



**Saudi Telecom Company**  
(A Saudi Joint Stock Company)

**INTERIM CONDENSED CONSOLIDATED  
FINANCIAL STATEMENTS  
FOR THE THREE AND SIX MONTHS PERIODS ENDED  
30 June 2021  
(Unaudited)**

**Second Quarter  
2021**

**Saudi Telecom Company  
(A Saudi Joint Stock Company)**

**INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)  
FOR THE THREE AND SIX MONTHS PERIODS ENDED 30 JUNE 2021**

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| <b>INDEX</b>   | <u>Pages</u> |
|--|--------------|
| Independent auditor's review report                              | 2            |
| Interim condensed consolidated statement of financial position   | 3            |
| Interim condensed consolidated statement of profit or loss       | 4            |
| Interim condensed consolidated statement of comprehensive income | 5            |
| Interim condensed consolidated statement of cash flows           | 6            |
| Interim condensed consolidated statement of changes in equity    | 7            |
| Notes to the interim condensed consolidated financial statements | 8-21         |



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**Independent auditor's review report on the interim condensed consolidated financial statements to the shareholders of Saudi Telecom Company (A Saudi Joint Stock Company)**

**Introduction:**

We have reviewed the accompanying interim condensed consolidated statement of financial position of Saudi Telecom Company - a Saudi Joint Stock Company ("the Company") and its subsidiaries (collectively referred to as "the Group") as at 30 June 2021, and the related interim condensed consolidated statements of profit or loss and comprehensive income, for the three and six months periods ended 30 June 2021, and the related interim condensed statements of cash flows and changes in equity for the six months period then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard 34, "Interim Financial Reporting" ("IAS 34") endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

**Scope of Review:**

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" endorsed in the Kingdom of Saudi Arabia. A review of interim financial statements consists of making inquiries, primarily to persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

**Conclusion:**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34 endorsed in the Kingdom of Saudi Arabia.

Ernst & Young & Co.  
(Certified Public Accountants)

Saad M. Al-Khathlan  
Certified Public Accountant  
License No. (509)



Riyadh: 26 Thul-Hijjah1442H  
(5 August 2021G)

**Saudi Telecom Company  
(A Saudi Joint Stock Company)**

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 30 JUNE 2021**

(All amounts in Saudi Riyals thousands unless otherwise stated)

|  | <b>Notes</b> | <b>30 June 2021<br/>(Unaudited)</b> | <b>31 December 2020<br/>(Audited)</b> |
|--|--------------|-------------------------------------|---------------------------------------|
| <b>ASSETS</b>  |              |                                     |                                       |
| <b>NON-CURRENT ASSETS</b>  |              |                                     |                                       |
| Property and equipment   | 5            | 46,795,190                          | 47,847,623                            |
| Investment properties  | 6            | 61,388                              | 36,980                                |
| Intangible assets and goodwill   | 7            | 10,187,699                          | 10,466,408                            |
| Right of use assets  | 8            | 2,657,336                           | 2,892,814                             |
| Investments in associates and joint ventures                           |              | 6,762,349                           | 6,704,947                             |
| Contract costs   |              | 564,011                             | 637,470                               |
| Contract assets  |              | 654,225                             | 457,657                               |
| Financial assets and others  | 9            | 7,126,899                           | 7,069,285                             |
| <b>TOTAL NON-CURRENT ASSETS</b>  |              | <b>74,809,097</b>                   | <b>76,113,184</b>                     |
| <b>CURRENT ASSETS</b>  |              |                                     |                                       |
| Inventories  |              | 1,015,306                           | 1,008,645                             |
| Contract assets  |              | 5,938,893                           | 6,059,440                             |
| Trade and other receivables  | 11,12        | 23,222,076                          | 16,084,416                            |
| Financial assets and others  | 9            | 2,934,540                           | 3,268,280                             |
| Short term murabahas   |              | 2,859,260                           | 10,433,849                            |
| Cash and cash equivalents  | 20-2         | 8,493,090                           | 9,004,286                             |
| <b>TOTAL CURRENT ASSETS</b>  |              | <b>44,463,165</b>                   | <b>45,858,916</b>                     |
| <b>TOTAL ASSETS</b>  |              | <b>119,272,262</b>                  | <b>121,972,100</b>                    |
| <b>EQUITY AND LIABILITIES</b>  |              |                                     |                                       |
| <b>EQUITY</b>  |              |                                     |                                       |
| Issued capital   |              | 20,000,000                          | 20,000,000                            |
| Statutory reserves   |              | 10,000,000                          | 10,000,000                            |
| Treasury shares  | 17           | (300,000)                           | (300,000)                             |
| Other reserves   |              | (3,075,363)                         | (3,262,245)                           |
| Retained earnings  |              | 37,290,278                          | 37,508,027                            |
| <b>Equity attributable to the equity holders of the Parent Company</b> |              | <b>63,914,915</b>                   | <b>63,945,782</b>                     |
| Non-controlling interests  |              | 1,252,193                           | 1,321,233                             |
| <b>TOTAL EQUITY</b>  |              | <b>65,167,108</b>                   | <b>65,267,015</b>                     |
| <b>LIABILITIES</b>   |              |                                     |                                       |
| <b>NON-CURRENT LIABILITIES</b>   |              |                                     |                                       |
| Long term borrowings   |              | 8,188,063                           | 8,637,605                             |
| End of service benefit provision                                       | 13           | 5,143,616                           | 5,239,313                             |
| Lease liabilities  | 14           | 2,175,885                           | 2,237,853                             |
| Provisions   |              | 661,278                             | 725,625                               |
| Contract liabilities   |              | 771,915                             | 771,915                               |
| Financial liabilities and others                                       | 15           | 5,804,933                           | 6,201,591                             |
| <b>TOTAL NON-CURRENT LIABILITIES</b>                                   |              | <b>22,745,690</b>                   | <b>23,813,902</b>                     |
| <b>CURRENT LIABILITIES</b>   |              |                                     |                                       |
| Trade and other payables   |              | 17,140,130                          | 20,296,791                            |
| Provisions   |              | 3,891,347                           | 4,158,923                             |
| Contract liabilities   |              | 2,333,073                           | 1,901,237                             |
| Zakat and income tax   | 16           | 1,381,304                           | 1,903,791                             |
| Lease liabilities  | 14           | 724,379                             | 742,185                               |
| Short term borrowings  |              | 530,689                             | 318,485                               |
| Financial liabilities and others                                       | 15           | 5,358,542                           | 3,569,771                             |
| <b>TOTAL CURRENT LIABILITIES</b>                                       |              | <b>31,359,464</b>                   | <b>32,891,183</b>                     |
| <b>TOTAL LIABILITIES</b>   |              | <b>54,105,154</b>                   | <b>56,705,085</b>                     |
| <b>TOTAL EQUITY AND LIABILITIES</b>                                    |              | <b>119,272,262</b>                  | <b>121,972,100</b>                    |

  
Chief Financial Officer

  
Delegated Chief Executive Officer

  
Authorized Board Member

The accompanying notes from 1 to 24 form an integral part of these interim condensed consolidated financial statements.

