 7.1 Investments in associates (continued)

#### 7.1.1 Details of associates (continued)

- Arab Satellite Communications Organisation ("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).  
 amounting to approximately USD 3.6 billion, equivalent to approximately SR 13.5 billion at the exchange rate as at that date. As at 31 December 2021, OTL has reached the final stages of liquidation with most of its assets and liabilities disposed of. As a result, the Group has reclassified to the consolidated statement of profit or loss an amount of SR 152 million in relation to its share in other reserves that may be reclassified to profit or loss (Note 7.1.3). Furthermore, an amount of SR 849 million relating to other reserves that may not be reclassified to consolidated statement of profit or loss has been reclassified directly to retained earnings.
- Virgin Mobile Saudi Consortium ("VMSC") was established during 2013 as a mobile virtual network operator and started its operations during the year of 2014. The Company owns 10% of VMSC's share capital. The Group's ability to exercise significant influence is evidenced by the reliance of VMSC's on the Company's technical network..
- Oger Telecom Limited ("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
- Virgin Mobile Kuwait ("VMK") was established in 2021 as a mobile virtual network operator. During the year 2021, stc Kuwait acquired a 10% equity shareholding in VMK. The Group's ability to exercise significant influence is evidenced by VMK's reliance on the stc Kuwait's technical network.

## 7 - Investments in Associates and Joint Ventures (Continued)

### 7.1 Investments in associates (continued)

#### 7.1.2 Financial information of material associates

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

| Statement of financial position | 31 December 2021 | 31 December 2020 |
|---------------------------------|------------------|------------------|
| Current assets                  | 1,626,708        | 1,504,156        |
| Non-current assets              | 6,168,059        | 6,035,861        |
| Current liabilities             | (565,402)        | (466,154)        |
| Non-current liabilities         | (2,346,330)      | (2,118,849)      |

|                                                    | For the year ended 31 December |          |
|----------------------------------------------------|--------------------------------|----------|
| Statement of income and other comprehensive income | 2021                           | 2020     |
| Revenue                                            | 813,104                        | 846,166  |
| Net loss for the year                              | (11,320)                       | (70,954) |
| Other comprehensive (loss) income for the year     | (39,135)                       | 71,153   |
| Total comprehensive (loss) income for the year     | (50,455)                       | 199      |
| The Group's share in net loss for the year (*)     | (554,050)                      | (26,016) |

(\*) As at 31 December 2021, Group recorded its share in Arabsat results for the year ended 31 December 2021 based on the latest available financial information and recorded a provision of SR 550 million (2020: SR nil) against its share of the possible impairment of Arabsat assets. Further, Arabsat did not issue its consolidated financial statements, and impairment assessment of its assets is still on-going. The Group's management will continue to assess the impact, if any, in future periods which are not expected to be material.

## 7 - Investments in Associates and Joint Ventures (Continued)

### 7.1 Investments in associates (continued)

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

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

|                                                         | 31 December 2021 | 31 December 2020 |
|---------------------------------------------------------|------------------|------------------|
| Net assets of the associate                             | 3,383,034        | 4,955,014        |
| Proportion of the Group's ownership interest in Arabsat | 36.66%           | 36.66%           |
| Carrying amount of the Group's interest in Arabsat      | 1,240,220        | 1,816,508        |

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

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

|                                                                        | 2021      | 2020  |
|------------------------------------------------------------------------|-----------|-------|
| The Group's share in net (loss) profit                                 | (151,296) | 2,943 |
| Aggregate carrying amount of the Group's interests in these associates | 5,363     | 4,104 |

#### 7.1.4 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:

|                                                             | 2021      | 2020      |
|-------------------------------------------------------------|-----------|-----------|
| Material associate (7.1.2)                                  | 1,240,220 | 1,816,508 |
| Not individually material associates (7.1.3)                | 5,363     | 4,104     |
| Total carrying amount of the Group's interest in associates | 1,245,583 | 1,820,612 |

## 7 - Investments in Associates and Joint Ventures (Continued)

### 7.2 Investments in joint ventures

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

#### 7.2.1 Details of joint ventures

Below is the detail of joint ventures as at:

| Name of joint venture                 | Country of incorporation  | Proportion of ownership interest/<br>voting rights |                  |
|---------------------------------------|---------------------------|----------------------------------------------------|------------------|
|                                       |                           | 31 December 2021                                   | 31 December 2020 |
| Arab Submarine Cables Company Limited | 1 Kingdom of Saudi Arabia | 50%                                                | 50%              |
| Contact Centres Company ("CCC")       | 2 Kingdom of Saudi Arabia | 49%                                                | 49%              |
| Binariang GSM Sdn Bhd ("BGSM")        | 3 Malaysia                | 25%                                                | 25%              |

1. Arab Submarine Cables Company Limited was established on September 2002 for the purpose of constructing, leasing, managing and operating a submarine cable connecting the Kingdom and the Republic of Sudan for the telecommunications between them and any other country.

The operations of the Company started in June 2003 and Saudi Telecom Company acquired 50% of its SR 75 million share capital in September 2002. In November 2016, the company's capital was reduced to SR 25 million.

2. Contact Centres Company was established to provide call centre services and answer directory queries

with Aegis Company at the end of December 2010 in the Kingdom, with a share capital of SR 4.5 million. The Company acquired 50% of its share capital. During the fourth quarter of 2015, the Company sold 1% of its stake in CCC to the other partners according to the terms of the partners' agreement, thus making the Company's share 49%.

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. BGSM also had indirect investments in India, Aircel Limited ("Aircel") which were eliminated in 2018.



## 7 - Investments in Associates and Joint Ventures (Continued)

### 7.2 Investments in joint ventures

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

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.

#### 7.2.2 Financial information of material joint ventures

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

##### ■ Binariang GSM Sdn Bhd

| Statement of financial position | 31 December 2021 | 31 December 2020 |
|---------------------------------|------------------|------------------|
| Current assets                  | 2,786,944        | 3,085,413        |
| Non-current assets              | 27,416,907       | 27,709,097       |
| Current liabilities             | (5,303,591)      | (5,055,081)      |
| Non-current liabilities         | (13,548,950)     | (13,690,970)     |

## 7 - Investments in Associates and Joint Ventures (Continued)

### 7.2 Investments in joint ventures

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

The above amounts of assets and liabilities include the following:

| Statement of financial position                                                       | 31 December 2021 | 31 December 2020 |
|---------------------------------------------------------------------------------------|------------------|------------------|
| Cash and cash equivalents                                                             | 1,312,023        | 939,249          |
| Current financial liabilities (excluding trade and other payables and provisions)     | (1,920,470)      | (1,159,860)      |
| Non-current financial liabilities (excluding trade and other payables and provisions) | (12,186,947)     | (12,919,626)     |

| Statement of income and other comprehensive income      | For the year ended 31 December |             |
|---------------------------------------------------------|--------------------------------|-------------|
|                                                         | 2021                           | 2020        |
| Revenues                                                | 8,154,210                      | 8,502,456   |
| Net profit for the year                                 | 640,914                        | 725,187     |
| Other comprehensive income/ (loss) for the year         | 11,078                         | (8,985)     |
| Total comprehensive income for the year                 | 651,992                        | 716,202     |
| Depreciation and amortisation                           | (1,648,136)                    | (1,294,595) |
| Finance income                                          | 55,165                         | 88,900      |
| Finance cost                                            | (873,790)                      | (911,640)   |
| Income tax expense                                      | (383,240)                      | (436,868)   |
| Net profit for the year after non-controlling interest  | 234,376                        | 255,272     |
| The Group's share in net (loss) profit for the year (*) | (117,974)                      | 63,818      |

## 7 - Investments in Associates and Joint Ventures (Continued)

### 7.2 Investments in joint ventures

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

(\*) During the year 2021, the Group recorded an impairment provision amounting to SR 177 million (2020: nil) related to its investment in BGSM as a result of the decline in market conditions and quoted share prices of key underlying investment. The Group determined the recoverable amount of its investment in BGSM based on the fair value less cost of disposal method. The fair value measurement is considered at level 2 in the fair value hierarchy due to significant observable valuation inputs.

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 2021 | 31 December 2020 |
|---------------------------------------------------------------------------------------------------------|------------------|------------------|
| Net assets of BGSM (excluding non-controlling interest share and share of other shareholders in Aircel) | 481,454          | 376,046          |
| Proportion of the Group's ownership interest in the joint venture                                       | 120,364          | 94,012           |
| Goodwill and fair value adjustments, net                                                                | 1,007,502        | 1,184,070        |
| Adjustments: the carve-out of Aircel Group and others                                                   | 3,442,065        | 3,535,414        |
| Carrying amount of the Group's interest in the joint venture                                            | 4,569,931        | 4,813,496        |

#### 7.2.3 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:

|                                                                            | 2021    | 2020    |
|----------------------------------------------------------------------------|---------|---------|
| The Group's share of net profit                                            | 45,292  | 12,208  |
| The Group's share of other comprehensive loss                              | (5,687) | (6,428) |
| The Group's share of total comprehensive income                            | 39,605  | 5,780   |
| Aggregate carrying amount of the Group's interests in these joint ventures | 109,344 | 70,839  |

## 7 - Investments in Associates and Joint Ventures (Continued)

### 7.2 Investments in joint ventures (Continued)

#### 7.2.4 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:

|                                                                  | 2021      | 2020      |
|------------------------------------------------------------------|-----------|-----------|
| Material joint venture (7.2.2)                                   | 4,569,931 | 4,813,496 |
| Not individually material joint ventures (7.2.3)                 | 109,344   | 70,839    |
| Total carrying amount of the Group's share in the joint ventures | 4,679,275 | 4,884,335 |

## 8 - 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 (Saudi Telecom Company and Channels by stc). Outside of the Kingdom, the Group operates through its subsidiaries, associates and joint ventures in several countries.

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

The disclosed operating segments exceeded the 75% threshold and therefore all other operating segments are combined and disclosed as "Other segments".

