



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

**INTERIM CONDENSED CONSOLIDATED  
FINANCIAL STATEMENTS  
FOR THE THREE MONTHS PERIOD ENDED  
31 MARCH 2022  
(UNAUDITED)**

**First Quarter  
2022**

**Saudi Telecom Company**  
**A Saudi Joint Stock Company**  
**INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**  
**FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2022**

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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 31 March 2022, and the related interim condensed consolidated statements of profit or loss and comprehensive income, cash flows and changes in equity for the three 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.

For Ernst & Young Professional Services


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

Riyadh: 8 Shawwal 1443H  
(9 May 2022)



**Saudi Telecom Company**  
**A Saudi Joint Stock Company**  
**INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 MARCH 2022**  
(All amounts in Saudi Riyals thousands unless otherwise stated)

	<i>Note</i>	<b>31 March 2022</b> <i>(Unaudited)</i>	<b>31 December 2021</b> <i>(Audited)</i>
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property and equipment	5	46,097,480	47,205,038
Investment properties	6	75,390	70,523
Intangible assets and goodwill	7	10,570,479	10,734,798
Right of use assets	8	3,018,436	2,951,652
Investments in associates and joint ventures	21	5,682,685	5,924,858
Contract costs		486,698	521,374
Contract assets		555,322	535,809
Financial assets and others	9	8,702,416	8,367,291
<b>TOTAL NON-CURRENT ASSETS</b>		<b>75,188,906</b>	<b>76,311,343</b>
<b>CURRENT ASSETS</b>			
Inventories		992,543	917,510
Contract assets		5,898,979	5,732,865
Trade and other receivables	11,12	29,113,415	25,464,155
Financial assets and others	9	3,424,418	3,127,894
Short term murabahas		6,104,891	7,944,349
Cash and cash equivalents	20-2	8,909,098	8,281,301
<b>TOTAL CURRENT ASSETS</b>		<b>54,443,344</b>	<b>51,468,074</b>
<b>TOTAL ASSETS</b>		<b>129,632,250</b>	<b>127,779,417</b>
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY</b>			
Share capital		20,000,000	20,000,000
Statutory reserves		10,000,000	10,000,000
Treasury shares	17	(286,563)	(286,563)
Other reserves		1,630,931	1,572,457
Retained earnings		39,022,564	37,984,611
<b>Equity attributable to the equity holders of the Parent Company</b>		<b>70,366,932</b>	<b>69,270,505</b>
Non-controlling interests		2,012,413	2,115,474
<b>TOTAL EQUITY</b>		<b>72,379,345</b>	<b>71,385,979</b>
<b>LIABILITIES</b>			
<b>NON-CURRENT LIABILITIES</b>			
Long term borrowings		8,252,942	7,846,606
End of service benefit provision	13	5,492,961	5,466,916
Lease liabilities	14	2,466,176	2,353,593
Contract liabilities		771,915	771,915
Provisions		555,934	550,741
Financial liabilities and others	15	5,533,546	5,843,115
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>23,073,474</b>	<b>22,832,886</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables		16,065,759	17,114,298
Contract liabilities		3,615,490	3,591,950
Provisions		3,585,411	3,647,727
Zakat and income tax	16	2,101,709	1,833,840
Short term borrowings		1,459,719	1,456,684
Lease liabilities	14	867,762	869,574
Financial liabilities and others	15	6,483,581	5,046,479
<b>TOTAL CURRENT LIABILITIES</b>		<b>34,179,431</b>	<b>33,560,552</b>
<b>TOTAL LIABILITIES</b>		<b>57,252,905</b>	<b>56,393,438</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>129,632,250</b>	<b>127,779,417</b>

  
Chief Financial Officer

  
Chief Executive Officer

  
Authorized Board Member

The accompanying notes from 1 to 25 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 MONTHS PERIOD ENDED 31 MARCH 2022**

(All amounts in Saudi Riyals thousands unless otherwise stated)

