



Saudi Telecom Company
(A Saudi Joint Stock Company)

**INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS**

**FOR THE THREE AND NINE MONTHS PERIODS ENDED
30 SEPTEMBER 2023**

(UNAUDITED)

**Third Quarter
2023**

Saudi Telecom Company
A Saudi Joint Stock Company

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE AND NINE MONTHS PERIODS ENDED 30 SEPTEMBER 2023

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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 September 2023, and the related interim condensed consolidated statements of profit or loss and comprehensive income for the three-month and nine-month periods ended 30 September 2023, and the related interim condensed consolidated statements of changes in equity and cash flows for the nine-month period then ended, and explanatory notes. Board of Directors 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") as 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" as 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 as endorsed in the Kingdom of Saudi Arabia.

For Ernst & Young
Professional Services

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



Riyadh: 21 Rabi Al-Thani 1445H
(5 November 2023)

Saudi Telecom Company
A Saudi Joint Stock Company

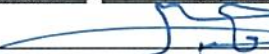
INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2023

(All amounts in thousands of Saudi Riyals unless otherwise stated)

		30 September 2023	31 December 2022
	Note	(Unaudited)	(Audited)
ASSETS			
NON-CURRENT ASSETS			
Property and equipment	5	46,516,651	46,645,266
Investment properties	6	722,876	210,821
Intangible assets and goodwill	7,22	17,075,792	11,775,022
Right of use assets	8	3,544,161	3,029,824
Investments in associates and joint ventures	23	4,484,386	4,635,656
Contract costs		412,007	436,087
Contract assets		705,450	540,241
Financial assets and others	9	16,323,402	8,956,898
TOTAL NON-CURRENT ASSETS		89,784,725	76,229,815
CURRENT ASSETS			
Inventories		1,315,660	1,022,601
Contract assets		7,601,429	6,779,622
Trade receivables	10,11	27,424,370	23,178,587
Financial assets and others	9	7,502,562	4,143,542
Short term murabahas		10,453,916	7,989,420
Cash and cash equivalents		11,950,891	17,794,393
		66,248,828	60,908,165
Asset held for sale	5	-	82,006
TOTAL CURRENT ASSETS		66,248,828	60,990,171
TOTAL ASSETS		156,033,553	137,219,986
EQUITY AND LIABILITIES			
EQUITY			
Share capital	17	50,000,000	50,000,000
Statutory reserve	18	-	11,217,054
Treasury shares		(612,528)	(703,838)
Other reserves		2,259,549	2,032,239
Retained earnings		27,191,839	10,954,070
Equity attributable to the equity holders of the Parent Company		78,838,860	73,499,525
Non-controlling interests		2,542,549	2,526,067
TOTAL EQUITY		81,381,409	76,025,592
LIABILITIES			
NON-CURRENT LIABILITIES			
Long term borrowings		13,613,301	10,213,750
End of service benefit provision	12	4,779,449	4,871,335
Lease liabilities	13	2,865,675	2,383,206
Contract liabilities		1,115,413	771,915
Provisions		576,041	489,448
Financial liabilities and others	14	5,912,402	6,064,576
TOTAL NON-CURRENT LIABILITIES		28,862,281	24,794,230
CURRENT LIABILITIES			
Trade and other payables		20,656,216	20,900,153
Contract liabilities		4,008,076	4,479,205
Provisions		2,086,384	2,124,132
Zakat and income tax	16	2,304,412	2,084,712
Short term borrowings		8,622,917	276,783
Lease liabilities	13	932,606	912,914
Financial liabilities and others	14	7,179,252	5,622,265
TOTAL CURRENT LIABILITIES		45,789,863	36,400,164
TOTAL LIABILITIES		74,652,144	61,194,394
TOTAL EQUITY AND LIABILITIES		156,033,553	137,219,986


Group Chief Financial Officer


Group Chief Executive Officer


Authorized Board Member

The accompanying notes from 1 to 27 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 NINE MONTHS PERIODS ENDED 30 SEPTEMBER 2023

(All amounts in thousands of Saudi Riyals unless otherwise stated)

	Note	For the three months period ended 30 September		For the nine months period ended 30 September	
		2023	2022	2023	2022
Revenues	4	18,106,004	16,307,740	54,612,303	50,057,064
Cost of revenues		(7,718,388)	(6,267,631)	(25,736,870)	(21,692,472)
GROSS PROFIT	4	10,387,616	10,040,109	28,875,433	28,364,592
OPERATING EXPENSES					
Selling and marketing		(1,653,570)	(1,493,569)	(4,518,670)	(4,334,598)
General and administration		(1,782,344)	(1,473,628)	(5,240,771)	(4,453,165)
Depreciation, amortization and impairment	5,7,8	(2,613,995)	(2,496,418)	(7,766,800)	(7,456,910)
TOTAL OPERATING EXPENSES		(6,049,909)	(5,463,615)	(17,526,241)	(16,244,673)
OPERATING PROFIT		4,337,707	4,576,494	11,349,192	12,119,919
OTHER INCOME AND EXPENSES					
Cost of early retirement program		(293,599)	(81,383)	(690,230)	(284,281)
Finance income		340,493	125,874	1,082,073	349,049
Finance cost		(304,493)	(184,720)	(790,509)	(510,712)
Net other (expenses) income		(59,052)	22,113	(62,276)	(67,860)
Net share in results and impairment of investments in associates and joint ventures	23	(7,548)	(775,879)	45,606	(1,288,107)
Net other gains	5	1,316,071	213,076	1,285,861	192,235
TOTAL OTHER INCOME (EXPENSES)		991,872	(680,919)	870,525	(1,609,676)
NET PROFIT BEFORE ZAKAT AND INCOME TAX		5,329,579	3,895,575	12,219,717	10,510,243
TAX					
Zakat and income tax	16	(353,949)	(285,084)	(1,062,008)	(862,707)
NET PROFIT		4,975,630	3,610,491	11,157,709	9,647,536
Net profit attributable to:					
Equity holders of the Parent Company		4,904,020	3,540,996	11,021,137	9,413,443
Non-controlling interests		71,610	69,495	136,572	234,093
		4,975,630	3,610,491	11,157,709	9,647,536
Earnings per share attributable to equity holders of the Parent Company (in Saudi Riyals):					
- Basic	17	0.98	0.71	2.21	1.89
- Diluted	17	0.98	0.70	2.20	1.88



Group Chief Financial Officer



Group Chief Executive Officer



Authorized Board Member

The accompanying notes from 1 to 27 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 NINE MONTHS PERIODS ENDED 30 SEPTEMBER 2023**

(All amounts in thousands of Saudi Riyals unless otherwise stated)