## 8 - Segment Information (Continued)

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

|                                                                                     | 2021              | 2020              |
|-------------------------------------------------------------------------------------|-------------------|-------------------|
| <b>Revenues<sup>(1)</sup></b>                                                       |                   |                   |
| Saudi Telecom Company                                                               | 45,445,839        | 42,898,826        |
| Channels by <b>stc</b>                                                              | 20,629,472        | 17,527,801        |
| Other operating segments <sup>(2)</sup>                                             | 17,762,813        | 15,733,883        |
| Eliminations / adjustments                                                          | (20,421,147)      | (17,207,192)      |
| <b>Total revenues</b>                                                               | <b>63,416,977</b> | <b>58,953,318</b> |
| Cost of operations (excluding depreciation, amortisation and impairment)            | (40,576,377)      | (36,863,318)      |
| Depreciation, amortisation and impairment                                           | (9,712,845)       | (9,358,875)       |
| Cost of early retirement program                                                    | (313,258)         | (600,000)         |
| Finance income                                                                      | 377,911           | 413,873           |
| Finance cost                                                                        | (618,956)         | (623,925)         |
| Net other income (expenses)                                                         | 49,996            | (42,995)          |
| Net share in results and impairment of investments in associates and joint ventures | (778,028)         | 52,953            |
| Net other gains                                                                     | 789,643           | 424,612           |
| Zakat and income tax                                                                | (1,040,366)       | (1,170,446)       |
| <b>Net profit</b>                                                                   | <b>11,594,697</b> | <b>11,185,197</b> |
| <b>Net profit attributable to:</b>                                                  |                   |                   |
| Equity holders                                                                      | 11,311,342        | 10,994,875        |
| Non-controlling interests                                                           | 283,355           | 190,322           |
|                                                                                     | <b>11,594,697</b> | <b>11,185,197</b> |

## 8 - Segment Information (Continued)

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

|                                         | 2021              | 2020              |
|-----------------------------------------|-------------------|-------------------|
| Saudi Telecom Company                   | 26,664,945        | 26,736,799        |
| Channels by <b>stc</b>                  | 1,587,953         | 1,384,058         |
| Other operating segments <sup>(2)</sup> | 7,271,449         | 6,401,124         |
| Eliminations / adjustments              | (1,730,318)       | (567,586)         |
| <b>Gross profit</b>                     | <b>33,794,029</b> | <b>33,954,395</b> |

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

| <b>Assets</b>                           | 31 December 2021   | 31 December 2020   |
|-----------------------------------------|--------------------|--------------------|
| Saudi Telecom Company                   | 133,034,376        | 129,915,566        |
| Channels by <b>stc</b>                  | 8,146,496          | 5,527,646          |
| Other operating segments <sup>(2)</sup> | 41,835,141         | 37,788,535         |
| Eliminations / Adjustments              | (55,236,596)       | (51,259,647)       |
| <b>Total Assets</b>                     | <b>127,779,417</b> | <b>121,972,100</b> |

| <b>Liabilities</b>                      |                   |                   |
|-----------------------------------------|-------------------|-------------------|
| Saudi Telecom Company                   | 51,024,262        | 52,654,060        |
| Channels by <b>stc</b>                  | 6,603,833         | 3,943,509         |
| Other operating segments <sup>(2)</sup> | 25,311,757        | 24,302,252        |
| Eliminations / Adjustments              | (26,546,414)      | (24,194,736)      |
| <b>Total Liabilities</b>                | <b>56,393,438</b> | <b>56,705,085</b> |



## 8 - Segment Information (Continued)

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

Following are the additions to property and equipment, intangible assets and goodwill (Notes 9 and 11) based on the segments for the year ended 31 December:

|                                         | 2021      | 2020       |
|-----------------------------------------|-----------|------------|
| Saudi Telecom Company                   | 6,524,157 | 10,104,014 |
| Channels by stc                         | 128,715   | 185,082    |
| Other operating segments <sup>(2)</sup> | 2,182,984 | 1,646,304  |
|                                         | 8,835,856 | 11,935,400 |

(1) Segment revenue reported above represents revenue generated from external and internal customers. There were SR 20,421 million for the year ended 31 December 2021 (2020: SR 17,207 million,) inter-segment sales and adjustments (between the Group's Companies) which were eliminated at consolidation.

(2) Other operating segments include: Arabian Internet and Communications Services Company "Solutions", Telecommunications Towers Company "TAWAL", stc Bank (previously "Saudi Digital Payments Company or"), Kuwait Telecom Company "stc Kuwait", stc Bahrain, Public Telecommunications Company "specialized by stc", Advanced Technology and Cybersecurity Company "sirar by stc", Aqalat, Gulf Digital Media Model Company, stc Gulf Investment Holding, stc GCC Cable Systems W.L.L. and Innovation Fund Investment Company (Note 6).

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

## 8 - Segment Information (Continued)

### ■ Information about major customers

Included in revenues arising from sales to major customers are revenues of approximately SR 11,465 million for the year ended 31 December 2021 (2020: SR 9,252 million) resulting from sales to Government entities (Note 20.2). No other single customers contributed 10% or more to the Group's revenues.

### ■ Information about geographical segmentation

Geographical segmentation of revenues (Note 34) and non-current assets are as follows:

|                                     | Revenues for the year ended |                  | Non-current assets as at |                  |
|-------------------------------------|-----------------------------|------------------|--------------------------|------------------|
|                                     | 31 December 2021            | 31 December 2020 | 31 December 2021         | 31 December 2020 |
| Kingdom of Saudi Arabia             | 58,392,134                  | 54,166,010       | 65,634,670               | 64,689,191       |
| Outside the Kingdom of Saudi Arabia | 5,024,843                   | 4,787,308        | 10,676,673               | 11,423,993       |
|                                     | 63,416,977                  | 58,953,318       | 76,311,343               | 76,113,184       |

## 9 - Property and Equipment

|                                                 | Land and buildings | Telecommuni-<br>cation network<br>and equipment | Other<br>assets <sup>(3)</sup> | Capital<br>work in<br>progress | Total              |
|-------------------------------------------------|--------------------|-------------------------------------------------|--------------------------------|--------------------------------|--------------------|
| <b>Cost</b>                                     |                    |                                                 |                                |                                |                    |
| <b>As at 1 January 2021</b>                     | 15,606,229         | 98,022,839                                      | 9,005,334                      | 4,418,968                      | 127,053,370        |
| Additions during the year                       | 1,074              | 81,840                                          | 95,598                         | 6,279,331                      | 6,457,843          |
| Disposals / transfers during the year           | 809,912            | 4,661,375                                       | 619,633                        | (8,025,295)                    | (1,934,375)        |
| Effect of foreign currency exchange differences | 163                | 40,154                                          | 283                            | 1,495                          | 42,095             |
| <b>As at 31 December 2021</b>                   | <b>16,417,378</b>  | <b>102,806,208</b>                              | <b>9,720,848</b>               | <b>2,674,499</b>               | <b>131,618,933</b> |
| <b>Accumulated depreciation and impairment</b>  |                    |                                                 |                                |                                |                    |
| <b>As at 1 January 2021</b>                     | 8,956,776          | 64,465,473                                      | 5,783,498                      | -                              | 79,205,747         |
| Depreciation during the year                    | 422,526            | 5,788,448                                       | 482,124                        | -                              | 6,693,098          |
| Impairment during the year                      | -                  | -                                               | 622                            | -                              | 622                |
| Disposals / transfers during the year           | (111,737)          | (1,243,197)                                     | (155,539)                      | -                              | (1,510,473)        |
| Effect of foreign currency exchange differences | 38                 | 24,617                                          | 246                            | -                              | 24,901             |
| <b>As at 31 December 2021</b>                   | <b>9,267,603</b>   | <b>69,035,341</b>                               | <b>6,110,951</b>               | <b>-</b>                       | <b>84,413,895</b>  |
| <b>Net book value as at 31 December 2021</b>    | <b>7,149,775</b>   | <b>33,770,867</b>                               | <b>3,609,897</b>               | <b>2,674,499</b>               | <b>47,205,038</b>  |
| <b>Cost</b>                                     |                    |                                                 |                                |                                |                    |
| <b>As at 1 January 2020</b>                     | 15,324,054         | 90,480,495                                      | 8,894,524                      | 4,790,492                      | 119,489,565        |
| Additions during the year                       | 184,558            | 224,868                                         | 113,668                        | 8,717,317                      | 9,240,411          |
| Disposals / transfers during the year           | 97,605             | 7,338,364                                       | (2,444)                        | (9,087,094)                    | (1,653,569)        |
| Effect of foreign currency exchange differences | 12                 | (20,888)                                        | (414)                          | (1,747)                        | (23,037)           |
| <b>As at 31 December 2020</b>                   | <b>15,606,229</b>  | <b>98,022,839</b>                               | <b>9,005,334</b>               | <b>4,418,968</b>               | <b>127,053,370</b> |

## 9 - Property and Equipment (Continued)

|                                                 | Land and buildings | Telecommuni-<br>cation network<br>and equipment | Other<br>assets <sup>(3)</sup> | Capital work<br>in progress | Total             |
|-------------------------------------------------|--------------------|-------------------------------------------------|--------------------------------|-----------------------------|-------------------|
| <b>Accumulated depreciation and impairment</b>  |                    |                                                 |                                |                             |                   |
| <b>As at 1 January 2020</b>                     | 8,813,521          | 59,916,331                                      | 5,674,371                      | -                           | 74,404,223        |
| Depreciation during the year                    | 412,413            | 5,648,627                                       | 228,309                        | -                           | 6,289,349         |
| Disposals / transfers during the year           | (269,161)          | (1,087,313)                                     | (118,802)                      | -                           | (1,475,276)       |
| Effect of foreign currency exchange differences | 3                  | (12,172)                                        | (380)                          | -                           | (12,549)          |
| <b>As at 31 December 2020</b>                   | <b>8,956,776</b>   | <b>64,465,473</b>                               | <b>5,783,498</b>               | <b>-</b>                    | <b>79,205,747</b> |
| <b>Net book value as at 31 December 2020</b>    | <b>6,649,453</b>   | <b>33,557,366</b>                               | <b>3,221,836</b>               | <b>4,418,968</b>            | <b>47,847,623</b> |

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

|                                                |               |
|------------------------------------------------|---------------|
| <b>Buildings</b>                               | 10 - 50 years |
| <b>Telecommunication network and equipment</b> | 3 - 30 years  |
| <b>Other assets</b>                            | 3 - 20 years  |

- Land and buildings include land with a total value of SR 2,204 million as at 31 December 2021 (2020: SR 2,204 million). This includes land with ongoing ownership transfer to the Company with a value of SR 179 million as at 31 December 2021 (2020: SR 187 million).
- Pursuant to Royal Decree No. M/35 Dated 24 Dhu al-Hijjah 1418 (corresponding to 21 April 1998), referred to in Note 1, 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 2021 amounted to SR 1,921 million (2020: SR 1,895 million). Ownership transfer of the remaining land with total value of SR 123 million (2020: SR 128 million) is ongoing, which constitutes part of the amount referred to in paragraph (1) above.

## 9 - Property and Equipment (Continued)

- Other assets include furniture, fixtures, motor vehicles, computers and tools.
- During the year, the Group disposed of assets with a net book value of SR 55 million (2020: SR 167 million) resulting in a loss amounting to SR 34 million (2020: SR 150 million) (Note 40).
- Additions include Non-cash additions amounted to SR 427 million (2020: SR 90 million).
- The following table shows the breakdown of depreciation and impairment expense if allocated to operating cost items for the year ended 31 December:

|                                     | 2021      | 2020      |
|-------------------------------------|-----------|-----------|
| Cost of revenues                    | 5,505,382 | 5,127,663 |
| Selling and marketing expenses      | 9,244     | 6,500     |
| General and administrative expenses | 1,179,094 | 1,155,186 |
|                                     | 6,693,720 | 6,289,349 |

## 10 - Investment Properties

| Cost             | 31 December 2021 | 31 December 2020 |
|------------------|------------------|------------------|
| Land (*)         | 36,980           | 36,980           |
| Work in-progress | 33,543           | -                |
|                  | 70,523           | 36,980           |

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

The fair value of the land amounted to SR 254 million (2020: SR 148 million), which was valued as at 31 December 2021 by Esnad Real Estate appraisal Company License No. (323/18/784) appointed as an independent, professionally qualified valuer accredited by the Saudi Authority for Accredited Valuers (Taqeem). The fair value measurement is classified within level 3 based on valuation techniques applied (residual value method).