	Note	For the three months period ended 31 March	
		2022	2021
Revenues	4	16,991,242	15,695,497
Cost of revenues		(7,840,841)	(7,138,396)
<b>GROSS PROFIT</b>		<b>9,150,401</b>	<b>8,557,101</b>
<b>OPERATING EXPENSES</b>			
Selling and marketing		(1,369,960)	(1,350,199)
General and administration		(1,480,725)	(1,365,707)
Depreciation and amortization	5,7,8	(2,475,942)	(2,359,588)
<b>TOTAL OPERATING EXPENSES</b>		<b>(5,326,627)</b>	<b>(5,075,494)</b>
<b>OPERATING PROFIT</b>		<b>3,823,774</b>	<b>3,481,607</b>
<b>OTHER INCOME AND EXPENSES</b>			
Cost of early retirement program		(79,100)	(80,319)
Finance income		109,473	101,864
Finance cost		(152,332)	(143,740)
Net other expenses		(57,593)	(4,116)
Net share in results and impairment of investments in associates and joint ventures	21	(229,332)	21,920
Net other gains (losses)		3,950	(21,926)
<b>TOTAL OTHER EXPENSES</b>		<b>(404,934)</b>	<b>(126,317)</b>
<b>NET PROFIT BEFORE ZAKAT AND INCOME TAX</b>		<b>3,418,840</b>	<b>3,355,290</b>
Zakat and income tax	16	(296,461)	(355,330)
<b>NET PROFIT</b>		<b>3,122,379</b>	<b>2,999,960</b>
<b>Net profit attributable to:</b>			
Equity holders of the Parent Company		3,035,102	2,952,094
Non-controlling interests		87,277	47,866
		<b>3,122,379</b>	<b>2,999,960</b>
<b>Earnings per share attributable to equity holders of the Parent Company (in Saudi Riyals):</b>			
Basic	17	1.52	1.48
Diluted	17	1.52	1.48



Chief Financial Officer



Chief Executive Officer



Authorized Board Member

The accompanying notes from 1 to 25 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 MONTHS PERIOD ENDED 31 MARCH 2022**

(All amounts in Saudi Riyals thousands unless otherwise stated)

	Note	For the three months period ended	
		2022	2021
NET PROFIT		3,122,379	2,999,960
<b>OTHER COMPREHENSIVE INCOME :</b>			
<i>Item that will not be reclassified subsequently to consolidated statement of profit or loss:</i>			
Remeasurement of end of service benefit provision	13	56,236	147,318
<i>Items that may be reclassified subsequently to consolidated statement of profit or loss:</i>			
Foreign currency translation differences		(19,308)	14,853
Net share of other comprehensive (loss) income of associates and joint ventures		(13,431)	10,823
<b>Total items that may be reclassified subsequently to consolidated statement of profit or loss</b>		<b>(32,739)</b>	<b>25,676</b>
<b>TOTAL OTHER COMPREHENSIVE INCOME</b>		<b>23,497</b>	<b>172,994</b>
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>3,145,876</b>	<b>3,172,954</b>
<i>Total comprehensive income attributable to:</i>			
Equity holders of the Parent Company		3,072,583	3,116,527
Non-controlling interests		73,293	56,427
		<b>3,145,876</b>	<b>3,172,954</b>



Chief Financial Officer



Chief Executive Officer



Authorized Board Member

The accompanying notes from 1 to 25 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 THREE MONTHS PERIOD ENDED 31 MARCH 2022**

(All amounts in Saudi Riyals thousands unless otherwise stated)

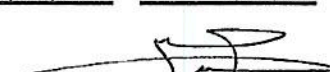
	Note	For the three months period ended 31 March	
		2022	2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net profit before zakat and income tax		3,418,840	3,355,290
Adjustments for:			
Depreciation and amortization	5,7,8	2,475,942	2,359,588
Impairment loss and amortization of contract costs and contract assets		92,506	158,325
Impairment loss on trade receivables		175,106	204,182
Allowance for slow moving inventories		3,136	26,318
Finance income		(109,473)	(101,864)
Finance costs		152,332	143,740
Provision for end of service benefit and other provisions		197,784	127,621
Net share in results and impairment of investments in associates and joint ventures	21	229,332	(21,920)
Share- based payment expenses	22	21,124	3,058
Net other (gains) losses		(3,950)	21,926
<b>Changes in:</b>			
Trade receivables and others		(3,785,804)	(3,784,356)
Inventories		(78,148)	48,747
Contract costs		(29,813)	(80,784)
Contract assets		(213,799)	(493,944)
Other assets		63,024	(397,007)
Trade payables and others		(1,233,631)	(1,760,658)
Contract liabilities		23,520	422,148
Other liabilities		533,968	484,475
<b>Cash generated from operations</b>		<b>1,931,996</b>	<b>714,885</b>
Less: Zakat and income tax paid	16	(25,808)	(20,421)
Less: Provision for end of service benefit paid		(65,239)	(52,890)
<b>Net cash generated from operating activities</b>		<b>1,840,949</b>	<b>641,574</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Additions to property and equipment	5	(611,673)	(1,017,854)
Additions to intangible assets	7	(402,657)	(188,175)
Additions to investments properties		(5,152)	-
Proceeds from finance income		72,807	74,206
Proceeds and payments related to financial assets and others, net		1,492,203	(1,315,258)
<b>Net cash from (used) in investing activities</b>		<b>545,528</b>	<b>(2,447,081)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Dividends paid to the equity holders of the Parent Company		(1,977,307)	(1,456)
Dividends paid to non-controlling interests		-	(2,021)
Repayment of lease liabilities		(170,465)	(245,661)
Repayment of borrowings		(16,277)	(79,155)
Proceeds from borrowings		440,849	-
Finance costs paid		(31,258)	(33,311)
<b>Net cash used in financing activities</b>		<b>(1,754,458)</b>	<b>(361,604)</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>632,019</b>	<b>(2,167,111)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD</b>		<b>8,281,301</b>	<b>9,004,286</b>
Net foreign exchange difference		(4,222)	5,607
<b>CASH AND CASH EQUIVALENTS AT END OF THE PERIOD</b>	20-2	<b>8,909,098</b>	<b>6,842,782</b>