**Saudi Telecom Company  
(A Saudi Joint Stock Company)**

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS (UNAUDITED)  
FOR THE THREE AND SIX MONTHS PERIODS ENDED 30 JUNE 2021**

(All amounts in Saudi Riyals thousands unless otherwise stated)

|  | Note  | For the three months period ended<br>30 June |                    | For the six months period ended<br>30 June |                     |
|--|-------|--|--------------------|--|---------------------|
|  |       | 2021   | 2020               | 2021                                       | 2020                |
| Revenues   | 4     | 15,898,770                                   | 14,920,233         | 31,594,267                                 | 28,855,085          |
| Cost of revenues   |       | (7,546,572)                                  | (6,579,241)        | (14,684,968)                               | (12,318,212)        |
| <b>GROSS PROFIT</b>  |       | <b>8,352,198</b>                             | <b>8,340,992</b>   | <b>16,909,299</b>                          | <b>16,536,873</b>   |
| <b>OPERATING EXPENSES</b>  |       |  |                    |  |                     |
| Selling and marketing  |       | (1,519,889)                                  | (1,592,991)        | (2,870,088)                                | (2,997,963)         |
| General and administration   |       | (1,205,797)                                  | (1,406,463)        | (2,571,504)                                | (2,867,480)         |
| Depreciation and amortisation  | 5,7,8 | (2,376,226)                                  | (2,279,364)        | (4,735,814)                                | (4,605,229)         |
| <b>TOTAL OPERATING EXPENSES</b>  |       | <b>(5,101,912)</b>                           | <b>(5,278,818)</b> | <b>(10,177,406)</b>                        | <b>(10,470,672)</b> |
| <b>OPERATING PROFIT</b>  |       | <b>3,250,286</b>                             | <b>3,062,174</b>   | <b>6,731,893</b>                           | <b>6,066,201</b>    |
| <b>OTHER EXPENSES AND INCOME</b>   |       |  |                    |  |                     |
| Cost of early retirement program   |       | (81,323)                                     | (100,983)          | (161,642)                                  | (300,000)           |
| Finance income   |       | 90,804                                       | 104,637            | 192,668                                    | 236,096             |
| Finance cost   |       | (148,072)                                    | (158,449)          | (291,812)                                  | (331,214)           |
| Net other expenses   |       | (50,288)                                     | (30,432)           | (54,404)                                   | (24,716)            |
| Net share in results of investments in associates and joint ventures   |       | 39,244                                       | 6,780              | 61,164                                     | (11,939)            |
| Net other (losses) gains   |       | (8,788)                                      | 130,724            | (30,714)                                   | 561,535             |
| <b>TOTAL OTHER (EXPENSES) INCOME</b>   |       | <b>(158,423)</b>                             | <b>(47,723)</b>    | <b>(284,740)</b>                           | <b>129,762</b>      |
| <b>NET PROFIT BEFORE ZAKAT AND INCOME TAX</b>  |       | <b>3,091,863</b>                             | <b>3,014,451</b>   | <b>6,447,153</b>                           | <b>6,195,963</b>    |
| Zakat and income tax   | 16    | (219,591)                                    | (235,351)          | (574,921)                                  | (465,734)           |
| <b>NET PROFIT</b>  |       | <b>2,872,272</b>                             | <b>2,779,100</b>   | <b>5,872,232</b>                           | <b>5,730,229</b>    |
| <b>Net profit attributable to:</b>   |       |  |                    |  |                     |
| Equity holders of the Parent Company   |       | 2,821,209                                    | 2,724,215          | 5,773,303                                  | 5,636,960           |
| Non-controlling interests  |       | 51,063                                       | 54,885             | 98,929                                     | 93,269              |
|  |       | <b>2,872,272</b>                             | <b>2,779,100</b>   | <b>5,872,232</b>                           | <b>5,730,229</b>    |
| <b>Earnings per share, based on net profit attributable to equity holders of the Parent Company (in Saudi Riyals):</b> |       |  |                    |  |                     |
| - Basic  | 17    | 1.41   | 1.36               | 2.89                                       | 2.82                |
| - Diluted  | 17    | 1.41   | 1.36               | 2.89                                       | 2.82                |



**Chief Financial Officer**



**Delegated Chief Executive Officer**



**Authorized Board Member**

The accompanying notes from 1 to 24 form an integral part of these interim condensed consolidated financial statements.



**Saudi Telecom Company  
(A Saudi Joint Stock Company)**

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)  
FOR THE THREE AND SIX MONTHS PERIODS ENDED 30 JUNE 2021**

(All amounts in Saudi Riyals thousands unless otherwise stated)

|  | Note | For the three months period<br>ended 30 June |                  | For the six months period<br>ended 30 June |                  |
|--|------|--|------------------|--|------------------|
|  |      | 2021   | 2020             | 2021                                       | 2020             |
| <b>NET PROFIT</b>  |      | <u>2,872,272</u>                             | <u>2,779,100</u> | <u>5,872,232</u>                           | <u>5,730,229</u> |
| <b>OTHER COMPREHENSIVE INCOME<br/>(OTHER COMPREHENSIVE LOSS):</b>  |      |  |                  |  |                  |
| <i>Item that will not be reclassified<br/>subsequently to consolidated statement<br/>of profit or loss:</i>  |      |  |                  |  |                  |
| Re-measurement of end of service<br>benefit provision  | 13   | <u>21,412</u>                                | <u>(698,509)</u> | <u>168,730</u>                             | <u>(403,895)</u> |
| <i>Items that may be reclassified<br/>subsequently to consolidated statement<br/>of profit or loss:</i>      |      |  |                  |  |                  |
| Foreign currency translation differences   |      | <u>15,132</u>                                | <u>37,762</u>    | <u>29,985</u>                              | <u>(42,793)</u>  |
| Fair value changes from cash flow<br>hedges  |      | <u>-</u>                                     | <u>6,784</u>     | <u>-</u>                                   | <u>1,820</u>     |
| Net share of (other comprehensive loss)/<br>other comprehensive income of<br>associates and joint ventures   |      | <u>(3,712)</u>                               | <u>(2,585)</u>   | <u>7,111</u>                               | <u>(65,504)</u>  |
| <i>Total items that may be reclassified<br/>subsequently to consolidated statement<br/>of profit or loss</i> |      | <u>11,420</u>                                | <u>41,961</u>    | <u>37,096</u>                              | <u>(106,477)</u> |
| <b>TOTAL OTHER COMPREHENSIVE<br/>INCOME (OTHER COMPREHENSIVE<br/>LOSS)</b>                                   |      | <u>32,832</u>                                | <u>(656,548)</u> | <u>205,826</u>                             | <u>(510,372)</u> |
| <b>TOTAL COMPREHENSIVE INCOME</b>  |      | <u>2,905,104</u>                             | <u>2,122,552</u> | <u>6,078,058</u>                           | <u>5,219,857</u> |
| <b>Total comprehensive income<br/>attributable to:</b>   |      |  |                  |  |                  |
| Equity holders of the Parent<br>Company  |      | <u>2,849,146</u>                             | <u>2,053,548</u> | <u>5,965,673</u>                           | <u>5,152,336</u> |
| Non-controlling interests  |      | <u>55,958</u>                                | <u>69,004</u>    | <u>112,385</u>                             | <u>67,521</u>    |
|  |      | <u>2,905,104</u>                             | <u>2,122,552</u> | <u>6,078,058</u>                           | <u>5,219,857</u> |



**Chief Financial Officer**



**Delegated Chief Executive Officer**



**Authorized Board Member**

The accompanying notes from 1 to 24 form an integral part of these interim condensed consolidated financial statements.