## 11 - Intangible Assets and Goodwill

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

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

|                                                 |                   |                  |                |                  |                   |
|-------------------------------------------------|-------------------|------------------|----------------|------------------|-------------------|
| <b>Cost</b>                                     |                   |                  |                |                  |                   |
| As at 1 January 2020                            | 11,648,737        | 7,975,574        | 143,038        | 2,773,783        | 22,541,132        |
| Additions during the year                       | 155,836           | 18,677           | -              | 2,520,476        | 2,694,989         |
| Disposals/Transfers during the year             | 1,341,983         | 870,753          | -              | (2,385,393)      | (172,657)         |
| Effect of foreign currency exchange differences | (61)              | (1,032)          | (315)          | (476)            | (1,884)           |
| <b>As at 31 December 2021</b>                   | <b>13,146,495</b> | <b>8,863,972</b> | <b>142,723</b> | <b>2,908,390</b> | <b>25,061,580</b> |



## 11 - Intangible Assets and Goodwill (Continued)

|                                                 | Computer software | Telecommuni-<br>cation Licenses | Goodwill <sup>(1)</sup> | Others <sup>(2)</sup> | Total             |
|-------------------------------------------------|-------------------|---------------------------------|-------------------------|-----------------------|-------------------|
| <b>Accumulated amortisation</b>                 |                   |                                 |                         |                       |                   |
| As at 1 January 2020                            | 8,832,150         | 2,668,854                       | -                       | 1,133,440             | 12,634,444        |
| Amortisation during the year                    | 1,390,056         | 448,658                         | -                       | 296,282               | 2,134,996         |
| Disposals/Transfers during the year             | (14,415)          | -                               | -                       | (159,439)             | (173,854)         |
| Effect of foreign currency exchange differences | (53)              | 21                              | -                       | (382)                 | (414)             |
| As at 31 December 2020                          | 10,207,738        | 3,117,533                       | -                       | 1,269,901             | 14,595,172        |
| <b>Net book value as at 31 December 2020</b>    | <b>2,938,757</b>  | <b>5,746,439</b>                | <b>142,723</b>          | <b>1,638,489</b>      | <b>10,466,408</b> |

- 1) Consists of goodwill related to the Company's acquisition of Solutions amounting to SR 75.6 million (2020: SR 75.6 million) and stc Kuwait's acquisition of Qualitynet amounting to SR 42.2 million (2020: SR 67.1 million). During the year 2021, stc Kuwait recognized a goodwill impairment of SR 25.4 million (2020: nil).
- 2) Includes contractual intangible assets such as submarine cable networks, content agreements, indefeasible rights of use (IRU) and computer software under development.
- 3) Non-cash additions amounted to SR 199 million (2020: SR 1,005 million).

Intangible assets are amortized using the following estimated useful lives:

|                                   |               |
|-----------------------------------|---------------|
| <b>Computer software</b>          | 5 – 7 years   |
| <b>Telecommunication licenses</b> | 15 – 25 years |
| <b>Others</b>                     | 3 – 20 years  |

## 11 - Intangible Assets and Goodwill (Continued)

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

| Country                 | End of amortisation period | 31 December 2021 | 31 December 2020 |
|-------------------------|----------------------------|------------------|------------------|
| Kingdom of Saudi Arabia | 2029/2030/2032 /2033/2034  | 2,891,739        | 3,149,093        |
| State of Kuwait         | 2033/2039                  | 1,749,402        | 1,890,077        |
| Kingdom of Bahrain      | 2030/2031/2038             | 660,931          | 707,269          |
|                         |                            | <b>5,302,072</b> | <b>5,746,439</b> |

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

|                                     | 2021             | 2020             |
|-------------------------------------|------------------|------------------|
| Cost of revenues                    | 597,337          | 634,581          |
| Selling and marketing expenses      | 3,732            | 2,429            |
| General and administrative expenses | 1,512,792        | 1,497,986        |
|                                     | <b>2,113,861</b> | <b>2,134,996</b> |

## 12 - Right of use assets

|                                                | Lands and Buildings | Motor Vehicles | Leased Towers | Total            |
|------------------------------------------------|---------------------|----------------|---------------|------------------|
| At 1 January 2021                              | 2,644,603           | 151,047        | 97,164        | 2,892,814        |
| Additions during the year (*)                  | 1,365,689           | -              | -             | 1,365,689        |
| Depreciation during the year                   | (819,943)           | (54,998)       | (30,323)      | (905,264)        |
| Terminations and modifications during the year | (401,587)           | -              | -             | (401,587)        |
| <b>At 31 December 2021</b>                     | <b>2,788,762</b>    | <b>96,049</b>  | <b>66,841</b> | <b>2,951,652</b> |

## 12 - Right Of Use Assets (Continued)

|                                                | Lands and Buildings | Motor Vehicles | Leased Towers | Total            |
|------------------------------------------------|---------------------|----------------|---------------|------------------|
| At 1 January 2020                              | 2,551,155           | 202,947        | 133,831       | 2,887,933        |
| Additions during the year (*)                  | 1,139,274           | 7,463          | -             | 1,146,737        |
| Depreciation during the year                   | (842,254)           | (55,609)       | (36,667)      | (934,530)        |
| Terminations and modifications during the year | (203,572)           | (3,754)        | -             | (207,326)        |
| <b>At 31 December 2020</b>                     | <b>2,644,603</b>    | <b>151,047</b> | <b>97,164</b> | <b>2,892,814</b> |

(\*) Non-cash additions amounted to SR 1,366 million (2020:SR 1,147 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:

|                       |              |
|-----------------------|--------------|
| <b>Buildings</b>      | 2 – 31 years |
| <b>Motor vehicles</b> | 3 – 5 years  |
| <b>Leased towers</b>  | 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 154 million (2020: SR 148 million).

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

|                                     | 2021           | 2020           |
|-------------------------------------|----------------|----------------|
| Cost of revenues                    | 706,262        | 733,622        |
| Selling and marketing expenses      | 14,630         | 10,798         |
| General and administrative expenses | 184,372        | 190,110        |
|                                     | <b>905,264</b> | <b>934,530</b> |

## 13 - Contract Costs

Contract costs consist of the following:

|                                              | 31 December 2021 | 31 December 2020 |
|----------------------------------------------|------------------|------------------|
| Costs to obtain the contracts <sup>(1)</sup> | 114,566          | 145,878          |
| Costs to fulfil the contracts <sup>(2)</sup> | 406,808          | 491,592          |
|                                              | <b>521,374</b>   | <b>637,470</b>   |

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:

|                                          | 2021           | 2020           |
|------------------------------------------|----------------|----------------|
| Cost of revenues (Note 35)               | 234,002        | 268,352        |
| Selling and marketing expenses (Note 36) | 140,319        | 237,614        |
|                                          | <b>374,321</b> | <b>505,966</b> |

## 14 - Contract Assets

|                                     | 31 December 2021 | 31 December 2020 |
|-------------------------------------|------------------|------------------|
| Unbilled revenue                    | 6,483,901        | 6,701,324        |
| Less: allowance for impairment loss | (215,227)        | (184,227)        |
|                                     | <b>6,268,674</b> | <b>6,517,097</b> |
| Current <sup>(1)</sup>              | 5,732,865        | 6,059,440        |
| Non-current <sup>(2)</sup>          | 535,809          | 457,657          |
|                                     | <b>6,268,674</b> | <b>6,517,097</b> |

- (1) Contract assets are initially recognized for revenue earned from rendering of telecom services, sale of devices, and networks installation contracts unbilled yet. Upon completion of a billing cycle, the amounts recognized as contract assets are reclassified to trade receivables. The majority of balances are billed within one calendar month except for balances subject to settlement agreements with telecom operators which could be extended to one year or more.
- (2) Non-current contract assets represent balances related to unbilled receivables on sold devices. The term of the contracts for the sold devices ranges between 18 and 24 months.
- (3) The average expected credit loss rate on contract assets for the year ended 31 December 2021 is 3.3% (2020:2.7%)

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

|                                  | 2021           | 2020           |
|----------------------------------|----------------|----------------|
| Balance at 1 January             | 184,227        | 154,905        |
| Charge during the year (Note 36) | 118,437        | 117,686        |
| Written off during the year      | (87,437)       | (88,364)       |
| Balance at 31 December           | <b>215,227</b> | <b>184,227</b> |

## 15 - Financial Assets and Others

### 15.1 Financial assets

|                                               | 31 December 2021 | 31 December 2020 |
|-----------------------------------------------|------------------|------------------|
| <b>Financial assets measured at FVTPL (1)</b> | <b>2,135,246</b> | <b>1,119,413</b> |
| <b>Financial assets at amortized cost</b>     |                  |                  |
| Sukuk (2) (3)                                 | 5,315,129        | 5,371,446        |
| Customers' trust accounts of stc Bank (4)     | 1,151,208        | 359,691          |
| Loans to employees (5)                        | 353,076          | 411,665          |
| Others                                        | 567,710          | 167,498          |
|                                               | <b>7,387,123</b> | <b>6,310,300</b> |
|                                               | <b>9,522,369</b> | <b>7,429,713</b> |
| Current                                       | 1,298,301        | 540,088          |
| Non-current                                   | 8,224,068        | 6,889,625        |
|                                               | <b>9,522,369</b> | <b>7,429,713</b> |

- 1) Financial assets at fair value through profit or loss consist of the following:
- stc Ventures Fund which is a fund investing in emerging, small and medium-sized companies operating in the field of Communications and Information Technology in the Kingdom and other global markets. Investment units were valued at SR 77 million as at 31 December 2021 (2020: SR 186 million).
  - STV LP Fund which is a fund investing internationally in high-growth pioneer private technology companies with total value of SR 1,875 million (equivalent to USD 500 million) financed in five equal instalments of SR 375 million (equivalent to USD 100 million) each. Up until 31 December 2021, the Company has contributed SR 1,500 million (equivalent to USD 400 million) in relation to the first four instalments. Investment units were valued at SR 2,058 million as at 31 December 2021 (2020: SR 934 million).
- (2) The Group invested in Sukuk issued by the Ministry of Finance during the first quarter of 2019 as the following:



## 15 - Financial Assets and Others (Continued)

### 15.1 Financial assets (Continued)

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

- 3) During the year 2007, stc Asia Holding Company Limited (a subsidiary) invested in Sukuk issued by Binariang GSM Sdn Bhd ("BGSM") in the amount of RM 1,508 million (equivalent to SR 1,383 million) for a period of 50 years (callable after 10 years) with an annual profit margin of 10.75% up to 28 December 2017 and then a profit margin of 9.25% for subsequent periods. These sukuk are not past due or low in value with a book value of SR 1,360 million as of 31 December 2021 (2020: SR 1,408 million).
- 4) Customers' trust accounts of stc Bank represent restricted cash received and recorded against customers' deposits (Note 31-1).
- 5) The Company has provided its employees interest-free loans to acquire residential housing and motor vehicles for a period of 15 years and 4 years, respectively. The repayment is made in equal instalments over the term of the loan duration while the employee remains in service, otherwise, they are required to be repaid in full upon the employee leaving the Company. Any new housing loans provided to an employee after June 2016 are being funded through a local commercial bank and are guaranteed by the Company. The Company bears the finance cost of the loans.

