stc achieved its highest revenues and net profit in its history for the year 2024 reaching ⃁ 75.9 billion and ⃁ 24.7 billion, with an increase of 5.7% and 85.7% (respectively).

# 7.

# Consolidated Financial Statements

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**Ernst & Young Professional Services (Professional LLC)**
**Paid-up capital (SR 5,500,000 – Five million five hundred thousand Saudi Riyal)**
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**Independent auditor's report**
**To the Shareholders of Saudi Telecom Company**
**(A Saudi Joint Stock Company)**

**Opinion**
We have audited the consolidated financial statements of Saudi Telecom Company (the "Company") and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated statement of financial position as at 31 December 2024, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity for the year then ended, and notes to the consolidated financial statements, including a summary of material accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2024, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization for Chartered and Professional Accountants ("IFRS Accounting Standards as endorsed by SOCPA").

**Basis for Opinion**
We conducted our audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards), that is endorsed in the Kingdom of Saudi Arabia, that is relevant to our audit of the consolidated financial statements, and we have fulfilled our other ethical responsibilities in accordance with that Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Key Audit Matters**
Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming auditor's opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.





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**Independent auditor's report**
**To the Shareholders of Saudi Telecom Company**
**(A Saudi Joint Stock Company) (continued)**

**Key Audit Matters (continued)**

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| **Revenue recognition** | |
| The Group's revenue consists primarily of telecommunication, data packages and use of the network subscription fees totalling SR 75.9 billion for the year ended 31 December 2024.<br><br>We considered this a key audit matter as the application of accounting standard for revenue recognition in the telecommunication sector includes number of key judgments and estimates.<br><br>Additionally, there are inherent risks about the accuracy of revenues recorded due to the complexity associated with the network environment, dependency on IT applications, large volumes of data, changes caused by price updates and promotional offers affecting the various products and services offered, as well as the materiality of the amounts involved.<br><br>*Refer to note **4.5** for the accounting policy related to revenue recognition and note **35** for the related disclosures.* | Our audit procedures included, among others, the following:<br><br>• Involved our IT specialists to test the design, implementation and operating effectiveness of system internal controls related to revenue recognition.<br><br>• Assessed the Group's revenue recognition policies, for compliance with IFRS Accounting Standards as endorsed by SOCPA.<br><br>• Inspected a sample of revenues reconciliations prepared by management between the primary billing system and the general ledger.<br><br>• Tested, on a sample basis, the accuracy of customer invoice generation and tested a sample of the credits and discounts applied to customers invoices.<br><br>• Tested, on a sample basis, customers cash receipts back to the invoice.<br><br>• Performed analytical procedures by comparing expectations of revenues with actual results and analysed variances.<br><br>• Assessed the adequacy of the relevant disclosures included in the consolidated financial statements. |

**Independent auditor's report**
**To the Shareholders of Saudi Telecom Company**
**(A Saudi Joint Stock Company) (continued)**

**Key Audit Matters (continued)**

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| **Allowance for impairment of trade receivable** | |
| As at 31 December 2024, the Group's gross trade receivables amounted to SR 25.6 billion against which an impairment allowance of SR 3.4 billion is maintained.<br><br>The Group uses the expected credit loss model (ECL) as required by IFRS as endorsed by SOCPA to calculate allowance for impairment in trade receivable. Further, the Group perform an assessment based on a set of relevant qualitative factors for some of the customers categories.<br><br>We considered this as a key audit matter as it involves complex calculations and use of assumptions by management in addition to the materiality of the amounts involved.<br><br>*Refer to notes **4.18.3** and **5.2.4** for the accounting and critical judgements policies related to allowance for impairment of trade receivable and note **18** for the related disclosures.* | Our audit procedures performed included, among others, the following:<br><br>• Assessed the design, implementation, and operating effectiveness of the key controls over the following:<br><br>- Recording of trade receivables and settlements.<br>- Trade receivables aging reports.<br><br>• Assessed significant assumptions, including collection rates, recovery rates, impairment ratios and those relating to future economic events that are used to calculate the expected credit loss.<br><br>• Tested the mathematical accuracy of the ECL model.<br><br>• In addition to the above, we also performed the following procedures for certain customers categories where the Group performed a standalone assessment:<br><br>- Inspected the respective meeting minutes for standalone assessments.<br><br>- Obtained an understanding of the latest development and the basis of measuring the allowance and assessed management assumption given the circumstances.<br><br>- Tested, on a sample basis, the calculation performed by management of the allowances.<br><br>• Assessed the adequacy of the relevant disclosures included in the consolidated financial statements. |





**Independent auditor's report**
**To the Shareholders of Saudi Telecom Company**
**(A Saudi Joint Stock Company) (continued)**

**Key Audit Matters (continued)**

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| **Capitalization of property and equipment** | |
| The Group has a substantial capital expenditures plan and therefore incurs significant annual expenditures in relation to the development and maintenance of both infrastructure assets and assets in relation to network and related equipment.<br><br>Costs related to upgrading or enhancing networks are treated as capital expenditures while expenses spent to maintain the network's operating capacity are recognized as expenses in the same year in which they are incurred. Accordingly, the assessment and timing of whether assets meet the capitalisation criteria set out in IAS 16 Property, Plant and Equipment requires judgement.<br><br>We considered this as a key audit matter since it involves management's assumptions as well as the materiality of the amounts involved.<br><br>*Refer to note **4.11** for the accounting policy related to property and equipment and note **10** for the related disclosures.* | Our audit procedures performed included, among others, the following:<br><br>• Tested the design, implementation, and operating effectiveness of key controls in place over the capitalization and depreciation of property and equipment.<br><br>• Performed analytical procedures on depreciation of property and equipment by comparing actual depreciation amounts with expected amounts and analysed variances.<br><br>In addition to the above, we also performed the following procedures on the capitalized cost:<br><br>• Assessed the Group's capitalisation policy, for compliance with IFRS Accounting Standards as endorsed by SOCPA.<br><br>• Tested, on a sample basis, the implementation of capital expenditures plan during the year, including the review of minutes of meetings where capital expenditure plan was approved.<br><br>• Tested, on a sample basis, capitalisation of project expenses in compliance with the Group's capitalisation policy including instances where actual costs differed from the expenditure plan.<br><br>• Assessed the adequacy of the relevant disclosures included in the consolidated financial statements. |

**Independent auditor's report**
**To the Shareholders of Saudi Telecom Company**
**(A Saudi Joint Stock Company) (continued)**

**Key Audit Matters (continued)**

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| **Partial sale of subsidiaries** | |
| The Group recognized a gain from sale of two subsidiaries amounting to SR 12.9 billion (the "Transaction"), which includes the gain on the partial sale of the subsidiaries as well as fair value remeasurement of the retained interest. The Group subsequently measures the retained interest in the former subsidiaries in accordance with IAS 28: Investment in Associates and Joint Ventures.<br><br>The Transaction is a non-routine transaction and includes the Group's loss of control over these two subsidiaries, and the recognition of the retained interests after the completion of the transactions at the Group level.<br><br>We have identified this as a key audit matter as it involves managements estimates, the materiality of the amounts involved, as well as the disclosures and presentation in the consolidated financial statements.<br><br>*Refer to note **2.2,** and **4.2** for the accounting policies related to basis of consolidation and Investment in associate and joint ventures, and note **5.1.5,** and **5.2.8** for the significant accounting judgments, estimates and assumptions and note **14.1** for the related disclosures.* | Our audit procedures performed included, among others, the following:<br><br>• Read the Share Purchase Agreements (SPAs) related to this transaction, and the approval of the general assembly to obtain an understanding of the transaction and the key terms. We also performed an analysis of the SPAs to evaluate key relevant terms and conditions and their impact on recognition and measurement of the Transaction in the consolidated financial statements.<br><br>• Attended meetings with those charged with governance, and the Group's management to obtain and discuss updates on the Transaction.<br><br>• Assessed the Group's accounting policies relevant to the Transaction for compliance with IFRS Accounting Standards as endorsed by SOCPA.<br><br>• Involved our valuation specialist to assist us in reviewing the valuation methodologies used by management and their external valuation expert in the fair valuation of the retained interest in the former subsidiaries. We assessed the reasonableness of the key assumptions and inputs used in the projected financial information and verified the reasonableness of the key valuation assumptions.<br><br>• Tested the clerical accuracy of the gain recorded and the initial recognition of the former subsidiaries as associate.<br><br>• Assessed the adequacy of the relevant disclosures included in the consolidated financial statements. |



**Independent auditor's report**
**To the Shareholders of Saudi Telecom Company**
**(A Saudi Joint Stock Company) (continued)**

**Other information included in The Group's 2024 Annual Report**

Other information consists of the information included in the Group's 2024 annual report, other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information in its annual report. The Group's 2024 annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

**Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Accounting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization for Chartered and Professional Accountants and the applicable provisions of the Regulations for Companies and Company's By-laws, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance i.e, the Audit Committee is responsible for overseeing the Group's financial reporting process.

**Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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**Independent auditor's report**
**To the Shareholders of Saudi Telecom Company**
**(A Saudi Joint Stock Company) (continued)**

**Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)**

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

for Ernst & Young Professional Services

Rashid S. Roshod
Certified Public Accountant
License No. (366)

R7 EY
CR 1010383821
Ernst & Young Professional Services (Professional LLC)

Riyadh: 6 Ramadan 1446H
(6 March 2025)





Saudi Telecom Company (A Saudi Joint Stock Company)

# Consolidated Statement of Financial Position

## As at 31 December 2024

(All amounts in Saudi Riyals thousands unless otherwise stated)

| | Note | 31 December 2024 | 31 December 2023 |
|---|---|---|---|
| **ASSETS** | | | |
| **NON-CURRENT ASSETS** | | | |
| Property and equipment | 10 | 41,514,233 | 48,701,341 |
| Investment properties | 11 | 1,007,572 | 801,735 |
| Intangible assets and goodwill | 12 | 14,954,413 | 17,001,371 |
| Right of use assets | 13 | 1,351,971 | 3,893,838 |
| Investments in associates and joint ventures | 8 | 12,259,656 | 4,525,149 |
| Contract assets and costs | 15 | 1,466,233 | 1,444,868 |
| Financial assets and others | 16 | 15,316,935 | 12,501,194 |
| **TOTAL NON-CURRENT ASSETS** | | **87,871,013** | **88,869,496** |
| **CURRENT ASSETS** | | | |
| Inventories | 17 | 1,889,227 | 1,904,971 |
| Contract assets and costs | 15 | 7,840,069 | 7,034,184 |
| Trade receivables | 18 | 22,223,164 | 21,401,271 |
| Financial assets and others | 16 | 10,019,255 | 12,246,019 |
| Short term murabahas | 19 | 15,212,455 | 14,767,349 |
| Cash and cash equivalents | 20 | 15,543,441 | 13,371,320 |
| Assets held for sale | 14.2 | 39,519 | 51,259 |
| **TOTAL CURRENT ASSETS** | | **72,767,130** | **70,776,373** |
| **TOTAL ASSETS** | | **160,638,143** | **159,645,869** |
| **EQUITY AND LIABILITIES** | | | |
| **EQUITY** | | | |
| Share capital | 22 | 50,000,000 | 50,000,000 |
| Treasury shares | 24 | (517,351) | (612,528) |
| Other reserves | 25 | 1,484,621 | 2,125,192 |
| Retained earnings | | 38,449,272 | 27,472,281 |
| **Equity attributable to the equity holders of the Parent Company** | | **89,416,542** | **78,984,945** |
| Non-controlling interests | 26 | 3,068,505 | 2,530,221 |
| **TOTAL EQUITY** | | **92,485,047** | **81,515,166** |
| **LIABILITIES** | | | |
| **NON-CURRENT LIABILITIES** | | | |
| Long term borrowings | 27 | 14,740,155 | 13,641,768 |
| End of service benefits provision | 28.1 | 5,184,542 | 5,258,413 |
| Lease liabilities | 29 | 1,570,638 | 3,327,526 |
| Contract liabilities | 30 | 1,170,341 | 1,110,722 |
| Provisions | 31 | 512,233 | 684,330 |
| Financial liabilities and others | 32 | 6,018,926 | 6,484,906 |
| **TOTAL NON-CURRENT LIABILITIES** | | **29,196,835** | **30,507,665** |
| **CURRENT LIABILITIES** | | | |
| Trade and other payables | 33 | 22,627,472 | 21,823,200 |
| Contract liabilities | 30 | 4,067,079 | 4,133,619 |
| Provisions | 31 | 915,209 | 2,221,748 |
| Zakat and income tax | 34 | 2,934,627 | 2,632,768 |
| Short term borrowings | 27 | 391,584 | 8,315,728 |
| Lease liabilities | 29 | 593,447 | 947,703 |
| Financial liabilities and others | 32 | 7,426,843 | 7,548,272 |
| **TOTAL CURRENT LIABILITIES** | | **38,956,261** | **47,623,038** |
| **TOTAL LIABILITIES** | | **68,153,096** | **78,130,703** |
| **TOTAL EQUITY AND LIABILITIES** | | **160,638,143** | **159,645,869** |

The accompanying notes from 1 to 50 form an integral part of these consolidated financial statements

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

Saudi Telecom Company (A Saudi Joint Stock Company)

# Consolidated Statement of Profit or Loss

## For the year ended 31 December 2024

(All amounts in Saudi Riyals thousands unless otherwise stated)

| | Note | 2024 | 2023 |
|---|---|---|---|
| **CONTINUING OPERATIONS:** | | | |
| Revenues | 35 | 75,893,413 | 71,777,161 |
| Cost of revenues | 36 | (38,593,003) | (37,037,095) |
| **GROSS PROFIT** | | **37,300,410** | **34,740,066** |
| **OPERATING EXPENSES** | | | |
| Selling and marketing | 37 | (6,561,820) | (5,869,821) |
| General and administration | 38 | (6,812,989) | (6,424,856) |
| Depreciation, amortization and impairment | 10,12,13 | (9,499,963) | (9,284,098) |
| **TOTAL OPERATING EXPENSES** | | **(22,874,772)** | **(21,578,775)** |
| **OPERATING PROFIT** | | **14,425,638** | **13,161,291** |
| **OTHER INCOME AND EXPENSES** | | | |
| Cost of early retirement program | 28.3 | (2,577,256) | (862,842) |
| Finance income | 39 | 1,717,851 | 1,482,016 |
| Finance cost | 40 | (1,233,679) | (1,068,102) |
| Net other expenses | | (61,263) | (110,976) |
| Net share in results and impairment of investments in associates and joint ventures | 8 | (665,913) | 52,579 |
| Net other gains | 41 | 529,069 | 1,333,077 |
| **TOTAL OTHER (EXPENSES) INCOME** | | **(2,291,191)** | **825,752** |
| **NET PROFIT BEFORE ZAKAT AND INCOME TAX** | | **12,134,447** | **13,987,043** |
| Zakat and income tax | 34 | (1,191,564) | (1,326,610) |
| **NET PROFIT FROM CONTINUING OPERATIONS** | | **10,942,883** | **12,660,433** |
| **DISCONTINUED OPERATIONS:** | | | |
| **NET PROFIT FROM DISCONTINUED OPERATIONS** | **14.1** | **13,973,360** | **759,046** |
| **NET PROFIT** | | **24,916,243** | **13,419,479** |
| **Net profit from continuing operations attributable to:** | | | |
| Equity holders of the Parent Company | | 10,715,292 | 12,536,335 |
| Non-controlling interests | | 227,591 | 124,098 |
| | | **10,942,883** | **12,660,433** |
| **Net profit attributable to:** | | | |
| Equity holders of the Parent Company | | 24,688,652 | 13,295,381 |
| Non-controlling interests | 26 | 227,591 | 124,098 |
| | | **24,916,243** | **13,419,479** |
| **Earnings per share from net profit from continuing operations attributable to equity holders of the Parent Company (in Saudi Riyals):** | | | |
| Basic | 42 | 2.15 | 2.52 |
| Diluted | 42 | 2.14 | 2.51 |
| **Earnings per share from net profit attributable to equity holders of the Parent Company (in Saudi Riyals):** | | | |
| Basic | 42 | 4.95 | 2.67 |
| Diluted | 42 | 4.94 | 2.66 |

The accompanying notes from 1 to 50 form an integral part of these consolidated financial statements

Group Chief Financial Officer    Group Chief Executive Officer    Authorized Board Member    Chairman





Saudi Telecom Company (A Saudi Joint Stock Company)

# Consolidated Statement of Comprehensive Income

## For the year ended 31 December 2024

(All amounts in Saudi Riyals thousands unless otherwise stated)

| | Note | 2024 | 2023 |
|---|---|---|---|
| **NET PROFIT** | | **24,916,243** | **13,419,479** |
| **OTHER COMPREHENSIVE INCOME (LOSS)** | | | |
| **Items that will not be reclassified subsequently to consolidated statement of profit or loss:** | | | |
| Remeasurement of end of service benefits provision | 28.1 | 180,410 | (214,474) |
| Changes in fair value for hedging instruments and equity investments through other comprehensive income | | 140,321 | (12,181) |
| Net share of other comprehensive income of associates and joint ventures | | 107 | 21,275 |
| **Total items that may not be reclassified subsequently to consolidated statement of profit or loss** | | **320,838** | **(205,380)** |
| **Items that may be reclassified subsequently to consolidated statement of profit or loss:** | | | |
| Foreign currency translation differences | | (799,730) | 10,023 |
| Gain on net investment hedge, net | | 93,055 | - |
| Gain on cash flow hedge, net | | 92,870 | - |
| Net share of other comprehensive (loss) income of associates and joint ventures | | (15,205) | 9,443 |
| **Total items that may be reclassified subsequently to consolidated statement of profit or loss** | | **(629,010)** | **19,466** |
| **TOTAL OTHER COMPREHENSIVE LOSS** | | **(308,172)** | **(185,914)** |
| **TOTAL COMPREHENSIVE INCOME** | | **24,608,071** | **13,233,565** |
| **Total comprehensive income attributable to:** | | | |
| Equity holders of the Parent Company | | 24,436,813 | 13,138,635 |
| Non-controlling interests | | 171,258 | 94,930 |
| | | **24,608,071** | **13,233,565** |
| **Total comprehensive income attributable to Equity holders of the Parent Company** | | | |
| Continuing operations | | 10,604,149 | 12,445,796 |
| Discontinued operations | 14.1 | 13,832,664 | 692,839 |
| | | **24,436,813** | **13,138,635** |

The accompanying notes from 1 to 50 form an integral part of these consolidated financial statements

Group Chief Financial Officer    Group Chief Executive Officer    Authorized Board Member    Chairman

Saudi Telecom Company (A Saudi Joint Stock Company)