**Saudi Telecom Company  
(A Saudi Joint Stock Company)**

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)  
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2021**

(All amounts in Saudi Riyals thousands unless otherwise stated)

|  | Notes | For the six months period ended<br>30 June |                    |
|--|-------|--|--------------------|
|  |       | 2021                                       | 2020               |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                            |       |  |                    |
| Net profit before zakat and income tax                                 |       | 6,447,153                                  | 6,195,963          |
| Adjustments for:   |       |  |                    |
| Depreciation and amortisation  | 5,7,8 | 4,735,814                                  | 4,605,229          |
| Impairment loss and amortisation of contract costs and contract assets |       | 285,813                                    | 345,977            |
| Impairment loss on trade receivables                                   |       | 389,047                                    | 422,814            |
| Allowance for slow moving inventories                                  |       | 39,376                                     | 21,630             |
| Finance income   |       | (192,668)                                  | (236,096)          |
| Finance costs  |       | 291,812                                    | 331,214            |
| Provision for end of service benefit and other provisions              |       | 442,479                                    | 246,371            |
| Net share in results of investments in associates and joint ventures   |       | (61,164)                                   | 11,939             |
| Share- based payment expenses  | 21    | 7,483                                      | -                  |
| Net other losses (gains)   |       | 30,714                                     | (561,535)          |
| <b>Movements in :</b>  |       |  |                    |
| Trade receivables and others   |       | (7,526,708)                                | (4,828,234)        |
| Inventories  |       | (46,035)                                   | 378,227            |
| Contract costs   |       | (149,100)                                  | (94,278)           |
| Contract assets  |       | (151,980)                                  | 613,879            |
| Other assets   |       | 32,593                                     | (325,293)          |
| Trade payables and others  |       | (3,126,413)                                | (855,708)          |
| Contract liabilities   |       | 431,830                                    | 546,672            |
| Provisions and other liabilities                                       |       | 772,126                                    | (503,261)          |
| <b>Cash generated from operations</b>                                  |       | <b>2,652,172</b>                           | <b>6,315,510</b>   |
| Less: Zakat and income tax paid  | 16    | (1,101,333)                                | (84,689)           |
| Less: Provision for end of service benefit paid                        |       | (208,342)                                  | (394,298)          |
| <b>Net cash generated from operating activities</b>                    |       | <b>1,342,497</b>                           | <b>5,836,523</b>   |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                            |       |  |                    |
| Additions to property and equipment                                    | 5     | (2,234,253)                                | (3,243,760)        |
| Additions to intangible assets   | 7     | (594,493)                                  | (588,024)          |
| Proceeds from sale of property and equipment                           |       | 5,376                                      | 13,328             |
| Proceeds from sale of an associate                                     |       | -  | 755,651            |
| Proceeds from finance income   |       | 165,019                                    | 314,286            |
| Proceeds related to financial assets, net                              |       | 7,737,671                                  | 1,133,889          |
| <b>Net cash generated from (used in) investing activities</b>          |       | <b>5,079,320</b>                           | <b>(1,614,630)</b> |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                            |       |  |                    |
| Dividends paid to the equity holders of the Parent Company             |       | (5,972,504)                                | (3,980,099)        |
| Dividends paid to non-controlling interests                            |       | (178,998)                                  | (85,095)           |
| Repayment of lease liabilities   |       | (460,637)                                  | (385,226)          |
| Repayment of borrowings  |       | (195,272)                                  | (201,826)          |
| Proceed from borrowings  |       | -  | 20,000             |
| Finance costs paid   |       | (134,924)                                  | (172,468)          |
| <b>Net cash used in financing activities</b>                           |       | <b>(6,942,335)</b>                         | <b>(4,804,714)</b> |
| <b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>                       |       | <b>(520,518)</b>                           | <b>(582,821)</b>   |
| <b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD</b>            |       | <b>9,004,286</b>                           | <b>8,031,010</b>   |
| Net foreign exchange difference  |       | 9,322                                      | (10,307)           |
| <b>CASH AND CASH EQUIVALENTS AT END OF THE PERIOD</b>                  | 20-2  | <b>8,493,090</b>                           | <b>7,437,882</b>   |

  
Chief Financial Officer

  
Delegated Chief Executive Officer

  
Authorized Board Member

The accompanying notes from 1 to 24 form an integral part of these interim condensed consolidated financial statements.

**Saudi Telecom Company  
(A Saudi Joint Stock Company)**

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)  
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2021**

(All amounts in Saudi Riyals thousands unless otherwise stated)

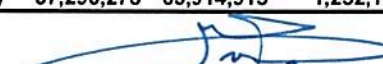
| <b>Total equity attributable to the equity holders of the Parent Company</b> |              |                       |                           |                        |                       |                          |                   |                                  |                     |
|--|--------------|-----------------------|---------------------------|------------------------|-----------------------|--------------------------|-------------------|----------------------------------|---------------------|
|  | <b>Notes</b> | <b>Issued capital</b> | <b>Statutory reserves</b> | <b>Treasury shares</b> | <b>Other reserves</b> | <b>Retained earnings</b> | <b>Total</b>      | <b>Non-controlling interests</b> | <b>Total equity</b> |
| <b>Balance as at 1 January 2020</b>  |              | 20,000,000            | 10,000,000                | -                      | (2,745,608)           | 34,508,202               | 61,762,594        | 1,292,452                        | 63,055,046          |
| Net profit   |              | -                     | -                         | -                      | -                     | 5,636,960                | 5,636,960         | 93,269                           | 5,730,229           |
| Other comprehensive loss   |              | -                     | -                         | -                      | (484,624)             | -                        | (484,624)         | (25,748)                         | (510,372)           |
| Total comprehensive income   |              | -                     | -                         | -                      | (484,624)             | 5,636,960                | 5,152,336         | 67,521                           | 5,219,857           |
| Dividends to the equity holders of the Parent Company                        |              | -                     | -                         | -                      | -                     | (4,000,000)              | (4,000,000)       | -                                | (4,000,000)         |
| Dividends to non-controlling interests                                       |              | -                     | -                         | -                      | -                     | -                        | -                 | (144,327)                        | (144,327)           |
| Share of changes in other reserves   |              | -                     | -                         | -                      | 8,118                 | -                        | 8,118             | -                                | 8,118               |
| <b>Balance as at 30 June 2020</b>  |              | <b>20,000,000</b>     | <b>10,000,000</b>         | <b>-</b>               | <b>(3,222,114)</b>    | <b>36,145,162</b>        | <b>62,923,048</b> | <b>1,215,646</b>                 | <b>64,138,694</b>   |
| <b>Balance as at 1 January 2021</b>  |              | <b>20,000,000</b>     | <b>10,000,000</b>         | <b>(300,000)</b>       | <b>(3,262,245)</b>    | <b>37,508,027</b>        | <b>63,945,782</b> | <b>1,321,233</b>                 | <b>65,267,015</b>   |
| Net profit   |              | -                     | -                         | -                      | -                     | 5,773,303                | 5,773,303         | 98,929                           | 5,872,232           |
| Other comprehensive income   |              | -                     | -                         | -                      | 192,370               | -                        | 192,370           | 13,456                           | 205,826             |
| Total comprehensive income   |              | -                     | -                         | -                      | 192,370               | 5,773,303                | 5,965,673         | 112,385                          | 6,078,058           |
| Dividends to the equity holders of the Parent Company                        | 22           | -                     | -                         | -                      | -                     | (5,991,052)              | (5,991,052)       | -                                | (5,991,052)         |
| Dividends to non-controlling interests                                       |              | -                     | -                         | -                      | -                     | -                        | -                 | (181,425)                        | (181,425)           |
| Share-based payment transactions   | 21           | -                     | -                         | -                      | 12,231                | -                        | 12,231            | -                                | 12,231              |
| Share of changes in other reserves   |              | -                     | -                         | -                      | (17,719)              | -                        | (17,719)          | -                                | (17,719)            |
| <b>Balance as at 30 June 2021</b>  |              | <b>20,000,000</b>     | <b>10,000,000</b>         | <b>(300,000)</b>       | <b>(3,075,363)</b>    | <b>37,290,278</b>        | <b>63,914,915</b> | <b>1,252,193</b>                 | <b>65,167,108</b>   |