## 15 - Financial Assets and Others (Continued)

### 15.2 Other assets

|                   | 31 December 2021 | 31 December 2020 |
|-------------------|------------------|------------------|
| Advances          | 1,446,265        | 2,366,620        |
| Prepaid expenses  | 237,979          | 498,020          |
| Deferred expenses | 147,935          | 128,578          |
| Others            | 140,637          | 274,325          |
|                   | 1,972,816        | 3,267,543        |
| Current           | 1,829,593        | 3,087,883        |
| Non-current       | 143,223          | 179,660          |
|                   | 1,972,816        | 3,267,543        |

## 16 - Inventories

|                                             | 31 December 2021 | 31 December 2020 |
|---------------------------------------------|------------------|------------------|
| Goods held for resale*                      | 1,201,005        | 1,370,361        |
| Less: allowance for slow moving inventories | (283,495)        | (361,716)        |
|                                             | 917,510          | 1,008,645        |

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

## 16 - Inventories (Continued)

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

|                                     | 2021      | 2020     |
|-------------------------------------|-----------|----------|
| Balance at 1 January                | 361,716   | 391,875  |
| Charge during the year              | 39,755    | 3,433    |
| Reversal/adjustment during the year | (117,976) | (33,592) |
| Balance at 31 December              | 283,495   | 361,716  |

## 17 - Trade and Other Receivables

|                                     | 2021        | 2020        |
|-------------------------------------|-------------|-------------|
| Trade receivables                   | 27,194,290  | 17,300,597  |
| Less: allowance for impairment loss | (2,758,363) | (2,859,566) |
|                                     | 24,435,927  | 14,441,031  |
| Non trade receivables               | 1,028,228   | 1,283,694   |
|                                     | 25,464,155  | 15,724,725  |

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

|                     | 31 December 2021 |                               |          | 31 December 2020 |                               |          |
|---------------------|------------------|-------------------------------|----------|------------------|-------------------------------|----------|
|                     | Gross Amounts    | Allowance for impairment loss | ECL Rate | Gross Amounts    | Allowance for impairment loss | ECL Rate |
| <b>Not past due</b> | 2,861,958        | (245,041)                     | 8.6%     | 1,857,114        | (93,817)                      | 5.1%     |
| <b>Past due:</b>    |                  |                               |          |                  |                               |          |
| 1 – 30 days         | 1,651,819        | (158,928)                     | 9.6%     | 1,381,908        | (86,989)                      | 6.3%     |
| 31 – 90 days        | 2,536,254        | (230,422)                     | 9.1%     | 1,915,619        | (176,347)                     | 9.2%     |
| 91 – 150 days       | 1,385,023        | (182,246)                     | 13.2%    | 1,347,984        | (260,365)                     | 19.3%    |
| 151 – 365 days      | 8,421,967        | (874,223)                     | 10.4%    | 5,961,701        | (451,239)                     | 7.6%     |
| >365 days           | 10,337,269       | (1,067,503)                   | 10.3%    | 4,836,271        | (1,790,809)                   | 37.0%    |
|                     | 27,194,290       | (2,758,363)                   | 10.1%    | 17,300,597       | (2,859,566)                   | 16.5%    |

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

## 17 - Trade and Other Receivables (Continued)

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

|                                           | 2021      | 2020        |
|-------------------------------------------|-----------|-------------|
| Balance at 1 January                      | 2,859,566 | 2,818,056   |
| Charge during the year (Note 36)          | 844,027   | 1,072,959   |
| Written off and recovered during the year | (945,230) | (1,031,449) |
| Balance at 31 December                    | 2,758,363 | 2,859,566   |

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 21,616 million as at 31 December 2021 (2020: SR 13,889 million) (Note 20.2). No other clients represent more than 10% of the total balance of trade receivables.

Receivable aging from government entities is as follows:

|                                            | 31 December 2021 | 31 December 2020 |
|--------------------------------------------|------------------|------------------|
| Less than a year                           | 12,675,429       | 10,275,707       |
| More than one year but less than two years | 7,626,172        | 3,153,841        |
| More than two years                        | 1,314,687        | 459,707          |
|                                            | 21,616,288       | 13,889,255       |

## 18 - 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 an annual profit rate ranging from 0.25% to 3.35% (2020: 0.53% to 2.63 %).

## 19 - Cash and Cash Equivalents

|                                                           | 31 December 2021 | 31 December 2020 |
|-----------------------------------------------------------|------------------|------------------|
| Short term murabaha (with three months maturity or less)* | 4,499,705        | 7,350,738        |
| Cash at banks and in hand                                 | 3,781,596        | 1,653,548        |
|                                                           | <b>8,281,301</b> | <b>9,004,286</b> |

\* 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 0.20% to -1.20% (2020: 0.05% to -2.52%).

## 20 - Related Party Transactions

### 20.1 Trading transactions and balances with related parties (Associates and Joint Ventures – Note 7)

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

|                   | 2021    | 2020    |
|-------------------|---------|---------|
| Services provided | 329,614 | 322,058 |
| Services received | 391,028 | 347,615 |

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

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

|                | Amounts due from related parties |                  | Amounts due to related parties |                  |
|----------------|----------------------------------|------------------|--------------------------------|------------------|
|                | 31 December 2021                 | 31 December 2020 | 31 December 2021               | 31 December 2020 |
| Associates     | 292,223                          | 354,554          | 72,006                         | 63,820           |
| Joint ventures | 27,717                           | 47,249           | 158,634                        | 157,830          |
|                | <b>319,940</b>                   | <b>401,803</b>   | <b>230,640</b>                 | <b>221,650</b>   |

## 20 - Related Party Transactions (Continued)

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

Revenues related to transactions with government and government entities for the year ended 31 December 2021 amounted to SR 12,194 million (2020: SR 9,646 million) and expenses related to transactions with government and government entities for the year ended 31 December 2021 (including government charges) amounted to SR 6,405 million (2020: SR 3,753 million).

As at 31 December 2021, accounts receivable from government entities totalled SR 21,616 million (2020: SR 13,889 million) (Note 17.2) and as at 31 December 2021, accounts payable to government entities amounted to SR 1,062 million (2020: SR 1,058 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 15.1).

The total balance of receivables with government related entities as of 31 December 2021 was SR 931 million (2020: SR 657 million). The total balance of accounts payable with government related entities as of 31 December 2021 was SR 120 million (2020: SR 305 million).

### 20.3 Loans to related parties

|                            | 31 December 2021 | 31 December 2020 |
|----------------------------|------------------|------------------|
| Loans to senior executives | 4,762            | 4,598            |

### 20.4 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:

|                                                 | 2021    | 2020    |
|-------------------------------------------------|---------|---------|
| Short-term benefits and remuneration            | 367,534 | 311,146 |
| Provision for leave and end of service benefits | 120,020 | 88,794  |
| Share-based payments                            | 33,811  | 6,116   |
| Others                                          | 25,209  | 1,535   |



## 21 - Share Capital

|                                                            | 2021       | 2020       |
|------------------------------------------------------------|------------|------------|
| <b>Authorized, issued and fully paid capital comprises</b> |            |            |
| 2 billion fully paid ordinary shares at SR 10 each         | 20,000,000 | 20,000,000 |

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

|                                                    | 2021      | 2020      |
|----------------------------------------------------|-----------|-----------|
| Outstanding shares as at 1 January                 | 1,997,017 | 2,000,000 |
| Treasury shares purchased during the year          | -         | (2,983)   |
| Outstanding shares re-issued                       | 132       | -         |
| The number of outstanding shares as at 31 December | 1,997,149 | 1,997,017 |

## 22 - Statutory Reserve

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

## 23 - Treasury Shares

During the year 2020, the Company completed the purchase of 2,982,700 of its own shares with an amount of SR 300 million to be allocated to the Employees' Long-term Incentives Program (Note 45).

## 23 - Treasury Shares (Continued)

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

|                                           | 2021  | 2020  |
|-------------------------------------------|-------|-------|
| Treasury shares as at 1 January           | 2,983 | -     |
| Treasury shares purchased during the year | -     | 2,983 |
| Treasury shares re-issued                 | (132) | -     |
| Treasury shares as at 31 December         | 2,851 | 2,983 |

## 24 - Other Reserves

|                                                                 | Foreign currency translation reserve | Cash flow hedge reserve | Investments at FVOCI reserve | Other reserves | Total       |
|-----------------------------------------------------------------|--------------------------------------|-------------------------|------------------------------|----------------|-------------|
| <b>As at 1 January 2021</b>                                     | 6,591                                | (141,390)               | (46,084)                     | (3,081,362)    | (3,262,245) |
| Transactions with non-controlling interest (Note 6)             | -                                    | -                       | -                            | 3,631,042      | 3,631,042   |
| Remeasurement of the end of service benefit provision (Note 27) | -                                    | -                       | -                            | 308,678        | 308,678     |
| Exchange difference on translation of foreign operations        | 12,690                               | -                       | -                            | -              | 12,690      |
| Share from associates and joint ventures                        | (35,512)                             | 141,390                 | 46,084                       | -              | 84,779      |
| Share-based payment transactions                                | -                                    | -                       | -                            | (67,183)       | 28,187      |
| Share of changes in other reserves of a joint venture's equity  | -                                    | -                       | -                            | 28,187         | 769,326     |
| <b>As at 31 December 2021</b>                                   | (16,231)                             | -                       | -                            | 769,326        | 1,572,457   |
| <b>As at 1 January 2020</b>                                     | 12,924                               | (143,210)               | (46,084)                     | (2,569,238)    | (2,745,608) |
| Remeasurement of the end of service benefit provision (Note 27) | -                                    | -                       | -                            | (564,438)      | (564,438)   |
| Exchange difference on translation of foreign operations        | (6,333)                              | -                       | -                            | -              | (6,333)     |
| Net gain on cash flow hedges                                    | -                                    | 1,820                   | -                            | -              | 1,820       |
| Share from associates and joint ventures                        | -                                    | -                       | -                            | 52,531         | 52,531      |
| Acquisition of a share in non-controlling interest              | -                                    | -                       | -                            | (4,369)        | (4,369)     |
| Share-based payment transactions                                | -                                    | -                       | -                            | 6,116          | 6,116       |
| Share of changes in other reserves of a joint venture's equity  | -                                    | -                       | -                            | (1,964)        | (1,964)     |
| <b>As at 31 December 2020</b>                                   | 6,591                                | (141,390)               | (46,084)                     | (3,081,362)    | (3,262,245) |