# Consolidated Statement of Cash Flows

## For the year ended 31 December 2024

(All amounts in Saudi Riyals thousands unless otherwise stated)

| | Note | 2024 | 2023 |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Net profit from continuing operations before zakat and income tax | | 12,134,447 | 13,987,043 |
| Net profit from discontinued operations before zakat and income tax | 14.1 | 14,077,703 | 807,934 |
| **Adjustments:** | | | |
| Depreciation, amortization and impairment | | 10,336,290 | 10,482,577 |
| Impairment loss and amortization of contract assets and costs | 36,37 | 396,710 | 380,221 |
| Impairment loss on trade receivables | | 1,267,469 | 449,144 |
| (Reversal) of allowance for slow moving inventories | | (46,436) | 44,323 |
| Finance income | | (1,747,387) | (1,512,581) |
| Finance cost | | 1,808,930 | 1,270,744 |
| Provision for end of service benefits and other provisions and expenses | | 915,108 | 744,933 |
| Net share in results and impairment of investments in associates and joint ventures | 8 | 665,913 | (52,579) |
| Share- based payment expenses | | 120,558 | 121,479 |
| Gain from sale of subsidiaries and fair value remeasurement of retained interest, net | | (12,885,377) | - |
| Net other gains and others | | (205,112) | (1,273,518) |
| **Changes of:** | | | |
| Trade receivables | | (2,427,591) | 1,654,205 |
| Contract assets and costs, inventory and others | | (830,959) | (2,373,711) |
| Trade payables and others | | 377,471 | (1,557,447) |
| Contract liabilities and others | | (2,594,659) | 711,255 |
| **Cash generated from operations activities** | | **21,363,078** | **23,884,022** |
| Less: zakat and income tax paid | | (892,108) | (857,184) |
| Less: provision for end of service benefits paid | | (585,633) | (609,280) |
| **Net cash generated from operating activities** | | **19,885,337** | **22,417,558** |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Purchase of property and equipment | | (7,951,795) | (7,237,282) |
| Purchase of intangible assets | | (3,811,123) | (2,331,987) |
| Additions to investment properties | | (163,858) | (221,056) |
| Proceeds from sale of property and equipment and asset held for sale | | 132,744 | 1,416,161 |
| Subsidiaries' acquisition of new subsidiaries | 7 | (733,547) | (5,414,051) |
| Subsidiaries acquisition of new associates | | (297,861) | - |
| Proceeds from sale of an interest in an associate | | - | 8,442 |
| Proceeds from sale of controlling interest in subsidiaries, net of cash and cash equivalents | | 4,056,106 | - |
| Dividends from associates and joint ventures | | 2,900 | 30,990 |
| Proceeds from finance income | | 1,724,947 | 1,766,226 |
| Investment in financial assets | | - | (8,599,919) |
| Proceeds and payments related to financial assets and others, net | | (137,494) | (7,800,866) |
| **Net cash used in investing activities** | | **(7,178,981)** | **(28,383,342)** |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Dividends paid to the equity holders of the Parent Company | | (9,687,757) | (7,922,882) |
| Dividends paid to non-controlling interests | | (347,954) | (280,309) |
| Payment of lease liabilities | | (1,515,120) | (1,218,622) |
| Repayment of borrowings | | (2,634,835) | (432,595) |
| Proceeds from borrowings | | 4,434,843 | 11,833,786 |
| Transactions with non-controlling interests | 6 | 239,205 | 204,000 |
| Finance cost paid | | (983,528) | (592,449) |
| **Net cash (used in) generated from financing activities** | | **(10,495,146)** | **1,590,929** |
| **NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS** | | **2,211,210** | **(4,374,855)** |
| **CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR** | | **13,371,320** | **17,751,588** |
| Net foreign exchange difference | | (39,089) | (5,413) |
| **CASH AND CASH EQUIVALENTS AT END OF THE YEAR** | 20 | **15,543,441** | **13,371,320** |

The accompanying notes from 1 to 50 form an integral part of these consolidated financial statements

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





Saudi Telecom Company (A Saudi Joint Stock Company)

# Consolidated Statement of Changes in Equity

## For the year ended 31 December 2024

(All amounts in Saudi Riyals thousands unless otherwise stated)

| | | Total equity attributable to the equity holders of the Parent Company | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | **Note** | **Share capital** | **Statutory reserve** | **Treasury shares** | **Other reserves** | **Retained earnings** | **Total** | **Non-controlling interests** | **Total equity** |
| **Balance as at 1 January 2023** | | **50,000,000** | **11,217,054** | **(703,838)** | **2,032,239** | **10,954,070** | **73,499,525** | **2,526,067** | **76,025,592** |
| Net profit | | - | - | - | - | 13,295,381 | 13,295,381 | 124,098 | 13,419,479 |
| Other comprehensive loss | | - | - | - | (156,746) | - | (156,746) | (29,168) | (185,914) |
| Total comprehensive income | | - | - | - | (156,746) | 13,295,381 | 13,138,635 | 94,930 | 13,233,565 |
| Dividends to the equity holders of the Parent Company | 47 | - | - | - | - | (7,975,133) | (7,975,133) | - | (7,975,133) |
| Dividends to non-controlling interests | | - | - | - | - | - | - | (295,082) | (295,082) |
| Transfer from statutory reserve | 23 | - | (11,217,054) | - | - | 11,217,054 | - | - | - |
| Share-based payment transactions | 24,46 | - | - | 91,310 | 25,981 | - | 117,291 | 306 | 117,597 |
| Transactions with non-controlling interests | 6 | - | - | - | 225,501 | - | 225,501 | 204,000 | 429,501 |
| Net share of other reserves of joint ventures | | - | - | - | (1,783) | (19,091) | (20,874) | - | (20,874) |
| **Balance as at 31 December 2023** | | **50,000,000** | **-** | **(612,528)** | **2,125,192** | **27,472,281** | **78,984,945** | **2,530,221** | **81,515,166** |
| **Balance as at 1 January 2024** | | **50,000,000** | **-** | **(612,528)** | **2,125,192** | **27,472,281** | **78,984,945** | **2,530,221** | **81,515,166** |
| Net profit | | - | - | - | - | 24,688,652 | 24,688,652 | 227,591 | 24,916,243 |
| Other comprehensive loss | | - | - | - | (251,839) | - | (251,839) | (56,333) | (308,172) |
| Total comprehensive income | | - | - | - | (251,839) | 24,688,652 | 24,436,813 | 171,258 | 24,608,071 |
| Dividends to the equity holders of the Parent Company | 47 | - | - | - | - | (13,711,661) | (13,711,661) | - | (13,711,661) |
| Dividends to non-controlling interests | | - | - | - | - | - | - | (347,730) | (347,730) |
| Share-based payment transactions | 24,46 | - | - | 95,177 | 45,984 | - | 141,161 | 255 | 141,416 |
| Transactions with non-controlling interests | 6 | - | - | - | (431,890) | - | (431,890) | 714,501 | 282,611 |
| Net share of other reserves of associates and joint ventures | | - | - | - | (2,826) | - | (2,826) | - | (2,826) |
| **Balance as at 31 December 2024** | | **50,000,000** | **-** | **(517,351)** | **1,484,621** | **38,449,272** | **89,416,542** | **3,068,505** | **92,485,047** |

The accompanying notes from 1 to 50 form an integral part of these consolidated financial statements

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

Saudi Telecom Company (A Saudi Joint Stock Company)

# Notes to the Consolidated Financial Statements

**For the year ended 31 December 2024**

(All amounts in Saudi Riyals thousands unless otherwise stated)

## 1. GENERAL INFORMATION

### A) ESTABLISHMENT OF THE COMPANY

Saudi Telecom Company (the "Company") was established as a Saudi Joint Stock Company pursuant to Royal Decree No. M/35 dated 24 Dhul Hijja 1418H (corresponding to 21 April 1998) that authorized the transfer of the telegraph and telephone division of the Ministry of Post, Telegraph and Telephone ("MoPTT") with its various components and technical and administrative facilities to the Company, and in accordance with the Council of Ministers' Resolution No. 213 dated 23 Dhul Hijja 1418H (corresponding to 20 April 1998) that approved the Company's by-laws ("By-laws"). The Company was wholly owned by the Government of the Kingdom of Saudi Arabia (the "Government"). The Government sold 30% of its shares pursuant to the Council of Ministers Resolution No. 171 dated 2 Rajab 1423H (corresponding to 9 September 2002). The Public Investment Fund ("PIF") is the ultimate controlling party of the Company through its ownership of 62% (2023: 64%).

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

### B) GROUP ACTIVITIES

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

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

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





Saudi Telecom Company (A Saudi Joint Stock Company)
Notes to the Consolidated Financial Statements
For the year ended 31 December 2024
(All amounts in Saudi Riyals thousands unless otherwise stated)

## 2. BASIS OF PREPARATION AND CONSOLIDATION

### 2.1 Basis of preparation

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

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

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

The Group has prepared the consolidated financial statements on the basis that it will continue to operate as a going concern.

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

The material accounting policies (Note 4) applied in preparing these consolidated financial statements are consistent with those applied in comparative periods presented.

### 2.2 Basis of consolidation

The consolidated financial statements of the Group comprise the financial information of the Company and its subsidiaries (Note 6).

Subsidiaries are companies controlled by the Group. Control is achieved when the Group has:

- Power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee)
- Exposure to risk, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

In general, there is a presumption that a majority of voting rights result in control. In support of this assumption, when the Group has less than a majority of the voting rights or similar rights in the investee, the Group takes into consideration all relevant facts and circumstances when determining whether it exercises control over the investee, including:

- Arrangement(s) with other voting rights holders in the investee company.
- Rights arising from other contractual arrangements.
- Group's voting rights and potential voting rights.

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

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

Profit or loss and each component of other comprehensive income are attributed to the equity holders of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the equity holders of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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

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

Saudi Telecom Company (A Saudi Joint Stock Company)

# Notes to the Consolidated Financial Statements

**For the year ended 31 December 2024**

(All amounts in Saudi Riyals thousands unless otherwise stated)

Changes in the Group's ownership interests in subsidiaries that do not result in losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries

Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Company.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity. When the Group loses control of a subsidiary, a gain or loss is recognized in the consolidated statement of profit or loss and is calculated as the difference between (1) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (2) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognized in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets and liabilities of the subsidiary (i.e., reclassified to the consolidated statement of profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9, and when applicable, the cost on initial recognition of an investment in an associate or a joint venture under IAS (28).

## 3. NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS ADOPTED BY THE GROUP

### 3.1 NEW IFRS STANDARDS, ISSUED AND ADOPTED

Amendments to IFRS that were applied by the Group on 1 January 2024 and had no material impact are as follows:

| Amendments and interpretations |
|---|
| Amendments to IAS 12: International Tax Reform – Pillar Two Model Rules |
| Amendments to IAS 1: Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants. |
| Amendments to IFRS 16: Lease Liability in a Sale and Leaseback. |
| Amendments to IAS 7 and IFRS 7: Supplier Finance Arrangements. |

### 3.2 OTHER AMENDMENTS OF RELEVANT IFRS'S ISSUED BUT NOT YET EFFECTIVE

The standards and amendments that are issued, but not yet effective, as of 31 December 2024 are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective. These standards are not expected to have a material impact on the Group at their effective dates, except IFRS 18, which the Group is currently evaluating the impact of its adoption on the consolidated financial statements.

| Amendments and interpretations |
|---|
| Amendments to IAS 21: Lack of exchangeability |
| IFRS 18 Presentation and Disclosure in Financial Statements |
| IFRS 19 Subsidiaries without Public Accountability: Disclosures: as the Group's equity instruments are publicly traded, it is not eligible to elect to apply IFRS 19. |
| Amendments to IFRS 9 and IFRS 7: Classification and Measurement of Financial Instruments |
| Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture |
| Annual Improvements to IFRS Accounting Standards — Volume 11 |



Saudi Telecom Company (A Saudi Joint Stock Company)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

(All amounts in Saudi Riyals thousands unless otherwise stated)

## 4. SUMMARY OF MATERIAL ACCOUNTING POLICIES

### 4.1 Business combinations and goodwill

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

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

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair value with limited exceptions.

Goodwill is initially measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value at the acquisition-date of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date fair values of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts recognized at the acquisition date.

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

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

Goodwill is allocated to the cash generating unit and part of the operations of that unit are disposed of, goodwill associated with the discontinued operation will be included in the carrying amount when determining the gain or loss on disposal of the operation. The goodwill in such circumstances is measured on the basis of the relative value of the disposed operation and the remaining portion of the cash-generating unit.

Impairment is determined annually for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another relevant IFRS approved in Kingdom.

Any contingent consideration to be paid (if any) will be recognized at fair value at the acquisition date and classified as equity or a financial liability. Contingent consideration classified as a financial liability is subsequently remeasured at fair value with the changes in fair value recognized in the consolidated statement of profit or loss. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

Saudi Telecom Company (A Saudi Joint Stock Company)

# Notes to the Consolidated Financial Statements

**For the year ended 31 December 2024**

(All amounts in Saudi Riyals thousands unless otherwise stated)

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to its acquisition-date fair value and the resulting gain or loss, if any, is recognized in the consolidated statement of profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognized in other comprehensive income are reclassified to the consolidated statement of profit or loss where such treatment would be appropriate if that interest were disposed of.

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

The Group recognizes additional assets or liabilities during the measurement period if new information becomes available about facts or circumstances that existed at the date of the acquisition and if it will result in recognition of assets or liabilities from that date. The measurement period ends once the group obtains all information that existed at the acquisition date or as soon as it becomes sure of the absence of more information.

## 4.2 Investments in associates and joint ventures

An associate is an entity over which the Group has significant influence but does not have control or joint control. Significant influence is the Group's ability to participate in the financial and operating policy decisions of the investee but not to control or joint control over those policies.

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

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

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

Additional losses are recognized and recorded as liabilities only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

Unrealized gain or losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture.

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

On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognized as goodwill, which is included within the carrying amount of the investment.



Saudi Telecom Company (A Saudi Joint Stock Company)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

(All amounts in Saudi Riyals thousands unless otherwise stated)

Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognized immediately in the consolidated statement of profit or loss in the acquisition year.

The requirements of IFRSs endorsed in Kingdom are applied to determine whether it is necessary to recognize any impairment loss with respect to the Group's investment in an associate or a joint venture. The carrying amount of the investment in an associate or a joint venture is tested for impairment in accordance with the policy described in Note (5-2-1). Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is not tested for impairment separately. Thus, reversals of impairments may effectively include reversal of goodwill impairments. Impairments and reversals are presented within 'Share of profit of an associate and a joint venture' in the consolidated statement of profit or loss.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate or a joint venture, or when the investment is classified as held for sale.

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

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

The financial statements of the associate or joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

## 4.3 Share-based payment transactions

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

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

## 4.4 Treasury shares

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

## 4.5 Revenue recognition

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

Saudi Telecom Company (A Saudi Joint Stock Company)

# Notes to the Consolidated Financial Statements

**For the year ended 31 December 2024**

(All amounts in Saudi Riyals thousands unless otherwise stated)

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

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

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

| Products and services | Nature and timing of satisfaction of performance obligation |
|---|---|
| Mobile telecommunication services | Mobile telecommunication services include voice, data, messaging, and valued added services. The Group recognizes revenues as and when these services are provided (i.e., actual usage by the customer). |
| Fixed telecommunication services | Fixed telecommunication services include voice, broadband, internet, and data connectivity services. The Group recognizes revenues as and when these services are provided (i.e., actual usage by the customer). |
| Enterprise solutions services | Enterprise solutions services include system integration, IT managed services, cyber security, data / data centers and cloud, outsourcing and digital services. The Group recognizes revenues when control transfers to the customer (over time or at a point in time). |
| Bundled packages | Arrangements involving multiple products and services are separated into individual items and revenue is recognized on the basis of the fair value (standalone selling prices) of the individual items by allocating the total arrangement consideration to the individual items on the basis of the relative value of the selling prices of the individual items. Items are separable if they are of separate value to the customer. |
| Mobile and other devices | The Group recognizes revenues when the control of the device is transferred to the customer. This usually occurs at the contract inception when the customer takes the possession of the device. |
| Other services | Include services provided to stc Bank customers.<br>The Bank recognizes revenue when it transfers control over a product or service to a customer. |

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

If the Group has a contract that is onerous, the present obligation under the contract is recognized and measured as a provision. However, before a separate provision for an onerous contract is established, the Group recognizes any impairment loss that has occurred on assets dedicated to that contract.

### 4.5.1 Variable consideration

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

### 4.5.2 Significant financing component

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



Saudi Telecom Company (A Saudi Joint Stock Company)

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**For the year ended 31 December 2024**

(All amounts in Saudi Riyals thousands unless otherwise stated)

As a practical expedient, the Group does not adjust the promised amount of consideration for the effects of a significant financing component if the Group expects, at contract inception, that the period between when the Group transfers a promised good or service to a customer and when the customer pays for that good or service will be one year or less.

### 4.5.3 Contract balances

#### 4.5.3.1 Contract Assets

A contract asset is the Group's right to consideration in exchange for goods and services transferred by the Group to the customer. If the Group transfers goods or services to a customer before the customer pays any consideration or before payment is due, a contract asset is recognized for the earned consideration that is conditional.

#### 4.5.3.2 Trade receivables

A Trade receivable is recognized if the amount of consideration due from the customer is unconditional (if only the passage of time is required before payment of that consideration is due).

#### 4.5.3.3 Contract Costs

Contract costs relate to incremental costs of obtaining a contract and certain costs to fulfil a contract to be recognized as an asset when:

- The costs relate directly to the contract (or to a specified anticipated contract)
- The costs generate or enhance resources of the Group that will be used in satisfying (or in continuing to satisfy) performance obligations in the future.
- The costs are expected to be recovered

Contract costs recognized by the Group are amortized on a systematic basis that is consistent with the Group's transfer of related goods or services to the customer.

#### 4.5.3.4 Contract Liabilities

A contract liability is recognized if a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognized as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

### 4.5.4 Customer loyalty programs

The Group offers customer loyalty programs, which allow customers to earn points that can be redeemed through availing stc products and services or through certain third-party partners. The loyalty points give rise to a separate performance obligation as they provide a material right to the customer.

The Group allocates a portion of the transaction price to the loyalty points awarded to customers based on relative stand-alone selling price considering the likelihood that the customer will redeem the points, and recognizes it as a contract liability. Revenue is recognized upon redemption of the points by the customer or their expiry if not used within a year.