Chief Financial Officer



Chief Executive Officer



Authorized Board Member

The accompanying notes from 1 to 25 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 THREE MONTHS PERIOD ENDED 31 MARCH 2022**

(All amounts in Saudi Riyals thousands unless otherwise stated)

	Note	<u>Total equity attributable to the equity holders of the Parent Company</u>					Total	Non-controlling interests	Total equity
		Share capital	Statutory reserves	Treasury shares	Other reserves	Retained earnings			
<b>Balance as at 1 January 2021</b>		20,000,000	10,000,000	(300,000)	(3,262,245)	37,508,027	63,945,782	1,321,233	65,267,015
Net profit		-	-	-	-	2,952,094	2,952,094	47,866	2,999,960
Other comprehensive income		-	-	-	164,433	-	164,433	8,561	172,994
Total comprehensive income		-	-	-	164,433	2,952,094	3,116,527	56,427	3,172,954
Dividends to the equity holders of the Parent Company		-	-	-	-	(1,997,018)	(1,997,018)	-	(1,997,018)
Dividends to non-controlling interests		-	-	-	-	-	-	(181,425)	(181,425)
Share-based payment transactions	22	-	-	-	9,174	-	9,174	-	9,174
Net share of other reserves of a joint venture		-	-	-	(8,556)	-	(8,556)	-	(8,556)
<b>Balance as at 31 March 2021</b>		<b>20,000,000</b>	<b>10,000,000</b>	<b>(300,000)</b>	<b>(3,097,194)</b>	<b>38,463,103</b>	<b>65,065,909</b>	<b>1,196,235</b>	<b>66,262,144</b>
<b>Balance as at 1 January 2022</b>		<b>20,000,000</b>	<b>10,000,000</b>	<b>(286,563)</b>	<b>1,572,457</b>	<b>37,984,611</b>	<b>69,270,505</b>	<b>2,115,474</b>	<b>71,385,979</b>
Net profit		-	-	-	-	3,035,102	3,035,102	87,277	3,122,379
Other comprehensive income (loss)		-	-	-	37,481	-	37,481	(13,984)	23,497
Total comprehensive income		-	-	-	37,481	3,035,102	3,072,583	73,293	3,145,876
Dividends to the equity holders of the Parent Company	24	-	-	-	-	(1,997,149)	(1,997,149)	-	(1,997,149)
Dividends to non-controlling interests		-	-	-	-	-	-	(178,047)	(178,047)
Share-based payment transactions	22	-	-	-	19,431	-	19,431	1,693	21,124
Net share of other reserves of a joint venture		-	-	-	1,562	-	1,562	-	1,562
<b>Balance as at 31 March 2022</b>		<b>20,000,000</b>	<b>10,000,000</b>	<b>(286,563)</b>	<b>1,630,931</b>	<b>39,022,564</b>	<b>70,366,932</b>	<b>2,012,413</b>	<b>72,379,345</b>

  
**Chief Financial Officer**

  
**Chief Executive Officer**

  
**Authorized Board Member**

The accompanying notes from 1 to 25 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 MONTHS PERIOD ENDED 31 MARCH 2022**

(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"). 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 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, 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 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 MONTHS PERIOD ENDED 31 MARCH 2022 (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") ("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 should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2021.