## 25 - 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:

|                                    | 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 |           |
|------------------------------------|---------------------------------------------------------------------------------|--------|-----------------------------------------------------------------------|---------|---------------------------------------------|-----------|
|                                    | 2021                                                                            | 2020   | 2021                                                                  | 2020    | 2021                                        | 2020      |
| stc Kuwait                         | 48.2 %                                                                          | 48.2 % | 268,375                                                               | 190,067 | 1,417,989                                   | 1,319,615 |
| Solutions                          | 20.0 %                                                                          | -      | 22,885                                                                | -       | 453,941                                     | -         |
| stc Bank                           | 15.0 %                                                                          | -      | (7,905)                                                               | -       | 243,544                                     | -         |
| Individually immaterial subsidiary |                                                                                 |        | -                                                                     | 255     | -                                           | 1,618     |
|                                    |                                                                                 |        | 283,355                                                               | 190,322 | 2,115,474                                   | 1,321,233 |

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 2021 |                  |                  |
|------------------------------------------------|------------------------|------------------|------------------|
|                                                | stc Kuwait             | Solutions        | stc Bank         |
| <b>Statement of financial position</b>         |                        |                  |                  |
| Current assets                                 | 2,833,163              | 6,440,942        | 3,047,521        |
| Non-current assets                             | 2,055,692              | 726,453          | 162,916          |
| Current liabilities                            | (1,715,100)            | (4,628,906)      | (1,537,725)      |
| Non-current liabilities                        | (229,110)              | (267,921)        | (48,677)         |
| <b>Net assets</b>                              | <b>2,944,645</b>       | <b>2,270,568</b> | <b>1,624,035</b> |
| Group's share of net assets                    | 1,526,656              | 1,816,627        | 1,380,491        |
| Non-controlling interests' share of net assets | 1,417,989              | 453,941          | 243,544          |

## 25 - Non-Controlling Interests (Continued)

|                                                                 | For the year ended 31 December 2021 |           |           |
|-----------------------------------------------------------------|-------------------------------------|-----------|-----------|
|                                                                 | stc Kuwait                          | Solutions | stc Bank  |
| <b>Statement of income and other comprehensive income</b>       |                                     |           |           |
| Revenues                                                        | 3,679,667                           | 7,815,797 | 833,965   |
| Profit (Loss) for the year                                      | 557,239                             | 832,919   | (440,426) |
| Other comprehensive income for the year                         | 1,068                               | 85,645    | 2,542     |
| Total comprehensive income (loss) for the year                  | 558,307                             | 918,564   | (437,884) |
| Group's share of comprehensive income (loss)                    | 289,203                             | 734,851   | (372,201) |
| Non-controlling interests' share of comprehensive income (loss) | 269,104                             | 183,713   | (65,683)  |

|                                                      | For the year ended 31 December 2021 |           |           |
|------------------------------------------------------|-------------------------------------|-----------|-----------|
|                                                      | stc Kuwait                          | Solutions | stc Bank  |
| <b>Statement of cash flows</b>                       |                                     |           |           |
| Operating activities                                 | 851,325                             | 1,373,444 | (355,524) |
| Investing activities                                 | (555,302)                           | (154,758) | (77,907)  |
| Financing activities                                 | (513,142)                           | (609,956) | 1,544,137 |
| Net (decrease) increase in cash and cash equivalents | (217,119)                           | 608,730   | 1,110,706 |

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

|                                                | As at 31 December 2020 |
|------------------------------------------------|------------------------|
| <b>Statement of financial position</b>         |                        |
| Current assets                                 | 2,131,676              |
| Non-current assets                             | 2,688,227              |
| Current liabilities                            | (1,797,803)            |
| Non-current liabilities                        | (284,310)              |
| <b>Net assets</b>                              | <b>2,737,790</b>       |
| Group's share of net assets                    | 1,418,175              |
| Non-controlling interests' share of net assets | 1,319,615              |

## 25 - Non-Controlling Interests (Continued)

|                                                                 | For the year ended<br>31 December 2020 |
|-----------------------------------------------------------------|----------------------------------------|
| <b>Statement of income and other comprehensive income</b>       |                                        |
| Revenues                                                        | 3,481,056                              |
| Profit for the year                                             | 394,641                                |
| Other comprehensive loss for the year                           | (3,986)                                |
| Total comprehensive income for the year                         | 390,655                                |
| Group's share of comprehensive income                           | 202,359                                |
| Non-controlling interests' share of comprehensive income (loss) | 188,296                                |
|                                                                 |                                        |
|                                                                 | For the year ended<br>31 December 2020 |
| <b>Statement of cash flows</b>                                  |                                        |
| Operating activities                                            | 801,906                                |
| Investing activities                                            | (94,577)                               |
| Financing activities                                            | (500,318)                              |
| Net increase in cash and cash equivalents                       | 207,011                                |

## 26 - Borrowings

Total loans repaid during the year ended 31 December 2021 amounted to SR 731 million (2020: SR 402 million). Total loans received during the year ended 31 December 2021 amounted to SR 1,124 million (2020: SR 21 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 2021 | Balance as at 31 December 2020 | Balance as at 31 December 2021 | Balance as at 31 December 2020 |
| Sukuk (1)           | May 2019          | May 2029                 | US Dollar         | 3.89%                   | -                              | -                              | 4,673,254                      | 4,671,615                      |
| Sukuk (2)           | June 2014         | June 2024                | Saudi Riyal       | 3 month SAIBOR + 0.70%  | -                              | -                              | 2,000,000                      | 2,000,000                      |
| Murabaha (3)        | December 2017     | December 2022            | Malaysian Ringgit | 6 months KLIBOR + 0.65% | 1,359,561                      | -                              | -                              | 1,407,530                      |

## 26 - Borrowings (Continued)

| Nature of borrowing | Date of borrowing | Date of final instalment | Currency       | Profit rate            | Current portion                |                                | Non-current portion            |                                |
|---------------------|-------------------|--------------------------|----------------|------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|
|                     |                   |                          |                |                        | Balance as at 31 December 2021 | Balance as at 31 December 2020 | Balance as at 31 December 2021 | Balance as at 31 December 2020 |
| Murabaha (4)        | September 2021    | August 2026              | US Dollar      | 6 months LIBOR + 0.15% | -                              | -                              | 696,948                        | -                              |
| Murabaha (8)        | March 2021        | November 2029            | US Dollar      | 1.27%                  | 60,635                         | -                              | 331,658                        | -                              |
| Murabaha (5)        | February 2019     | December 2026            | Saudi Riyal    | SAIBOR + 0.55%         | -                              | -                              | 102,000                        | 202,000                        |
| Murabaha (8)        | May 2019          | April 2023               | Kuwaiti Dinar  | 2.25%                  | 33,424                         | 37,918                         | 28,649                         | 85,312                         |
| Murabaha (7)        | December 2018     | May 2026                 | Bahraini Dinar | 2.10%                  | 3,064                          | 3,291                          | 14,097                         | 16,167                         |
| Murabaha (6)        | July 2017         | May 2022                 | Bahraini Dinar | 3 month BIBOR + 1.60%  | -                              | 250,447                        | -                              | 254,981                        |
| Murabaha            | May 2009          | December 2021            | Bahraini Dinar | 1 month BIBOR + 0.25%  | -                              | 26,829                         | -                              | -                              |
| <b>Total</b>        |                   |                          |                |                        | <b>1,456,684</b>               | <b>318,485</b>                 | <b>7,846,606</b>               | <b>8,637,605</b>               |

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

Based on the above, the Saudi Telecom Sukuk Company Limited during the second quarter of 2019 (a company established for the purpose of issuing sukuk under the sukuk program referred to above in US dollar) launched the first issue of the sukuk program in the amount of SR 4,688 million (equivalent to USD 1,250 million) for 10 years. This program is an



## 26 - Borrowings (Continued)

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 acquired a variable commission loan on 28 December 2017 from several banks on a five year repayment period. These facilities are secured by a letter of guarantee provided by the Company.
- (4) stc Bahrain has entered into a financing arrangement for an unsecured murabaha facility of USD 186 million (approximately SR 698 million) with its bankers during the year. The facility is repayable in one instalment due in August 2026. The Group has provided a corporate guarantee to lenders in respect of this facility.
- (5) During the year, stc Specialized has restructured their murabaha facility to extend the maturity of their loan from February 2022 to December 2026 and to modify the interest from SAIBOR + 0.65% to SAIBOR + 0.55%. These facilities are secured by a letter of guarantee provided by the Group.
- (6) stc Bahrain has made early settlement of its murabaha facilities during the year 2021.
- (7) During the year 2021, stc Bahrain has extended the final settlement date from November 2025 to May 2026.
- (8) Unsecured facilities.

## 27 - Retirement Benefits Plans

### End of service benefit provision

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

## 27 - Retirement Benefits (Continued)

### End of service benefit provision (continued)

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

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

Calculation of end of service benefit provision was done using the most recent actuarial valuation as at 31 December 2021. 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 2021, used in determining the end of service benefit obligation, represent the discount rate of (2.1%-3.7%) and the expected increase in salary (2.2%-4.5%) (2020: discount rate of (2.1%-3.5%) and the expected increase in salary (2.0%-5.0 %)). The change in these assumptions during the year resulted into a recognition of actuarial gains amounting to SR 313 million (2020: actuarial loss amounting to SR 569 million).

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

|               | 2021    | 2020    |
|---------------|---------|---------|
| Services cost | 489,718 | 452,615 |
| Interest cost | 106,770 | 100,457 |
|               | 596,488 | 553,072 |

## 27 - Retirement Benefits (Continued)

### End of service benefit provision (continued)

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

|                                                                                                                           | 2021      | 2020      |
|---------------------------------------------------------------------------------------------------------------------------|-----------|-----------|
| Balance at 1 January                                                                                                      | 5,239,313 | 4,812,805 |
| Expenses recognized in the consolidated statement of profit or loss                                                       | 596,488   | 553,072   |
| Actuarial (gains) losses recognized in the consolidated statement of comprehensive income during the year resulting from: |           |           |
| - Changes in financial assumptions                                                                                        | (357,971) | 664,331   |
| - Experience adjustments                                                                                                  | 45,448    | (95,438)  |
| Paid during the year                                                                                                      | (355,621) | (677,741) |
| Exchange differences and others                                                                                           | 299,259   | (17,716)  |
| Balance at 31 December                                                                                                    | 5,466,916 | 5,239,313 |

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

|                                         | 2021      | 2020      |
|-----------------------------------------|-----------|-----------|
| One year or less                        | 75,095    | 31,736    |
| Above one year but less than five years | 380,014   | 219,864   |
| Above five years                        | 6,767,690 | 6,308,530 |
|                                         | 7,222,799 | 6,560,130 |

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

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

## 27 - Retirement Benefits (Continued)

### End of service benefit provision (continued)

|                    | 2020                 |            | Defined benefit obligation   |                              |
|--------------------|----------------------|------------|------------------------------|------------------------------|
|                    | Change in Assumption | Base Value | After increase in assumption | After decrease in assumption |
| Discount rate      | 100 basis points     | 5,239,313  | 4,394,438                    | 5,460,085                    |
| Salary change rate | 100 basis points     | 5,239,313  | 5,447,826                    | 4,394,704                    |

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

### Defined contribution plans

The Group participates in pension schemes for its employees which are managed by government institutions in the countries concerned. The amount recognized as an expense for defined contribution plans for the year ended 31 December 2021 is SR 471 million (2020: SR 457 million).