**Chief Financial Officer**



**Delegated Chief Executive Officer**



**Authorized Board Member**

The accompanying notes from 1 to 24 form an integral part of these interim condensed consolidated financial statements.



**Saudi Telecom Company  
(A Saudi Joint Stock Company)**

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)  
FOR THE THREE AND SIX MONTHS PERIODS ENDED 30 JUNE 2021**

(All amounts in Saudi Riyals thousands unless otherwise stated)

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

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

**B) GROUP ACTIVITIES**

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

- 1) Establish, manage, operate and maintain fixed and mobile telecommunication networks, systems and infrastructure.
- 2) Deliver, provide, maintain and manage diverse telecommunication and information technology (IT) services to customers.
- 3) Prepare the required plans and necessary studies to develop, implement and provide the telecom and IT services covering all technical, financial and administrative aspects. In addition, prepare and implement training plans in the field of telecommunications and IT, and provide consultancy services.
- 4) Expand and develop telecommunication networks, systems, and infrastructure by utilizing the most current devices and equipment in telecom technology, especially in the fields of providing and managing services, applications and software.
- 5) Provide integrated communication and information technology solutions which include among other things (telecom, IT services, managed services, and cloud services, etc.).
- 6) Provide information-based systems and technologies to customers including providing telecommunication means for the transfer of internet services.
- 7) Wholesale and retail trade, import, export, purchase, own, lease, manufacture, promote, sell, develop, design, setup and maintain of devices, equipment, 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, assets management and other related services.
- 12) Provide solutions for decision support, business intelligence and data investment.
- 13) Provide supply chain and other related services.
- 14) Provide digital payment services.
- 15) Providing 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 merged with other companies, and it has the right to partner with others to establish joint stock, limited liability or any other entities whether inside or outside the Kingdom.

**Saudi Telecom Company  
(A Saudi Joint Stock Company)**

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)  
FOR THE THREE AND SIX MONTHS PERIODS ENDED 30 JUNE 2021 (CONTINUED)**

(All amounts in Saudi Riyals thousands unless otherwise stated)

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**2- BASIS OF PREPARATION**

These interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" that is endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are issued by the Saudi Organization for Chartered and Professional Accountants ("SOCPA").

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual consolidated financial statements in accordance with International Financial Reporting Standards and should be read in conjunction with the Group's annual consolidated financial statements as at 31 December 2020.

**3- THE GROUP'S ACCOUNTING POLICIES**

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2020.

There are no new standards or interpretations with application date effective on 1 January 2021. There are amendments to the standards that come into effect at 1 January 2021, but they do not have any material impact on the Group interim condensed consolidated financial statements.

**4- SEGMENT INFORMATION**

The Group is engaged mainly in providing telecommunication services and related products. Majority of the Group's revenues, income and assets relate to its operations within the Kingdom (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 75% of total revenue and therefore all other operating segments are combined and disclosed as "Other segments".

**Saudi Telecom Company**  
**(A Saudi Joint Stock Company)**

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**  
**FOR THE THREE AND SIX MONTHS PERIODS ENDED 30 JUNE 2021 (CONTINUED)**

(All amounts in Saudi Riyals thousands unless otherwise stated)

**4- SEGMENT INFORMATION (CONTINUED)**

The following is an analysis of the Group's revenues and results based on segments:

|   | For the three months period<br>ended 30 June |                   | For the six months period<br>ended 30 June |                   |
|---|--|-------------------|--|-------------------|
|   | 2021   | 2020              | 2021                                       | 2020              |
| <b>Revenues <sup>(1)</sup></b>  |  |                   |  |                   |
| Saudi Telecom Company   | 11,223,506                                   | 10,283,060        | 22,481,879                                 | 20,616,102        |
| Channels by stc   | 5,327,799                                    | 4,966,193         | 10,257,636                                 | 9,261,403         |
| Other operating segments <sup>(2)</sup>                                 | 4,289,774                                    | 3,779,314         | 8,410,864                                  | 7,389,502         |
| Eliminations / adjustments  | (4,942,309)                                  | (4,108,334)       | (9,556,112)                                | (8,411,922)       |
| <b>Total revenues</b>   | <b>15,898,770</b>                            | <b>14,920,233</b> | <b>31,594,267</b>                          | <b>28,855,085</b> |
| Cost of operations (excluding<br>depreciation and amortisation)         | (10,272,258)                                 | (9,578,695)       | (20,126,560)                               | (18,183,655)      |
| Depreciation and amortisation   | (2,376,226)                                  | (2,279,364)       | (4,735,814)                                | (4,605,229)       |
| Cost of early retirement  | (81,323)                                     | (100,983)         | (161,642)                                  | (300,000)         |
| Finance income  | 90,804                                       | 104,637           | 192,668                                    | 236,096           |
| Finance cost  | (148,072)                                    | (158,449)         | (291,812)                                  | (331,214)         |
| Net other expenses  | (50,288)                                     | (30,432)          | (54,404)                                   | (24,716)          |
| Net share in results of investments<br>in associates and joint ventures | 39,244                                       | 6,780             | 61,164                                     | (11,939)          |
| Net other (losses) gains  | (8,788)                                      | 130,724           | (30,714)                                   | 561,535           |
| Zakat and income tax  | (219,591)                                    | (235,351)         | (574,921)                                  | (465,734)         |
| <b>Net profit</b>   | <b>2,872,272</b>                             | <b>2,779,100</b>  | <b>5,872,232</b>                           | <b>5,730,229</b>  |
| <b>Net profit attributable to:</b>                                      |  |                   |  |                   |
| Equity holders of the Parent<br>Company                                 | 2,821,209                                    | 2,724,215         | 5,773,303                                  | 5,636,960         |
| Non-controlling interests   | 51,063                                       | 54,885            | 98,929                                     | 93,269            |
|   | <b>2,872,272</b>                             | <b>2,779,100</b>  | <b>5,872,232</b>                           | <b>5,730,229</b>  |

Following is the gross profit analysis on a segment basis:

|   | For the three months period<br>ended 30 June |                  | For the six months period<br>ended 30 June |                   |
|---|--|------------------|--|-------------------|
|   | 2021   | 2020             | 2021                                       | 2020              |
| Saudi Telecom Company                   | 6,635,563                                    | 6,443,517        | 13,506,882                                 | 12,952,103        |
| Channels by stc                         | 373,703                                      | 326,066          | 776,128                                    | 656,796           |
| Other operating segments <sup>(2)</sup> | 1,740,424                                    | 1,635,310        | 3,392,450                                  | 3,110,643         |
| Eliminations / adjustments              | (397,492)                                    | (63,901)         | (766,161)                                  | (182,669)         |
| <b>Gross profit</b>                     | <b>8,352,198</b>                             | <b>8,340,992</b> | <b>16,909,299</b>                          | <b>16,536,873</b> |