**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 2021.

There are amendments to the standards that come into effect at 1 January 2022, 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. The majority of the Group's revenues, income and assets relate to its operations within the Kingdom (Saudi Telecom Company, Channels by stc, and Solutions). 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 revenue threshold 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 MONTHS PERIOD ENDED 31 MARCH 2022 (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 ended 31 March:

	<u>2022</u>	<u>2021</u>
<b>Revenues</b> <sup>(1)</sup>		
Saudi Telecom Company	12,299,305	11,258,373
Channels by stc	3,078,370	4,929,837
Solutions	2,418,477	1,866,793
Other operating segments <sup>(2)</sup>	2,533,027	2,254,297
Eliminations / adjustments	<u>(3,337,937)</u>	<u>(4,613,803)</u>
<b>Total revenues</b>	<b>16,991,242</b>	<b>15,695,497</b>
Cost of operations (excluding depreciation and amortization)	(10,691,526)	(9,854,302)
Depreciation and amortization	(2,475,942)	(2,359,588)
Cost of early retirement	(79,100)	(80,319)
Finance income	109,473	101,864
Finance cost	(152,332)	(143,740)
Net other expenses	(57,593)	(4,116)
Net share in results and impairment of investments in associates and joint ventures	(229,332)	21,920
Net other gains (losses)	3,950	(21,926)
Zakat and income tax	<u>(296,461)</u>	<u>(355,330)</u>
<b>Net profit</b>	<b><u>3,122,379</u></b>	<b><u>2,999,960</u></b>
<b>Net profit attributable to:</b>		
Equity holders of the Parent Company	3,035,102	2,952,094
Non-controlling interests	<u>87,277</u>	<u>47,866</u>
	<b><u>3,122,379</u></b>	<b><u>2,999,960</u></b>

Following is the gross profit analysis on a segment basis for the three months period ended 31 March:

	<u>2022</u>	<u>2021</u>
Saudi Telecom Company	7,458,753	6,871,319
Channels by stc	579,110	402,425
Solutions	532,691	405,460
Other operating segments <sup>(2)</sup>	1,434,804	1,246,566
Eliminations / adjustments	<u>(854,957)</u>	<u>(368,669)</u>
<b>Gross profit</b>	<b><u>9,150,401</u></b>	<b><u>8,557,101</u></b>

**Information about geographical segmentation:**

Following is the geographical segmentation of revenues for the three months period ended 31 March:

	<u>2022</u>	<u>2021</u>
Kingdom of Saudi Arabia	15,726,253	14,521,838
Outside the Kingdom of Saudi Arabia	<u>1,264,989</u>	<u>1,173,659</u>
	<b><u>16,991,242</u></b>	<b><u>15,695,497</u></b>

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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>31 March 2022</u>	<u>31 December 2021</u>
<b>Assets</b>		
Saudi Telecom Company	134,144,752	133,034,376
Channels by stc	8,238,068	8,146,496
Solutions	7,524,481	7,172,748
Other operating segments <sup>(2)</sup>	35,440,410	34,662,393
Eliminations / adjustments	<u>(55,715,461)</u>	<u>(55,236,596)</u>
<b>Total assets</b>	<u><b>129,632,250</b></u>	<u><b>127,779,417</b></u>
<b>Liabilities</b>		
Saudi Telecom Company	50,375,093	51,024,262
Channels by stc	6,653,165	6,603,833
Solutions	4,989,970	4,902,180
Other operating segments <sup>(2)</sup>	21,693,631	20,409,577
Eliminations / adjustments	<u>(26,458,954)</u>	<u>(26,546,414)</u>
<b>Total liabilities</b>	<u><b>57,252,905</b></u>	<u><b>56,393,438</b></u>

(1) Segment revenue reported above represents revenue generated from external and internal customers. There were SR 3,338 million of inter-segment sales and adjustments (between the Group's Companies) for the three months period ended 31 March 2022 (31 March 2021: SR 4,614 million) which were eliminated at consolidation.

(2) Other operating segments include: Telecommunications Towers Company "TAWAL", stc Bank, stc Kuwait, stc Bahrain, Public Telecommunications Company "specialized by stc", Advanced Technology and Cybersecurity Company "sirar by stc", Aqalat, Gulf Digital Media Model Company, stc Gulf Investment Holding, stc GCC Cable Systems W.L.L., Innovation Fund Investment Company and Digital Centers for Data and Telecommunications.

**5- PROPERTY AND EQUIPMENT**

During the three months period ended 31 March 2022, the Group acquired property and equipment with total cost of SR 612 million, including non-cash additions with an amount of nil (31 March 2021: SR 1,055 million, including non-cash additions with an amount of SR 37 million).

During the three months period ended 31 March 2022, the Group disposed of property and equipment with a net book value of SR 44 million (31 March 2021: SR 12 million) resulting in a loss on sale of property and equipment for the three months period ended 31 March 2022 with an amount of SR 44 million (31 March 2021: SR 12 million).