## 28 - Lease Liabilities

Following is the movement on lease liabilities:

|                           | 2021      | 2020      |
|---------------------------|-----------|-----------|
| Balance as at 1 January   | 2,980,038 | 2,881,177 |
| Additions during the year | 1,318,068 | 1,329,097 |
| Payments during the year  | (976,719) | (831,642) |
| Financing costs (Note 39) | 92,736    | 99,162    |
| Other adjustments         | (190,956) | (497,756) |
| Balance as at 31 December | 3,223,167 | 2,980,038 |
| Current                   | 869,574   | 742,185   |
| Non-current               | 2,353,593 | 2,237,853 |
|                           | 3,223,167 | 2,980,038 |

## 29 - Provisions

|                                                       | 31 December 2021 | 31 December 2020 |
|-------------------------------------------------------|------------------|------------------|
| <b>Legal and regulatory provisions <sup>(1)</sup></b> | <b>4,095,264</b> | <b>4,672,859</b> |
| Decommissioning provision <sup>(2)</sup>              | 103,204          | 211,689          |
|                                                       | <b>4,198,468</b> | <b>4,884,548</b> |
| Current                                               | 3,647,727        | 4,158,923        |
| Non-current                                           | 550,741          | 725,625          |
|                                                       | <b>4,198,468</b> | <b>4,884,548</b> |

|                                                      | 2021             | 2020             |
|------------------------------------------------------|------------------|------------------|
| <b>Legal and regulatory provision <sup>(1)</sup></b> |                  |                  |
| Balance as at 1 January                              | 4,672,859        | 6,064,510        |
| Charge during the year                               | 268,617          | 121,340          |
| Payment / settlements during the year                | (846,212)        | (1,512,991)      |
| Balance as at 31 December                            | <b>4,095,264</b> | <b>4,672,859</b> |

|                                                 |                |                |
|-------------------------------------------------|----------------|----------------|
| <b>Decommissioning provision <sup>(2)</sup></b> |                |                |
| Balance as at 1 January                         | 211,689        | 238,104        |
| Charge during the year                          | 6,817          | 64,737         |
| Adjustment                                      | (115,302)      | (91,152)       |
| Balance as at 31 December                       | <b>103,204</b> | <b>211,689</b> |

- 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.

## 30 - Contract Liabilities

|                                       | 31 December 2021 | 31 December 2020 |
|---------------------------------------|------------------|------------------|
| <b>Deferred revenue from services</b> | <b>3,797,416</b> | <b>2,101,996</b> |
| Customer loyalty programme            | 566,449          | 571,156          |
|                                       | <b>4,363,865</b> | <b>2,673,152</b> |
| Current <sup>(1)</sup>                | 3,591,950        | 1,901,237        |
| Non-current <sup>(2)</sup>            | 771,915          | 771,915          |
|                                       | <b>4,363,865</b> | <b>2,673,152</b> |

- (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 1,901 million (2020: SR 2,917 million).
- (2) The non-current portion of contract liabilities relates to amounts received by one of the group subsidiaries from a key customer to construct a fibre optic network for which capital work completed amounted to SR 591 million (Note 44-3).

## 31 - Financial Liabilities and Others

### 31.1 Financial liabilities

|                                                              | 31 December 2021 | 31 December 2020 |
|--------------------------------------------------------------|------------------|------------------|
| <b>Dividends payable</b>                                     | <b>2,193,995</b> | <b>2,151,116</b> |
| Financial liabilities related to frequency spectrum licenses | 2,017,113        | 2,276,505        |
| Customers' deposits – stc Bank (Note 15-1)                   | 1,197,294        | 585,584          |
| Government charges                                           | 1,170,805        | 1,085,873        |
| Other financial liabilities                                  | 85,503           | 61,957           |
|                                                              | <b>6,664,710</b> | <b>6,161,035</b> |
| Current <sup>(1)</sup>                                       | 4,619,656        | 3,880,144        |
| Non-current <sup>(2)</sup>                                   | 2,045,054        | 2,280,891        |
|                                                              | <b>6,664,710</b> | <b>6,161,035</b> |



## 31 - Financial Liabilities and Others (Continued)

### 31.2 Other liabilities

|                            | 31 December 2021 | 31 December 2020 |
|----------------------------|------------------|------------------|
| <b>Deferred income (*)</b> | <b>3,793,616</b> | <b>3,814,889</b> |
| Others                     | 431,268          | 381,022          |
|                            | <b>4,224,884</b> | <b>4,195,911</b> |
| <b>Current</b>             | <b>426,823</b>   | <b>275,211</b>   |
| <b>Non-current</b>         | <b>3,798,061</b> | <b>3,920,700</b> |
|                            | <b>4,224,884</b> | <b>4,195,911</b> |

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

|                        |                  |                  |
|------------------------|------------------|------------------|
| Government grants (**) | 3,733,250        | 3,772,251        |
| Others                 | 60,366           | 42,638           |
|                        | <b>3,793,616</b> | <b>3,814,889</b> |

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

## 32 - Trade And Other Payables

|                         | 31 December 2021  | 31 December 2020  |
|-------------------------|-------------------|-------------------|
| <b>Accrued expenses</b> | <b>8,092,963</b>  | <b>9,809,510</b>  |
| Trade payables          | 4,028,562         | 4,429,432         |
| Notes payable           | 1,913,691         | 2,626,750         |
| Employee accruals       | 1,484,657         | 1,468,512         |
| Others                  | 1,594,425         | 1,377,003         |
|                         | <b>17,114,298</b> | <b>19,711,207</b> |

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.

## 33 - Zakat and Income Text

|                  | 31 December 2021 | 31 December 2020 |
|------------------|------------------|------------------|
| <b>Zakat (a)</b> | <b>1,805,742</b> | <b>1,878,148</b> |
| Income taxes (b) | 28,098           | 25,643           |
|                  | <b>1,833,840</b> | <b>1,903,791</b> |

### a. Zakat

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

|                                                                             | 2021               | 2020               |
|-----------------------------------------------------------------------------|--------------------|--------------------|
| Share capital – beginning of the year                                       | 20,000,000         | 20,000,000         |
| <b>Additions:</b>                                                           |                    |                    |
| Retained earnings, reserves , provisions and others – beginning of the year | 83,470,161         | 78,939,795         |
| Adjusted net profit                                                         | 11,098,358         | 10,356,060         |
| Adjusted total shareholders' equity                                         | <b>114,568,519</b> | <b>109,295,855</b> |
| <b>Deductions:</b>                                                          |                    |                    |
| Net property (adjusted) and investments                                     | 64,532,306         | 62,600,896         |
| Dividends paid                                                              | 9,954,612          | 7,973,418          |
| Deferred expenses and other balances                                        | 3,933,133          | 2,932,137          |
| Total adjusted deductions                                                   | <b>78,420,051</b>  | <b>73,506,451</b>  |
| Zakat base                                                                  | <b>36,148,468</b>  | <b>35,789,404</b>  |
| Zakat on wholly owned companies for the year                                | 923,172            | 922,538            |
| Zakat adjustments during the year                                           | 20,275             | 228,372            |
| Add: zakat on partially owned companies for the year                        | 77,684             | 3,210              |
| Total zakat provision charged during the year                               | <b>1,021,131</b>   | <b>1,154,120</b>   |

### 33 - Zakat and Income Text (Continued)

#### a. Zakat (continued)

|                              | 2021        | 2020      |
|------------------------------|-------------|-----------|
| Balance at 1 January         | 1,878,148   | 1,452,645 |
| Charge during the year       | 1,021,131   | 1,154,120 |
| Settlements during the year  | (3,914)     | (6,457)   |
| Amounts paid during the year | (1,089,623) | (722,160) |
| Balance at 31 December       | 1,805,742   | 1,878,148 |

The Group submitted all zakat returns until the end of 2020, 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 final zakat assessments up to 2011 and the years ended as at 31 December 2014 and 2018.

The decision of the First Appeal Committee for Income Tax Violations and Disputes has found in support of the Group's position not to consider the adjusted net profit as a basis for zakat for the years 2008 and 2009 and the dues were settled according to the appeal decision during 2021.

The Group submitted objections to the zakat assessments for the years from 2015 to 2017 amounting to SR 134 million, and these objections are still being considered by the General Secretariat of Tax Committees at the date of preparing these consolidated financial statements. The Group believes that its zakat position will be in its favor and that it will not result in any material additional provisions.

#### b. Income tax

The income tax expense payable by subsidiaries, in accordance with the prevailing tax regulations in their countries, for the year ended 31 December 2021 amounted to SR 19 million (2020: SR 16 million). Income tax paid during the year ended 31 December 2021 amounted to SR 16 million (2020: SR 28.5 million).

### 34 - Revenues

|                                      | For the year ended 31 December |            |
|--------------------------------------|--------------------------------|------------|
|                                      | 2021                           | 2020       |
| Rendering of services                | 53,534,254                     | 49,898,621 |
| Sale of devices                      | 9,764,612                      | 8,820,161  |
| Others                               | 118,111                        | 234,536    |
|                                      | 63,416,977                     | 58,953,318 |
| <b>Timing of revenue recognition</b> |                                |            |
| Recognized over time                 | 53,652,365                     | 50,133,157 |
| At a point in time                   | 9,764,612                      | 8,820,161  |
|                                      | 63,416,977                     | 58,953,318 |

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

Disaggregation of revenues from government and government related entities are disclosed in related party transactions (Note 20-2).

The aggregate amount of unsatisfied or partially unsatisfied performance obligations related to contracts with customers amounted to SR 4,364 million as at 31 December 2021 (2020: SR 2,673 million). The Group expects to recognize approximately 82% (2020: 71%) of these obligations as revenues during the following reporting period.

### 35 - Cost of Revenues

|                                                         | For the year ended 31 December |            |
|---------------------------------------------------------|--------------------------------|------------|
|                                                         | 2021                           | 2020       |
| Cost of devices, equipment and software                 | 10,049,397                     | 8,712,228  |
| Government charges (*)                                  | 5,847,718                      | 3,806,823  |
| Network access charges                                  | 4,967,631                      | 4,740,007  |
| Employees costs                                         | 3,570,015                      | 3,338,050  |
| Repairs and maintenance                                 | 2,342,891                      | 2,568,972  |
| Amortisation and impairment of contract costs (Note 13) | 234,002                        | 268,352    |
| Others                                                  | 2,611,294                      | 1,564,491  |
|                                                         | 29,622,948                     | 24,998,923 |

"Others" comprises mainly: direct cost related to stc Bank operation, rent of property and equipment.