	<i>Note</i>	For the three months period ended 30 September		For the nine months period ended 30 September	
		2023	2022	2023	2022
NET PROFIT		4,975,630	3,610,491	11,157,709	9,647,536
OTHER COMPREHENSIVE INCOME:					
<i>Items that will not be reclassified subsequently to consolidated statement of profit or loss:</i>					
Remeasurement of end of service benefit provision	12	237,347	179,089	186,162	871,428
Changes in fair value for hedging instruments and equity investments through other comprehensive income		12,882	-	12,882	-
Net share of other comprehensive income (loss) of associates and joint ventures		-	6,701	(21,275)	4,567
<i>Total items that will not be reclassified subsequently to consolidated statement of profit or loss:</i>		250,229	185,790	177,769	875,995
<i>Items that may be reclassified subsequently to consolidated statement of profit or loss:</i>					
Foreign currency translation differences		(100,496)	(27,828)	(159,402)	(66,676)
Net share of other comprehensive loss of associates and joint ventures		(7,456)	(75,219)	(41,323)	(145,771)
<i>Total items that may be reclassified subsequently to consolidated statement of profit or loss</i>		(107,952)	(103,047)	(200,725)	(212,447)
TOTAL OTHER COMPREHENSIVE INCOME (LOSS)		142,277	82,743	(22,956)	663,548
TOTAL COMPREHENSIVE INCOME		5,117,907	3,693,234	11,134,753	10,311,084
<i>Total comprehensive income attributable to:</i>					
Equity holders of the Parent Company		5,051,982	3,635,201	11,027,495	10,108,905
Non-controlling interests		65,925	58,033	107,258	202,179
		5,117,907	3,693,234	11,134,753	10,311,084



Group Chief Financial Officer



Group Chief Executive Officer



Authorized Board Member

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Saudi Telecom Company
A Saudi Joint Stock Company

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2023

(All amounts in thousands of Saudi Riyals unless otherwise stated)

		<i>For the nine months period ended</i>	
		30 September	
	Note	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES			
Net profit before zakat and income tax		12,219,717	10,510,243
Adjustments for:			
Depreciation, amortization and impairment	5,7,8	7,766,800	7,456,910
Impairment loss and amortization of contract costs and contract assets		319,088	339,727
Impairment loss on trade receivables		380,867	545,343
(Reversal) allowance for slow moving inventories		(7,006)	16,980
Finance income		(1,082,073)	(349,049)
Finance costs		790,509	510,712
Provision for end of service benefit and other provisions		453,650	(647,503)
Net share in results and impairment of investments in associates and joint ventures	23	(45,606)	1,288,107
Share-based payment expenses		91,686	83,589
Net other gains	5	(1,285,861)	(192,235)
Changes in:			
Trade receivables		(4,300,885)	(8,267,015)
Contract costs, contract assets, inventory and others		(1,668,972)	(257,428)
Trade and other payables		(1,816,216)	540,951
Contract liabilities and others		(498,035)	(952,911)
Cash generated from operations		11,317,663	10,626,421
Less: Zakat and income tax paid	16	(829,752)	(767,878)
Less: Provision for end of service benefit paid		(500,891)	(321,699)
Net cash generated from operating activities		9,987,020	9,536,844
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property and equipment	5	(4,761,277)	(3,689,755)
Purchase of intangible assets	7	(1,285,826)	(1,256,977)
Additions to investment properties	6	(186,917)	(80,222)
Proceeds from sale of property and equipment and asset held for sale	5	1,406,212	877
Acquisition by a subsidiary of a new subsidiary	22	(5,135,485)	(231,027)
Dividends from associates		27,490	38,802
Proceeds from finance income		1,188,928	336,948
Proceeds and payments related to financial assets and others, net	9	(11,622,154)	5,260,243
Net cash (used in) generated from investing activities		(20,369,029)	378,889
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid to the equity holders of the Parent Company		(5,994,780)	(5,964,652)
Dividends paid to non-controlling interests		(273,704)	(273,133)
Purchase of treasury shares		-	(136,403)
Repayment of lease liabilities		(856,864)	(790,186)
Repayment of borrowings		(88,070)	(97,802)
Proceeds from borrowings		11,808,952	1,088,605
Transactions with non-controlling interests		204,000	648,300
Finance costs paid		(251,726)	(182,971)
Net cash generated from (used in) financing activities		4,547,808	(5,708,242)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		(5,834,201)	4,207,491
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD		17,794,393	8,281,301
Net foreign exchange differences		(9,301)	(15,170)
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD		11,950,891	12,473,622


Group Chief Financial Officer


Group Chief Executive Officer


Authorized Board Member

The accompanying notes from 1 to 27 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 NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2023

(All amounts in thousands of Saudi Riyals unless otherwise stated)

		Total equity attributable to the equity holders of the Parent Company						Non-	
		Share	Statutory	Treasury	Other	Retained	Total	controlling	Total equity
	Note	capital	reserve	shares	reserves	earnings		interests	
Balance as at 1 January 2022		20,000,000	10,000,000	(286,563)	1,572,457	37,984,611	69,270,505	2,115,474	71,385,979
Net profit		-	-	-	-	9,413,443	9,413,443	234,093	9,647,536
Other comprehensive income (loss)		-	-	-	695,462	-	695,462	(31,914)	663,548
Total comprehensive income		-	-	-	695,462	9,413,443	10,108,905	202,179	10,311,084
Dividends to the equity holders of the Parent Company	24	-	-	-	-	(5,991,152)	(5,991,152)	-	(5,991,152)
Dividends to non-controlling interests		-	-	-	-	-	-	(273,087)	(273,087)
Share-based payment transactions		-	-	(100,678)	41,809	-	(58,869)	5,184	(53,685)
Bonus shares issued	17	30,000,000	-	-	-	(30,000,000)	-	-	-
Transactions with non-controlling interests		-	-	-	-	-	-	648,300	648,300
Net share of other reserves of a joint venture		-	-	-	1,696	-	1,696	-	1,696
Balance as at 30 September 2022		50,000,000	10,000,000	(387,241)	2,311,424	11,406,902	73,331,085	2,698,050	76,029,135
Balance as at 1 January 2023		50,000,000	11,217,054	(703,838)	2,032,239	10,954,070	73,499,525	2,526,067	76,025,592
Net profit		-	-	-	-	11,021,137	11,021,137	136,572	11,157,709
Other comprehensive income (loss)		-	-	-	6,358	-	6,358	(29,314)	(22,956)
Total comprehensive income		-	-	-	6,358	11,021,137	11,027,495	107,258	11,134,753
Dividends to the equity holders of the Parent Company	24	-	-	-	-	(5,981,331)	(5,981,331)	-	(5,981,331)
Dividends to non-controlling interests		-	-	-	-	-	-	(295,082)	(295,082)
Transfer from statutory reserves	18	-	(11,217,054)	-	-	11,217,054	-	-	-
Share-based payment transactions		-	-	91,310	(3,143)	-	88,167	306	88,473
Transactions with non-controlling interests		-	-	-	225,501	-	225,501	204,000	429,501
Net share of other reserves of a joint venture		-	-	-	(1,406)	(19,091)	(20,497)	-	(20,497)
Balance as at 30 September 2023		50,000,000	-	(612,528)	2,259,549	27,191,839	78,838,860	2,542,549	81,381,409


Group Chief Financial Officer


Group Chief Executive Officer


Authorized Board Member

The accompanying notes from 1 to 27 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 NINE MONTHS PERIODS ENDED 30 SEPTEMBER 2023

(All amounts in thousands of Saudi Riyals unless otherwise stated)

1- GENERAL INFORMATION

A) ESTABLISHMENT OF THE COMPANY

Saudi Telecom Company ("stc" or 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"). The Government sold 30% of its shares pursuant to the Council of Ministers Resolution No. 171 dated 2 Rajab 1423H (corresponding to 9 September 2002). The Public Investment Fund ("PIF") is the ultimate controlling party of the Company through its ownership of 64% after the sale of 6% of the Company's shares through a secondary offering during the year 2021.