The following table shows the breakdown of depreciation expense if allocated to operating costs items for the three months period ended 31 March:

	<u>2022</u>	<u>2021</u>
Cost of revenues	1,409,894	1,353,717
Selling and marketing expenses	2,024	1,741
General and administration expenses	<u>275,694</u>	<u>294,901</u>
	<u><b>1,687,612</b></u>	<u><b>1,650,359</b></u>



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**6- INVESTMENT PROPERTIES**

	<i>31 March 2022</i>	<i>31 December 2021</i>
Land	<b>36,980</b>	36,980
Work in-progress (*)	<b>38,410</b>	33,543
	<b><u>75,390</u></b>	<u>70,523</u>

(\*) During the three months period ended 31 March, the Group added projects in progress amounting to SR 5 million (31 March 2021: nil).

The fair value of the land amounted to SR 255 million as at 31 March 2022 (31 December 2021: SR 254 million), which was valued by Esnad Real Estate appraisal Company License No. (784/18/323) appointed as an independent, professionally qualified valuer accredited by the Saudi Authority for Accredited Valuers (Taqeem). The fair value measurement is classified within level 3 based on valuation techniques applied (residual value method).

**7- INTANGIBLE ASSETS AND GOODWILL**

During the three months period ended 31 March 2022, the net additions in intangible assets amounted to SR 403 million, including non-cash additions with an amount of nil (31 March 2021: SR 191 million, including non-cash additions with an amount of SR 3 million).

The following table shows the breakdown of amortization expense if allocated to operating costs items for the three months period ended 31 March:

	<i>2022</i>	<i>2021</i>
Cost of revenues	<b>159,371</b>	136,198
Selling and marketing expenses	<b>1,482</b>	782
General and administration expenses	<b>399,431</b>	367,240
	<b><u>560,284</u></b>	<u>504,220</u>

**8- RIGHT OF USE ASSETS**

During the three months period ended 31 March 2022, the net additions in right of use assets amounted to SR 332 million (31 March 2021: SR 258 million).

The following table shows the breakdown of depreciation expense if allocated to operating costs items for the three months period ended 31 March:

	<i>2022</i>	<i>2021</i>
Cost of revenues	<b>178,039</b>	158,554
Selling and marketing expenses	<b>2,807</b>	2,821
General and administration expenses	<b>47,200</b>	43,634
	<b><u>228,046</u></b>	<u>205,009</u>

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**9- FINANCIAL ASSETS AND OTHERS**

**9-1 Financial assets**

	<u>31 March 2022</u>	<u>31 December 2021</u>
<b>Financial assets measured at FVTPL</b>	<b>2,533,767</b>	2,135,246
<i>Financial assets at amortised cost:</i>		
Sukuk	5,299,013	5,315,129
Customers' trust accounts of stc Bank	1,500,270	1,151,208
Loans to employees	353,418	353,076
Others	550,028	567,710
	<b>7,702,729</b>	<b>7,387,123</b>
	<b>10,236,496</b>	<b>9,522,369</b>
Current	1,663,449	1,298,301
Non-current	8,573,047	8,224,068
	<b>10,236,496</b>	<b>9,522,369</b>

**9-2 Other assets**

	<u>31 March 2022</u>	<u>31 December 2021</u>
Advances	1,192,400	1,446,265
Prepaid expenses	370,275	237,979
Deferred expenses	153,665	147,935
Others	173,998	140,637
	<b>1,890,338</b>	<b>1,972,816</b>
Current	1,760,969	1,829,593
Non-current	129,369	143,223
	<b>1,890,338</b>	<b>1,972,816</b>

**10- 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:

- 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 and other receivables, short-term murabahas, cash and cash equivalents, and trade and other payables closely approximate their book value due to the short maturity.

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

**Financial assets and liabilities measured at fair value:**

<i>31 March 2022</i>	<u>Carrying amount</u>	<u>Fair value</u>		
		<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>
<b><u>Financial assets</u></b>				
<i>At fair value through profit or loss:</i>				
stc Ventures Fund and STV LP Fund	<u>2,533,767</u>	-	-	<u>2,533,767</u>
<b><u>Financial liabilities</u></b>				
<i>At fair value through profit or loss:</i>				
Other financial liabilities	<u>120</u>	-	<u>120</u>	-
<i>31 December 2021</i>	<u>Carrying amount</u>	<u>Fair value</u>		
		<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>
<b><u>Financial assets</u></b>				
<i>At fair value through profit or loss:</i>				
stc Ventures Fund and STV LP Fund	<u>2,135,246</u>	-	-	<u>2,135,246</u>
<b><u>Financial liabilities</u></b>				
<i>At fair value through profit or loss:</i>				
Other financial liabilities	<u>675</u>	-	<u>675</u>	-

There were no transfers between levels of the fair value hierarchy during three months period ended 31 March 2022.