## 4.6 Lease contracts

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

### The Group as a lessee

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

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

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

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After the commencement date, the right of use asset is measured using the cost model (cost less any accumulated depreciation and any accumulated impairment losses and adjusted for any remeasurement of the related lease liability). Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

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

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

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

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

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

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

#### The Group as a lessor

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

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. The amounts due from the finance leases are recorded as lease receivables at an amount equal to the net investment of the Group in the lease. In the case of a sublease, if the interest rate implicit in the sublease cannot be readily determined, an intermediate lessor may use the discount rate used for the head lease (adjusted for any initial direct costs associated with the sublease) to measure the net investment in the sublease. The lease payments to be received are divided into two components: (1) a reimbursement of the original amount (2) a financing income to compensate the Group for its investment and services. The additional costs directly attributable to negotiating the lease contract are included in the amounts due, which in return, will reduce the finance income portion from the contract.

## 4.7 Foreign currencies

The financial information and disclosures are presented in Saudi Riyals (the functional currency of Saudi Telecom Company – the Parent Company). For each subsidiary, the Group determines the functional currency, which is defined as the currency of the primary economic environment in which the entity operates, and items included in the financial statements of each subsidiary are measured using that functional currency.

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign



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

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

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into Saudi Riyals using exchange rates prevailing at the reporting date. Income and expense items are translated at the average exchange rates for the reporting period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in equity (and attributed to non-controlling interests as appropriate).

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

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

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

## 4.8 Government grants

Government grants are not recognized until there is reasonable assurance that the Group will comply with the attached conditions and that the grants will be received.

Government grants are recognized in the consolidated statement of profit or loss on a systematic basis over the periods in which the Group recognizes as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognized as deferred revenue in the consolidated statement of financial position and transferred to the consolidated statement of profit or loss on a systematic and rational basis over the useful lives of the related assets.

When the Group receives government grants as compensation for expenses or losses already incurred or immediate financial support with no future related costs, these are recognized in the profit or loss in the period in which they become receivable.

## 4.9 Employee benefits

### 4.9.1 Retirement benefit costs and end of service benefits

Payments to defined contribution schemes are charged as an expense as they fall due. Payments made to state-managed pension schemes are dealt with as payments to defined contribution schemes where the Group's obligations under the schemes are equivalent to those arising in a defined contribution scheme.

Employee's end of service benefits provision is calculated annually by actuaries in accordance with the projected unit credit method as per (IAS 19) Employee Benefits, taking into consideration the labour law of the respective country in which the subsidiary operates. The provision is recognized based on the present value of the defined benefit obligations.

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The present value of the defined benefit obligations is calculated using assumptions on the average salary incremental rate, average employees' years of service and an appropriate discount rate. The assumptions used are calculated on a consistent basis for each period and reflect management's best estimate.

Due to the fact that the Kingdom does not have a deep market in high quality corporate bonds, the discount rate is determined based on available information of Saudi Arabia sovereign bond yields with a term consistent with the estimated term of the defined benefit obligation as at the reporting date.

Remeasurement of net liabilities that includes actuarial gains and losses arising from the changes in assumptions used in the calculation, is recognized directly in other comprehensive income. Remeasurements are not reclassified to the consolidated statement of profit and loss in subsequent periods.

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

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

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

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

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

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

### 4.9.3 Early Retirement Program

The Group offers Early Retirement Program (ERP) to certain categories of employees. ERP is payable when an employee voluntarily accepts the early retirement plan offered by the Group, and the corresponding costs are recognized at that time.

## 4.10 Zakat and Taxation

### 4.10.1 Zakat

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

### 4.10.2 Current and deferred taxes

Tax related to subsidiaries located outside the Kingdom is calculated in accordance with tax laws applicable in those countries. The current income tax is recognized in the consolidated statement of profit or loss.

Deferred income tax provisions for foreign entities are calculated using the liability method, based on temporary differences at the end of the financial year between the tax base of assets and liabilities and their carrying values for financial reporting purposes. Deferred tax liabilities and deferred tax assets are measured at the tax rates expected to be applied in the reporting period in which the obligation is settled, or the asset is realized.

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



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

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

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

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

### 4.10.4 Withholding tax

The Group withhold taxes on transactions with non-resident parties and on dividends paid to foreign shareholders in accordance with ZATCA regulations. These are recorded as liabilities payable to ZATCA on behalf of the counter party from whom the amounts are withheld.

## 4.11 Property and equipment

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

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

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

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

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

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

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

## 4.12 Investment properties

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

Investment property is recognized as an asset when it is probable that future economic benefits will flow to the Group, associated with the property and can be measured reliably. Investment properties are initially measured at cost, including transaction costs. It is subsequently measured after recognition according to the "cost model", i.e., at cost minus accumulated depreciation and accumulated impairment losses, if any. Except for land, which is not depreciated.

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

Investment properties are derecognized either when they have been disposed of (i.e., at the date the recipient obtains control) or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the consolidated statement of profit or loss during the period of disposal.

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

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

## 4.13 Intangible assets other than goodwill

Intangible assets are presented in the consolidated statement of financial position at cost less accumulated amortization and accumulated impairment losses. The cost of intangible assets acquired in a business combination represents their fair value as at the date of acquisition. The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite lives are amortized over the useful economic life. The amortization period and amortization method are reviewed at the end of each financial year, with the effect of any changes in estimate being accounted for on a prospective basis.

Intangible assets with indefinite lives are not amortized, but are tested for impairment annually. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

### 4.13.1 Software

Computer software licenses are capitalized based on the cost incurred to acquire the specific software and bring it into use. Amortization is charged to the consolidated statement of profit or loss on a straight-line basis over the estimated useful life from the date the software is available for use.

### 4.13.2 Licence and frequency spectrum fees

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

### 4.13.3 Indefeasible Rights of Use (“IRU”)

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

### 4. 13.4 Derecognition of intangible assets

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

## 4.14 Impairment of tangible and intangible assets other than goodwill

At the end of each finical year, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of other assets (cash-generating unit).

Recoverable amount is the higher of fair value less costs of disposal and the present value of the estimated future cash flows expected to be derived from the asset (value in use). In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.





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If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in the consolidated statement of profit or loss.

An assessment is made at each reporting date to determine whether there is an indication that previously recognized impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the assets or CGU’s recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset’s recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statement of profit or loss.

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

## 4.15 Inventories

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

## 4.16 Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and the obligation can be measured reliably.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the financial year, after taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material). When discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost in the consolidated statement of profit or loss.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

## 4.17 Assets’ decommissioning liabilities

The Group recognizes obligations on decommissioning of assets when there is a legal or constructive obligation arising from past events and it is likely to result in an outflow of resources to settle the obligation and if the obligation can be reliably measured.

The Group calculates a provision with the value of future costs related to the removal and decommissioning of the network and other assets. Upon initial recognition of the obligation, the present value of the expected costs (using a discount rate for future cash flows) is added to the value of the concerned network and other assets. Changes in the discount rate, timing and cost of removing and decommissioning assets are accounted for prospectively by adjusting the carrying amount of the provision and the carrying amount of the network and other assets.

## 4.18 Financial instruments

### 4.18.1 Classification, recognition, and presentation

Financial instruments are recognized in the consolidated statement of financial position when and only when the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial instruments at initial recognition.

The Group classifies its financial assets within the following categories:

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

The classification depends on the entity’s business model for managing the financial assets (for debt instruments) and the contractual terms of the cash flows.

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In order for a financial asset to be classified and measured at amortized cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

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

### 4.18.2 Measurement

#### 4.18.2.1 Initial measurement
Financial assets and financial liabilities, except for trade receivables, are initially measured at fair value plus or minus transaction costs that are directly attributable to the acquisition of financial assets and issue of financial liabilities. (Except for financial assets and financial liabilities classified at fair value where transaction costs directly attributable to the acquisition of financial assets or financial liabilities are recognized directly in the consolidated statement of profit or loss).

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

#### 4.18.2.2 Subsequent measurement of financial assets
The subsequent measurement of the non-derivative financial assets depends on their classification as follows:

**a. Financial assets measured at amortized cost:**
Assets that are held to collect contractual cash flows are measured at amortized cost using the effective interest rate ('EIR') method where those cash flows represent solely payments of principal and interest. Interest income from these financial assets is included in finance income.

The Group's financial assets measured at amortised cost includes trade receivables, Sukuk, Customers' trust accounts of stc Bank, loan to employees, and Murabahas.

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

This category includes derivative instruments and equity investments which the Group had not irrevocably elected to classify at fair value through OCI.

Derivatives embedded in host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of host contracts and the host contracts are not measured at fair value with changes in fair value recognized in the consolidated statement of profit or loss.

Embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

**c. Financial assets measured at fair value through other comprehensive income**
Financial assets measured at fair value through other comprehensive income ("FVOCI") are measured at each reporting date at fair value without the deduction of transaction costs that the Group may incur on sale or disposal of the financial asset in the future.
Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under "IAS 32 Financial Instruments: Presentation" and are not held for trading. The classification is determined on an instrument-by-instrument basis.

The Group elected to classify irrevocably its listed equity investments under this category.





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

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

| Measurement category | Recognition and presentation of gains and losses |
|---|---|
| At amortized cost | The following items are recognized in the consolidated statement of profit or loss:<br>· finance income using the effective interest method<br>· expected credit losses (or reversals of such losses)<br>· foreign exchange gains and losses.<br><br>When the financial asset is derecognized, the gain or loss is recognized in the consolidated statement of profit or loss. |
| At FVOCI | Debt instruments:<br>Gains and losses are recognized in the consolidated statement of comprehensive income, except for the following items, which are recognized in consolidated statement of profit or loss in the same manner as for financial assets measured at amortized cost:<br><br>· finance income using the average effective interest method<br>· expected credit losses (or reversals of such losses)<br>· foreign exchange gains and losses.<br><br>Equity instruments:<br>Gains and losses are recognized in the consolidated statement of comprehensive income. Dividends are recognized in the consolidated statement of profit or loss unless they clearly represent a repayment of part of the cost of the investment. The amounts recognized in the consolidated statement of comprehensive income are not reclassified to the consolidated statement of profit or loss under any circumstances. |
| At FVTPL | Gains and losses, both on subsequent measurement and derecognition, are recognized in consolidated statement of profit or loss. |

#### 4.18.2.3 Subsequent measurement of financial liabilities

**a. Amortized cost**
The Group classifies all financial liabilities at amortized cost and remeasure subsequently as such, except for:

1. financial liabilities at FVTPL
2. financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or is accounted for using the continuing involvement approach
3. commitments to provide a loan at a below-market interest rate and not measured at fair value though profit or loss
4. financial guarantee contracts
5. contingent consideration recognized at fair value by the Group in a business combination to which IFRS 3 applies (shall subsequently be measured at fair value with changes recognized in the consolidated statement of profit or loss).

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

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**b. Liabilities at fair value through profit or loss**
Financial liabilities falling under this category include:

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

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

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

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

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

### 4.18.3 Impairment of financial assets

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

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

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

For trade receivables, lease receivables, and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognizes an allowance base on lifetime ECLs at each reporting date. The Group established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. For government, related parties and key private customers, the Group estimates the loss allowance based on the internal assessment to evaluate the collectability of the balances and such assessment is done based on the available information and negotiations underway. An estimate of the collectible amount is made when collection of the amount is no longer probable.

For certain customer categories, this estimate is performed on an individual basis while other customer categories are assessed collectively and an allowance is applied according to the length of time past due.
The Group employs statistical models to analyse the data collected and generate estimates of the probability of default of exposures with passage of time. The analysis includes the identification for any changes between default rates and key macro-economic factors across various geographies of the Group. For trade receivables, the average credit terms vary by customer type.





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### 4.18.4 Derecognition of financial assets

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

### 4.18.5 Derecognition of financial liabilities

Financial liabilities are derecognized when and only when the underlying obligations are extinguished, cancelled or expires.

### 4.18.6 Offsetting between financial assets and financial liabilities

A financial asset and a financial liability are offset and presented as a net amount in the consolidated statement of financial position when, and only when, both of the following conditions are satisfied:

1. The Group currently has a legal enforceable right to offset the recognized amounts of the asset and liability; and
2. The Group intends to settle on a net basis, or to realize the asset and settle the liability simultaneously.

### 4.18.7 Modifications of financial assets and financial liabilities

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

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

**Financial liabilities**
The Group derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognized at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognized in consolidated statement of profit or loss.

### 4.18.8 Derivative financial instruments and hedge accounting

The Group enters into derivative arrangements to hedge its certain risks such as share price risks, fair value risks. These derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value at each reporting date until settlement. The change in fair value is recognised in the consolidated statement of profit or loss unless designated in a hedging relationship. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

For the purpose of hedge accounting, hedges are classified as:

- Cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognized firm commitment.
- Fair value hedges when hedging the exposure to changes in fair value of a recognised asset or liability or an unrecognized firm commitment.
- Hedges of a net investment in a foreign operation.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge.

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A hedging relationship qualifies for hedge accounting if it meets the effectiveness requirements.

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

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

In a fair value hedge, the effective and ineffective portion of gain or loss on hedging instrument is recognised in consolidated statement of profit or loss if the hedged item is recognised at FVTPL and in other comprehensive income if the hedged item is recognised at FVTOCI (equity instruments).

Hedges of a net investment in a foreign operation, including a hedge of a monetary item that is accounted for as part of the net investment, are accounted for in a way similar to cash flow hedges. On disposal of the foreign operation, the cumulative value of any such gains or losses recorded in equity is transferred to the consolidated statement of profit or loss.

### 4.19 Cash and cash equivalents

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

### 4.20 Fair values measurements

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

The Group uses valuation techniques appropriate to current circumstances that provide sufficient data to measure fair value, providing the maximum opportunity for the use of relevant inputs that are observable and the minimum use of inputs that are not observable. In addition, for financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

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

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

### 4.21 Segmental Information

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



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### 4.22 Cash dividends

The Company's dividends policy is approved by the General Assembly and the Company recognizes a liability to pay a dividend when the distribution is authorized and the distribution is no longer at the discretion of the Company. A corresponding amount is recognized directly in equity.

### 4.23 Current versus non-current classification

The Group presents assets and liabilities in the consolidated statement of financial position based on a current/non-current classification. An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realized within twelve months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period; or
- There is no right to defer the settlement of the liability for at least twelve months after the reporting period

The Group classifies all other liabilities as non-current.

### 4.24 Non current asset held for sale and discontinued operations

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. Costs to sell are the incremental costs directly attributable to the disposal of an asset (disposal group), excluding finance costs and income tax expense. The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the sale which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Property and equipment and intangible assets are not depreciated or amortised once classified as held for sale.
Assets and liabilities classified as held for sale are presented separately as current items in the consolidated statement of financial position.

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount after net profit from continuing operations in the consolidated statement of profit or loss. Intragroup transactions are eliminated between continuing and discontinued operations; however, certain adjustments are made keeping in view how transactions between continuing or discontinued operations will be reflected in continuing operations going forward.

Cash flows from discontinued operations are included in the consolidated statement of cash flows and are disclosed separately in Note 14.

Additional disclosures are provided in Note 14. All other notes to the financial statements include amounts for continuing operations, unless indicated otherwise.

### 4.25 Cost of revenue and operating expenses

The Group recognizes the expenses under following categories based on the nature of expenses:

**• Cost of revenue**

Cost of revenue represents the cost incurred by the Group and directly attributable for fulfilling its service and obligations with respect to its contract with customers.

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- **Selling and marketing expenses**

Selling and marketing expenses comprise of all costs for selling, marketing and transportation of the Group's products and include expenses for advertising, marketing fees, other sales related expenses.

- **General and Administration expenses**

Administrative expenses include direct and indirect costs not specifically part of either cost of revenue or selling and marketing expenses.

## 5. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

In the application of the Group's accounting policies, which are described in Note (4), the management of the Group are required to make judgements about the carrying amounts of assets and liabilities and the accompanying disclosures that are not readily apparent from other sources. The estimates and assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods.

### 5.1 SIGNIFICANT ACCOUNTING JUDGEMENTS

#### 5.1.1 Determining the lease term of contracts with renewal and termination options and assessing substitution rights – Group as lessee

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

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

While assessing at contract inception whether a contract is, or contains, a lease, the Group consider whether the supplier has the practical ability to substitute the assets throughout the period of use and the supplier would benefit economically from the exercise of its right to substitute the asset. If the supplier has substantive substitution right, then the arrangement is not considered as a lease.

#### 5.1.2 Revenue recognition

**Gross versus net presentation**

When the Group sells goods or services as a principal, revenue and payments to suppliers are reported on a gross basis in revenue and operating costs. If the Group sells goods or services as an agent, revenue and payments to suppliers are recorded in revenue on a net basis, representing the margin earned.

Whether the Group is considered to be the principal or an agent in the transaction depends on an analysis by management of both the legal form and substance of the agreement between the Group and its business partners; such judgements impact the amount of reported revenue and operating expenses but do not impact reported assets, liabilities or cash flows.

Whether the Group is principal or agent, depends whether the control of products and services is transferred to customers, and it has the ability to direct the use of the devices or obtain benefits from the devices and service. Below are the key criteria to determine whether the Group is acting as principal:

- The Group has primary responsibility for providing the products or services to the customer or for fulfilling the order, for example by being responsible for the acceptability of the products or services ordered or purchased by the customer;
- The Group has inventory risk before or after customer order, during shipping or on return; and
- The Group has latitude in establishing the prices, either directly and indirectly, for example by providing additional products or services.



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#### 5.1.3 Arrangements with multiple deliverables

In revenue arrangements where more than one good or service is provided to the customer, customer consideration is allocated between the goods and services using relative fair value principles. The Group generally determines the fair value of individual elements based on prices at which the deliverable is regularly sold on a stand-alone basis. Revision to the estimates of these fair values may significantly affect the allocation of total arrangement consideration among the individual elements.

#### 5.1.4 Recognition of digital banking operations' client assets

The determination of whether the Group has control over customer funds or if they are being held in merely a fiduciary capacity requires careful consideration of facts and circumstances including applicable regulatory requirements. The Group has assessed that these assets meet the recognition criteria based on the assessment of liability of the Group towards its customers for the funds, contractual and legal rights held by the Group in relation to these funds and the Group's rights to economic benefits from other financial institutions where customer funds are deposited.

#### 5.1.5 Discontinued operations

The management has determined that TAWAL and Digital Infrastructure for Investment (combined) are considered as a major line of business on the basis of quantitative impact on revenue, overall profit and loss account and usefulness of information for users of consolidated financial statements. Further, the Group has adopted a policy to consistently apply IFRS 10 to record full gain from this transaction. For more details on discontinued operations and assets held for sale and discontinued operation, refer to (Note 14.1).