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

B) GROUP ACTIVITIES

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

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

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

Saudi Telecom Company
A Saudi Joint Stock Company

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE AND NINE MONTHS PERIODS ENDED 30 SEPTEMBER 2023 (CONTINUED)

(All amounts in thousands of Saudi Riyals unless otherwise stated)

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 endorsed by the Saudi Organization for Chartered and Professional Accountants ("SOCPA") ("IAS 34").

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 other standards and pronouncements that are endorsed by the Saudi Organization for Chartered and Professional Accountants. Therefore, these interim condensed consolidated financial statements should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2022.

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 2022.

There are amendments to the standards that could be applicable to the Group and come into effect at 1 January 2023, but they do not have any material impact on the Group interim condensed consolidated financial statements.

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

4- SEGMENT INFORMATION

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

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

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

Saudi Telecom Company
A Saudi Joint Stock Company

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE AND NINE MONTHS PERIODS ENDED 30 SEPTEMBER 2023 (CONTINUED)

(All amounts in thousands of Saudi Riyals 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 and nine months periods ended 30 September:

	For the three months period ended 30 September		For the nine months period ended 30 September	
	2023	2022	2023	2022
Revenues ⁽¹⁾				
stc	12,384,575	12,370,962	37,021,519	36,890,768
Saudi Telecom Channels Company ("Channels")	3,215,501	2,596,555	10,750,988	8,445,195
Arabian Internet and Communications Services Company ("Solutions")	2,794,638	2,039,154	8,172,199	6,367,210
Kuwait Telecommunications Company ("stc Kuwait")	1,030,420	947,922	3,160,740	2,832,215
Telecommunications Towers Company ("TAWAL")	844,118	717,351	2,380,817	2,090,043
stc Bahrain BSC (c) ("stc Bahrain")	481,924	448,354	1,433,084	1,294,697
stc Bank	299,864	262,445	768,367	747,463
Gulf Digital Media Model Company Ltd ("Intigral")	176,779	109,965	465,100	365,875
Advanced Technology and Cybersecurity Company ("sirar")	170,433	111,800	419,594	314,940
Public Telecommunications Company ("Specialized")	90,357	76,242	230,200	220,914
Other operating segments ⁽²⁾	443,151	17,973	816,444	27,979
Eliminations / adjustments	(3,825,756)	(3,390,983)	(11,006,749)	(9,540,235)
Total revenues	18,106,004	16,307,740	54,612,303	50,057,064
Cost of operations (excluding depreciation and amortization and impairment) ⁽³⁾	(11,154,302)	(9,234,828)	(35,496,311)	(30,480,235)
Depreciation and amortization and impairment	(2,613,995)	(2,496,418)	(7,766,800)	(7,456,910)
Cost of early retirement program	(293,599)	(81,383)	(690,230)	(284,281)
Finance income	340,493	125,874	1,082,073	349,049
Finance cost	(304,493)	(184,720)	(790,509)	(510,712)
Net other expenses	(59,052)	22,113	(62,276)	(67,860)
Net share in results and impairment of investments in associates and joint ventures	(7,548)	(775,879)	45,606	(1,288,107)
Net other gains	1,316,071	213,076	1,285,861	192,235
Zakat and income tax	(353,949)	(285,084)	(1,062,008)	(862,707)
Net profit	4,975,630	3,610,491	11,157,709	9,647,536
Net profit attributable to:				
Equity holders of the Parent Company	4,904,020	3,540,996	11,021,137	9,413,443
Non-controlling interests	71,610	69,495	136,572	234,093
	4,975,630	3,610,491	11,157,709	9,647,536

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4- SEGMENT INFORMATION (CONTINUED)

Following is the gross profit analysis on a segment basis for the three and nine months periods ended 30 September:

	For the three months period ended 30 September		For the nine months period ended 30 September	
	2023	2022	2023	2022
stc	8,183,908	8,555,110	23,173,181	23,516,704
Saudi Telecom Channels Company ("Channels")	720,944	583,496	2,205,491	1,731,467
Arabian Internet and Communications Services Company ("Solutions")	836,947	536,795	2,265,198	1,613,996
Kuwait Telecommunications Company ("stc Kuwait")	509,643	467,491	1,530,786	1,422,702
Telecommunications Towers Company ("TAWAL")	674,078	517,810	1,889,618	1,630,354
stc Bahrain BSC (c) ("stc Bahrain")	222,147	207,908	647,019	612,856
stc Bank	68,267	41,957	110,871	122,244
Gulf Digital Media Model Company Ltd ("Intigral")	146,495	72,987	330,461	250,143
Advanced Technology and Cybersecurity Company ("sirar")	43,237	48,044	120,638	105,532
Public Telecommunications Company ("Specialized")	52,640	45,558	130,485	149,680
Other operating segments ⁽²⁾	199,929	17,093	316,286	25,916
Eliminations / adjustments	(1,270,619)	(1,054,140)	(3,844,601)	(2,817,002)
Gross profit	10,387,616	10,040,109	28,875,433	28,364,592

Information about geographical segmentation:

Following is the geographical segmentation of revenues for the three and nine months periods ended 30 September:

	For the three months period ended 30 September		For the nine months period ended 30 September	
	2023	2022	2023	2022
Kingdom of Saudi Arabia	16,040,532	14,709,243	48,329,625	45,255,584
Outside the Kingdom of Saudi Arabia	2,065,472	1,598,497	6,282,678	4,801,480
	18,106,004	16,307,740	54,612,303	50,057,064

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4- SEGMENT INFORMATION (CONTINUED)