**Information about geographical segmentation:**

Following is the geographical segmentation of revenues:

|                         | For the three months period<br>ended 30 June |                   | For the six months period<br>ended 30 June |                   |
|-------------------------|--|-------------------|--|-------------------|
|                         | 2021   | 2020              | 2021                                       | 2020              |
| Kingdom of Saudi Arabia | 14,693,348                                   | 13,774,738        | 29,215,186                                 | 26,658,763        |
| Others <sup>(*)</sup>   | 1,205,422                                    | 1,145,495         | 2,379,081                                  | 2,196,322         |
|                         | <b>15,898,770</b>                            | <b>14,920,233</b> | <b>31,594,267</b>                          | <b>28,855,085</b> |

(\*) Includes State of Kuwait and Kingdom of Bahrain

**Saudi Telecom Company**  
**(A Saudi Joint Stock Company)**

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**  
**FOR THE THREE AND SIX MONTHS PERIODS ENDED 30 JUNE 2021 (CONTINUED)**

(All amounts in Saudi Riyals thousands unless otherwise stated)

**4- SEGMENT INFORMATION (CONTINUED)**

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

|   | <u>30 June 2021</u>       | <u>31 December 2020</u> |
|---|---------------------------|-------------------------|
| <b>Assets</b>                           |                           |                         |
| Saudi Telecom Company                   | <b>126,405,763</b>        | 129,915,566             |
| Channels by stc                         | <b>6,966,436</b>          | 5,527,646               |
| Other operating segments <sup>(2)</sup> | <b>39,571,743</b>         | 37,788,535              |
| Eliminations / adjustments              | <b>(53,671,680)</b>       | (51,259,647)            |
| <b>Total assets</b>                     | <b><u>119,272,262</u></b> | <u>121,972,100</u>      |
| <b>Liabilities</b>                      |                           |                         |
| Saudi Telecom Company                   | <b>48,612,163</b>         | 52,654,060              |
| Channels by stc                         | <b>5,495,147</b>          | 3,943,509               |
| Other operating segments <sup>(2)</sup> | <b>26,397,174</b>         | 24,302,252              |
| Eliminations / adjustments              | <b>(26,399,330)</b>       | (24,194,736)            |
| <b>Total liabilities</b>                | <b><u>54,105,154</u></b>  | <u>56,705,085</u>       |

- (1) Segment revenue reported above represents revenue generated from external and internal customers. There were SR 4,942 million and SR 9,556 million of inter-segment sales and adjustments (between the Group's Companies) for the three months and six months periods ended 30 June 2021, respectively (for the three months and six months periods ended 30 June 2020: SR 4,108 million and SR 8,412 million, respectively) which were eliminated at consolidation.
- (2) Other operating segments include: stc Kuwait, stc Bahrain, Solutions by stc, Specialized by stc, stc Gulf, Sapphire, Aqalat, Telecommunications Towers Company, Saudi Digital Payments Company (stc pay) , Advanced Technology and Cybersecurity Company , Gulf Digital Media Model Company and STC GCC Cable Systems Company (See note 20).

**5- PROPERTY AND EQUIPMENT**

During the six months period ended 30 June 2021, the Group acquired property and equipment with total cost of SR 2,364 million, including non-cash additions with an amount of SR 130 million (30 June 2020: SR 3,540 million, including non-cash additions with an amount of SR 296 million)

During the six months period ended 30 June 2021, the Group disposed of property and equipment with a net book value of SR 31 million (30 June 2020: SR 28 million) resulting in a loss on sale of property and equipment for the three months and six months periods ended 30 June 2021 with an amount of SR 14 million and SR 26 million, respectively (for the three months and six months periods ended 30 June 2020 with an amount of SR 9 million and SR 15 million, respectively).

The following table shows the breakdown of depreciation expense if allocated to operating costs items:

|                                     | <b>For the three months period</b> |                  | <b>For the six months period</b> |                  |
|-------------------------------------|------------------------------------|------------------|----------------------------------|------------------|
|                                     | <b>ended 30 June</b>               |                  | <b>ended 30 June</b>             |                  |
|                                     | <u>2021</u>                        | <u>2020</u>      | <u>2021</u>                      | <u>2020</u>      |
| Cost of revenues                    | <b>1,353,097</b>                   | 1,249,937        | <b>2,706,814</b>                 | 2,537,041        |
| Selling and marketing expenses      | <b>1,489</b>                       | 1,559            | <b>3,230</b>                     | 3,296            |
| General and administration expenses | <b>292,937</b>                     | 279,290          | <b>587,838</b>                   | 574,151          |
|                                     | <b><u>1,647,523</u></b>            | <u>1,530,786</u> | <b><u>3,297,882</u></b>          | <u>3,114,488</u> |



**Saudi Telecom Company  
(A Saudi Joint Stock Company)**

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)  
FOR THE THREE AND SIX MONTHS PERIODS ENDED 30 JUNE 2021 (CONTINUED)**

(All amounts in Saudi Riyals thousands unless otherwise stated)

**6- INVESTMENT PROPERTIES**

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

During the six months period ending 30 June 2021, the Group added projects in progress amounting to SR 24 million (30 June 2020: nil).

The fair value of the land amounted to SR 148 million as at 31 December 2020, which was valued by Century 21 Saudi Company License No. (752/18/323) appointed as an independent, professionally qualified valuer accredited by the Saudi Authority for Accredited Valuers (Taqeem). There are no significant changes in fair value of the land as at 30 June 2021. The fair value measurement is classified within level 3 based on valuation techniques applied (i.e. residual and market comparable approaches).

**7- INTANGIBLE ASSETS AND GOODWILL**

During the six months period ended 30 June 2021, the net additions in intangible assets amounted to SR 693 million, including non-cash additions with an amount of SR 99 million (30 June 2020: SR 785 million, including non-cash additions with an amount of SR 197 million).

The following table shows the breakdown of amortisation expense if allocated to operating costs items:

|                                     | For the three months period<br>ended 30 June |                | For the six months period<br>ended 30 June |                  |
|-------------------------------------|--|----------------|--|------------------|
|                                     | 2021   | 2020           | 2021                                       | 2020             |
| Cost of revenues                    | 141,913                                      | 165,790        | 278,111                                    | 337,651          |
| Selling and marketing expenses      | 783  | 429            | 1,565                                      | 1,086            |
| General and administration expenses | 369,661                                      | 346,726        | 736,901                                    | 695,898          |
|                                     | <b>512,357</b>                               | <b>512,945</b> | <b>1,016,577</b>                           | <b>1,034,635</b> |

**8- RIGHT OF USE ASSETS**

During the six months period ended 30 June 2021, the net additions in right of use assets amounted to SR 354 million (30 June 2020: SR 622 million).