### 5.2 SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS

#### 5.2.1 Impairment of non-financial assets

An impairment exists when the carrying value of an asset or CGU exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length for similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow (DCF) model. The cash flows are derived usually from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested. The recoverable amount is most sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

#### 5.2.2 Provisions

In respect of provisions including decommissioning provision, the Group provides for anticipated outflows of resources considered probable. Estimates are used in assessing the likely amount of the settlement. The ultimate liability may vary from the amounts provided and would be dependent on the eventual outcome. See Note 31 for details. Provisions are recorded by discounting the future cash flows at a current pre-tax rate that reflects the risks specific to the liability. The unwinding of the discount is recognized in the consolidated statement of profit or loss as a finance cost.

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

The annual depreciation and amortization charge is sensitive to the estimated lives allocated to each type of asset. Asset lives are assessed annually and changed where necessary to reflect current circumstances in light of technological change, network investment plans and physical conditions of the assets concerned.

#### 5.2.4 Provision for impairment losses on trade receivables and contract assets

The Group uses a provision matrix to calculate expected credit loss on trade receivables and contract assets.

The provision matrix is initially based on the Group's historical observed default rates. The Group calibrates the matrix to adjust the historical loss experience with forward looking information. At the end of each reporting date, the Group updates its historical default rates and reflects that in future estimates.

The Group recognizes an allowance for impairment loss of 100% against all trade receivables that are aged over 365 days, except for balances with related parties and balances still collectable where credit quality did not deteriorate based on historical experience of the Group.

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

### 5.2.5 Leases - Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in a lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease.

The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates.

### 5.2.6 Fair value measurement of financial instruments

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

### 5.2.7 Evaluation on control/non-control over an investee

The Group may consider that it controls an investee even though it owns 50% or less of the voting rights. This would be the case where the Group has power over the investee through its majority representation on the Board and has the right to appoint Key Management Personnel which gives the Group the ability to use its power over the investee to direct decisions and relevant activities and affect its returns.

Further, the Group may consider that it does not control an investee even though it has voting rights equal to or in excess of 50%. This would be the case where the Group either has an insignificant influence or has significant influence but does not have control over the investee.

### 5.2.8 Fair value measurements – retained interest in partially sold subsidiaries

As stated in note 14.1, the Group measured the retained interest in its partially sold subsidiaries (TAWAL and Digital Infrastructure for Investment Company) at fair value. This is considered as a non-recurring fair value measurement by the Group, as these associates will subsequently be accounted for using the equity method of accounting as associates in accordance with the requirements of IAS 28 "Investments in Associates and Joint Ventures". In estimating the fair value of the retained interest, the Group applied the discounted cash flow valuation technique with weighted average cost of capital of (9%- 10%), terminal growth rate of (2.3%-2.5%), and 5% fair value adjustments to consider the discount of lack of controls.





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## 6. SUBSIDIARIES

Subsidiaries owned directly by the Company are as follows:

| Name of subsidiary | | Country of incorporation | Effective shareholding percentage 31 December 2024 | Effective shareholding percentage 31 December 2023 |
|---|---|---|---|---|
| Arabian Internet and Communications Services Company ("Solutions") | (1) | Kingdom of Saudi Arabia | 80% | 80% |
| Telecom Commercial Investment Company Limited ("TCIC") | (2) | Kingdom of Saudi Arabia | 100% | 100% |
| stc Bahrain BSC (c) ("stc Bahrain") | (3) | Kingdom of Bahrain | 100% | 100% |
| Aqalat Limited Company ("Aqalat") | (4) | Kingdom of Saudi Arabia | 100% | 100% |
| Public Telecommunications Company ("Specialized") | (5) | Kingdom of Saudi Arabia | 100% | 100% |
| stc Turkey Holding Ltd ("stc Turkey") | (6) | British Virgin Islands | 100% | 100% |
| stc Asia Telecom Holding Ltd ("stc Asia") | (7) | British Virgin Islands | 100% | 100% |
| stc Gulf Investment Holding ("stc Gulf") | (8) | Kingdom of Bahrain | 100% | 100% |
| Gulf Digital Media Model Company Ltd ("GDMM") ("Intigral") | (9) | Kingdom of Saudi Arabia | 100% | 100% |
| Saudi Telecom Channels Company ("Channels") | (10) | Kingdom of Saudi Arabia | 100% | 100% |
| Kuwait Telecommunications Company ("stc Kuwait") | (11) | State of Kuwait | 51.84% | 51.84% |
| stc Bank | (12) | Kingdom of Saudi Arabia | 87.73% | 85% |
| Smart Zone Real Estate Company | (13) | Kingdom of Saudi Arabia | 100% | 100% |
| Advanced Technology and Cybersecurity Company ("sirar") | (14) | Kingdom of Saudi Arabia | 100% | 100% |
| stc GCC Cables System W.L.L. | (15) | Kingdom of Bahrain | 100% | 100% |
| Innovation Fund Investment Company ("Tali") | (16) | Kingdom of Saudi Arabia | 100% | 100% |
| Digital Centers for Data and Telecommunications ("Center3") | (17) | Kingdom of Saudi Arabia | 100% | 100% |
| Internet of Things Information Technology Company ("iot$^2$") | (18) | Kingdom of Saudi Arabia | 50% | 50% |
| General Cloud Computing Company for Information Technology ("SCCC") | (19) | Kingdom of Saudi Arabia | 55% | 55% |
| Green Bridge Investment ("GBI") | (20) | Luxembourg | 100% | 100% |
| Green Bridge Management ("GBM") | (21) | Luxembourg | 100% | 100% |
| Telecommunications Towers Company ("TAWAL") | (22) | Kingdom of Saudi Arabia | * | 100% |
| Digital Infrastructure for Investment Company | (22) | Kingdom of Saudi Arabia | * | 100% |

1. Solutions was established in April 2002 and is engaged in providing internet services, operation of communications projects and transmission and processing of information in the Saudi market. In December 2007, the Group acquired 100% of the share capital of Solutions.

In September 2021, the Group completed the initial public offering "IPO" for 20% of its shareholding in Solutions in the Saudi Stock Exchange Market and 1% of the share capital of Solutions was allocated to be granted as part of its own employees' long-term incentive plan (Note 46.2). As a result, stc ownership is considered 80% till the vesting of 1% of the share capital of Solutions.

As at 31 December 2024, Solution's share capital is ⃁ 1,200 million (2023: ⃁ 1,200 million).

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Subsidiaries owned directly by Solutions as follows:

| Name of subsidiary | Country of incorporation | Effective shareholding percentage<br>31 December 2024 | <br>31 December 2023 |
|---|---|---|---|
| Saudi Telecom Company Solution for Information Technology (Owned by One Person) | Egypt | 100% | 100% |
| Giza Systems Company | Egypt | 88.19% | 88.19% |
| Contact Center Company | Kingdom of Saudi Arabia | 100% | 100% |
| Amanah Tech Business Solutions Company | Kingdom of Saudi Arabia | 70% | - |
| Sanad AlTeqany For Commercial Services Company (Owned by One Person) | Kingdom of Saudi Arabia | - | 100% |

2. TCIC was established in October 2007 with the purpose of operating and maintaining telecommunication networks, organizing computer systems' networks and internet networks, maintenance, operation and installation of telecommunication and information technology systems and programs in the Saudi market with share capital of % 1 million as at 31 December 2024 (2023: % 1 million).

3. stc Bahrain was established in February 2009 with the purpose of providing all mobile telecommunication services, international telecommunications, broadband and other related services in the Bahraini market. with share capital of BD 75 million as at 31 December 2024 (2023: BD 75 million) equivalent to % 746 million at the exchange rate as of establishment date.

Subsidiaries owned directly by stc Bahrain as follows:

| Name of subsidiary | Country of incorporation | Effective shareholding percentage<br>31 December 2024 | <br>31 December 2023 |
|---|---|---|---|
| stc Tech W.L.L | Bahrain | 100% | 100% |
| stc Pay Bahrain B.S.C. (c) | Bahrain | 100% | 100% |
| stc Pay Bahrain Remittance B.S.C. | Bahrain | 100% | 100% |

4. Aqalat was established in March 2013 with the purpose of establishing, owning, investing, managing of real estate and contracting, and providing consulting services, and importing and exporting services to the benefit of the Company with share capital of ⃁ 70 million as at 31 December 2024 (2023: ⃁ 70 million).

5.Specialized was established in February 2002 with the purpose of operating in the electrical business and communication networks, wholesale and retail trade in fixed telecommunications equipment, electrical appliances, import, marketing, installation and maintenance of fixed and mobile telecommunications and information technology licensed devices with share capital of ⃁ 252 million as at 31 December 2024 (2023: ⃁ 252 million).

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

In April 2008, stc Turkey acquired 35% of Oger Telecom Limited's ("OTL"). As of 31 December 2024, OTL liquidation has been completed and the liquidation process of stc Turkey has started.





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

stc Malaysia Holding Ltd in turn holds the Group's 25% stake in Binariang GSM Sdn Bhd ("BGSM") (Note 8.2) that invests in companies operating primarily in Malaysia. The principal activity of both stc Asia and stc Malaysia is to provide services and support required in respect of investment activities of the Group.

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

a. stc Gulf Investment Holding 1 W.L.L.
b. stc Gulf Investment Holding 2 W.L.L.
c. stc Gulf Investment Holding 3 W.L.L.

9. Intigral is a limited liability company was established in March 2002 with the purpose of providing broadcasting and media production services with share capital of ⃁ 811 million as at 31 December 2024 (2023: ⃁ 811 million).

Subsidiaries owned directly by Intigral as follows:

| Name of subsidiary | Country of incorporation | Effective shareholding percentage<br>31 December 2024 | <br>31 December 2023 |
|---|---|---|---|
| Gulf Digital Media Model Company – Dubai Branch | United Arab Emirates | 100% | 100% |
| Intigral International FZ L.L.C | United Arab Emirates | 100% | 100% |

10. Channels was established in January 2008 with the purpose of operating in the wholesale and retail trade of recharge card services, telecommunication equipment and devices, computer services, sale and re-sale of all fixed and mobile telecommunication services, and commercial centres' maintenance and operation. The Company operates in the Saudi Market with subsidiaries in Bahrain, Oman, and Kuwait whom are working in the same field with share capital of ⃁ 100 million as at 31 December 2024 (2023: ⃁ 100 million).

Subsidiaries owned directly by Channels as follows:

| Name of subsidiary | Country of incorporation | Effective shareholding percentage<br>31 December 2024 | <br>31 December 2023 |
|---|---|---|---|
| Bahrain Channels for Communication & Distribution L.L.C. | Kingdom of Bahrain | 100% | 100% |
| Kuwait Channels | Kuwait | 100% | 100% |
| Sale International S.P.C. | Oman | 100% | 100% |

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11. stc Kuwait was established in July 2008 with the purpose of operating in the field of mobile services in the Kuwaiti market. stc Kuwait was listed as a joint stock company on the Kuwait Stock Exchange on 14 December 2014 with share capital of KD 100 million as at 31 December 2024 (2023: KD 100 million) equivalent to ⃁ 1,298 million at the exchange rate as of establishment date.

Subsidiaries owned directly by stc Kuwait as follows:

| | | Effective shareholding percentage | |
|---|---|---|---|
| **Name of subsidiary** | **Country of incorporation** | **31 December 2024** | **31 December 2023** |
| Qualitynet General Trading and Contracting Company W.L.L. (Solutions by STC) | Kuwait | 100% | 100% |
| E-Portal Holding Company K.S.C. (Closed) | Kuwait | 100% | 100% |

12. stc Bank, a closed joint stock company, was established in November 2017 and its main activity is to provide digital payments services. During 2020, Saudi Central Bank licensed Saudi Digital Payments Company as an electronic wallet company. During the year 2021, the Council of Ministers approved granting Saudi Digital Payments Company a digital banking services license to become a digital bank with share capital of ⃁ 2,500 million.

On 24 December 2023, stc Bank General assembly "GA" approved the increase of stc bank's paid-up capital to be ⃁ 3,350 million by converting stc shareholder loan amounting to ⃁ 850 million into the company's capital increasing stc shareholding interest to 87.73 % for which the legal formalities were completed only in 2024.

On 30 December 2024, stc bank extraordinary General assembly approved the increase of stc bank's paid-up capital to be ⃁ 6,350 million with stc injecting an additional capital of ⃁ 3,000 million increasing its shareholding interest in stc bank to 92.26% subject to the completion of the legal formalities.

On 28 January 2025, STC Bank received a non-objection from the Saudi Central Bank (SAMA) to commence its operations in the Kingdom of Saudi Arabia as a digital bank (Note 48).

13. Smart Zone Real Estate Company – a limited liability company was established in September 2019 and its main activity is the development, financing and management of real estate projects, the establishment of facilities, complexes, commercial, office and residential buildings with share capital of ⃁ 417 million as at 31 December 2024 (2023: ⃁ 417 million).

14. Sirar, a limited liability company, was established in November 2020 to provide cybersecurity services with share capital of ⃁ 250 million as at 31 December 2024 (2023: ⃁ 250 million).

15. stc GCC Cable Systems W.L.L., a limited liability company was established in April 2021 with the purpose of the sale and installation of telecommunications equipment and the construction of utilities projects. stc GCC Cable Systems W.L.L. is wholly owned by the Group as part of the agreement to invest in a fund aimed to drive innovation in the communications and information technology sector in the Kingdom of Bahrain and other GCC Countries with share capital of BD 48 million as at 31 December 2024 equivalent to ⃁ 477 million (2023: BD 32 million equivalent to ⃁ 319 million).

16. Tali, a limited liability company was established in August 2021 with the purpose of providing administrative services and IT and telecommunication support and with share capital of ⃁ 412.5 million as at 31 December 2024 (2023: ⃁ 187.5 million).





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17. Center3, a limited liability company, was established in February 2021 with the purpose of providing services related to big data, data analytics and cloud computing with share capital of ⃁ 2 billion as at 31 December 2024 (2023: ⃁ 100 million).

Subsidiaries owned directly by Center3 as follows:

| | | Effective shareholding percentage | |
|---|---|---|---|
| **Name of subsidiary** | **Country of incorporation** | **31 December 2024** | **31 December 2023** |
| Digital Centers for Submarine Cables | Kingdom of Saudi Arabia | 99.8% | 99.8% |
| Digital Centers for Data | Kingdom of Saudi Arabia | 99.8% | 99.8% |
| EMC Subsea Cable Company Limited ("EMC") | Cyprus | 72.16% | - |
| CMC Investments I Limited ("CMC Mauritius") | Mauritius | 100% | - |
| Datacenter Hub W.L. L | Bahrain | 90% | - |

18. iot[2], a limited liability company, was established in May 2022 by signing a partnership agreement with the Public Investment Fund for the purpose of establishing a company specialized in the field of Internet of Things with share capital amounting to ⃁ 1,254 million (2023: ⃁ 900 million) with 50% shareholding for each. The Group is accounting for this entity as a subsidiary as it has the right to appoint the majority of board of directors and key management personnel.

Subsidiary owned directly by iot[2] as follows:

| | | Effective shareholding percentage | |
|---|---|---|---|
| **Name of subsidiary** | **Country of incorporation** | **31 December 2024** | **31 December 2023** |
| Machines Talk for Contracting Company | Kingdom of Saudi Arabia | 100% | - |

19. SCCC, a limited liability company, was established In May 2022 by signing a shareholder agreement with eWTP Arabia Technology Innovation Limited Company ("eWTPA"), Alibaba (Singapore) Private Limited ("Alibaba Cloud"), Saudi Company for Artificial Intelligence ("SCAI"), and Saudi Information Technology Company ("SITE") specializing in cloud computing services with share capital amounting to ⃁ 894 million as at 31 December 2024 (2023: ⃁ 894 million) (Note 32.1).

20. Green Bridge Investment Company, Special Purpose Company, was established during the third quarter of the year 2023 in Luxemburg to provide services and necessary support for the Group's investing activities.

21. Green Bridge Management Company, Special Purpose Company, was established during the third quarter of the year 2023 in Luxemburg to provide services and necessary support for the Group's investing activities.

22. TAWAL, a closed joint stock company, was established In January 2018. TAWAL is responsible for owning, constructing, operating, leasing and commercializing telecom towers in the Kingdom with share capital of ⃁ 2,500 million.

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

As at 31 December 2024, the Group sold a controlling interest in TAWAL and Digital Infrastructure Company pursuant the approved sale and purchase agreement between stc and PIF by the General Assembly of stc. As of the date of loss of control, stc Group has started to account for its retained interest in TAWAL and Digital Infrastructure for Investment Company using the equity method in accordance with the requirements of IAS 28 "Investments in Associates and Joint Ventures" (Note 8.1.1). Refer to Note 14.1 for more information on the sale of this interest.

## 7. BUSINESS COMBINATIONS

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

| | iot² acquisition of Machines Talk (1) | Center 3 acquisition of CMC Investments I Limited (2) | Others (3) | Total |
|---|---|---|---|---|
| **ASSETS** | | | | |
| Property and equipment | 10,731 | 9,401 | 197 | 20,329 |
| Intangible assets (4) | 117,744 | 84,750 | - | 202,494 |
| Right of use assets | 1,067 | - | - | 1,067 |
| Trade receivables | 56,726 | 9,304 | 8,289 | 74,319 |
| Cash and cash equivalents | 36,297 | 40,801 | 707 | 77,805 |
| Inventories | 19,081 | 1,307 | - | 20,388 |
| Financial assets and others | 6,251 | 3,942 | 3,452 | 13,645 |
| **TOTAL ASSETS** | **247,897** | **149,505** | **12,645** | **410,047** |
| **LIABILITIES** | | | | |
| Trade and other payables | 21,389 | 50,721 | 7,988 | 80,098 |
| Lease liabilities | 1,130 | - | - | 1,130 |
| Borrowings | 14,404 | 59,879 | - | 74,283 |
| Provisions | 9,188 | - | 1,615 | 10,803 |
| **TOTAL LIABILITIES** | **46,111** | **110,600** | **9,603** | **166,314** |
| Total acquired identifiable net assets at fair value | 201,786 | 38,905 | 3,042 | 243,733 |
| Non-controlling interest | - | - | (913) | (913) |
| Purchase consideration | 568,325 | 227,606 | 23,515 | 819,446 |
| Goodwill arising on acquisition | 366,539 | 188,701 | 21,386 | 576,626 |

1. During the first quarter of 2024, iot$^2$ acquired a 100% equity shareholding of Machines Talk, a company registered in the Kingdom of Saudi Arabia, which specializes in Internet of Things solutions. The purpose of the acquisition is to expand in internet of things operations and related activities as part of its business strategy. During the year, the purchase price allocation was completed.

From the date of acquisition, business combination of Machines Talk has contributed ⃁ 112 million of revenue and ⃁ 0.3 million of net profit. If the business combination had taken place at the beginning of the year, revenue would have been ⃁ 114 million and net profit would have been ⃁ 0.4 million.