### 35 - Cost Of Revenues (Continued)

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

|                                      | For the year ended 31 December |                  |
|--------------------------------------|--------------------------------|------------------|
|                                      | 2021                           | 2020             |
| Commercial service provisioning fees | 4,522,983                      | 2,740,751        |
| License fees                         | 417,331                        | 397,859          |
| Frequency spectrum fees              | 351,025                        | 407,022          |
| Others                               | 556,379                        | 261,191          |
|                                      | <b>5,847,718</b>               | <b>3,806,823</b> |

### 36 - Selling and Marketing Expenses

|                                                         | For the year ended 31 December |                  |
|---------------------------------------------------------|--------------------------------|------------------|
|                                                         | 2021                           | 2020             |
| Employee costs                                          | 2,656,374                      | 2,407,936        |
| Advertising, publicity and sales commissions            | 1,039,972                      | 1,328,390        |
| Impairment loss on trade receivables (Note 17.1)        | 844,027                        | 1,072,959        |
| Call centre expenses                                    | 275,046                        | 194,110          |
| Amortisation and impairment of contract costs (Note 13) | 140,319                        | 237,614          |
| Impairment loss on contract assets                      | 118,437                        | 117,686          |
| Others                                                  | 389,161                        | 694,937          |
|                                                         | <b>5,463,336</b>               | <b>6,053,632</b> |

"Others" comprises mainly: sports sponsorship cost, repairs and maintenance, security and safety.

### 37 - General and Administrative Expenses

|                                           | For the year ended 31 December |                  |
|-------------------------------------------|--------------------------------|------------------|
|                                           | 2021                           | 2020             |
| Employees costs                           | 3,672,348                      | 3,472,104        |
| Repairs and maintenance                   | 592,607                        | 925,692          |
| Consultancy and other contracted services | 409,356                        | 417,053          |
| Security and safety                       | 126,315                        | 101,140          |
| Sadad service fees                        | 122,528                        | 126,839          |
| Utilities and cleaning                    | 103,214                        | 181,711          |
| Rent                                      | 51,173                         | 66,326           |
| Others                                    | 412,552                        | 519,898          |
|                                           | <b>5,490,093</b>               | <b>5,810,763</b> |

"Others" comprises mainly: insurance premiums, office supplies, freight, postage and courier expenses.

### 38 - Finance Income

|                      | For the year ended 31 December |                |
|----------------------|--------------------------------|----------------|
|                      | 2021                           | 2020           |
| Income from sukuk    | 283,071                        | 295,767        |
| Income from murabaha | 94,840                         | 118,106        |
|                      | <b>377,911</b>                 | <b>413,873</b> |

### 39 - Finance Cost

|                                                                | For the year ended 31 December |                |
|----------------------------------------------------------------|--------------------------------|----------------|
|                                                                | 2021                           | 2020           |
| Financing costs relating to sukuk                              | 224,127                        | 232,838        |
| Financing costs relating to murabaha                           | 53,179                         | 83,596         |
| Financing cost relating to lease liabilities (Note 28)         | 92,736                         | 99,162         |
| Unwinding of discounts on provisions and financial liabilities | 248,914                        | 208,329        |
|                                                                | <b>618,956</b>                 | <b>623,925</b> |



## 40 - Net Other Gains

|                                                                | For the year ended 31 December |                |
|----------------------------------------------------------------|--------------------------------|----------------|
|                                                                | 2021                           | 2020           |
| Net gains (loss) arising on financial assets measured at FVTPL | 813,208                        | (83,389)       |
| Gain on sale of equity investments                             | 38,767                         | 647,804        |
| Loss on sale/disposal of property and equipment                | (34,032)                       | (150,388)      |
| Net foreign exchange (losses) gains and others                 | (28,300)                       | 10,585         |
|                                                                | <b>789,643</b>                 | <b>424,612</b> |

## 41 - Earnings Per Share

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

|                                                                                                       | 2021       | 2020       |
|-------------------------------------------------------------------------------------------------------|------------|------------|
| Net profit attributable to equity holders of the Parent Company                                       | 11,311,342 | 10,994,875 |
| Number of shares "in thousands":                                                                      |            |            |
| Weighted average number of ordinary shares for the purposes of calculating basic earnings per share   | 1,997,084  | 1,999,207  |
| Weighted average number of repurchased ordinary shares                                                | 2,916      | 793        |
| Weighted average number of ordinary shares for the purposes of calculating diluted earnings per share | 2,000,000  | 2,000,000  |
| Earnings per share attributable to equity holders of the Parent Company (in Saudi Riyals):            |            |            |
| - Basic                                                                                               | 5.66       | 5.50       |
| - Diluted                                                                                             | 5.66       | 5.50       |

## 42 - Financial Instruments

### 42.1 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:

## 42 - Financial Instruments (Continued)

### 42.1 Capital management (continued)

- 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 2021.

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:

|                         | 2021       | 2020       |
|-------------------------|------------|------------|
| Debt (a)                | 9,303,290  | 8,956,090  |
| EBITDA (b)              | 22,840,600 | 22,090,000 |
| Debt to EBITDA          | 41%        | 41%        |
| Debt                    | 9,303,290  | 8,956,090  |
| Debt + Equity (c)       | 80,689,269 | 74,223,105 |
| Debt to (Debt + Equity) | 12%        | 12%        |

## 42 - Financial Instruments (Continued)

### 42.1 Capital management (continued)

- Debt is defined as current and non-current borrowings (Note 26).
- EBITDA is defined as operating profit for the year adjusted for depreciation, amortization and impairment.
- Equity is defined as total equity including share capital, reserves, retained earnings and non-controlling interest.

### 42.2 Fair value of financial instruments

The Group uses valuation techniques appropriate to current circumstances that provide sufficient data to measure fair value. For financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety (Note 4-20).

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

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

| 31 December 2021                                                                       | Carrying amount | Fair value |         |           |
|----------------------------------------------------------------------------------------|-----------------|------------|---------|-----------|
|                                                                                        |                 | Level 1    | Level 2 | Level 3   |
| Financial assets                                                                       |                 |            |         |           |
| At fair value through profit or loss:<br>stc Ventures Fund and STV LP Fund (Note 15-1) | 2,135,246       | -          | -       | 2,135,246 |
| Financial liabilities                                                                  |                 |            |         |           |
| At fair value through profit or lossOther financial liabilities (Note 31-1)            | 675             | -          | 675     | -         |

| 31 December 2020                                                                       | Carrying amount | Fair value |         |           |
|----------------------------------------------------------------------------------------|-----------------|------------|---------|-----------|
|                                                                                        |                 | Level 1    | Level 2 | Level 3   |
| Financial assets                                                                       |                 |            |         |           |
| At fair value through profit or loss:<br>stc Ventures Fund and STV LP Fund (Note 15-1) | 1,119,413       | -          | -       | 1,119,413 |
| Financial liabilities                                                                  |                 |            |         |           |
| At fair value through profit or loss: Other financial liabilities (Note 31-1)          | 9,882           | -          | 9,882   | -         |

## 42 - Financial Instruments (Continued)

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

There were no transfers between levels of the fair value hierarchy during year ended 31 December 2021.

The fair value of the Group's investment in the units of stc Ventures Fund and STV LP Fund (the "Funds") is obtained from the net asset value ("NAV") reports received from the Funds' managers. The Funds' managers deploy various techniques (such as discounted cash flow models and multiples method) for the valuation of underlying financial instruments classified under level 3 of the respective Fund's fair value hierarchy. Significant unobservable inputs embedded in the models used by the Funds' managers include risk adjusted discount rates, marketability and liquidity discounts and control premiums.

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

|                                                                                                   | 2021      | 2020      |
|---------------------------------------------------------------------------------------------------|-----------|-----------|
| Net asset value as at 1 January                                                                   | 1,119,413 | 1,550,869 |
| Contributions paid to the funds during the year                                                   | 375,020   | 375,700   |
| Distributions received from the funds during the year                                             | (172,395) | (723,767) |
| Net unrealized gain (losses) recognized in the consolidated statement of profit or loss (Note 40) | 813,208   | (83,389)  |
| Net asset value as at 31 December                                                                 | 2,135,246 | 1,119,413 |

#### ■ 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 2021                           | Carrying amount | Fair value |           |         |
|--------------------------------------------|-----------------|------------|-----------|---------|
|                                            |                 | Level 1    | Level 2   | Level 3 |
| Financial assets                           |                 |            |           |         |
| Financial assets at amortized cost - Sukuk | 3,955,568       | -          | 4,268,749 | -       |
| Financial liabilities                      |                 |            |           |         |
| Borrowings - Sukuk                         | 4,673,254       | -          | 5,381,490 | -       |

42 - Financial Instruments (Continued)

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

| 31 December 2020                           | Carrying amount | Fair value |           |         |
|--------------------------------------------|-----------------|------------|-----------|---------|
|                                            |                 | Level 1    | Level 2   | Level 3 |
| Financial assets                           |                 |            |           |         |
| Financial assets at amortized cost - Sukuk | 3,963,916       | -          | 4,129,629 | -       |
| Financial liabilities                      |                 |            |           |         |
| Borrowings - Sukuk                         | 4,671,615       | -          | 5,177,147 | -       |

There are no transfers between levels of the fair value hierarchy during year ended 31 December 2021.

42.3 Profit rate risk

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

There has been no change to the Group’s exposure to profit risks or the manner in which these risks are managed and measured.

The sensitivity analyses below have been determined based on the exposure to profit rates for non-derivative instruments at the end of the financial year. These show the effects of changes in market profit rates on profit and loss. For floating rate assets and liabilities, the analysis is prepared assuming the amounts outstanding at the end of the year were outstanding for the whole year. A 20-basis point increase or (decrease) represents management’s assessment of the reasonably possible change in profit rates. If profit rates had been 20 basis points higher (lower) and all other variables were held constant, the impact on the profit of the Group would have been lower (higher) by SR 8 million (2020: SR 13 million). This hypothetical effect on profit of the Group primarily arises from potential effect of variable profit financial liabilities.

42 - Financial Instruments (Continued)

42.4 Foreign currency risk management

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

42.5 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 high investment grade credit ratings issued by international credit rating agencies and limits the exposure to a single counterparty by stipulation that the exposure should not exceed 30% of the counterparty’s shareholders’ equity. Further, the Group’s credit risk is monitored on a quarterly basis.

Other than the concentration of credit risk disclosed in Note 17, concentration of credit risk with respect to trade receivables are limited given that the Group’s customer consists of a large number of unrelated customers. Payment terms and credit limits are set in accordance with industry norms.