The following table shows the breakdown of depreciation expense if allocated to operating costs items:

|                                     | For the three months period<br>ended 30 June |                | For the six months period<br>ended 30 June |                |
|-------------------------------------|--|----------------|--|----------------|
|                                     | 2021   | 2020           | 2021                                       | 2020           |
| Cost of revenues                    | 166,279                                      | 186,267        | 324,833                                    | 358,692        |
| Selling and marketing expenses      | 3,772  | 3,185          | 6,593                                      | 3,800          |
| General and administration expenses | 46,295                                       | 46,181         | 89,929                                     | 93,614         |
|                                     | <b>216,346</b>                               | <b>235,633</b> | <b>421,355</b>                             | <b>456,106</b> |

**Saudi Telecom Company  
(A Saudi Joint Stock Company)**

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)  
FOR THE THREE AND SIX MONTHS PERIODS ENDED 30 JUNE 2021 (CONTINUED)**

(All amounts in Saudi Riyals thousands unless otherwise stated)

**9- FINANCIAL ASSETS AND OTHERS**

**9-1 Financial assets**

|  | <u>30 June 2021</u> | <u>31 December 2020</u> |
|--|---------------------|-------------------------|
| Financial assets measured at FVTPL         | <b>972,994</b>      | 1,119,413               |
| <i>Financial assets at amortised cost:</i> |                     |                         |
| Sukuk                                      | <b>5,323,225</b>    | 5,371,446               |
| Loans to employees                         | <b>385,614</b>      | 411,665                 |
| Others                                     | <b>131,970</b>      | 167,498                 |
|  | <b>5,840,809</b>    | 5,950,609               |
|  | <b>6,813,803</b>    | 7,070,022               |
| Current                                    | <b>154,007</b>      | 180,397                 |
| Non-current                                | <b>6,659,796</b>    | 6,889,625               |
|  | <b>6,813,803</b>    | 7,070,022               |

**9-2 Other assets**

|                   | <u>30 June 2021</u> | <u>31 December 2020</u> |
|-------------------|---------------------|-------------------------|
| Advances          | <b>2,031,974</b>    | 2,366,620               |
| Prepaid expenses  | <b>618,412</b>      | 498,020                 |
| Deferred expenses | <b>125,422</b>      | 128,578                 |
| Others            | <b>471,828</b>      | 274,325                 |
|                   | <b>3,247,636</b>    | 3,267,543               |
| Current           | <b>2,780,533</b>    | 3,087,883               |
| Non-current       | <b>467,103</b>      | 179,660                 |
|                   | <b>3,247,636</b>    | 3,267,543               |

**10- FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS**

The Group has assessed that fair values of the financial instruments comprising of trade and other receivables, short-term murabahas, cash and cash equivalents, and trade and other payables approximate their carrying values significantly due to the short maturities of these financial instruments.

The fair value of financial assets and liabilities is recognised as the amount for which the instrument can be exchanged in an existing transaction between willing parties, other than a forced sale or liquidation.

The Group uses valuation techniques appropriate to current circumstances that provide sufficient data to measure fair value. In addition, for the financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

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

**Saudi Telecom Company  
(A Saudi Joint Stock Company)**

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)  
FOR THE THREE AND SIX MONTHS PERIODS ENDED 30 JUNE 2021 (CONTINUED)**

(All amounts in Saudi Riyals thousands unless otherwise stated)

**10- FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (CONTINUED)**

The following table shows the fair values of the Group's financial assets and liabilities that were measured at fair value:

| Financial instruments categories      | Fair value measurement hierarchy | Fair value as at |                  |
|---------------------------------------|----------------------------------|------------------|------------------|
|                                       |                                  | 30 June 2021     | 31 December 2020 |
| <b>Financial assets</b>               |                                  |                  |                  |
| At fair value through profit or loss: |                                  |                  |                  |
| stc Ventures Fund and STV LP Fund     | Level 3                          | <b>972,994</b>   | 1,119,413        |
| <b>Financial liabilities</b>          |                                  |                  |                  |
| At fair value through profit or loss: |                                  |                  |                  |
| Derivative liabilities                | Level 2                          | <b>2,154</b>     | 9,882            |

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

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

|   | 30 June 2021     | 31 December 2020 |
|---|------------------|------------------|
| Net assets value as at beginning of the period  | <b>1,119,413</b> | 1,550,869        |
| Contributions paid to the funds during the period   | -                | 375,700          |
| Distributions received from the funds during the period   | <b>(136,214)</b> | (723,767)        |
| Net unrealised loss recognised in the interim condensed consolidated statement of profit or loss <sup>(*)</sup> | <b>(10,205)</b>  | (83,389)         |
| Net assets value as at ending of the period   | <b>972,994</b>   | 1,119,413        |

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

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

There are no transfers between levels of the fair value hierarchy during the six months period ended 30 June 2021.

**Saudi Telecom Company  
(A Saudi Joint Stock Company)**

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)  
FOR THE THREE AND SIX MONTHS PERIODS ENDED 30 JUNE 2021 (CONTINUED)**

(All amounts in Saudi Riyals thousands unless otherwise stated)

**11- TRADE AND OTHER RECEIVABLES**

|                                     | <u>30 June 2021</u> | <u>31 December 2020</u> |
|-------------------------------------|---------------------|-------------------------|
| Trade receivables                   | <b>24,879,149</b>   | 17,660,288              |
| Less: allowance for impairment loss | <b>(2,819,913)</b>  | (2,859,566)             |
|                                     | <b>22,059,236</b>   | 14,800,722              |
| Non trade receivables               | <b>1,162,840</b>    | 1,283,694               |
|                                     | <b>23,222,076</b>   | 16,084,416              |

**12- RELATED PARTY TRANSACTIONS**

**12-1 Trading transactions and balances with related parties (Associates and Joint Ventures)**

The Group trading transactions with related parties were as the following:

|  | <u>For the three months period<br/>ended 30 June</u> |             | <u>For the six months period<br/>ended 30 June</u> |             |
|--|--|-------------|--|-------------|
|  | <u>2021</u>  | <u>2020</u> | <u>2021</u>  | <u>2020</u> |
| <i>Telecommunication services provided</i> | <b>83,769</b>  | 76,506      | <b>181,394</b>                                     | 131,246     |
| <i>Telecommunication services received</i> | <b>25,019</b>  | 30,132      | <b>52,228</b>                                      | 43,989      |

The following balances are outstanding with related parties:

|                | <u>Amounts due from related parties</u> |                         | <u>Amounts due to related parties</u> |                         |
|----------------|---|-------------------------|---------------------------------------|-------------------------|
|                | <u>30 June 2021</u>                     | <u>31 December 2020</u> | <u>30 June 2021</u>                   | <u>31 December 2020</u> |
| Associates     | <b>393,156</b>                          | 354,554                 | <b>43,250</b>                         | 63,820                  |
| Joint ventures | <b>23,410</b>                           | 47,249                  | <b>131,325</b>                        | 157,830                 |
|                | <b>416,566</b>                          | 401,803                 | <b>174,575</b>                        | 221,650                 |

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

**12-2 Trade transactions and related parties' balances (government and government related entities)**

Revenues from transactions with government and government related entities for the three months and six months periods ended 30 June 2021 amounted to SR 2,815 million and SR 5,625 million, respectively (for the three months and six months periods ended 30 June 2020 amounted to SR 2,120 million and SR 4,145 million, respectively). Expenses related to transactions with government and government related entities for the three months and six months periods ended 30 June 2021 (including government charges) amounted to SR 1,457 million and SR 2,778 million, respectively (for the three months and six months periods ended 30 June 2020 amounted to SR 1,388 million and SR 2,459 million, respectively).