2. During the second quarter of 2024, Center 3 acquired a 100% equity shareholding of CMC Investments I Limited (CMC Mauritius), a company registered in the Mauritius, which specializes in resell of data connectivity services and network solution and clouds services. The purpose of the acquisition is to expand in Middle East and Africa markets. During the year, the purchase price allocation was completed.

From the date of acquisition, business combination of CMC Investments I Limited has contributed ⃁ 126 million of revenue and ⃁ 0.103 million of net profit. If the business combination had taken place at the beginning of the year, revenue would have been ⃁ 214 million and net loss would have been ⃁ 15 million.

3. During the second quarter of 2024, one of Solutions' subsidiaries acquired 70% equity shareholding of Logical Application for Business Solutions Company, a company registered in the Kingdom of Saudi Arabia, which specializes in providing system integration solution services including SAP's Business management applications, business profitability & growth analytics, enterprise mobility, database and technology related implementations. The purpose of the acquisition is to expand the Group service offering. Goodwill resulted from one of Solutions' subsidiaries acquisition of Logical Application for Business Solutions represents a provisional goodwill until the completion of the Purchase price allocation reports (Note 12). Further, the purchase consideration includes an amount of ⃁ 2.02 million as contingent consideration and ⃁ 6.08 million as deferred consideration.

From the date of acquisition, business combination of Logical Application for Business Solutions Company has contributed ⃁ 14.5 million of revenue and ⃁ 2.8 million of net loss. If the business combination had taken place at the beginning of the year, revenue would have been ⃁ 29 million and net profit would have been ⃁ 0.14 million.

4. Includes intangible assets arising from Center 3 acquisition of CMC Investments I Limited and from iot$^2$ acquisition of Machines Talks as follows:

| Intangible assets from acquisition | iot² acquisition of Machines Talks | Center 3 acquisition of CMC Investments I Limited | Valuation approach |
|---|---|---|---|
| Brand name | - | 20,625 | Relief from royalty method (RFR) |
| Customer relationship | 47,500 | 61,875 | Multiperiod excess earnings method (MEEM) |
| Customer Contract | 32,300 | 2,250 | Multiperiod excess earnings method (MEEM) |
| Computer software and system | 17,400 | - | Relief from royalty method (RFR) |
| Platforms | 20,544 | - | Replacement Cost Method |
| **Total** | **117,744** | **84,750** | |

- Acquisition related costs of ⃁ 24.3 million is expensed to the consolidated statement of profit or loss and classified under general and administration expenses.

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## 8. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

### 8.1 Investments in associates

Investments in all associates are accounted for in the Group's consolidated financial statements in accordance with the equity method.

#### 8.1.1 Details of associates

Details of each of the Group's associates at the end of the year are as follows:

| Name of Associates | | Country of incorporation | Proportion of ownership interest 31 December 2024 | 31 December 2023 |
|---|---|---|---|---|
| Arab Satellite Communications Organisation ("Arabsat") | 1 | Kingdom of Saudi Arabia | 36.66% | 36.66% |
| Beyond One Saudi for Telecommunications LLC formally Virgin Mobile Saudi Consortium ("VMSC") | 2 | Kingdom of Saudi Arabia | 10% | 10% |
| Virgin Mobile Kuwait | 3 | State of Kuwait | 10% | 10% |
| Giza Systems Company for Electromechanical Contracting | 4 | Egypt | 50.01% | 50.01% |
| Devoteam Middle East ("DME") | 5 | United Arab Emirates | 40% | 40% |
| Digital Infrastructure for Investment Company | 6 | Kingdom of Saudi Arabia | 43.06 % | * |

1) Arabsat was established in April 1976 by the members of the League of Arab States. Arabsat offers a number of services to these member states, as well as to all public and private sectors within its coverage area, and principally in the Middle East. Current services offered include: Regional telephony (voice, data, fax and telex), television broadcasting, regional radio broadcasting, restoration services and leasing of capacity. In April 1999, Saudi Telecom Company acquired 36.66% of Arabsat's share capital.

2) Beyond One Saudi for Telecommunications LLC, formally Virgin Mobile Saudi Consortium ("VMSC"), was established during 2013 as a mobile virtual network operator and started its operations during the year of 2014. The Company owns 10% of Beyond One Saudi for Telecommunications LLC's share capital. The Group's ability to exercise significant influence is evidenced by the reliance of VMSC's on the Company's technical network.

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

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

5) Devoteam Middle East is a leading IT consulting company in the Middle East, specializing in digital transformation, cyber and cloud solutions, and business process optimization. It was established in December 2003 and the Group (through Solutions) acquired 40% of its ownership.





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6) In reference to the Note 6.22 and 14.1, the Group retained shareholding interest in TAWAL and Digital Infrastructure for Investment Company was calculated based on the final shareholding in Digital Infrastructure for Investment Company at the completion of the deal after transferring the ownership of both TAWAL and GLIC (owns and manages 8,069 telecommunications towers in the Kingdom of Saudi Arabia, and owned by PIF, HRH Prince Saud Bin Fahad bin Abdulaziz, and Sultan Holding Company) under a new entity (Note 48) as follows:

| Shareholder | Ownership interest |
|---|---|
| PIF | 54.38% |
| Stc | 43.06% |
| Others | 2.56% |
| | **100%** |

The legal ownership of the Group in TAWAL and Digital Infrastructure for Investment Company as at 31 December 2024: 49% and 4.72 % respectively.

#### 8.1.2 Financial information of material associates

Summarized financial information of the Group's material associates is set out below:

| A. Arabsat | 31 December 2024(*) | 31 December 2023(*) |
|---|---|---|
| **Statement of financial position** | | |
| Current assets | 1,585,726 | 1,439,022 |
| Non-current assets | 3,547,921 | 3,844,428 |
| Current liabilities | (388,063) | (398,997) |
| Non-current liabilities | (1,228,807) | (1,358,064) |

| | For the year ended 31 December 2024(*) | 2023(*) |
|---|---|---|
| **Statement of income and other comprehensive income** | | |
| Revenue | 790,059 | 856,286 |
| Net income | 94,427 | 179,347 |
| Other comprehensive (loss) income | (34,552) | 19,648 |
| **Total comprehensive income** | **59,875** | **198,995** |
| The Group's share in net income | 34,617 | 65,749 |

(*) The Group recorded its share in Arabsat results for the year ended 31 December 2024, based on the latest available financial information.

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The following is the reconciliation of the above-summarized financial information to the carrying amount of the Group's interest in Arabsat:

| | 31 December 2024 | 31 December 2023 |
|---|---|---|
| Net assets of the associate | 3,516,776 | 3,526,389 |
| Proportion of the Group's ownership interest in Arabsat | 36.66% | 36.66% |
| Carrying amount of the Group's interest in Arabsat | 1,289,250 | 1,292,774 |

| B. TAWAL and Digital Infrastructure for Investment Company | 31 December 2024 |
|---|---|
| **Statement of financial position** | |
| Current assets | 3,982,926 |
| Non-current assets | 20,547,689 |
| Current liabilities | (7,460,359) |
| Non-current liabilities | (9,611,873) |

| | For the year ended 31 December 2024 |
|---|---|
| **Statement of income and other comprehensive income** | |
| Revenue | 3,848,482 |
| Net income | 1,078,818 |
| Other comprehensive loss | (140,696) |
| Total comprehensive income | 938,122 |
| The Group's share in net income | - (*) |

(*) TAWAL and Digital Infrastructure for Investment Company were consolidated for the full year 2024 till the disposal date.

The following is the reconciliation of the above-summarized financial information to the carrying amount of the Group's interest in TAWAL and Digital Infrastructure for Investment Company

| | 31 December 2024 |
|---|---|
| Net assets of the associates | 7,458,383 |
| Proportion of the Group's ownership interest in TAWAL and Digital Infrastructure for Investment Company (43.06%) | 3,211,580 |
| Provisional goodwill and fair value adjustments (*) | 4,864,514 |
| Carrying amount of the Group's interest | 8,076,094 |

(*) Completion of purchase price allocation of net assets is still under process as at 31 December 2024 (Note 14.1).



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### 8.1.3 Financial information on not individually material associates

The following is the aggregate information of associates that are not individually material for the year ended 31 December:

| | 2024 | 2023 |
|---|---|---|
| The Group's share in net profit (loss) | 21,124 | (6,242) |
| Aggregate carrying amount of the Group's interests in these associates | 355,859 | 3,368 |

### 8.1.4 Carrying amount of the Group's investment in associates:

The following is the carrying amount of the Group's investment in associates as at 31 December:

| | 2024 | 2023 |
|---|---|---|
| Material associates (8.1.2) | 9,365,344 | 1,292,774 |
| Not individually material associates (8.1.3) | 355,859 | 3,368 |
| **Total carrying amount of the Group's interest in associates** | **9,721,203** | **1,296,142** |

## 8.2 Investments in joint ventures

Investments in all joint ventures mentioned below are accounted for in the Group's consolidated financial statements in accordance with the equity method.

### 8.2.1 Details of joint ventures

Below is the detail of joint ventures as at:

| | | | Proportion of ownership interest | |
|---|---|---|---|---|
| **Name of joint venture** | | **Country of incorporation** | **31 December 2024** | **31 December 2023** |
| Arab Submarine Cables Company Limited | 1 | Kingdom of Saudi Arabia | 50% | 50% |
| Binariang GSM Sdn Bhd ("BGSM") | 2 | Malaysia | 25% | 25% |
| Integrated Data Company for Information and Technology | 3 | Kingdom of Saudi Arabia | 39% | 39% |

1) Arab Submarine Cables Company Limited was established on September 2002 for the purpose of constructing, leasing, managing and operating a submarine cable connecting the Kingdom and the Republic of Sudan for the telecommunications between them and any other country. The operations of the Company started in June 2003 and Saudi Telecom Company acquired 50% of its ⃁ 75 million share capital in September 2002. In November 2016, the company's capital was reduced to ⃁ 25 million.

2) BGSM is an investment holding group registered in Malaysia which owns 62% of Maxis Malaysian Holding Group ("Maxis"), a major telecom operator in Malaysia.

During the year 2007, the Company acquired (through its subsidiaries stc Asia holding and stc Malaysia holding) 25% of BGSM's MYR 20.7 billion share capital, equivalent to approximately ⃁ 23 billion at the exchange rate as at that date.

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

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 ⃁ 22 million. This entity provides various services including demographic analyses, population statistics, data on population size, as well as traffic and transportation statistics, public road routes, and parking information.

### 8.2.2 Financial information of material joint ventures

Summarized financial information in respect of the Group's material joint venture is set out below:

| BGSM | 31 December 2024 | 31 December 2023 |
|---|---|---|
| **Statement of financial position** | | |
| Current assets | 2,874,023 | 3,094,948 |
| Non-current assets | 25,756,493 | 25,348,786 |
| Current liabilities | (5,425,356) | (4,996,051) |
| Non-current liabilities | (12,898,575) | (13,420,215) |

The above amounts of assets and liabilities include the following:

| | 31 December 2024 | 31 December 2023 |
|---|---|---|
| Cash and cash equivalents | 986,992 | 1,220,719 |
| Current financial liabilities (excluding trade and other payables and provisions) | (1,367,438) | (894,803) |
| Non-current financial liabilities (excluding trade and other payables and provisions) | (10,550,690) | (10,983,308) |





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| | For the year ended 31 December | |
|---|---|---|
| | 2024 | 2023 |
| **Statement of income and other comprehensive income** | | |
| Revenues | 9,013,775 | 8,112,835 |
| Net profit | 537,511 | 364,165 |
| Other comprehensive loss | (9,920) | (10,644) |
| Total comprehensive income | 527,591 | 353,521 |
| Depreciation and amortization | (1,784,495) | (1,487,860) |
| Finance income | 45,559 | 38,180 |
| Finance cost | (806,824) | (772,653) |
| Income tax expense | (349,628) | (389,223) |
| Net profit (loss) for the year after non-controlling interest | 164,016 | (64,840) |
| The Group's share in net loss for the year (*) | (722,958) | (16,210) |

(*) During the year 2024, the Group recorded an impairment provision amounting to ⃁ 764 million (2023: nil) related to its investment in BGSM as a result of the decline in market conditions of key underlying investment. The Group determined the recoverable amount of its investment in BGSM based on the fair value less cost of disposal method. The fair value measurement is considered at level 2 in the fair value hierarchy due to significant observable valuation inputs.

The following is the reconciliation of the above summarized financial information to the carrying amount of the Group's interest in Binariang GSM Sdn Bhd ("BGSM"):

| | 31 December 2024 | 31 December 2023 |
|---|---|---|
| Net assets of BGSM (excluding non-controlling interest share) | 173,473 | 11,407 |
| Proportion of the Group's ownership interest in the joint venture | 43,368 | 2,852 |
| Adjustments: the carve-out of Aircel Group and others | 3,486,857 | 3,452,473 |
| Goodwill and fair value adjustments | 1,352,070 | 1,352,070 |
| Accumulated impairment | (2,367,423) | (1,603,461) |
| Carrying amount of the Group's interest in the joint venture | 2,514,872 | 3,203,934 |

### 8.2.3 Financial information of not individually material joint ventures

The following is the aggregate information of joint ventures that are not individually material for the year ended 31 December:

| | 2024 | 2023 |
|---|---|---|
| The Group's share of net profit | 1,304 | 9,282 |
| The Group's share of other comprehensive income (loss) | 108 | (402) |
| The Group's share of total comprehensive income | 1,412 | 8,880 |
| Aggregate carrying amount of the Group's interests in these joint ventures | 23,581 | 25,073 |

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### 8.2.4 Carrying amount of the Group's investment in the joint ventures

The following is the carrying amount of the Group's investment in joint ventures as at 31 December:

| | 2024 | 2023 |
|---|---|---|
| Material joint venture (8-2-2) | 2,514,872 | 3,203,934 |
| Not individually material joint ventures (8-2-3) | 23,581 | 25,073 |
| **Total carrying amount of the Group's share in the joint ventures** | **2,538,453** | **3,229,007** |

## 9. SEGMENT INFORMATION

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

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

The disclosed operating segments exceeded the 75% of total external Group revenue.

The following is an analysis of the Group's revenues and results from continuing operations based on segments for the year ended 31 December:

| | 2024 | 2023 |
|---|---|---|
| **Revenues (1)** | | |
| stc | 49,643,893 | 49,218,179 |
| Channels | 15,110,606 | 14,194,210 |
| Solutions | 12,063,897 | 11,040,493 |
| stc Kuwait | 4,105,483 | 3,986,034 |
| stc Bahrain | 1,927,967 | 1,913,287 |
| Center 3 | 1,911,716 | 1,089,218 |
| stc Bank | 1,261,646 | 1,063,006 |
| Intigral | 686,001 | 643,314 |
| Sirar | 732,675 | 588,606 |
| Specialized | 371,763 | 397,492 |
| iot[2] | 301,434 | 72,539 |
| SCCC | 187,904 | 72,150 |
| Other operating segments (2) | 43,344 | 66,529 |
| Eliminations / adjustments | (12,454,916) | (12,567,896) |
| **Total revenues** | **75,893,413** | **71,777,161** |
| Cost of operations (excluding depreciation and amortization) | (51,967,812) | (49,331,772) |
| Depreciation, amortization, and impairment | (9,499,963) | (9,284,098) |
| Cost of early retirement program | (2,577,256) | (862,842) |
| Finance income | 1,717,851 | 1,482,016 |
| Finance cost | (1,233,679) | (1,068,102) |
| Net other expenses | (61,263) | (110,976) |
| Net share in results and impairment of investments in associates and joint ventures | (665,913) | 52,579 |
| Net other gains | 529,069 | 1,333,077 |
| Zakat and income tax | (1,191,564) | (1,326,610) |
| **Net profit from continuing operations** | **10,942,883** | **12,660,433** |



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Following is the gross profit from continuing operations analysis on a segment basis:

| | 2024 | 2023 |
|---|---|---|
| stc | 31,178,645 | 29,973,976 |
| Channels | 3,365,489 | 3,083,568 |
| Solutions | 2,981,285 | 2,792,163 |
| stc Kuwait | 2,019,660 | 2,061,419 |
| stc Bahrain | 949,684 | 878,634 |
| Center 3 | 721,534 | 483,553 |
| stc Bank | 344,985 | 207,653 |
| Intigral | 471,155 | 445,684 |
| Sirar | 268,317 | 173,207 |
| Specialized | 185,327 | 178,078 |
| iot[2] | 88,538 | 26,948 |
| SCCC | (18,539) | (70,021) |
| Other operating segments (2) | 34,454 | 60,808 |
| Eliminations / adjustments | (5,290,124) | (5,555,604) |
| **Gross profit** | **37,300,410** | **34,740,066** |

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

| | 31 December 2024 | 31 December 2023 |
|---|---|---|
| **Assets** | | |
| stc | 156,834,703 | 150,899,129 |
| Channels | 10,404,426 | 11,148,734 |
| Solutions | 12,040,098 | 11,516,244 |
| stc Kuwait | 5,625,147 | 5,462,864 |
| stc Bahrain | 5,407,890 | 5,629,610 |
| TAWAL (3) | - | 18,901,505 |
| Center 3 | 8,898,370 | 4,951,352 |
| stc Bank | 6,632,946 | 5,028,908 |
| Intigral | 994,548 | 958,351 |
| Sirar | 918,340 | 598,762 |
| Specialized | 808,914 | 780,705 |
| iot2 | 1,117,162 | 877,339 |
| SCCC | 1,198,802 | 1,228,068 |
| Other operating segments (2) | 15,759,403 | 16,156,830 |
| Eliminations / adjustments | (66,002,606) | (74,492,532) |
| **Total assets** | **160,638,143** | **159,645,869** |
| **Liabilities** | | |
| stc | 51,268,062 | 57,621,007 |
| Channels | 9,173,454 | 9,789,528 |
| Solutions | 8,010,472 | 8,163,690 |
| stc Kuwait | 2,698,686 | 2,486,943 |
| stc Bahrain | 3,742,790 | 4,112,396 |
| TAWAL (3) | - | 14,752,187 |
| Center 3 | 6,821,343 | 4,790,314 |
| stc Bank | 3,491,948 | 4,116,537 |
| Intigral | 887,903 | 920,837 |
| Sirar | 553,200 | 338,872 |
| Specialized | 750,819 | 746,836 |
| iot2 | 222,052 | 139,336 |
| SCCC | 972,378 | 747,920 |
| Other operating segments (2) | 11,438,864 | 11,913,860 |
| Eliminations / adjustments | (31,878,875) | (42,509,560) |
| **Total liabilities** | **68,153,096** | **78,130,703** |





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## For the year ended 31 December 2024

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### Additions to property and equipment, intangible assets and goodwill

Following are the additions to property and equipment, intangible assets and goodwill (Notes 10 and 12) based on the segments:

| | 2024 | 2023 |
|---|---|---|
| Stc | 9,319,471 | 9,197,707 |
| Channels | 161,576 | 172,697 |
| Solutions | 276,738 | 463,715 |
| stc Kuwait | 477,791 | 265,093 |
| stc Bahrain | 209,587 | 359,549 |
| TAWAL (3) | - | 6,336,871 |
| Center 3 | 2,737,544 | 3,450,355 |
| stc Bank | 92,106 | 210,787 |
| Intigral | 399,212 | 230,274 |
| Sirar | 29,462 | 12,040 |
| Specialized | 175,706 | 3,869 |
| iot2 | 526,648 | 11,910 |
| SCCC | 11,334 | 29,486 |
| Other operating segments (2) | 187,560 | 175,384 |
| Eliminations / adjustments | (1,479,456) | (3,282,676) |
| | **13,125,279** | **17,637,061** |

(1) Segment revenue reported above represents revenue generated from external and internal customers. There were ⃁ 12,455 million of inter-segment sales and adjustments (between the Group's Companies) for the year ended 31 December 2024 (2023: ⃁ 12,568 million) 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., Sendouk Al-Abatakar (Tali) for Investment, stc Asia Holding, stc Turkey Limited Holding (under liquidation), Green Bridge Investment ("GBI") and Green Bridge Management ("GBM"), and Telecom Commercial Investment Company Limited ("TCIC"). (Note 6)
(3) Telecommunications Towers Company ("TAWAL") and Digital Infrastructure for Investment Company have been disposed during 2024 (Note 14.1).