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 17).

In addition, the Group is exposed to credit risk in relation to financial guarantees given to some subsidiaries with regard to financing arrangements. The Group’s maximum exposure in this respect is the maximum amount the Group may have to pay if the guarantee is called on. There is no indication 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 44).

42.6 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.



## 42 - Financial Instruments (Continued)

### 42.6 Liquidity risk management (continued)

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

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

The following table details the Group's remaining contractual maturity for financial liabilities with agreed repayment periods. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

| 31 December 2021                        | Undiscounted Cash Flows |                  |                                         |                  |
|-----------------------------------------|-------------------------|------------------|-----------------------------------------|------------------|
|                                         | Carrying amount         | One year or less | Above one year but less than five years | Above five years |
| Trade and other payables (Note 32)      | 17,114,298              | 17,114,298       | -                                       | -                |
| Borrowings (Note 26)                    | 9,303,290               | 1,688,367        | 3,876,231                               | 5,288,416        |
| Lease liabilities (Note 28)             | 3,223,167               | 984,130          | 1,847,417                               | 769,576          |
| Dividends payable (Note 31-1)           | 2,193,995               | 2,193,995        | -                                       | -                |
| Other financial liabilities (Note 31-1) | 4,470,715               | 2,692,254        | 1,207,232                               | 1,269,814        |

| 31 December 2020                        |            |            |           |           |
|-----------------------------------------|------------|------------|-----------|-----------|
| Trade and other payables (Note 32)      | 19,711,207 | 19,711,207 | -         | -         |
| Borrowings (Note 26)                    | 8,956,090  | 318,485    | 3,985,545 | 5,508,341 |
| Lease liabilities (Note 28)             | 2,980,038  | 742,185    | 2,313,448 | 940,218   |
| Dividends payable (Note 31-1)           | 2,151,116  | 2,151,116  | -         | -         |
| Other financial liabilities (Note 31-1) | 4,009,919  | 1,729,028  | 1,839,001 | 1,269,814 |

## 42 - Financial Instruments (Continued)

### 42.6 Liquidity risk management (continued)

The Group has unused financing facilities amounting to SR 5,629 million as at 31 December 2021 (2020: SR 6,263 million). The Group expects to meet its obligations from operating cash flows, cash and cash equivalents and proceeds of maturing financial assets.

In accordance with the terms of the agreements with the operators, commercial debtors and creditors are settled in connection to call routing and roaming fees and only the net amounts are settled or collected. Accordingly, the net amounts are presented in the consolidated statement of financial position.

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

| 31 December 2021             | Gross amounts | Amounts set off | Net amounts |
|------------------------------|---------------|-----------------|-------------|
| <b>Financial assets</b>      |               |                 |             |
| Trade and other receivables  | 25,586,728    | (122,573)       | 25,464,155  |
| Contract assets              | 13,465,419    | (7,196,745)     | 6,268,674   |
| <b>Financial liabilities</b> |               |                 |             |
| Trade and other payables     | 17,124,765    | (10,467)        | 17,114,298  |
| Contract liabilities         | 11,693,650    | (7,329,785)     | 4,363,865   |

| 31 December 2020             | Gross amounts | Amounts set off | Net amounts |
|------------------------------|---------------|-----------------|-------------|
| <b>Financial assets</b>      |               |                 |             |
| Trade and other receivables  | 15,862,047    | (137,322)       | 15,724,725  |
| Contract assets              | 12,331,107    | (5,814,010)     | 6,517,097   |
| <b>Financial liabilities</b> |               |                 |             |
| Trade and other payables     | 19,725,167    | (13,960)        | 19,711,207  |
| Contract liabilities         | 8,610,524     | (5,937,372)     | 2,673,152   |

## 42 - Financial Instruments (Continued)

### 42.7 Changes in liabilities arising from financial activities

Changes in liabilities arising from financial activities are as follows:

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

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

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

## 43 - Capital Commitments

One of the subsidiaries has an agreement to invest in a fund aiming to improve the telecommunication and internet environment for SR 1,125 million (equivalent to USD 300 million) as at 31 December 2021 (31 December 2020: SR 1,125 million (equivalent to USD 300 million) (Note 6-17).

## 44 - Contingent Assets And Liabilities

- The Group has outstanding letters of guarantee on behalf of the parent and its subsidiaries amounting to SR 4,695 million as at 31 December 2021 (2020: SR 4,222 million).
- The Group has outstanding letters of credit as at 31 December 2021 amounting to SR 1,394 million (2020: SR 977 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 with
- holding tax on the rental of international operators' networks since the source of income does not occur inside the Kingdom, and therefore these services should not be subject to withholding tax. Based on the opinions of tax specialists in this matter and the nature of the technical dispute, the Group believes that this assessment will not result into additional provisions.
- The Group received claims from the Communications and Information Technology Commission 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 for which the Group has objected within the statutory deadline. Based on the opinions of the specialized consultants in this matter and the nature of these sales, the Group sees the merits of its legal position.
- In April 2017, Kuwait's Cassation Court invalidated a portion of the regulatory tariff decree levied on mobile telecommunication companies in Kuwait since 26 July 2011 by Kuwait's Ministry of Communications (the "Plaintiff"). Accordingly, stc Kuwait had filed a claim for the recovery of the excess amount paid from change in regulation date till date. On 30 June 2020, the Court of appeal of Kuwait has issued a verdict in favor of stc Kuwait obliging the appellant to pay amount of KD 18.3 million (equivalent to SR 225 million).

#### 44 - Contingent Assets And Liabilities (Continued)

On 4 November 2021, the Cassation Court rejected the plaintiff appeal and issued a final verdict in favor of stc Kuwait based on which, the stc Kuwait recognized KD 17.9 million (equivalent to SR 222 million), which is included as part of net other income/(expenses) in the consolidated statement of profit or loss.

### 45 - Employees Long-Term Incentives Program

#### 45.1 Group's long-term incentives program

The Company's Board of Directors has approved the purchase of number of the Company's shares up to a maximum of 5.5 million shares and an amount not to exceed SR 300 million to be allocated for the employees long-term incentives program (the Program) (Note 41). The Board raised its recommendation to the extraordinary general assembly ("EGM") to approve the Program and to purchase the shares within a period of (8) months from the EGM's date of approval. The EGM has voted on the approval of this Program during its meeting held on 27 Shaban 1441 H (corresponding to 20 April 2020). The shares to be purchased will not have the right to vote in the Company's shareholders general assemblies, and will not be entitled to any dividends while the shares still under the Company's possession.

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

The program is generally equity-settled. However, in certain circumstances, the awards are settled in cash. Shares are granted to employees over three cycles with three tranches each. As at 31 December 2021, the shares granted by the Group are as follows:

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

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

| First cycle:                                    | Tranche 1           | Tranche 2                        |
|-------------------------------------------------|---------------------|----------------------------------|
| Grant date                                      | 1 July 2020         | 1 July 2021                      |
| Total number of shares granted (*)              | 135 thousand shares | 222 thousand shares              |
| Average Fair value per share at grant date (**) | SR 94.4             | SR 128.6                         |
| Vesting date                                    | 1 July 2021         | 14 May 2022                      |
| Total number of shares actually vested          | 135 thousand shares | To be determined at vesting date |

| Second cycle:                                   | Tranche 1                        |
|-------------------------------------------------|----------------------------------|
| Grant date                                      | 2021 July 1                      |
| Total number of shares granted (*)              | thousand shares 122              |
| Average Fair value per share at grant date (**) | 128.6 SR                         |
| Vesting date                                    | 2022 May 14                      |
| Total number of shares actually vested          | To be determined at vesting date |

- (\*) 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 following table shows the shares granted and outstanding at the beginning and ending of the reporting period:

|                                   | 2021  | 2020 |
|-----------------------------------|-------|------|
| At the beginning of the year      | 130   | -    |
| Shares granted during the year    | 349   | 130  |
| Shares vested during the year (*) | (135) | -    |
| At the end of the year            | 344   | 130  |

- (\*) The number of equity-settled shares vested during the year amounted to 132 thousand.



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

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

Total expenses related to the Program for the year ended 31 December 2021 amounted to SR 33.7 million (31 December 2020: SR 6.1 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 23).

### 45.2 Subsidiary's long-term incentives program

December 2020: SR 6.1 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 23).

## 46 - Impact Of Coronavirus (Covid-19) Outbreak

The Group's operations and financial results have not incurred a significant impact from the virus outbreak, taking into consideration the lower impact of the pandemic over the operations and activities of companies operating in the telecom sector.

## 47 - Dividends

On 9 Rabi Thani 1440H (corresponding to 16 December 2018) the Board of Directors have approved the Company's dividends policy for the next three years starting from the fourth quarter of 2018, which was approved by the General Assembly on 19 Sha'ban 1440H (corresponding to 24 April 2019). The objective of the dividends policy is based on maintaining a minimum level of dividend of SR 1 per share on a quarterly basis. The Company will consider and pay additional dividend subject to the Board of Directors recommendation after assessment and determination of the Company's financial situation, outlook and capital expenditure requirements.

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

## 47 - Dividends (Continued)

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.

On April 26, 2021, the General Assembly approved, during its meeting, the recommendation of the Board of Directors to distribute additional cash dividends for the year 2020 at the rate of SR 1 per share.

In accordance with dividends policy, the Company distributed cash dividends to the shareholders of the Company for the first, second and third quarters of the year 2021 at a rate of SR 1 per share, respectively.

The Board of Directors, in their meeting held on 20 Safar 1443H (corresponding to 27 September 2021) have approved the Company's dividends policy for the next three years starting from the fourth quarter of 2021 at a rate of SR 1 per share, which was approved by the General Assembly on 25 Rabi Thani 1443H (corresponding to 30 November 2021). In addition, in line with the same policy, the Company will distribute cash dividends to the shareholders of the Company for the fourth quarter of 2021 at a rate of SR 1 per share.

Treasury shares allocated to the employee long-term incentives program are not entitled for any dividends during the period while the shares still under the Company's possession (Note 23).

## 48 - Other Information

During the year 2021, stc Kuwait has signed a binding agreement to acquire a 100% equity shareholding of E-Portal Holding Company for a consideration of KD 23 million (equivalent to SR 286 million). As at the reporting date, the acquisition procedure has not yet been completed until necessary regulatory approvals are obtained.

49 - Subsequent Events

- 1. During the year 2022, the Group established a new subsidiary, Digital Centers for Data and Telecommunications – a limited liability company with a share capital of SR 100 million. Main activities include providing services related to big data, data analytics and cloud computing.
- 2. During 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 Pakistan Telecommunication Authority, to build and operate telecommunication infrastructure primarily in the northwest region of Pakistan.

50 - Comparative Figures

Certain comparative figures have been reclassified to conform with the classification used for the year ended 31 December 2021.

51 - Subsequent Events

The Board of Directors approved the consolidated financial statements for the year ended 31 December 2021 on 19 Rajab 1443H (corresponding to 20 February 2022).

**stc**