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

	<u>30 September 2023</u>	<u>31 December 2022</u>
Assets		
stc	148,661,546	137,287,162
Saudi Telecom Channels Company ("Channels")	10,543,109	8,538,854
Arabian Internet and Communications Services Company ("Solutions")	10,830,180	10,282,336
Kuwait Telecommunications Company ("stc Kuwait")	5,602,564	5,210,735
Telecommunications Towers Company ("TAWAL")	18,211,355	11,932,999
stc Bahrain BSC (c) ("stc Bahrain")	5,116,122	6,053,709
stc Bank	4,814,754	3,807,596
Gulf Digital Media Model Company Ltd ("Intigral")	849,393	970,807
Advanced Technology and Cybersecurity Company ("sitar")	537,193	437,443
Public Telecommunications Company ("Specialized")	726,495	681,644
Other operating segments ⁽²⁾	20,913,829	8,548,024
Eliminations / adjustments	(70,772,987)	(56,531,323)
Total assets	156,033,553	137,219,986
Liabilities		
stc	55,400,711	49,199,031
Saudi Telecom Channels Company ("Channels")	9,129,373	7,077,118
Arabian Internet and Communications Services Company ("Solutions")	7,630,487	7,459,278
Kuwait Telecommunications Company ("stc Kuwait")	2,738,446	2,246,463
Telecommunications Towers Company ("TAWAL")	14,231,137	8,406,669
stc Bahrain BSC (c) ("stc Bahrain")	3,641,226	4,639,682
stc Bank	4,428,548	2,784,891
Gulf Digital Media Model Company Ltd ("Intigral")	819,737	995,981
Advanced Technology and Cybersecurity Company ("sitar")	289,843	199,852
Public Telecommunications Company ("Specialized")	699,035	673,131
Other operating segments ⁽²⁾	15,365,440	3,337,055
Eliminations / adjustments	(39,721,839)	(25,824,757)
Total liabilities	74,652,144	61,194,394

- (1) Segment revenue reported above represents revenue generated from external and internal customers. There were SR 3,826 million and SR 11,007 million of inter-segment sales and adjustments (between the Group's Companies) for the three and nine months periods ended 30 September 2023 (for the three and nine months periods ended 30 September 2022: SR 3,391 million and SR 9,540 million, respectively) which were eliminated at consolidation.
- (2) Other operating segments include the following subsidiaries: Aqalat Limited ("Aqalat"), Smart Zone Real Estate, stc Gulf Investment Holding ("stc Gulf"), stc GCC Cable Systems W.L.L., Innovation Fund Investment, Digital Centers for Data and Telecommunications ("Center 3"), Internet of Things Information Technology ("IoTquared"), and General Cloud Computing Company for Information Technology ("SCCC"), stc Asia Holding, stc Turkey Limited Holding, Green Bridge Investment and Green Bridge Management (Note 21-6).
- (3) Cost of revenues for the three and nine months periods ended 30 September 2023 includes a non-recurring item that represents a reversal of a provision amounting to SR 641 million (For the three and nine months periods ended 30 September 2022: SR 1,079 million).

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5- PROPERTY AND EQUIPMENT AND ASSET HELD FOR SALE

During the nine months period ended 30 September 2023, the Group acquired property and equipment with total cost of SR 5,285 million, including non-cash additions with an amount of SR 524 million (30 September 2022: SR 4,071 million, including non-cash additions with an amount of SR 381 million).

During the nine months period ended 30 September 2023, the Group disposed of property and equipment with a net book value of SR 108 million (30 September 2022: SR 87 million) resulting in a loss on sale of property and equipment for the nine months period ended 30 September 2023 with an amount of SR 79 million (for the nine months period ended 30 September 2022: SR 86 million).

On 17 January 2023, a land owned by the Company was sold, with a book value of SR 82 million through a public auction, at a value of SR 1,378 million. On 10 July 2023, all procedures for selling the land have been completed and the Company recognized a gain of SR 1,296 million and is included within net other gains item in the interim condensed consolidated statement of profit or loss.

The following table shows the breakdown of depreciation expense if allocated to operating costs items for the three and nine months periods ended 30 September:

	For the three months period ended 30 September		For the nine months period ended 30 September	
	2023	2022	2023	2022
Cost of revenues	1,394,411	1,418,557	4,232,376	4,225,483
Selling and marketing expenses	1,986	2,099	6,030	6,073
General and administration expenses	282,409	274,484	830,938	829,431
	1,678,806	1,695,140	5,069,344	5,060,987

6- INVESTMENT PROPERTIES

	30 September 2023	31 December 2022
Land (*)	364,079	36,980
Work in-progress (**)	358,797	173,841
	722,876	210,821

(*) During the nine months period ended 30 September 2023, the Group transferred lands with a book value of SR 327 million from property and equipment to investment properties for the purpose of real estate development and investment property.

(**) During the nine months period ended 30 September 2023, the additions to work in-progress amounted to SR 185 million.

The fair value of lands amounted to SR 1,779 million as at 30 September 2023 (31 December 2022: a land with fair value of SR 269 million), which were valued by Rawaj and its Partner Real Estate Valuation Company License No. (1210000062) 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 different valuation techniques applied (residual value method and comparables method).

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7- INTANGIBLE ASSETS AND GOODWILL

During the nine months period ended 30 September 2023, the net additions in intangible assets amounted to SR 2,294 million, including non-cash additions with an amount of 1,008 million (30 September 2022: SR 1,603 million, including non-cash additions with an amount of 346 million).

On 23 January 2023, the Company obtained licenses to provide internet service on board aircraft, as well as mobile communications service via satellite in the Kingdom of Saudi Arabia, for a financial consideration of SR 427 million for a period of 15 years, starting from 2023.

During the first quarter of the year 2023, the purchase price allocation of net assets reports resulted from stc Kuwait's acquisition of E-Portal Holding company was completed, which resulted into recording an incremental goodwill of SR 76.6 million in addition to the provisional goodwill of SR 26.9 million recorded in 2022.

During the first quarter of the year 2023, a provisional goodwill of SR 20 million resulted from Tawal acquisition of AWAL Telecom Company, registered in the Republic of Pakistan, until the completion of the reports on the fair value allocation of net assets (note 22).

During the second quarter of the year 2023, a provisional goodwill of SR 290 million resulted from Solutions acquisition of Contact Centres Company ("CCC"). During the third quarter of the year 2023, the reports on the fair value allocation of net assets were completed and resulted in reduction of the goodwill by SR 146 million (note 22).

During the third quarter of the year 2023, a provisional goodwill of SR 4,653 million resulted from Tawal acquisition of three towers companies from United Group (In Bulgaria, Croatia and Slovenia), until the completion of the reports on the fair value allocation of net assets (note 22).

The following table shows the breakdown of amortization expense if allocated to operating costs items for the three and nine months periods ended 30 September:

	For the three months period ended 30 September		For the nine months period ended 30 September	
	2023	2022	2023	2022
Cost of revenues	201,167	158,093	551,799	481,922
Selling and marketing expenses	14,132	1,452	31,454	4,387
General and administration expenses	444,672	407,273	1,329,390	1,215,668
	659,971	566,818	1,912,643	1,701,977

8- RIGHT OF USE ASSETS

During the nine months period ended 30 September 2023, the net additions in right of use assets amounted to SR 819 million (30 September 2022: SR 830 million) all of which are non-cash additions.