### Information about major customers

Included in revenues arising from sales to major customers are revenues of approximately ⃁ 11,145 million for the year ended 31 December 2024 (2023: ⃁ 11,975 million) resulting from sales to Government entities (Note 21.2). No other single customers contributed 10% or more to the Group's revenues.

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## Information about geographical segmentation

Geographical segmentation of revenues from continuing operations (Note 35) and non-current assets excluding financial instruments and deferred tax assets are as follows:

| | Revenues from continuing operations for the year ended | | Non-current assets excluding financial instruments and deferred tax assets as at | |
|---|---|---|---|---|
| | 31 December 2024 | 31 December 2023 | 31 December 2024 | 31 December 2023 |
| Kingdom of Saudi Arabia | 67,070,126 | 63,662,831 | 63,657,054 | 61,202,100 |
| Outside the Kingdom of Saudi Arabia | 8,823,287 | 8,114,330 | 9,135,593 | 14,940,461 |
| | **75,893,413** | **71,777,161** | **72,792,647** | **76,142,561** |

## 10. PROPERTY AND EQUIPMENT

| | Lands and buildings | Telecommunication network and equipment | Other assets [3] | Capital work in progress | Total |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| As at 1 January 2024 | 15,515,754 | 113,192,145 | 9,407,558 | 3,536,576 | 141,652,033 |
| Additions | 182,530 | 117,712 | 80,811 | 7,964,105 | 8,345,158 |
| Effect of acquisition of new subsidiaries (Note 7) | - | 60,248 | 39,970 | - | 100,218 |
| Disposals | (219,652) | (1,378,337) | (154,427) | (39,975) | (1,792,391) |
| Transfers / reclassifications | 365,635 | 5,993,017 | 339,660 | (7,225,412) | (527,100) |
| Effect of disposal of subsidiaries (Note 14.1) | (164,927) | (10,685,084) | (74,422) | (405,154) | (11,329,587) |
| Effect of foreign currency exchange differences | (4,583) | (71,450) | (9,341) | (933) | (86,307) |
| **As at 31 December 2024** | **15,674,757** | **107,228,251** | **9,629,809** | **3,829,207** | **136,362,024** |
| **Accumulated depreciation and impairment** | | | | | |
| As at 1 January 2024 | 8,917,103 | 77,737,944 | 6,295,645 | - | 92,950,692 |
| Depreciation and impairment | 407,697 | 5,743,481 | 449,435 | - | 6,600,613 |
| Effect of acquisition of new subsidiaries (Note 7) | - | 50,909 | 28,980 | - | 79,889 |
| Disposals | (168,930) | (1,206,707) | (134,992) | - | (1,510,629) |
| Transfers / reclassifications | (2,546) | 64,108 | 5,680 | - | 67,242 |
| Effect of disposal of subsidiaries (Note 14.1) | (19,358) | (3,258,954) | (24,372) | - | (3,302,684) |
| Effect of foreign currency exchange differences | (1,141) | (32,250) | (3,941) | - | (37,332) |
| **As at 31 December 2024** | **9,132,825** | **79,098,531** | **6,616,435** | **-** | **94,847,791** |
| **Net book value as at 31 December 2024** | **6,541,932** | **28,129,720** | **3,013,374** | **3,829,207** | **41,514,233** |

(*) Table above includes movements related to disposed discontinued operations.





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| | Lands and buildings | Telecommunication network and equipment | Other assets [3] | Capital work in progress | Total |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| As at 1 January 2023 | 15,097,119 | 107,046,598 | 9,263,154 | 3,562,587 | 134,969,458 |
| Additions | 105,516 | 130,449 | 164,035 | 8,278,020 | 8,678,020 |
| Effect of acquisition of new subsidiaries | 1,384 | 1,595,909 | 61,895 | 4,521 | 1,663,709 |
| Disposals | (599,694) | (2,279,257) | (310,497) | (1,231) | (3,190,679) |
| Transfers / reclassifications | 914,375 | 6,719,965 | 234,216 | (8,305,125) | (436,569) |
| Effect of foreign currency exchange differences | (2,946) | (21,519) | (5,245) | (2,196) | (31,906) |
| **As at 31 December 2023** | **15,515,754** | **113,192,145** | **9,407,558** | **3,536,576** | **141,652,033** |
| **Accumulated depreciation and impairment** | | | | | |
| As at 1 January 2023 | 9,136,357 | 73,082,504 | 6,105,331 | - | 88,324,192 |
| Depreciation and impairment | 300,918 | 6,122,619 | 411,440 | - | 6,834,977 |
| Effect of acquisition of new subsidiaries | 1,395 | 609,356 | 48,124 | - | 658,875 |
| Disposals | (562,726) | (2,077,801) | (298,969) | - | (2,939,496) |
| Transfers / reclassifications | 41,586 | 15,394 | 32,985 | - | 89,965 |
| Effect of foreign currency exchange differences | (427) | (14,128) | (3,266) | - | (17,821) |
| **As at 31 December 2023** | **8,917,103** | **77,737,944** | **6,295,645** | **-** | **92,950,692** |
| **Net book value as at 31 December 2023** | **6,598,651** | **35,454,201** | **3,111,913** | **3,536,576** | **48,701,341** |

Property and equipment are depreciated using the following estimated useful lives:

| | |
|---|---|
| Buildings | 25 - 50 years (*) |
| Telecommunication network and equipment | 3 - 30 years |
| Other assets | 2- 20 years (*) |

(*) Range has been updated to reflect the impact of deconsolidating discontinued operations (Note 14.1).

1) Lands and buildings include lands with a total value of ⃁ 1,835 million as at 31 December 2024 (2023: ⃁ 1,898 million). This includes land with ongoing ownership transfer to the Company with a value of ⃁ 94 million as at 31 December 2024 (2023: ⃁ 105 million).

2) Pursuant to Royal Decree No. M/35 Dated 24 Dhu al-Hijjah 1418 (corresponding to 21 April 1998), referred to in Note (1-A), ownership of the assets was transferred to the Company on 2 May 1998, but the transfer of legal title for some lands are still ongoing. The value of land with legal titles transferred to the Company up to 31 December 2024 amounted to ⃁ 2,006 million (2023: ⃁ 1,995 million). Ownership transfer of the remaining land with total value of ⃁ 38 million (2023: ⃁ 49 million) is ongoing, which constitutes part of the amount referred to in paragraph above.

3) Other assets include furniture, fixtures, motor vehicles, computers and tools.

4) Additions include non-cash additions amounted to ⃁ 432 million (2023: ⃁ 1,185 million).

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**For the year ended 31 December 2024**

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5) The following table shows the breakdown of depreciation and impairment expense if allocated to operating cost items from continuing operations for the year ended 31 December:

| | 2024 | 2023 |
|---|---|---|
| Cost of revenues | 5,079,151 | 5,116,592 |
| Selling and marketing expenses | 9,929 | 8,123 |
| General and administrative expenses | 1,115,929 | 1,115,105 |
| | **6,205,009** | **6,239,820** |

## 11. INVESTMENT PROPERTIES

| | Lands | Work in-progress | Total |
|---|---|---|---|
| **As at 1 January 2024** | **348,647** | **453,088** | **801,735** |
| Additions | - | 190,240 | 190,240 |
| Borrowing cost capitalized | - | 29,389 | 29,389 |
| Transfer to asset held for sale | (13,792) | - | (13,792) |
| **As at 31 December 2024** | **334,855** | **672,717** | **1,007,572** |
| **As at 1 January 2023** | **36,980** | **173,841** | **210,821** |
| Additions | - | 257,615 | 257,615 |
| Borrowing cost capitalized | - | 21,632 | 21,632 |
| Transfer from property and equipment | 311,667 | - | 311,667 |
| **As at 31 December 2023** | **348,647** | **453,088** | **801,735** |

The fair value of the land amounted to ⃁ 1,545 million (2023: a land with fair value of ⃁ 1,626 million), valued by RAWAJ Real Estate Valuation license no. 1210000062 and First Valuator license no. 1210000221 appointed as an independent, professionally qualified valuers accredited by the Saudi Authority for Accredited Valuers (Taqeem). The fair value measurement is classified within level 3 based on valuation techniques applied (residual value method, comparable method, and discounted cash flow method).





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## 12. INTANGIBLE ASSETS AND GOODWILL

| | Computer software | Telecom-munication Licenses | Goodwill (1) | Contractual intangible assets | Others | Projects in progress | Total |
|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | |
| As at 1 January 2024 | 14,941,139 | 9,246,486 | 2,853,432 | 5,205,012 | 259,041 | 1,348,211 | 33,853,321 |
| Additions | 360,186 | 97,186 | - | 662,588 | 736 | 3,567,875 | 4,688,571 |
| Effect of acquisition of new subsidiaries (Note 7) | - | - | 576,626 | 32,300 | 158,352 | 20,694 | 787,972 |
| Disposals | (1,610,251) | (79,964) | - | (6,732) | - | - | (1,696,947) |
| Transfers / reclassifications | 2,513,850 | - | - | 326,770 | 2,721 | (2,967,562) | (124,221) |
| Effect of disposal of subsidiaries (Note 14.1) | (185,723) | (99) | (2,296,590) | (2,001,149) | - | (36,949) | (4,520,510) |
| Effect of foreign currency exchange differences | (898) | (1,668) | (34,555) | (76,666) | (25,108) | 18 | (138,877) |
| **As at 31 December 2024** | **16,018,303** | **9,261,941** | **1,098,913** | **4,142,123** | **395,742** | **1,932,287** | **32,849,309** |
| **Accumulated amortization and impairment** | | | | | | | |
| As at 1 January 2024 | 10,344,665 | 4,546,375 | 38,426 | 1,882,337 | 40,147 | - | 16,851,950 |
| Amortization and impairment | 1,871,238 | 528,635 | - | 515,711 | 39,399 | - | 2,954,983 |
| Effect of acquisition of new subsidiaries (Note 7) | - | - | - | - | 8,852 | - | 8,852 |
| Disposals | (1,601,944) | (79,097) | - | - | - | - | (1,681,041) |
| Transfers / reclassifications | (27,465) | 16,654 | - | (21,490) | 4,333 | - | (27,968) |
| Effect of disposal of subsidiaries (Note 14.1) | (77,800) | (66) | (13,464) | (64,551) | - | - | (155,881) |
| Effect of foreign currency exchange differences | (324) | (800) | (67) | (50,075) | (4,733) | - | (55,999) |
| **As at 31 December 2024** | **10,508,370** | **5,011,701** | **24,895** | **2,261,932** | **87,998** | **-** | **17,894,896** |
| **Net book value as at 31 December 2024** | **5,509,933** | **4,250,240** | **1,074,018** | **1,880,191** | **307,744** | **1,932,287** | **14,954,413** |

(*) Table above includes movements related to disposed discontinued operations.

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(All amounts in Saudi Riyals thousands unless otherwise stated)

| | Computer software | Telecom-munication Licenses | Goodwill (1) | Contractual intangible assets | Others | Projects in progress | Total |
|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | |
| As at 1 January 2023 | 16,097,614 | 8,936,077 | 323,282 | 2,779,760 | 313,639 | 1,208,773 | 29,659,145 |
| Additions | 235,054 | 393,299 | 26,200 | 219,261 | 2,278 | 2,383,046 | 3,259,138 |
| Effect of acquisition of new subsidiaries | 46,842 | - | 2,441,184 | 2,156,483 | 123,201 | - | 4,767,710 |
| Disposals | (3,623,386) | (78,830) | - | (11,137) | - | - | (3,713,353) |
| Transfers/ reclassifications | 2,185,680 | - | 76,555 | 75,343 | (133,603) | (2,243,597) | (39,622) |
| Effect of foreign currency exchange differences | (665) | (4,060) | (13,789) | (14,698) | (46,474) | (11) | (79,697) |
| **As at 31 December 2023** | **14,941,139** | **9,246,486** | **2,853,432** | **5,205,012** | **259,041** | **1,348,211** | **33,853,321** |
| **Accumulated amortization and impairment** | | | | | | | |
| As at 1 January 2023 | 12,302,088 | 4,083,924 | 25,117 | 1,440,034 | 32,960 | - | 17,884,123 |
| Amortization and impairment | 1,624,220 | 542,922 | 13,464 | 411,668 | 25,668 | - | 2,617,942 |
| Effect of acquisition of new subsidiaries | 32,612 | - | - | 40,029 | - | - | 72,641 |
| Disposals | (3,613,643) | (78,830) | - | (9,030) | - | - | (3,701,503) |
| Transfers/ reclassifications | (95) | 14 | - | 10,084 | 4,809 | - | 14,812 |
| Effect of foreign currency exchange differences | (517) | (1,655) | (155) | (10,448) | (23,290) | - | (36,065) |
| **As at 31 December 2023** | **10,344,665** | **4,546,375** | **38,426** | **1,882,337** | **40,147** | **-** | **16,851,950** |
| **Net book value as at 31 December 2023** | **4,596,474** | **4,700,111** | **2,815,006** | **3,322,675** | **218,894** | **1,348,211** | **17,001,371** |

1) Goodwill Consists of:

- Goodwill resulted from the Company's acquisition of Solutions amounting to ⃁ 75.6 million (2023: ⃁ 75.6 million).
- Goodwill resulted from stc Kuwait's acquisition of Qualitynet amounting to ⃁ 42.2 million (2023: ⃁ 42.2 million).
- Goodwill resulted from stc Kuwait's acquisition of E-Portal Holding amounting to ⃁ 103.5 million (2023: ⃁ 103.5 million).
- Goodwill resulted from Solutions' acquisition of Giza amounting to ⃁ 219.6 million (2023: ⃁ 219.6 million). The currency exchange losses effect as at 31 December 2024 amounted to ⃁ 86.6 million (2023: ⃁ 53.6 million).
- Goodwill resulted from Solutions' acquisition of Contact Centers Company ("CCC") amounting to ⃁ 144 million (2023: ⃁ 144 million).
- Goodwill resulted from iot$^2$ acquisition of Machines Talk, registered in the Kingdom of Saudi Arabia, amounting to ⃁ 366.5 million, as the purchase price allocation of net assets reports has been completed in October-2024 (Note 7).
- Goodwill resulted from Center 3 acquisition of CMC Investments I Limited, registered in the Mauritius, amounting to ⃁ 188.7 million, as the purchase price allocation of net assets reports has been completed in December-2024 (Note 7).
- A provisional goodwill of ⃁ 21.4 million resulted from one of Solutions' subsidiaries acquisition of Logical Application for Business Solutions, registered in the Kingdom of Saudi Arabia, until the completion of the reports on the fair value allocation of net assets (Note 7).
- Telecommunications Towers Company ("TAWAL") and Digital Infrastructure for Investment Company have been disposed during 2024 (Note 14.1). Comparative figures include goodwill resulted from TAWAL's acquisition of three towers companies from United Group (In Bulgaria, Croatia and Slovenia), amounting to ⃁ 2,277 million, and acquisition of AWAL Telecom Company (in Pakistan) amounting to ⃁ 6.3 million in the year 2023.





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- Goodwill impairment:
- The recoverable amount for the goodwill balances were determined based on the value in use calculations. These calculations use cash flow projections based on a business plan approved by the management. Cash flows are estimated over three to five years periods for each CGUs and cash flows beyond the estimated period are based on assumption of terminal growth rate. The discount rate was an estimate of the weighted average cost of capital as of 31 December 2024 based on market rates adjusted to reflect management's estimate of the specific risks relating to each CGUs ranging between 10.4% - 18.5% (2023: 12.18% - 21.7%). The terminal growth rates are based on management best estimation specific to the conditions in which the CGUs operate and were estimated at a range rate of 2.0% - 6.3% (2023: 2.9% - 7%).

2) 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 ⃁ 427 million for a period of 15 years, starting from 2023.

3) Non-cash additions amounted to ⃁ 883 million (2023: ⃁ 876 million).

Intangible assets are amortized using the following estimated useful lives:

| | |
|---|---|
| Computer software | 5 – 7 years |
| Telecommunication licenses (*) | 20 – 25 years |
| Others | 3-20 years |

(*) Range has been updated to reflect the impact of deconsolidating discontinued operations (Note 14.1).