As at 30 June 2021, debit balances with government entities amounted to SR 20,349 million (31 December 2020: SR 13,889 million). And as at 30 June 2021, credit balances with government entities amounted to SR 2,166 million (31 December 2020: SR 1,058 million).

As at 30 June 2021, debit balances with government related entities amounted to SR 1,726 million (31 December 2020: SR 912 million). And as at 30 June 2021, credit balances with government related entities amounted to SR 624 million (31 December 2020 : SR 345 million)



**Saudi Telecom Company  
(A Saudi Joint Stock Company)**

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)  
FOR THE THREE AND SIX MONTHS PERIODS ENDED 30 JUNE 2021 (CONTINUED)**

(All amounts in Saudi Riyals thousands unless otherwise stated)

**12- RELATED PARTY TRANSACTIONS (CONTINUED)**

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

Receivable aging from government entities is as follows:

|                                 | <u>30 June 2021</u> | <u>31 December 2020</u> |
|---------------------------------|---------------------|-------------------------|
| Less than a year                | 12,680,173          | 10,275,707              |
| More than one year to two years | 6,827,000           | 3,153,841               |
| More than two years             | 842,131             | 459,707                 |
|                                 | <u>20,349,304</u>   | <u>13,889,255</u>       |

**13- END OF SERVICE BENEFIT PROVISION**

Calculation of end of service benefit provision was done using the most recent actuarial valuation as at 30 June 2021. During the period, the actuarial assumptions relating to the discount rate and salary increase rate have been updated, resulting in recording of net actuarial gain included in the interim condensed consolidated statement of comprehensive income for the three and six months periods ended 30 June 2021 amounting to SR 21 million and SR 169 million, respectively (net actuarial loss included in the interim condensed consolidated statement of comprehensive income for the three and six months periods ended 30 June 2020 amounting to SR 699 million and SR 404 million, respectively).

**14- LEASE LIABILITIES**

|             | <u>30 June 2021</u> | <u>31 December 2020</u> |
|-------------|---------------------|-------------------------|
| Current     | 724,379             | 742,185                 |
| Non-current | 2,175,885           | 2,237,853               |
|             | <u>2,900,264</u>    | <u>2,980,038</u>        |

The interest expense on lease liabilities for the three months and six months periods ended 30 June 2021 amounted to SR 23 million and SR 45 million, respectively, were included in finance costs (for the three months and six months periods ended 30 June 2020 amounted to SR 26 million and SR 53 million, respectively)

**15- FINANCIAL LIABILITIES AND OTHERS**

**15-1 Financial liabilities**

|  | <u>30 June 2021</u> | <u>31 December 2020</u> |
|--|---------------------|-------------------------|
| Dividends payable  | 2,204,122           | 2,151,116               |
| Financial liabilities related to frequency spectrum licenses | 2,026,503           | 2,276,505               |
| Others (See note 20-2)                                       | 798,892             | 61,957                  |
|  | <u>5,029,517</u>    | <u>4,489,578</u>        |
| Current  | 3,009,488           | 2,208,687               |
| Non-current  | 2,020,029           | 2,280,891               |
|  | <u>5,029,517</u>    | <u>4,489,578</u>        |

**Saudi Telecom Company  
(A Saudi Joint Stock Company)**

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)  
FOR THE THREE AND SIX MONTHS PERIODS ENDED 30 JUNE 2021 (CONTINUED)**

(All amounts in Saudi Riyals thousands unless otherwise stated)

**15- FINANCIAL LIABILITIES AND OTHERS (CONTINUED)**

**15-2 Other liabilities**

|                           | <u>30 June 2021</u>     | <u>31 December 2020</u> |
|---------------------------|-------------------------|-------------------------|
| Deferred income           | <b>3,777,767</b>        | 3,814,889               |
| Government charges        | <b>2,197,675</b>        | 1,085,873               |
| Statutory dues and others | <b>158,516</b>          | 381,022                 |
|                           | <b><u>6,133,958</u></b> | <u>5,281,784</u>        |
| Current                   | <b>2,349,054</b>        | 1,361,084               |
| Non-current               | <b>3,784,904</b>        | 3,920,700               |
|                           | <b><u>6,133,958</u></b> | <u>5,281,784</u>        |

**16- ZAKAT AND INCOME TAX**

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 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 for all years up to 2007 and the years ended as at 31 December 2010, 2011, 2014 and 2018.

The decision of the First Appeals Committee for Income Tax Violations and Disputes was issued 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. The financial impact of this decision will be determined after receiving the final assessment by the Zakat, Tax and Customs Authority ("ZATCA") for the mentioned years.

The Group also received zakat assessments that include differences related to the zakat declarations submitted for the years from 2015 to 2017, amounting to SR 865 million, and the Group objected to them within the statutory period. A partial settlement agreement was reached with ZATCA, which resulted in the payment of an amount of SR 433 million, while the Group submitted objections for the years from 2015 to 2017 in the amount of SR 134 million, and these objections are still being considered by the General Secretariat of the Tax Committees until the date of preparing these interim condensed consolidated financial statements. The Group believes that its zakat position will be in its favour and that it will not result in any material additional provisions.

**Saudi Telecom Company  
(A Saudi Joint Stock Company)**

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)  
FOR THE THREE AND SIX MONTHS PERIODS ENDED 30 JUNE 2021 (CONTINUED)**

(All amounts in Saudi Riyals thousands unless otherwise stated)

**17- EARNINGS PER SHARE**

The following is the calculation of basic and diluted earnings per share:

|   | For the three months period ended<br>30 June |           | For the six months period<br>ended 30 June |           |
|---|--|-----------|--|-----------|
|   | 2021   | 2020      | 2021                                       | 2020      |
| <i>Net profit attributable to equity holders of the Parent Company</i>                                | <b>2,821,209</b>                             | 2,724,215 | <b>5,773,303</b>                           | 5,636,960 |
| <b>Number of shares (in thousands):</b>   |  |           |  |           |
| Weighted average number of ordinary shares for the purposes of calculating basic earnings per share   | <b>1,999,207</b>                             | 2,000,000 | <b>1,999,207</b>                           | 2,000,000 |
| Weighted average number of repurchased ordinary shares  | <b>793</b>                                   | -         | <b>793</b>                                 | -         |
| Weighted average number of ordinary shares for the purposes of calculating diluted earnings per share | <b>2,000,000</b>                             | 2,000,000 | <b>2,000,000</b>                           | 2,000,000 |
| <b>Earnings per share attributable to equity holders of the Parent Company (in Saudi Riyals):</b>     |  |           |  |           |
| - Basic   | <b>1.41</b>                                  | 1.36      | <b>2.89</b>                                | 2.82      |
| - Diluted   | <b>1.41</b>                                  | 1.36      | <b>2.89</b>                                | 2.82      |

The following is the number of outstanding shares (in thousands) during the six months period ended 30 June 2021:

|   |                  |
|---|------------------|
| The number of outstanding shares at beginning of the period | <b>1,997,017</b> |
| The number of treasury shares purchased during the period   | -                |
| The number of outstanding shares at end of the period       | <b>1,997,017</b> |

The following is the number of treasury shares (in thousands) during the six months period ended 30 June 2021:

|   |              |
|---|--------------|
| The number of treasury shares at beginning of the period  | <b>2,983</b> |
| The number of treasury shares purchased during the period | -            |
| The number of treasury shares at end of the period        | <b>2,983</b> |

**18- CAPITAL COMMITMENTS**

One of the subsidiaries has an agreement to invest in a fund aimed to drive innovation in the communications and information technology sector in the Kingdom of Bahrain and other GCC Countries with an amount of SR 1,125 million (equivalent to USD 300 million) as at 30 June 2021 (31 December 2020: SR 1,125 million (equivalent to USD 300 million) (See note 20-1).