The following table shows the breakdown of depreciation expense if allocated to operating costs items for the three and nine months periods ended 30 September:

	For the three months period ended 30 September		For the nine months period ended 30 September	
	2023	2022	2023	2022
Cost of revenues	214,195	186,567	610,337	546,591
Selling and marketing expenses	4,183	2,284	4,694	7,999
General and administration expenses	56,840	45,609	169,782	139,356
	275,218	234,460	784,813	693,946

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9- FINANCIAL ASSETS AND OTHERS

9-1 Financial assets

	<u>30 September 2023</u>	<u>31 December 2022</u>
Financial assets measured at FVTOCI:		
Listed equity investments ⁽¹⁾	<u>4,321,992</u>	<u>-</u>
Financial assets measured at FVTPL:		
Investment funds and unlisted equity investments	<u>3,195,989</u>	<u>2,929,065</u>
 Financial assets at amortized cost:		
Sukuk	5,289,102	5,234,375
Customers' trust accounts of stc Bank	2,608,870	1,781,098
Loans to employees	389,646	382,541
Murabahas	300,000	-
Others	1,410,075	1,271,996
	<u>9,997,693</u>	<u>8,670,010</u>
 Financial derivatives- forward contract ⁽²⁾	<u>128,836</u>	<u>-</u>
	<u>17,644,510</u>	<u>11,599,075</u>
 Current	5,902,316	2,763,111
Non-current	11,742,194	8,835,964
	<u>17,644,510</u>	<u>11,599,075</u>

(1) During the third quarter of the year 2023, the Group has completed the purchase of 4.9% direct shareholding in Telefonica. Telefonica is a leading European telecommunications operator through its significant presence in three of the largest European markets, namely Spain, Germany and the UK, in addition to Brazil which is the largest market in Latin America.

(2) The Group has entered into a forward agreement in relation to its investment in Telefonica to ensure that the Group has synthetic stake of 5% in Telefonica pending regulatory approval such that it is eligible to obtain all economic benefits as ordinary shareholders. Forward arrangement ensures for the Group manufactured dividends as and when Telefonica pays dividends to its shareholders.

Below are the details of the forward agreement:

	<u>EUR'000</u>	<u>SR'000</u>
Notional value	1,079,649	4,281,356
Revaluation gains recognized in profit or loss	32,489	130,742

9-2 Other assets

	<u>30 September 2023</u>	<u>31 December 2022</u>
Collateral against purchase of a listed equity investment ⁽¹⁾	4,281,356	-
Advances	696,903	742,390
Deferred expenses	520,408	191,517
Prepaid expenses	308,433	287,831
Others	374,354	279,627
	<u>6,181,454</u>	<u>1,501,365</u>
 Current	1,600,246	1,380,431
Non-current	4,581,208	120,934
	<u>6,181,454</u>	<u>1,501,365</u>

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9- FINANCIAL ASSETS AND OTHERS (CONTINUED)

9-2 Other assets (Continued)

(*) Amount represents a collateral payment, until obtaining the relevant regulatory approvals, against the Group's signing a contingent sale purchase agreement with one of the international investment banks to acquire an additional shareholding of 5% in Telefonica.

10- TRADE RECEIVABLES

	<u>30 September 2023</u>	<u>31 December 2022</u>
Trade receivables	29,893,195	25,633,279
Less: allowance for impairment loss	<u>(2,468,825)</u>	<u>(2,454,692)</u>
	<u>27,424,370</u>	<u>23,178,587</u>

11- RELATED PARTY TRANSACTIONS

11-1 Trading transactions and balances with related parties (Associates and Joint Ventures)

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

	For the three months period ended 30 September		For the nine months period ended 30 September	
Services provided	2023	2022	2023	2022
Associates	96,240	91,437	275,714	288,502
Joint ventures	3,553	1,187	5,238	4,825
	<u>99,793</u>	<u>92,624</u>	<u>280,952</u>	<u>293,327</u>
Services received				
Associates	8,140	3,594	31,330	9,222
Joint ventures	1,504	88,233	113,531	323,366
	<u>9,644</u>	<u>91,827</u>	<u>144,861</u>	<u>332,588</u>

The following balances are outstanding with related parties:

	Amounts due from related parties		Amounts due to related parties	
	30 September 2023	31 December 2022	30 September 2023	31 December 2022
Associates	312,352	254,377	45,421	44,532
Joint ventures	2,669	13,185	4,800	178,872
	<u>315,021</u>	<u>267,562</u>	<u>50,221</u>	<u>223,404</u>

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 from or to the related parties.

In addition, the Group has an investment in Sukuk issued by a joint venture entity (BGSM) amounting to SR 1,383 million (equivalent to RM 1,508 million) with a book value of SR 1,205 million as of 30 September 2023 (31 December 2022: SR 1,287 million).

11-2 Trade transactions and related parties' balances (government and government related entities)

Revenues from transactions with government and government related entities for the three and nine months periods ended 30 September 2023 amounted to SR 3,588 million and SR 9,626 million, respectively (for the three and nine months periods ended 30 September 2022 amounted to SR 4,035 million and SR 10,425 million, respectively) and expenses related to transactions with government and government related entities for the three and nine months periods ended 30 September 2023 (including government charges) amounted to SR 960 million and SR 3,961 million, respectively (for the three and nine months periods ended 30 September 2022 amounted to SR 762 million and SR 3,753 million, respectively).

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11- RELATED PARTY TRANSACTIONS (CONTINUED)

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

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

As at 30 September 2023, accounts receivable from government entities totalled SR 23,228 million (31 December 2022: SR 19,311 million) and as at 30 September 2023, accounts payable due to government entities totalled SR 1,579 million (31 December 2022: SR 1,142 million). Among the balances with government entities, the Group invested SR 3,902 million in the Sukuk issued by the Ministry of Finance during the year 2019.

The total balance of accounts receivable with government related entities as at 30 September 2023 was SR 1,497 million (31 December 2022: SR 1,451 million). Total balance of accounts payable with government related entities as at 30 September 2023 was SR 1,783 million (31 December 2022: SR 1,621 million).

Receivable aging from government entities is as follows:

	<u>30 September 2023</u>	<u>31 December 2022</u>
Less than a year	12,565,141	11,695,931
More than one year to two years	6,894,083	4,631,346
More than two years	3,768,549	2,983,376
	<u>23,227,773</u>	<u>19,310,653</u>

12- END OF SERVICE BENEFIT PROVISION

Calculation of end of service benefit provision was performed using the most recent actuarial valuation as at 30 September 2023. During the period, the actuarial assumptions relating mainly to the discount rate have been updated which ranged from 5.25% - 5.90% for the nine months period ended 30 September 2023 (for the nine months period ended 30 September 2022: 4.7% - 5.0%), and experience adjustments resulting in recording of net actuarial losses included in the interim condensed consolidated statement of comprehensive income for the three and nine months periods ended 30 September 2023 amounting to SR 237 million and SR 186 million, respectively (for the three and nine months periods ended 30 September 2022 net actuarial gains amounted to SR 179 million and SR 871 million, respectively).