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:

	<u>31 March 2022</u>	<u>31 December 2021</u>
Net assets value as at beginning of the period	2,135,246	1,119,413
Contributions paid to the funds during the period	345,350	375,020
Distributions received from the funds during the period	(284)	(172,395)
Net unrealised gain recognised in the interim condensed consolidated statement of profit or loss <sup>(*)</sup>	<u>53,455</u>	<u>813,208</u>
Net assets value as at ending of the period	<u>2,533,767</u>	<u>2,135,246</u>

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

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

**Financial assets and liabilities 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:

<i>31 March 2022</i>	<u>Carrying amount</u>	<u>Fair value</u>		
		<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>
<b>Financial assets</b>				
Financial assets at amortized cost - Sukuk	<u>3,953,480</u>	-	<u>4,019,683</u>	-
<b>Financial liabilities</b>				
Borrowings - Sukuk	<u>4,673,600</u>	-	<u>4,890,120</u>	-
<i>31 December 2021</i>	<u>Carrying amount</u>	<u>Fair value</u>		
		<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>
<b>Financial assets</b>				
Financial assets at amortized cost - Sukuk	<u>3,955,568</u>	-	<u>4,268,749</u>	-
<b>Financial liabilities</b>				
Borrowings - Sukuk	<u>4,673,254</u>	-	<u>5,381,490</u>	-

There were no transfers between levels of the fair value hierarchy during three months period ended 31 March 2022.

**11- TRADE AND OTHER RECEIVABLES**

	<u>31 March 2022</u>	<u>31 December 2021</u>
Trade receivables	<b>31,114,996</b>	27,194,290
Less: allowance for impairment loss	<b>(2,802,232)</b>	(2,758,363)
	<b>28,312,764</b>	24,435,927
Non trade receivables	<b>800,651</b>	1,028,228
	<b>29,113,415</b>	25,464,155

**12- RELATED PARTY TRANSACTIONS**

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

The Group trading transactions with related parties during the three months period ended 31 March were as the following:

	<u>2022</u>	<u>2021</u>
<b>Services provided</b>	<b>103,330</b>	97,682
<b>Services received</b>	<b>111,570</b>	81,414

The following balances are outstanding with related parties:

	<u>Amounts due from related parties</u>		<u>Amounts due to related parties</u>	
	<u>31 March 2022</u>	<u>31 December 2021</u>	<u>31 March 2022</u>	<u>31 December 2021</u>
Associates	<b>301,639</b>	292,223	<b>53,872</b>	72,006
Joint ventures	<b>30,255</b>	27,717	<b>210,850</b>	158,634
	<b>331,894</b>	319,940	<b>264,722</b>	230,640



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

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

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 period ended 31 March 2022 amounted to SR 3,176 million (31 March 2021: SR 2,810 million) and expenses related to transactions with government and government related entities for the three months period ended 31 March 2022 (including government charges) amounted to SR 1,512 million (31 March 2021: SR 1,321 million).

As at 31 March 2022, accounts receivable from government entities totalled SR 25,499 million (31 December 2021: SR 21,616 million) and accounts payable due to government entities totalled SR 2,290 million (31 December 2021: SR 1,062 million).

The total balance of accounts receivable with government related entities as at 31 March 2022 was SR 1,179 million (31 December 2021: SR 931 million). Total balance of accounts payable with government related entities as at 31 March 2022 was SR 214 million (31 December 2021: SR 120 million).

Receivable aging from government entities is as follows:

	<u>31 March 2022</u>	<u>31 December 2021</u>
Less than a year	13,880,928	12,675,429
More than one year to two years	9,772,551	7,626,172
More than two years	1,845,485	1,314,687
	<u>25,498,964</u>	<u>21,616,288</u>

Based on the table above, the receivables from government entities were discounted by an amount of SR 74 million to reflect the impact of time value of money as at 31 March 2022 (31 December 2021: nil).

**13- END OF SERVICE BENEFIT PROVISION**

Calculation of end of service benefit provision was performed using the most recent actuarial valuation as at 31 March 2022. 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 months ended 31 March 2022 amounting to SR 56 million (31 March 2021: SR 147 million).

**14- LEASE LIABILITIES**

	<u>31 March 2022</u>	<u>31 December 2021</u>
Current	867,762	869,574
Non-current	2,466,176	2,353,593
	<u>3,333,938</u>	<u>3,223,167</u>

The interest expense on lease liabilities for the three months period ended 31 March 2022 amounted to SR 19 million which was included in finance costs (31 March 2021: SR 22 million).