The following table shows the breakdown of amortization and impairment expense if allocated to operating costs items from continuing operations for the year ended 31 December:

| | 2024 | 2023 |
|---|---|---|
| Cost of revenues | 708,454 | 712,685 |
| Selling and marketing expenses | 47,171 | 45,392 |
| General and administrative expenses | 2,106,580 | 1,818,418 |
| | **2,862,205** | **2,576,495** |

The following are the net book value and expiry dates of the main mobile operating licenses and frequency spectrum as at:

| Country | End of amortization period | 31 December 2024 | 31 December 2023 |
|---|---|---|---|
| Kingdom of Saudi Arabia | 2029 / 2032 / 2033 / 2034 /2037 | 2,383,429 | 2,663,085 |
| State of Kuwait | 2024 / 2033 / 2039 | 1,319,162 | 1,461,711 |
| Kingdom of Bahrain | 2031 / 2034 / 2038 | 547,535 | 575,315 |
| | | **4,250,126** | **4,700,111** |

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The following are the type, cost and expiry dates of the main mobile operating licenses and frequency spectrum as at:

| Country | License type | End of amortization period | 31 December 2024 | 31 December 2023 |
|---|---|---|---|---|
| Kingdom of Saudi Arabia | Frequency spectrum: (1930-1980)/(2150-2170) Megahertz | 2029 | 753,750 | 753,750 |
| Kingdom of Saudi Arabia | Frequency spectrum 1: (703-718)/(758-773) MHZ (1727-1735)/(1822-1830)MHZ | 2032 | 2,175,673 | 2,175,673 |
| Kingdom of Saudi Arabia | Frequency spectrum 2: (718-723)/(773-778) MHZ (1735-1745)/(1830-1840) MHZ | 2033 | 470,606 | 470,606 |
| Kingdom of Saudi Arabia | Frequency spectrum 3: (2300-2400)MHZ | 2034 | 279,573 | 279,573 |
| Kingdom of Saudi Arabia | Frequency spectrum 4: (3600-3700)MHZ | 2034 | 587,586 | 587,586 |
| Kingdom of Saudi Arabia | Spectrum License 5 – non-terrestrial networks / CH1-1980-1995 MHz based | 2037 | 149,750 | 149,750 |
| Kingdom of Saudi Arabia | Spectrum License 6 – non-terrestrial networks/ CH2-1995-2010 MHz based | 2037 | 164,719 | 164,719 |
| | | | **4,581,657** | **4,581,657** |
| State of Kuwait | Frequency spectrum 2 | 2024 | 78,786 | 79,003 |
| State of Kuwait | Kuwait License | 2033 | 3,256,133 | 3,256,133 |
| State of Kuwait | Frequency spectrum 1 | 2039 | 234,077 | 234,725 |
| | | | **3,568,996** | **3,569,861** |
| Kingdom of Bahrain | MT - TRA Licenses | 2031 | 77,812 | 77,935 |
| Kingdom of Bahrain | Spectrum 800 & 2600 MHz | 2034 | 44,038 | 44,108 |
| Kingdom of Bahrain | TRA Mobile License Services | 2038 | 891,409 | 892,821 |
| Kingdom of Bahrain | LTE Spectrum Fees | 2038 | 65,908 | 66,113 |
| Kingdom of Bahrain | Others | 2038 | 32,121 | 13,991 |
| | | | **1,111,288** | **1,094,968** |
| | | | **9,261,941** | **9,246,486** |





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(All amounts in Saudi Riyals thousands unless otherwise stated)

## 13. RIGHT OF USE ASSETS

| | Lands and Buildings | Motor Vehicles | Others | Total |
|---|---|---|---|---|
| At 1 January 2024 | 3,832,872 | 4,276 | 56,690 | 3,893,838 |
| Additions (*) | 1,431,542 | 90,907 | 57,092 | 1,579,541 |
| Effect of acquisition of new subsidiaries (Note 7) | 1,067 | - | - | 1,067 |
| Depreciation | (712,631) | (32,019) | (36,044) | (780,694) |
| Modifications and Terminations | (112,348) | (4,276) | (42,583) | (159,207) |
| Effect of disposal of subsidiaries (Note 14.1) | (3,182,574) | - | - | (3,182,574) |
| **At 31 December 2024** | **1,257,928** | **58,888** | **35,155** | **1,351,971** |
| At 1 January 2023 | 2,937,746 | 45,583 | 46,495 | 3,029,824 |
| Additions (*) | 1,222,709 | 4,561 | 21,884 | 1,249,154 |
| Effect of acquisition of new subsidiaries | 656,902 | - | - | 656,902 |
| Depreciation | (972,101) | (45,868) | (11,689) | (1,029,658) |
| Modifications and Terminations | (12,384) | - | - | (12,384) |
| **At 31 December 2023** | **3,832,872** | **4,276** | **56,690** | **3,893,838** |

(*) Non-cash additions amounted to ⃁ 1,580 million (2023: ⃁ 1,249 million).
(**) Table above includes movements related to disposed discontinued operations.

Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

| | |
|---|---|
| Buildings | 2 – 31 years |
| Motor vehicles | 3 – 5 years |
| Others | 2-10 years |

The Group elected not to recognize right of use assets for short-term and low-value leases, and hence the lease payments associated with these contracts were recognized as expenses during the year in the consolidated statement of profit or loss and amounted to ⃁ 93 million (2023: ⃁ 99 million).

The following table shows the breakdown of depreciation expense if allocated to operating costs items from continuing operations for the year ended 31 December:

| | 2024 | 2023 |
|---|---|---|
| Cost of revenues | 182,322 | 236,328 |
| Selling and marketing expenses | 6,558 | 6,420 |
| General and administrative expenses | 243,869 | 225,035 |
| | **432,749** | **467,783** |

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## 14. DISCONTINUED OPERATIONS AND ASSETS HELD FOR SALE

### 14.1 Sale of equity interest in subsidiaries classified as discontinued operations

During October 2022, the Group 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 TAWAL, while the Group will maintain 49% of the shares of TAWAL. TAWAL was valued at ⃁ 21,940 million (100% enterprise value on cash free and debt free basis). The offer did not represent any binding commitment on both parties and it was subject to completing the due diligence.

On 21 April 2024, a sale and purchase agreement (the "SPA") was signed with PIF to sell the 51% of the shares of TAWAL which contains certain conditions precedent, which must be satisfied prior to completion, including -but not limited to- obtaining the approval from the general assembly of stc, the approval of the Communications, Space and Technology Commission, as well as any applicable regulatory and commercial conditions. On 24 July 2024, the General Assembly of stc approved the SPA.

As per the SPA, TAWAL's shares will be sold for a cash consideration estimated to be ⃁ 8.7 billion, noting that the final cash consideration will be based on the final accounts of debt, cash, and working capital at completion of the transaction.

Agreements also were signed to transfer the ownership of both TAWAL and Golden Lattice Investment Company ("GLIC") (owns and manages 8,069 telecommunications towers in the Kingdom of Saudi Arabia, and is owned by PIF and other shareholders) under Digital Infrastructure for Investment Company (the "new entity) through exchange of shares between the new entity, the owners of GLIC, and TAWAL. GLIC was valued at ⃁ 3.03 billion (USD 807 million), representing 100% of Enterprise Value on a cash free and debt free basis. As a result, the Group's ownership in the new entity will be 43.06%. The agreements have also stipulated the transfer of ownership of TAWAL International Holding A Limited and TAWAL International DMCC from TAWAL to Digital Infrastructure for Investment Company, which was completed during 2024 and after the stc General Assembly approval of the SPA with PIF.

On December 2024, all substantive condition precedents in relation to the transaction were completed and therefore the Group lost its control over TAWAL and Digital Infrastructure for Investment and recognized a gain on disposal amounting to ⃁ 12.9 billion in the consolidated statement of profit or loss. TAWAL, and GLIC were valued at ⃁ 17.4 billion, and ⃁ 2.6 billion respectively net of cash, debt, and working capital adjustments. In addition, the Group injected ⃁ 128 million in new entity capital to maintain its ownership of 43.06%.

As of the date of loss of control, the Group has started to account for its retained interest in TAWAL and Digital Infrastructure for Investment Company using the equity method of accounting as associates in accordance with the requirements of IAS 28 "Investments in Associates and Joint Ventures" (Note 8.1.1). The Group has remeasured its retained interest portion at fair value which resulted in a gain recognized as part of net profit from discontinued operations in the consolidated statement of profit or loss.

Summary of gains recognized on the partial sale of TAWAL and Digital Infrastructure for Investment Company as follows:

| | 2024 |
|---|---|
| Fair value of consideration received (1) | 10,007,283 |
| Add: fair value of retained equity interest (2) | 7,016,407 |
| Less: carrying value of net assets derecognized | (4,138,313) |
| **Total gains recognized from partial sale of subsidiaries (3)** | **12,885,377** |





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(1) Cash consideration for the transaction after the estimated debt, cash, and working capital amounted to ⃁ 8,948 million. Cash received amounted to ⃁ 5,748 million and a settlement of dividends payable to PIF amounted to ⃁ 3,200 million. None-cash considerations include the Group's 43% interest in GLIC for an amount of ⃁ 1 billion, after applying the fair value adjustments for discount of lack of controls of 5%.
(2) In estimating the fair value of the retained interest in TAWAL and Digital Infrastructure for Investment Company, the Group applied appropriate fair value adjustments which mainly include discount of lack of controls of 5%.
(3) Total gains recognized from partial sale of subsidiaries include amount of ⃁ 5.2 billion, which represents the gain on the fair value remeasurement of the retained interest.

Accordingly, TAWAL and Digital Infrastructure for Investment Company have been classified as discontinued operations after meeting the criteria in IFRS 5 "Non-current assets held for sale and discontinued operations".

The total comprehensive income for the discontinued operations after considering intragroup eliminations and adjustments for the year ended 31 December as follows:

| | 2024 | 2023 |
|---|---|---|
| Revenues | 670,540 | 401,964 |
| Cost of revenues and other operating expenses (*) | 2,070,276 | 1,938,628 |
| Depreciation and amortization (**) | (836,327) | (1,198,480) |
| Finance cost, net | (611,359) | (312,018) |
| Other expenses, net | (100,804) | (22,160) |
| Zakat and income tax | (104,343) | (48,888) |
| Profit from discontinued operations | 1,087,983 | 759,046 |
| Gain from sale of controlling interest in subsidiaries | 12,885,377 | - |
| Net profit from discontinued operations | 13,973,360 | 759,046 |
| Other comprehensive loss from discontinued operations | (140,696) | (66,207) |
| **Total comprehensive income from discontinued operations** | **13,832,664** | **692,839** |

(*) When the Group applied IFRS 5 requirements for reporting discontinued operations, the Group has considered IFRS 10 "Consolidated Financial Statements" requirements for elimination of intragroup transactions but adjust to reflect how transactions between continuing or discontinued operations will be reflected in continuing operations going forward. This mainly represents: a debit adjustment to the cost of revenues against a credit adjustment to the net profit from discontinued operations in the consolidated statement of profit or loss that is reasonably expected to continue going forward for the year ended 31 December 2024 amounted to ⃁ 3,178 million (31 December 2023: ⃁ 2,941 million).
(**) Depreciation and amortization on discontinued operations assets have been stopped due to classification as discontinued operations on 24 July 2024.

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The net assets of TAWAL and Digital Infrastructure for Investment Company as at the date of disposal were as follows:

| | 31 December 2024 |
|---|---|
| Property and equipment | 8,026,903 |
| Intangible assets and goodwill | 4,364,629 |
| Right of use assets | 3,182,574 |
| Contract assets and costs | 168,382 |
| Other financial assets | 5,195,178 |
| Trade receivables | 861,356 |
| Other assets | 333,147 |
| Cash and cash equivalents | 1,691,490 |
| **TOTAL ASSETS** | **23,823,659** |
| Borrowings | 13,628,198 |
| Lease liabilities | 3,179,287 |
| Contract liabilities | 359,836 |
| Provisions | 394,466 |
| Trade and other payables | 1,202,103 |
| Other financial liabilities | 413,793 |
| Other liabilities | 507,663 |
| **TOTAL LIABILITIES** | **19,685,346** |
| **NET ASSETS DISPOSED OF** | **4,138,313** |

The cash flow details for the discontinued operations for the year ended 31 December as follows:

| | 2024 | 2023 |
|---|---|---|
| Net cash flow generated from operating activities | 2,040,896 | 2,697,174 |
| Net cash flow used in investing activities | (183,439) | (6,096,420) |
| Net cash flow used in generated from financing activities | (993,653) | 4,233,292 |
| **NET INCREASE IN CASH AND CASH EQUIVALENTS** | **863,804** | **834,046** |





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### 14.2 Assets held for sale

Assets have been reclassified as assets held for sale measured at the lower of carrying amount and fair value less costs to sell as at 31 December:

| | 2024 | 2023 |
|---|---|---|
| Lands at carrying amount (1) | 39,519 | 21,259 |
| Telecom towers at fair value less costs to sell (2) | - | 30,000 |
| | **39,519** | **51,259** |

1- During the year 2024, lands with carrying amount of ⃁ 18 million have been reclassified as assets held for sale (2023: ⃁ 21 million).
2-During the year 2023, TAWAL entered into the settlement agreement with one of the customers. This settlement offer is for terminating the contract and transferring certain number of towers back to the customer with book value of ⃁ 42 million and a fair value less costs to sell of ⃁ 30 million. During 2024, TAWAL sold the telecom towers.

## 15. CONTRACT ASSETS AND COSTS

### 15.1 Contract assets

| | 31 December 2024 | 31 December 2023 |
|---|---|---|
| Unbilled revenue | 8,954,443 | 8,168,458 |
| Less: allowance for impairment loss | (231,523) | (205,071) |
| | **8,722,920** | **7,963,387** |
| Current (1) | 7,728,563 | 6,951,010 |
| Non-current (2) | 994,357 | 1,012,377 |
| | **8,722,920** | **7,963,387** |

(1) Contract assets are initially recognized for revenue earned from rendering of telecom services, sale of devices, and networks installation contracts unbilled yet. Upon completion of a billing cycle, the amounts recognized as contract assets are reclassified to trade receivables. The majority of balances are billed within one calendar month except for balances subject to settlement agreements with telecom operators which could be extended to one year or more.
(2) Non-current contract assets represent balances related to unbilled receivables on sold devices. The term of the contracts for the sold devices ranges between 18 and 24 months.
(3) The average expected credit loss rate on contract assets for the year ended 31 December 2024 is 2.6% (2023: 2.5%).
(4) Significant changes in contract assets balances: contract assets decreased by ⃁ 168 million for the year ended 31 December 2024 as a result of disposal of subsidiaries (Note 14.1) (2023: increased by ⃁ 121 million as a result of the acquisition of new subsidiaries).

Movement of allowance for impairment loss of contract assets during the year ended 31 December as follows:

| | 2024 | 2023 |
|---|---|---|
| Balance at 1 January | 205,071 | 206,056 |
| Additions (Note 37) | 113,839 | 135,851 |
| Written off | (87,387) | (136,836) |
| **Balance at 31 December** | **231,523** | **205,071** |

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## 15.2 Contract costs

Contract costs consist of the following:

| | 31 December 2024 | 31 December 2023 |
|---|---|---|
| Costs to obtain the contracts (1) | 115,506 | 87,658 |
| Costs to fulfil the contracts (2) | 467,876 | 428,007 |
| | **583,382** | **515,665** |
| Current | 111,506 | 83,174 |
| Non-current | 471,876 | 432,491 |
| | **583,382** | **515,665** |

(1) Costs to obtain contracts relate to incremental commission fees and additional incentives paid to intermediaries, dealers and employees as a result of obtaining contracts with customers. These costs are amortized on a straight-line basis over the period of the contract/anticipated contract.
(2) Costs to fulfil contracts are installation costs and are amortized on a straight-line basis over the period of the contract/anticipated contact.

The following table shows the allocation of contract costs amortization and impairment losses among operating costs items for the year ended 31 December:

| | 2024 | 2023 |
|---|---|---|
| Cost of revenues (Note 36) | 190,054 | 150,725 |
| Selling and marketing expenses (Note 37) | 92,817 | 93,645 |
| | **282,871** | **244,370** |





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## 16. FINANCIAL ASSETS AND OTHERS

### 16-1 Financial assets

| | 31 December 2024 | 31 December 2023 |
|---|---|---|
| **Financial assets measured at FVTOCI** | | |
| Listed equity investments (1) | 4,318,321 | 4,130,284 |
| **Financial assets measured at FVTPL** | | |
| Cash collateral against purchase of a listed equity investment (2) | 4,144,063 | 4,468,557 |
| Investment funds and unlisted equity investments (3) | 4,063,687 | 3,532,376 |
| | **8,207,750** | **8,000,933** |
| **Financial assets at amortized cost:** | | |
| Sukuk (4) (5) | 5,133,819 | 5,313,050 |
| Customers' trust accounts of stc Bank (Note 32.1) | 2,360,035 | 2,532,874 |
| Investment accounts of stc Bank | - | 500,000 |
| Loans to employees (6) | 472,366 | 410,679 |
| Finance lease receivables (7) | 823,249 | 24,040 |
| Accrued profit on financial assets | 247,534 | 285,361 |
| Others | 1,679,833 | 1,222,808 |
| | **10,716,836** | **10,288,812** |
| **Financial derivatives** | | |
| Forward contract (8) (Note.32.1) | 200,857 | - |
| Options (9) | 23,391 | 662,073 |
| Islamic cross currency profit rate swap (10) | 238,829 | - |
| | **463,077** | **662,073** |
| | **23,705,984** | **23,082,102** |
| Current | 8,667,558 | 10,767,322 |
| Non-current | 15,038,426 | 12,314,780 |
| | **23,705,984** | **23,082,102** |

1) During the third quarter of the year 2023, the Group has completed the purchase of 4.9% direct shareholding in Telefonica. Telefonica is a leading European telecommunications operator through its significant presence in three of the largest European markets, namely Spain, Germany and the UK, in addition to Brazil which is the largest market in Latin America. These investments are irrevocably designated at fair value through OCI. The Group has received dividends during the year of 2024 amounting to ⃁ 335 million (2023: ⃁ 173 million) which are included as other income in the consolidated statement of profit or loss.

2) Amount represents an advance collateral payment, until obtaining the relevant regulatory approvals expected within one year, against the Group's signing a contingent sale purchase agreement with one of the international investment banks to acquire an additional shareholding of 5% in Telefonica. During the fourth quarter of 2024, the Group received the foreign investment authorization from the Spanish Council of Ministers. During the first quarter of 2025, the Group has increased its voting rights from 4.97% to 9.97% following the completion of all relevant requirements (Note 48).

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3) The Group invests in various venture funds which are investing in emerging, small and medium-sized companies operating in the field of Communications and Information Technology in the Kingdom and other global markets.
4) The Group invested in Sukuk issued by the Ministry of Finance (MoF) as the following:

| | 2024 | | 2023 | |
|---|---|---|---|---|
| Nominal Investment value | 1,600,000 | 2,140,000 | 1,762,000 | 2,140,000 |
| Year of investment | 2024 | 2019 | 2019 | 2019 |
| Year of maturity | 2029 | 2029 | 2024 | 2029 |
| Yield | 3.9% | 3.9% | 3.17% | 3.9% |

5) During the year 2007, stc Asia Holding Company Limited (a subsidiary) invested in Sukuk issued by Binariang GSM Sdn Bhd ("BGSM") in the amount of RM 1,508 million (equivalent to ⃁ 1,383 million) period for a of 50 years (callable after 10 years) with an annual profit margin of 6 months KLIBOR+8.51%. These sukuks are not past due or low in value with a book value of ⃁ 1,191 million as of 31 December 2024 (2023: ⃁ 1,230 million).