13- LEASE LIABILITIES

	<u>30 September 2023</u>	<u>31 December 2022</u>
Current	932,606	912,914
Non-current	2,865,675	2,383,206
	<u>3,798,281</u>	<u>3,296,120</u>

The interest expense on lease liabilities for the three and nine months periods ended 30 September 2023 amounted to SR 21 million and SR 77 million respectively which was included in finance costs (for the three and nine months periods ended 30 September 2022 amounted to 20 million and SR 62 million, respectively).

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14- FINANCIAL LIABILITIES AND OTHERS

14-1 Financial liabilities

	<u>30 September 2023</u>	<u>31 December 2022</u>
Customers' deposits of stc Bank	2,608,870	1,781,098
Dividends payable (note 24)	2,245,501	2,223,109
Financial liabilities related to frequency spectrum licenses	1,772,038	1,849,838
Government charges	1,708,582	1,198,765
Financial derivatives - options ⁽¹⁾	73,047	-
Other financial liabilities ⁽²⁾	552,243	523,469
	<u>8,960,281</u>	<u>7,576,279</u>
Current	6,715,152	5,257,941
Non-current	2,245,129	2,318,338
	<u>8,960,281</u>	<u>7,576,279</u>

(1) The Group has entered into options agreement to hedge against price risk in relation to its investment in Telefonica. The contractual arrangements of these instruments entail the partial return of dividends for the underlying investment to the counterparty. Below are the details of the agreement as at 30 September 2023:

	<u>EUR'000</u>	<u>SR'000</u>
Portion at fair value through other comprehensive income	9,117	36,155
Portion at fair value through profit or loss	9,303	36,892
	<u>18,420</u>	<u>73,047</u>

(2) Mainly includes the following:

- During the year 2022, the Group has granted a put option to non-controlling interest shareholders in General Cloud Computing Company in which the Group commits to purchase 27% shareholding in the subsidiary at fair value at the exercise date of the option. As a result, the Group has recorded, as at 31 December 2022, a non-current financial liability of SR 469 million against the reduction in non-controlling interests of SR 206 million and other reserves of SR 263 million. As at 30 September 2023, the decrease in the fair value of the non-current liability resulting from the put option is recognized in equity amounting to SR 226 million (note 15).
- Deferred fee with a fair value amounting to SR 157 million as at 30 September 2023 on the options agreement the Group has entered into in relation to its investment in Telefonica.

14-2 Other liabilities

	<u>30 September 2023</u>	<u>31 December 2022</u>
Deferred income	3,698,898	3,757,569
Others	432,475	352,993
	<u>4,131,373</u>	<u>4,110,562</u>
Current	464,100	364,324
Non-current	3,667,273	3,746,238
	<u>4,131,373</u>	<u>4,110,562</u>

15- FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

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:

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15- FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

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

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

Financial instruments measured at fair value:

30 September 2023	Carrying amount	Fair value		
		Level 1	Level 2	Level 3
<u>Financial assets</u>				
Listed equity investments (note 9-1)	4,321,992	4,321,992	-	-
Investment funds and unlisted equity investments (note 9-1)	3,195,989	-	-	3,195,989
Financial derivatives- forward contract (note 9-1)	128,836	-	-	128,836
	7,646,817	4,321,992	-	3,324,825
<u>Financial liabilities</u>				
Resulting from put option to non-controlling interest shareholders (note 14-1)	243,000	-	-	243,000
Financial derivatives - options (note 14-1)	73,047	-	-	73,047
	316,047	-	-	316,047
31 December 2022	Carrying amount	Fair value		
		Level 1	Level 2	Level 3
<u>Financial assets</u>				
Investments in funds (note 9-1)	2,929,065	-	-	2,929,065
<u>Financial liabilities</u>				
Resulting from put option to non-controlling interest shareholders (note 14-1)	469,000	-	-	469,000

There were no transfers between levels of the fair value hierarchy during the nine months period ended 30 September 2023.

The fair value of the non-current liability resulting from the put option to non-controlling interest shareholders has been determined within level 3 utilizing various methods including income approach and market approach (note 14-1).

The fair value of the Group's investment in the units of stc Ventures Fund and STV LP Fund (the "Funds") is obtained from the net asset value ("NAV") reports received from the Funds' managers.

The Funds' managers deploy various techniques (such as recent round of finance, discounted cash flow models and multiples method) for the valuation of underlying financial instruments classified under level 3 of the respective Fund's fair value hierarchy. Significant unobservable inputs embedded in the models used by the Funds' managers include risk adjusted discount rates and lack of marketability discount.

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15- FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

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 September 2023	31 December 2022
Net assets value as at beginning of the period	2,929,065	2,135,246
Contributions paid to the funds during the period	331,370	412,342
Distributions received from the funds during the period	-	(16,882)
Net unrealised (losses) gains recognised in the interim condensed consolidated statement of profit or loss ^(*)	(64,447)	398,359
Net assets value as at ending of the period	3,195,988	2,929,065

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

The fair value of the derivatives was estimated using appropriate valuation techniques. In addition, proprietary valuation model was used by the counterparty to reflect the contractual terms of the derivatives (including the period to maturity) and market-based parameters such as market price, volatility, and dividends.

Financial instruments measured at amortized cost:

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

30 September 2023	<u>Carrying amount</u>	<u>Fair value</u>		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
<u>Financial assets</u>				
Financial assets at amortized cost - Sukuk	3,940,958	-	3,832,494	-
<u>Financial liabilities</u>				
Borrowings - Sukuk	4,676,209	-	4,405,572	-
 31 December 2022	 <u>Carrying amount</u>	 <u>Fair value</u>		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
<u>Financial assets</u>				
Financial assets at amortized cost - Sukuk	3,947,219	-	3,837,052	-
<u>Financial liabilities</u>				
Borrowings - Sukuk	4,674,892	-	4,480,569	-

Level 2 inputs are based on traded prices in non-active market.

There were no transfers between levels of the fair value hierarchy during the nine months period ended 30 September 2023.

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16- ZAKAT AND INCOME TAX

The Group submitted all zakat returns until the end of 2022, with payment of zakat due based on those returns, and accordingly the Group received zakat certificates for those years. Effective from year 2009, the Group started the submission of a consolidated zakat return for the Company and its wholly owned subsidiaries whether directly or indirectly in accordance with the executive regulations for collecting zakat and not wholly owned subsidiaries submit their zakat declaration separately.

The Group received from Zakat, Tax, and Customs Authority the final zakat assessments up to 2011 and the years ended 31 December 2014 and 2018. The Group did not receive the zakat assessments of the years 2012 and 2013 in addition to the years from 2019 up to 2022.