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**15- FINANCIAL LIABILITIES AND OTHERS**

**15-1 Financial liabilities**

	<u>31 March 2022</u>	<u>31 December 2021</u>
Dividends payable	2,379,760	2,193,995
Government charges	2,317,544	1,170,805
Financial liabilities related to frequency spectrum licenses	1,726,421	2,017,113
Customers' deposits – stc Bank	1,361,743	1,197,294
Other financial liabilities	123,479	85,503
	<u>7,908,947</u>	<u>6,664,710</u>
Current	6,155,139	4,619,656
Non-current	1,753,808	2,045,054
	<u>7,908,947</u>	<u>6,664,710</u>

**15-2 Other liabilities**

	<u>31 March 2022</u>	<u>31 December 2021</u>
Deferred income	3,761,159	3,793,616
Others	347,021	431,268
	<u>4,108,180</u>	<u>4,224,884</u>
Current	328,442	426,823
Non-current	3,779,738	3,798,061
	<u>4,108,180</u>	<u>4,224,884</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 a consolidated zakat return for the Company and its wholly owned subsidiaries whether directly or indirectly in accordance with the executive regulations for collecting zakat. The Group received final zakat assessments up to 2011 and the years ended as at 31 December 2014 and 2018. The 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.

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**17- EARNINGS PER SHARE**

The following is the calculation of basic and diluted earnings per share for the three months period ended 31 March:

Net profit attributable to equity holders of the Parent Company	<u>2022</u> <b>3,035,102</b>	<u>2021</u> 2,952,094
<b>Number of shares "in thousands":</b>		
Weighted average number of ordinary shares for the purposes of calculating basic earnings per share	<b>1,997,149</b>	1,999,207
Weighted average number of repurchased ordinary shares	<u>2,851</u>	<u>793</u>
Weighted average number of ordinary shares for the purposes of calculating diluted earnings per share	<u><b>2,000,000</b></u>	<u>2,000,000</u>
<b>Earnings per share attributable to equity holders of the Parent Company (in Saudi Riyals):</b>		
- Basic	<u>1.52</u>	<u>1.48</u>
- Diluted	<u>1.52</u>	<u>1.48</u>

The following is the number of outstanding shares and treasury shares as at:

	<u>31 March 2022</u>	<u>31 December 2021</u>
The number of outstanding shares "in thousands"	<u>1,997,149</u>	<u>1,997,149</u>
	<u>31 March 2022</u>	<u>31 December 2021</u>
The number treasury shares "in thousands"	<u>2,851</u>	<u>2,851</u>

**18- 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 1,125 million (equivalent to USD 300 million) as at 31 March 2022 (31 December 2021: SR 1,125 million (equivalent to USD 300 million)).
2. The Group has contractual commitments for the acquisition of property and equipment and intangible assets amounting to SR 4,132 million as at 31 March 2022 (31 December 2021: SR 4,193million).

**19- CONTINGENT ASSETS AND LIABILITIES**

1. The Group has outstanding letters of guarantee on behalf of the parent and its subsidiaries amounting to SR 5,805 million as at 31 March 2022 (31 December 2021 : SR 4,695 million).
2. The Group has outstanding letters of credit as at 31 March 2022 amounting to SR 1,413 million (31 December 2021: SR 1,394 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 fibre optic network. Based on independent legal opinions obtained, the management believes that the customer's claim has no merit and therefore this claim has no material impact on the financial results of the Group.

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**19- CONTINGENT ASSETS AND LIABILITIES (CONTINUED)**

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. Based on the opinions of tax specialists in this matter and the nature of the technical dispute, the Group believes that this assessment will not result into additional provisions.
6. The Group received claims from the Communications and Information Technology Commission related to imposing government fees on devices sold in instalments for the period from 2018 until the end of the first quarter of 2021, totalling SR 782 million for which the Group has objected within the statutory deadline. A preliminary court ruling was issued in favor of the Group in regards to one of the claims amounting to SR 641 million.

**20- SUBSIDIARIES**

1. During year 2021, stc Kuwait has signed a binding agreement to acquire a 100% equity shareholding of E-Portal Holding Company in the State of Kuwait for a consideration of KD 23 million (equivalent to SR 286 million). On 6 April 2022, the sale purchase agreement has been executed.
2. During year 2021, the Council of Ministers approved granting Saudi Digital Payments Company a digital banking services license to become a digital bank with a share capital of SR 2.5 billion. Accordingly, WU and the Group deposited an amount of SR 750 million and SR 802 million, respectively in a restricted account by the Saudi Central Bank (SAMA) until the final approval is obtained. Therefore, the cash and cash equivalents balance include an amount of SR 1,552 million, which represents cash balances restricted by the Saudi Central Bank (SAMA) as at 31 March 2022.
3. During 2022, the Group established a new subsidiary, Digital Centers for Data and Telecommunications – a limited liability company with a share capital of SR 100 million. Main activities include providing services related to big data, data analytics and cloud computing.
4. During 2022, the Company signed a joint venture agreement with PIF to establish a new limited liability company in the field of Internet of Things ("IoT"). The new company will be headquartered in the Kingdom of Saudi Arabia with a share capital amounting to SR 492 million upon establishment, with 50% ownership each.
5. During 2022, Tawal has entered into an initial agreement to acquire a 100% equity shareholding of AWAL Telecom Company, registered in the Republic of Pakistan, subject to regulatory approvals. AWAL is licensed by Pakistan Telecommunication Authority, to build and operate telecommunication infrastructure primarily in the northwest region of Pakistan.
6. During 2022, Solutions has signed a binding offer relating to an acquisition of 89.5% ownership of Giza Systems Company, in addition to 34% of Giza Arabia, a subsidiary of Giza Systems Company. The acquisition value amounts to USD 158 million (equivalent to SR 592.5 million), which will be paid in cash.