**Saudi Telecom Company  
(A Saudi Joint Stock Company)**

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)  
FOR THE THREE AND SIX MONTHS PERIODS ENDED 30 JUNE 2021 (CONTINUED)**

(All amounts in Saudi Riyals thousands unless otherwise stated)

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**19- CONTINGENT ASSETS AND LIABILITIES**

- (a) The Group has outstanding letters of guarantee on behalf the parent and the subsidiaries as at 30 June 2021 amounting to SR 4,990 million (31 December 2020: SR 4,222 million).
- (b) The Group has outstanding letters of credit as at 30 June 2021 amounting to SR 1,137 million (31 December 2020: SR 977 million).
- (c) On 21 March 2016, the Company received a letter from a key customer requesting a refund for paid balances amounted to SR 742 million related to construction of a fibre optic network. Based on the independent legal opinions obtained, the management believes that the customer's claim have no merit and therefore this claim has no material impact on the financial results of the Group.
- (d) The Group, in its ordinary course of business, is subject to proceedings, lawsuits and other claims. However, these matters are not expected to have any material impact on the Company's financial position or on the results of its operations as reflected in these interim condensed consolidated financial statements.
- (e) The Group has submitted an objection to the appeal committee with respect to the Zakat, Tax and Customs Authority ("ZATCA") withholding tax assessment on international operators' networks rentals for the years from 2004 to 2015 for an amount of SR 2.9 billion. The Group believes that Saudi tax regulations do not impose withholding tax on the rental of international operators' networks since the source of income did not occur inside the Kingdom, therefore this service should not be subject to withholding tax. Based on the opinions of tax specialists in this matter, the nature of the services and existing similar cases where the decision was in the favour of the companies in the telecom sector, the Group believes that this assessment will not result into any additional provisions.
- (f) The Group received claims from the Communications and Information Technology Commission related to imposing government fees for selling devices in installments for the period from 2018 until the end of the first quarter of 2021, totalling SR 782 million. The Group objected within the statutory deadline. Based on the opinions of the specialized consultants in this regard and the nature of these sales, the Group believes that the result will be in its favour and no material additional provisions are required.
- (g) In April 2017, Kuwait's Cassation Court invalidated a portion of the regulatory tariff decree levied on mobile telecommunication companies in Kuwait since 26 July 2011 by Kuwait's Ministry of Communications. Accordingly, stc Kuwait had filed a claim for the recovery of the excess amount paid from change in regulation date till date. On 30 June 2020, the Court of appeal of Kuwait has issued a verdict in favor of stc Kuwait obliging the appellant to pay amount of KD 18.3 million (equivalent to SR 225 million).

**20- SUBSIDIARIES**

- 1. During the second quarter of 2021, the Group established stc Gulf Cable Systems Company - a limited liability company in the Kingdom of Bahrain with a capital of SR 188.6 million (equivalent to BHD 18.9 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 (See note 18). stc Gulf Cable Systems Company main activities include the sale and installation of telecommunications equipment and the construction of utilities projects.
- 2. On 21 November 2020, the Group signed an agreement with Western Union (WU) to sell 15% of the Group's share in the Saudi Digital Payments Company (stc pay) - a wholly owned subsidiary company of the Group with a share capital of SR 948 million as at 30 June 2021 - for a total of SR 750 million (equivalent to USD 200 million).



**Saudi Telecom Company  
(A Saudi Joint Stock Company)**

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)  
FOR THE THREE AND SIX MONTHS PERIODS ENDED 30 JUNE 2021 (CONTINUED)**

(All amounts in Saudi Riyals thousands unless otherwise stated)

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**20- SUBSIDIARIES (CONTINUED)**

During the second quarter of 2021, the Council of Ministers approved granting stc pay a digital banking services license to become a digital bank with a share capital of SR 2.5 billion. Completion of all the regulatory requirements stipulated by the Saudi Central Bank (SAMA) and the relevant authorities to finalize the agreement with Western Union is in progress and expected to be completed during the year 2021. Accordingly, and for the purpose of raising the share capital of stc pay, WU and the Group deposited an amount of SR 750 million and SR 802 million, respectively, in a restricted bank account by the Saudi Central Bank (SAMA) until the completion of the regulatory requirements. Therefore, cash and cash equivalents include an amount of SR 1,552 million, which represents cash balances restricted by the Saudi Central Bank (SAMA), with corresponding amount received from WU, amounting to SR 750 million, is classified under other financial liabilities (see Note 15-1).

**21- EMPLOYEES LONG-TERM INCENTIVES PROGRAM**

On 20 April 2020, the Extraordinary General Assembly voted to approve the purchase of a number of the Company's shares, with a maximum of 5.5 million shares, with an amount not to exceed SR 300 million to be allocated for the employees long-term incentives program (the Program). The shares to be purchased will not have the right to vote in the Company's shareholders general assemblies, and will not be entitled to any dividends while the shares still under the Company's possession.

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

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

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

Total expenses related to the Program for the three and six months periods ended 30 June 2021 amounted to SR 4.4 million and SR 7.5 million respectively (for the three and six months periods ended 30 June 2020: Nil), which were included as part of employees benefits expense in the interim condensed consolidated profit or loss statement, with the corresponding amount recorded under other reserves within equity in accordance with the requirements of International Financial Reporting Standard (2): Share-based Payment.

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

**22- DIVIDENDS**

On 9 Rabi Thani 1440H (corresponding to 16 December 2018) the Board of Directors have approved the Company's dividends policy for the next three years starting from the fourth quarter of 2018, which was approved by the General Assembly on 19 Sha'ban 1440H (corresponding to 24 April 2019). The objective of the dividends policy is based on maintaining a minimum level of dividend of SR 1 per share on quarterly basis. The Company will consider and pay additional dividend subject to the Board of Directors recommendation after assessment and determination of the Company's financial situation, outlook and capital expenditure requirements.

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

**Saudi Telecom Company  
(A Saudi Joint Stock Company)**

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)  
FOR THE THREE AND SIX MONTHS PERIODS ENDED 30 JUNE 2021 (CONTINUED)**

(All amounts in Saudi Riyals thousands unless otherwise stated)

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**22- DIVIDENDS (CONTINUED)**

The dividends policy will remain subject to:

- a- Any material changes in the Company's strategy and business (including the commercial environment in which the Company operates).
- b- Laws, regulations and legislations governing the sector at which the Company operates.
- c- 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 quarter of 2021 at a rate of SR 1 per share. In addition, the Company will distribute cash dividends to the shareholders of the Company for the second 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 (See note 21).

**23- IMPACT OF CORONAVIRUS (COVID-19) OUTBREAK**

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

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

**24- APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS**

At its meeting held on 02 August 2021, the audit committee delegated by the Company's Board of Directors approved the interim condensed consolidated financial statements for the three and six months periods ended 30 June 2021.