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

17- SHARE CAPITAL

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

	<u>30 September 2023</u>	<u>31 December 2022</u>
Authorized, issued and fully paid capital comprises:		
5 billion fully paid ordinary shares at SR 10 each share	<u>50,000,000</u>	<u>50,000,000</u>
Number of outstanding shares "in thousands"	<u>4,984,506</u>	4,982,178
Number of treasury shares "in thousands"	<u>15,494</u>	17,822
	<u>5,000,000</u>	<u>5,000,000</u>

18- STATUTORY RESERVE

During the second quarter of the year 2023, the EGA approved transferring the balance of the statutory reserve amounting to SR 11,217 million as at 31 December 2022 to the retained earnings in accordance with the new Companies Law in the Kingdom of Saudi Arabia which became effective as at 19 January 2023. During the third quarter of the year 2023, the relevant regulatory procedures and requirements have been completed and the balance of the statutory reserve has been transferred to retained earnings.

19- CAPITAL COMMITMENTS

1. One of the Group's subsidiaries has an agreement to invest in a fund aiming to improve the telecommunication and information technology sector in the Kingdom of Bahrain and other GCC Countries with an amount of SR 806 million (equivalent to USD 215 million) as at 30 September 2023 (31 December 2022: SR 806 million (equivalent to USD 215 million)).
2. The Group has contractual commitments for the acquisition of property and equipment and intangible assets amounting to SR 6,753 million as at 30 September 2023 (31 December 2022: SR 4,709 million).
3. During 2022, the Company signed an agreement with STV LP Fund to allocate SR 1,125 million (equivalent to USD 300 million) additional investment in the fund out of which SR 221 million (equivalent to USD 59 million) was injected.

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20- CONTINGENT LIABILITIES

1. The Group has outstanding letters of guarantee on behalf of the parent and its subsidiaries amounting to SR 6,052 million as at 30 September 2023 (31 December 2022: SR 5,181 million).
2. The Group has outstanding letters of credit as at 30 September 2023 amounting to SR 1,194 million (31 December 2022: SR 1,544 million).
3. On 21 March 2016, the Company received a letter from a key customer requesting a refund for paid balances amounting to SR 742 million related to construction of a fiber optic network. Based on independent legal opinions obtained, the management believes that the customer's claim has no merit and therefore this claim has no material impact on the financial results of the Group.
4. The Group, in its ordinary course of business, is subject to proceedings, lawsuits and other claims. However, these matters are not expected to have any material impact on the Group's financial position or on the results of its operations as reflected in these interim condensed consolidated financial statements.
5. The Group received the Appeal Committee for Tax Violations and Disputes' decision with respect to the withholding tax assessment on international operators' networks rentals for the years from 2004 to 2015, rejecting its appeal with an amount of SR 1,500 million. The Group submitted a petition for reconsideration, as it believes that Saudi tax regulations do not impose withholding tax on international interconnection services since the source of income does not occur inside the Kingdom, and therefore these services should not be subject to withholding tax. During September 2022, the Group received the minutes of meeting of the Appeal Committee for Tax Violations and Disputes' regarding the petition for reconsideration which included the rejection of the petition by the Group. The Group submitted a petition for reconsideration based on new development on this matter. Based on the opinions of specialist consultants, the nature of the technical dispute, and new development on this matter, the Group believes that this assessment will not result into additional provisions.
6. The Group received claims from Communications, Space & Technology Commission ("CST") related to imposing government fees on devices sold in instalments for the period from 2018 until the end of the first quarter of 2021, totalling SR 782 million. The Group has objected to these claims within the statutory deadline and a supreme court ruling was issued in favour of the Group in regards to one of the claims amounting to SR 641 million. A preliminary court ruling was issued in favour of the Group in regards to the remaining claims amounting to SR 141 million. An appeal court ruling was issued in favour of the Group for part of the claims (SR 83 million) which CST has objected to before the Supreme Court, and another appeal court ruling was issued in favour of CST for the remaining claims (SR 58 million) which the Group has objected to before the Supreme Court.

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21- SUBSIDIARIES

1. During October 2022, the Company received a non-binding offer from the Public Investment Fund (PIF) (a related party: the ultimate controlling party- note 1-A) to acquire 51% of the shares of Telecommunications Towers Company (Tawal), while stc will maintain 49% of the shares of Tawal. Tawal was valued at SR 21,940 million (100% enterprise value on cash free and debt free basis). The offer does not represent any binding commitment on both parties and it remains subject to completing the due diligence and reaching final and binding agreement which will be conditional upon obtaining all regulatory approvals from relevant authorities including the approval from the General Authority for Competition, internal approvals of the respective parties, and any other conditions that may be agreed between the parties.
2. During the first quarter of the year 2022, Tawal has entered into an initial agreement to acquire a 100% equity shareholding of AWAL Telecom Company, registered in the Republic of Pakistan, subject to regulatory approvals. AWAL is licensed by the Pakistan Telecommunication Authority to build and operate telecommunication infrastructure primarily in the northwest region of the Republic of Pakistan. On 1 February 2023, AWAL's acquisition was completed (note 22).
3. On 3 April 2023, Solutions completed the acquisition of Contact Center Company (CCC) by acquiring all shares of stc (49%) and ESM Holding Company (51%) for a full cash consideration for the entire acquisition amounting to SR 513.5 million. CCC is engaged in providing services related to submission of proposals and technical solutions in the field of telecommunications and information technology support and maintenance, systems development, support, and communications programs and information technology. The acquisition was considered, at the Group level, as a step acquisition with change in control in accordance with IFRS 3 'Business Combinations' and the Group started consolidating CCC from the acquisition completion date (note 22). A gain was recognized from remeasuring the previously held equity interest in CCC amounting to SR 133 million within net other gains (losses) item in the interim condensed consolidated statement of profit or loss.
4. In January 2023, Saudi Central Bank lifted the restrictions on the deposited capital of stc Bank for the amount of SR 1,552 million, which was deposited for the conversion of the Bank from a limited liability company to a closed joint stock company.
5. On 24 August 2023, TAWAL (through its newly established subsidiary Tawal International Holding A Limited) signed a sale and purchase agreement ("SPA") to acquire three telecommunications towers companies based in Bulgaria, Croatia and Slovenia from United Group to expand the business outside of the Kingdom of Saudi Arabia and provide Infrastructure services in European markets for a cash consideration for the entire transaction of approximately SR 5 billion (equivalent to EUR 1,220 million) (100% Enterprise Value) and the transaction was funded through bank loans. One of the main transaction terms is 20-year master services agreement providing United Group with long-term leasing services from TAWAL, including a plan to rollout 2,054 new sites.
6. During the third quarter of the year 2023, the Group has established Green Bridge Investment Company and Green Bridge Management Company (Special Purpose Companies) in Luxemburg to provide services and necessary support for the Group's investing activities.