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**21- INVESTMENTS IN ASSOCIATES AND JOINT VENTURES**

During 2022, the Group recorded an impairment provision amounting to SR 239 million (31 March 2021: nil) related to its investment in BGSM (a joint venture) 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.

**22- EMPLOYEES LONG-TERM INCENTIVES PROGRAM**

**22-1 Group's long-term incentives program**

The Company's Board of Directors has approved the purchase of number of the Company's shares up to a maximum of 5.5 million shares and an amount not to exceed SR 300 million to be allocated for the employees long-term incentives program (the Program). The Board raised its recommendation to the extraordinary general assembly ("EGM") to approve the Program and to purchase the shares within a period of (8) months from the EGM's date of approval. The EGM has voted on the approval of this Program during its meeting held on 27 Shaban 1441 H (corresponding to 20 April 2020). The shares to be purchased will not have the right to vote in the Company's shareholders general assemblies, and will not be entitled to any dividends while the shares still under the Company's possession.

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

The program is generally equity-settled. However, in certain circumstances, the awards are settled in cash. Shares are granted to employees over three cycles with three tranches each. As at 31 March 2022, the shares granted by the Group are as follows:

<b><u>First cycle:</u></b>	<b><u>Tranche 1</u></b>	<b><u>Tranche 2</u></b>
Grant date	1 July 2020	1 July 2021
Total number of shares granted (*)	135 thousand shares	222 thousand shares
Average Fair value per share at grant date (**)	SR 94.4	SR 128.6
Vesting date	1 July 2021	14 May 2022
Total number of shares actually vested	135 thousand shares	To be determined at vesting date

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

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

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

**Saudi Telecom Company  
A Saudi Joint Stock Company**

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)  
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2022 (CONTINUED)**

(All amounts in Saudi Riyals thousands unless otherwise stated)

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**22- EMPLOYEES LONG-TERM INCENTIVES PROGRAM (CONTINUED)**

Total expenses related to the Program for the three months period ended 31 March 2022 amounted to SR 12.7 million (31 March 2021: SR 3.1 million), which were included as part of employees benefits expense in the interim condensed consolidated statement of profit or loss, with the corresponding amount recorded under other reserves within equity in accordance with the requirements of International Financial Reporting Standard (2): Share-based Payment.

**22-2 Subsidiary's long-term incentives program**

During the year 2021, one of the subsidiaries started its own long-term incentive program whereby employees render services as consideration for a fixed number of its own shares. The total expense in relation to this program for the three months period ended 31 March 2022 amounted to SR 8.4 million (31 March 2021: Nil).

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

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

**24- DIVIDENDS**

On 20 Safar 1443H (corresponding to 27 September 2021) the Board of Directors have approved the Company's dividends policy for the next three years starting from the fourth quarter of 2021, which was approved by the General Assembly on 25 Rabi Thanni 1443H (corresponding to 30 November 2021). The objective of the dividends policy is based on maintaining a minimum level of dividend of SR 1 per share on a quarterly basis. The Company will consider and pay additional dividend subject to the Board of Directors recommendation after assessment and determination of the Company's financial situation, outlook and capital expenditure requirements.

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

The dividends policy will remain subject to:

- a- Any material changes in the Company's strategy and business (including the commercial environment in which the Company operates).
- b- Laws, regulations and legislation governing the sector in 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.

In line with the same policy, the Company distributed of cash dividends to the shareholders of the Company for the fourth quarter of 2021 at a rate of SR 1 per share.

In line with the same policy, the Company will distribute cash dividends to the shareholders of the Company for the first quarter of 2022 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.

**25- APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

The Audit Committee (delegated by the Company's Board of Directors) approved the interim condensed consolidated financial statements for the three months period ended 31 March 2022 on 27 Ramadan 1443H (corresponding to 28 April 2022)."