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22- BUSINESS COMBINATIONS

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

	Tawal's acquisition of three towers companies from United Group (note 21-5)	Solutions' acquisition of Contact Center Company (note 21-3)	Tawal's acquisition of AWAL Telecom Company (note 21-2)	Total
Assets				
Property and equipment	384,833	7,589	12,397	404,819
Intangible assets	17	160,413 ^(*)	-	160,430
Right of use assets	535,277	28,717	1,117	565,111
Trade receivables	206,635	126,530	1,255	334,420
Contract assets	2,389	214,938	-	217,327
Cash and cash equivalents	7,105	98,617	2,034	107,756
Other assets	9,180	68,050	5,305	82,535
Total assets	1,145,436	704,854	22,108	1,872,398
Liabilities				
Trade and other payables	16,438	178,062	1,270	195,770
Lease liabilities	551,930	-	1,334	553,264
Borrowings	111,847	-	-	111,847
Provisions	110,780	95,870	-	206,650
Contract liabilities	-	44,373	-	44,373
Other liabilities	42,630	16,703	12,381	71,714
Total liabilities	833,625	335,008	14,985	1,183,618
Total identifiable net assets acquired at fair value	311,811	369,846	7,123	688,780
Goodwill arising on acquisition	4,653,444 ^(**)	143,854	19,983 ^(**)	4,817,281
Acquisition value	4,965,255	513,700	27,106 ^(**)	5,506,061

(*) Includes intangible assets arising from Solutions' acquisition of CCC as follows:

Intangible assets from acquisition	Amount recognized on acquisition	Valuation approach
Brand name	61,000	Relief from royalty
Customer relationship	56,000	Multiperiod excess earnings method (MEEM)
Order Backlog	23,000	Multiperiod excess earnings method (MEEM)
Software	6,200	Incremental cost approach
Total	146,200	

(**) Goodwill resulted from Tawal's acquisition of AWAL Telecom Company and United Group companies represents a provisional goodwill until the completion of the price purchase allocation reports.

(***) Tawal's acquisition of AWAL Telecom Company includes contingent consideration of SAR 10.9 million.

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22- BUSINESS COMBINATIONS (CONTINUED)

- From the date of acquisition, three towers companies from United Group have contributed SR 36 million of revenue and SR 17 million of net profit. If the combination had taken place at the beginning of the year, revenue would have been SR 235 million and net profit would have been SR 113 million.
- From the date of acquisition, Contact Center Company has contributed SR 371 million of revenue and SR 52 million of net profit. If the combination had taken place at the beginning of the year, revenue would have been SR 709 million and net profit would have been SR 54 million.
- From the date of acquisition, AWAL Telecom Company has contributed SR 1,1 million of revenue and SR 0.5 million of net losses. If the combination had taken place at the beginning of the year, revenue would have been SR 1,6 million and net losses would have been SR 1,3 million.

Acquisition related costs of SR 23.6 million is expensed to the interim condensed consolidated statement of profit or loss and classified under general and administration expenses.

23- INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

1. During the year 2022, the Group recorded an impairment provision for the three and nine months periods ended 30 September 2022 amounting to SR 722 million and SR 1,259 million respectively, related to its investment in BGSM (a joint venture) due to decline in fair value as a result of the decline in market conditions and quoted share prices of key underlying investment. The Group determined the recoverable amount of its investment in BGSM based on the value in use method. No provision was recorded during the same periods of 2023 due to absence of impairment indicators.
2. During the second quarter of 2023, Solutions signed a binding offer with Devoteam SAS (France) and ORTLL Investment Limited to acquire 40% shareholding in Devoteam Middle East ("DME") a specialized firm offering digital consultancy and transformation services for a cash consideration for the entire transaction of approximately SR 741.7 million (equivalent to AED 726.3 million) (100% enterprise value on cash free and debt free basis) (note 26).
3. During the second quarter of 2023, Integrated Data Company for Information and Technology was established in the Kingdom of Saudi Arabia as a joint venture among the Company (39%), Etihad Etisalat Company (30%) and Mobile Telecommunication Saudi Company (31%) with share capital of SR 22 million. This entity provides various services including demographic analyses, population statistics, data on population size, as well as traffic and transportation statistics, public road routes, and parking information.

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24- DIVIDENDS

The Group has dividends policy based on maintaining a minimum dividend of SR 0.40 per share on a quarterly basis. The Company will consider and pay additional dividend subject to the Board of Directors recommendation to the General Assembly ("GA") after assessment and determination of the Company's financial situation, outlook and capital expenditure requirements.

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

The dividends policy will remain subject to:

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

In line with this policy, the Company distributed cash dividends to the shareholders for the fourth quarter of 2022 and the first quarter and second quarter of 2023 at a rate of SR 0.40 per share each quarter. In line with the same policy, the Company will distribute cash dividends to the shareholders of the Company for the third quarter of 2023 at a rate of SR 0.40 per share.

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

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25- COMPARATIVE FIGURES

Certain figures have been reclassified as listed below to conform to the classification used for the three and nine months periods ended 30 September 2023. These reclassifications listed below have no impact on previously reported net income, retained earnings or cash positions:

	As previously reported	Amount of reclassification	Amounts after reclassification
Interim Condensed Consolidated statement of profit or loss for the three months period ended 30 September 2022			
Revenues (*)	16,467,627	(159,887)	16,307,740
Cost of revenues (*)	(6,427,518)	159,887	(6,267,631)
Interim Condensed Consolidated statement of profit or loss for the nine months period ended 30 September 2022			
Revenues (*)	50,397,688	(340,624)	50,057,064
Cost of revenues (*)	(22,033,096)	340,624	(21,692,472)
Selling and marketing (**)	(4,296,579)	(38,019)	(4,334,598)
General and administration (**)	(4,491,184)	38,019	(4,453,165)
Consolidated statement of financial position as at 31 December 2022			
Investment properties (**)	293,148	(82,327)	210,821
Financial assets and others (current) (**)	4,086,580	56,962	4,143,542
Financial assets and others (non-current) (**)	8,931,533	25,365	8,956,898

(*) At year end 2022, an update was made to the accounting treatment related to some software reselling agreements, which resulted in considering these contracts as an agent and showing them in net.

(**) Certain comparative figures have been reclassified to conform with the classification used in current period.

26- SUBSEQUENT EVENT

On 15 October 2023, Solutions signed the sale and purchase agreement ("SPA") with the Devoteam SAS (France) and ORTLL Investments limited ("the Sellers") to acquire 40% ownership in Devoteam Middle East ("DME") upon completing the due diligence. The SPA is subject to a number of pre closing conditions, including but not limited to obtaining the approval of the General Authority for Competition as well as other conditions of regulatory and commercial natures (note 23).

27- APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The Audit Committee (delegated by the Board of Directors) approved the interim condensed consolidated financial statements for the three and nine months period ended 30 September 2023 on 14 Rabi al-Thani 1445 H (corresponding to 29 October 2023).