6) The Company has provided its employees interest-free loans to acquire residential housing and motor vehicles for a period of 15 years and 4 years, respectively. The repayment is made in equal instalments over the term of the loan duration while the employee remains in service, otherwise, they are required to be repaid in full upon the employee leaving the Company. Any new housing loans provided to an employee after June 2016 are being funded through a local commercial bank and are guaranteed by the Company. The Company bears the finance cost of the loans.

7) Mainly with TAWAL amounting to ⃁ 748 million as at 31 December 2024 (2023: eliminated at Group consolidation (Note14.1)).

8) 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 (Note 48). During the year 2024, the manufactured dividends received amounted to ⃁ 320 million (2023: ⃁ 167 million) which are included as other income in the consolidated statement of profit or loss.

Below are the details of the forward agreement and the change in fair value for the year ended 31 December:

| | 2024 | | 2023 | |
|---|---|---|---|---|
| | EUR'000 | ⃁ '000 | EUR'000 | ⃁ '000 |
| Notional value | 1,064,753 | 4,144,063 | 1,079,649 | 4,468,557 |
| Revaluation profit (loss) recognized in profit or loss | 116,033 | 460,058 | (63,543) | (259,899) |

9) Below are the details of the agreement and the change in fair value as at /during the year ended 31 December, respectively:

| | Carrying value | the changes in fair value | | | |
|---|---|---|---|---|---|
| | | 2024 | | 2023 | |
| | | EUR'000 | ⃁ '000 | EUR'000 | ⃁ '000 |
| Option at fair value through other comprehensive income (*) | 11,660 | (76,712) | (304,156) | 59,129 | 241,845 |
| Option at fair value through profit or loss | 11,731 | (77,751) | (308,274) | 60,336 | 246,782 |

(*) The Group has entered into options agreement to hedge against price risk in relation to its investment in Telefonica. On average, the option strike price for these options ranges from € 3.3795 to € 4.8064 and these options will expire during the period from 5 March 2026 to 5 September 2028 with a hedge ratio of 1:1. An ineffectiveness (⃁ 150 million) (2023: ⃁ 13 million) was recognized in the statement of other comprehensive income.

The contractual arrangements of these instruments entail the partial return of dividends for the underlying investment to the counterparty. During the year 2024, the transferred dividends to the counterparty amounted to ⃁ 408 million (2023: ⃁ 224 million) which are included as other expenses in the consolidated statement of profit or loss.

10) During the second quarter of 2024, the Group entered into an Islamic Cross Currency Profit Rate Swap arrangement with a notional amount of EUR 1,470 million (USD 1,600 million equivalent to ⃁ 6,000 million) to mitigate the EUR forex risk and floating profit rate whereby the Group receives USD and pays EUR. The Group accounted for this arrangement as derivative financial instruments measured at fair value through profit or loss up to the end of second quarter 2024. During the third quarter of 2024, this financial instrument was designated as a hedge instrument protecting the Group from the fluctuations in the EURO net asset position due to movement in EURO/SAR exchange rates (net investment hedge) and movement in the Term SOFR rates (cash flow hedge). The Group recognised the change in fair value of the hedging instrument in other comprehensive income for the effective portion and in consolidated statement of profit or loss for the ineffective portion. The fair value was estimated using appropriate valuation techniques based on the forward profit and currency rates in Bloomberg portal.

Below are the details of the carrying value and the change in fair value as at 31 December 2024:

| | Carrying value | Changes in fair value | |
|---|---|---|---|
| | | fair value through other comprehensive income | Ineffectiveness recognized in profit or loss |
| Net investment hedge - Cross currency SWAP | 269,378 | 93,055 | (9,814) |
| Cash flow hedge - Interest rate SWAP | (30,549) | 92,870 | 19,568 |
| **Total** | **238,829** | **185,925** | **9,754** |

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## 16-2 Other assets

| | 31 December 2024 | 31 December 2023 |
|---|---|---|
| Prepaid expenses | 544,824 | 421,598 |
| Deferred expenses | 344,895 | 317,376 |
| Advances | 334,284 | 612,612 |
| Deferred tax assets | 39,940 | 1,304 |
| Others | 366,263 | 312,221 |
| | **1,630,206** | **1,665,111** |
| Current | 1,351,697 | 1,478,697 |
| Non-current | 278,509 | 186,414 |
| | **1,630,206** | **1,665,111** |

## 17. INVENTORIES

| | 31 December 2024 | 31 December 2023 |
|---|---|---|
| Goods held for resale* | 2,011,865 | 2,090,694 |
| Less: allowance for slow moving inventories | (122,638) | (185,723) |
| | **1,889,227** | **1,904,971** |

*The Group's inventories mainly consist of mobile devices.

Inventories recognised as an expense within cost of sales during the year amounted to ⃁ 11,939 million (2023: ⃁ 11,023 million).

The following is an analysis of the allowance for slow moving inventories for the year:

| | 2024 | 2023 |
|---|---|---|
| Balance at 1 January | 185,723 | 231,631 |
| (Reversals) / Additions | (46,436) | 44,323 |
| Effect of acquisition of new subsidiaries | 54 | - |
| Write off /adjustment | (16,703) | (90,231) |
| **Balance at 31 December** | **122,638** | **185,723** |





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## 18. TRADE RECEIVABLES

| | 31 December 2024 | 31 December 2023 |
|---|---|---|
| Trade receivables | 25,602,745 | 23,786,025 |
| Less: allowance for impairment loss | (3,379,581) | (2,384,754) |
| | **22,223,164** | **21,401,271** |

Ageing analysis of trade receivables as follows (*):

| | 31 December 2024 | | | 31 December 2023 | | |
|---|---|---|---|---|---|---|
| | Gross Amounts | Allowance for impairment loss | ECL Rate | Gross Amounts | Allowance for impairment loss | ECL Rate |
| Not past due | 3,223,401 | (379,544) | 11.8% | 3,828,989 | (291,027) | 7.6% |
| **Past due:** | | | | | | |
| 1 – 30 days | 1,284,061 | (79,028) | 6.2% | 390,994 | (30,615) | 7.8% |
| 31 – 90 days | 2,720,006 | (268,814) | 9.9% | 2,212,927 | (276,045) | 12.5% |
| 91 – 150 days | 2,152,856 | (256,103) | 11.9% | 2,063,922 | (176,427) | 8.6% |
| 151 – 365 days | 5,773,937 | (725,022) | 12.6% | 7,091,967 | (598,577) | 8.4% |
| <365 days | 10,448,484 | (1,671,070) | 16.0% | 8,197,226 | (1,012,063) | 12.4% |
| | **25,602,745** | **(3,379,581)** | **13.2%** | **23,786,025** | **(2,384,754)** | **10.0%** |

(*) The amounts above include balances with government and government related entities.

Movement of trade receivables' allowance for impairment loss during the year was as follows:

| | 2024 | 2023 |
|---|---|---|
| Balance at 1 January | 2,384,754 | 2,454,692 |
| Additions | 1,381,528 | 449,144 |
| Effect of acquisition of new subsidiaries | 6,984 | 1,676 |
| Written off | (210,349) | (497,349) |
| Recovered | (143,264) | (22,019) |
| Effect of disposal of subsidiaries | (27,384) | - |
| Effect of foreign currency exchange differences | (12,688) | (1,390) |
| **Balance at 31 December** | **3,379,581** | **2,384,754** |

The expected credit loss is estimated as per approved accounting policies which consider, in determining the recoverability of a trade receivable, any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of the financial year. The concentration of credit risk is limited due to the fact that the customer base is large and unrelated.

The contractual amount outstanding on trade receivables that were written off during the reporting period are still subject to enforcement activity.

Trade receivables balance from Government entities amounted to ⃁ 18,567 million as at 31 December 2024 (2023: ⃁ 17,129 million) (Note 21.2). No other clients represent more than 10% of the total balance of trade receivables.

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Receivable aging from government entities is as follows:

| | 31 December 2024 | 31 December 2023 |
|---|---|---|
| Less than a year | 9,559,212 | 10,323,282 |
| More than one year but less than two years | 5,791,205 | 4,243,442 |
| More than two years | 3,216,695 | 2,562,511 |
| | **18,567,112** | **17,129,235** |

## 19. SHORT TERM MURABAHAS

The Group invests part of its excess cash in murabahas that have maturity of more than three months but less than a year with several banks, with a profit rate ranging from 5.30% to 6.78% (2023: 5.20% to 6.45%).

## 20. CASH AND CASH EQUIVALENTS

| | 31 December 2024 | 31 December 2023 |
|---|---|---|
| Short term murabahas (with three months maturity or less) * | 10,602,612 | 10,871,750 |
| Cash at banks and in hand | 4,940,829 | 2,499,570 |
| | **15,543,441** | **13,371,320** |

*The Group invests a part of its surplus cash in murabahas with maturities of three months or less with several banks with a profit rate ranging between 3.80% - 6.80% (2023: 3.30% - 6.42%).

## 21. RELATED PARTY TRANSACTIONS

### 21.1 Trading transactions and balances with related parties (Associates and Joint Ventures – Note 8)

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

| | 2024 | 2023 |
|---|---|---|
| **Services provided** | | |
| Associates | 535,847 | 370,531 |
| Joint ventures | 4,633 | 6,655 |
| | **540,480** | **377,186** |
| **Services received** | | |
| Associates | 776,759 | 483,818 |
| Joint ventures | 2,891 | 115,018 |
| | **779,650** | **598,836** |





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

| | Amounts due from related parties | | Amounts due to related parties | |
|---|---|---|---|---|
| | 31 December 2024 | 31 December 2023 | 31 December 2024 | 31 December 2023 |
| Associates (*) | 3,039,570 | 320,302 | 2,759,484 | 58,202 |
| Joint ventures | 3,754 | 2,414 | 3,351 | 5,960 |
| | **3,043,324** | **322,716** | **2,762,835** | **64,162** |

(*) Include amounts due from TAWAL and Digital Infrastructure for Investment Company amounted to ⃁ 2,596 million and amounts due to TAWAL and Digital infrastructure for Investment Company amounted to ⃁ 2,656 million as of 31 December 2024 (Note 6.22, 8.1.1, and 14.1).

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.

In addition, the Group has an investment in sukuk issued by a joint venture entity (BGSM) amounting to RM 1,508 million equivalent to ⃁ 1,383 million at the exchange rate as at investment date) with a book value of ⃁ 1,191 million as of 31 December 2024 (2023: ⃁ 1,230 million) (Note 16.1).

### 21.2 Transactions and related parties' balances (government and government related entities)

Revenues from transactions with government and government related entities for the year ended 31 December 2024 amounted to ⃁ 12,699 million (2023: ⃁ 13,496 million) and expenses related to transactions with government and government related entities for the year ended 31 December 2024 (including government charges) amounted to ⃁ 5,895 million (2023: ⃁ 5,205 million).

As at 31 December 2024, accounts receivable from government entities totalled ⃁ 18,567 million (2023: ⃁ 17,129 million) (Note 18) and as at 31 December 2024, accounts payable to government entities totalled ⃁ 1,221 million (2023: ⃁ 1,503 million). Among the balances with government entities, the Group invested ⃁ 3,902 million in the Sukuk issued by the Ministry of Finance during the first quarter of 2019. During 2024, Tranche I amounting to ⃁ 1,762 million has matured and additional investment was made amounting to ⃁ 1,600 million with duration of 10 years (Note 16.1).

The total balance of accounts receivable with government related entities as of 31 December 2024 was ⃁ 1,244 million (2023: ⃁ 1,526 million). Total balance of accounts payable with government related entities as of 31 December 2024 was ⃁ 2,603 million (2023: ⃁ 1,884 million).

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

Government entities are defined as ministries, authorities, commissions, and other entities of the government of Saudi Arabia. On the other hand, Government related entities are defined as PIF, its subsidiaries, and related entities. Transactions with related parties include sale of equity interest in TAWAL and Digital Infrastructure for Investment Company to Public Investment Fund (Note 6.22, 8.1.1, 14.1).

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### 21.3 Loans to related parties

| | 31 December 2024 | 31 December 2023 |
|---|---|---|
| Loans to senior executives | 14,549 | 10,765 |

### 21.4 Benefits, remuneration and compensation of board members and senior executives

The remuneration and compensation of board members and senior executives during the year ended 31 December were as follows:

| | 2024 | 2023 |
|---|---|---|
| Short-term benefits and remuneration | 642,432 | 603,449 |
| Provision for leave and end of service benefits | 106,023 | 89,763 |
| Long-term incentives program | 116,737 | 118,252 |
| Others | 14,392 | 9,452 |
| **Total compensations** | **879,584** | **820,916** |

## 22. SHARE CAPITAL

| | 31 December 2024 | 31 December 2023 |
|---|---|---|
| **Authorized, issued and fully paid capital comprises** | | |
| 5 billion fully paid ordinary shares at ⃁ 10 each share | 50,000,000 | 50,000,000 |
| Number of outstanding shares "in thousands" | 4,986,916 | 4,984,506 |
| Number of treasury shares "in thousands" | 13,084 | 15,494 |
| | **5,000,000** | **5,000,000** |

## 23. STATUTORY RESERVE

The EGA approved in its meeting on 4 Thul-Hijjah 1444H (corresponding to 22 June 2023) the amendment of the Company's Bylaws in accordance with the new Companies Law which became effective as at 19 January 2023. The EGA also approved transferring the balance of the statutory reserve as at 31 December 2022 amounting to ⃁ 11,217 million to the retained earnings since the statutory reserve is not required in light of the new Companies Law and the amended bylaws. During the third quarter of the year 2023, the relevant regulatory procedures and requirements have been completed and the balance of the statutory reserve has been transferred to retained earnings.





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## 24. TREASURY SHARES

During the year 2020 -2024, the Company completed the purchase of its own shares with an amount of ⃁ 753 million to be allocated to the Employees' Long-term Incentives Program (Note 46).

The following is the number of treasury shares (in thousands) as at 31 December:

| | 2024 | 2023 |
|---|---|---|
| Treasury shares as at 1 January | 15,494 | 17,822 |
| Treasury shares re-issued | (2,410) | (2,328) |
| Treasury shares as at 31 December | 13,084 | 15,494 |

## 25. OTHER RESERVES

| | Foreign currency translation reserve | Actuarial gain (loss) | Changes in shareholding of subsidiaries | Other reserves | Total |
|---|---|---|---|---|---|
| As at 1 January 2024 | (64,749) | (523,845) | 2,266,519 | 447,267 | 2,125,192 |
| Remeasurement of the end of service benefits provision | - | 191,278 | - | - | 191,278 |
| Share-based payment transactions | - | - | - | 57,640 | 57,640 |
| Transactions with non-controlling interest | - | - | (431,890) | - | (431,890) |
| Foreign currency translation differences | (956,508) | - | - | - | (956,508) |
| Net share associates and joint ventures | - | - | - | (23,416) | (23,416) |
| Gain on cash flow hedge, net | - | - | - | 92,870 | 92,870 |
| Changes in fair value for hedging instruments and equity investments through other comprehensive income | - | - | - | 140,321 | 140,321 |
| Gain on net investment hedge, net | - | - | - | 93,055 | 93,055 |
| Effect of disposal of subsidiaries | 204,936 | 2,799 | - | (11,656) | 196,079 |
| **As at 31 December 2024** | **(816,321)** | **(329,768)** | **1,834,629** | **796,081** | **1,484,621** |

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| | Foreign currency translation reserve | Actuarial gain (loss) | Changes in shareholding of subsidiaries | Other reserves | Total |
|---|---|---|---|---|---|
| As at 1 January 2023 | (90,800) | (320,583) | 2,041,018 | 402,604 | 2,032,239 |
| Remeasurement of the end of service benefits provision | - | (203,262) | - | - | (203,262) |
| Share-based payment transactions | - | - | - | 25,981 | 25,981 |
| Transactions with non-controlling interest | - | - | 225,501 | - | 225,501 |
| Foreign currency translation differences | 26,051 | - | - | - | 26,051 |
| Net share of associates and joint ventures | - | - | - | 30,863 | 30,863 |
| Changes in fair value for equity investments through other comprehensive income | - | - | - | (12,181) | (12,181) |
| **As at 31 December 2023** | **(64,749)** | **(523,845)** | **2,266,519** | **447,267** | **2,125,192** |

## 26. NON-CONTROLLING INTERESTS

### Details of non-wholly owned subsidiaries that have material non-controlling interests

The table below shows details of non-wholly owned subsidiaries of the Group that has material non-controlling interests as at:

| | Proportion of ownership and voting rights acquired by non-controlling interests | | Non-controlling share of profit (loss) for the year ended 31 December | | Non-controlling interests as of 31 December | |
|---|---|---|---|---|---|---|
| **Name of Subsidiary** | **2024** | **2023** | **2024** | **2023** | **2024** | **2023** |
| stc Kuwait | 48.16% | 48.16% | 184,382 | 191,638 | 1,409,442 | 1,433,263 |
| Solutions | 20.0% | 20.0% | 320,563 | 239,029 | 805,925 | 693,384 |
| Others (*) | - | - | (277,354) | (306,569) | 853,138 | 403,574 |
| | | | **227,591** | **124,098** | **3,068,505** | **2,530,221** |

(*) Includes the Group's investment in stc Bank, iot[2] and SCCC (Note 6).





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The following is a summary of the financial statements of individually material subsidiaries which is non- wholly owned by the Group and have material non-controlling interests:

| | As at 31 December 2024 | |
|---|---|---|
| | **stc Kuwait** | **Solutions** |
| **Statement of financial position** | | |
| Current assets | 2,840,241 | 10,358,690 |
| Non-current assets | 2,784,906 | 1,681,408 |
| Current liabilities | (2,195,834) | (6,682,898) |
| Non-current liabilities | (502,852) | (1,327,574) |
| **Net assets** | **2,926,461** | **4,029,626** |
| Group's share of net assets | 1,517,019 | 3,223,701 |
| Non-controlling interests' share of net assets | 1,409,442 | 805,925 |

| | For the year ended 31 December 2024 | |
|---|---|---|
| | **stc Kuwait** | **Solutions** |
| **Statement of comprehensive income** | | |
| Revenues | 4,105,483 | 12,063,897 |
| Profit for the year | 382,839 | 1,602,816 |
| Other comprehensive loss for the year | (6,445) | (221,595) |
| **Total comprehensive income for the year** | **376,394** | **1,381,221** |
| Group's share of comprehensive income | 195,115 | 1,104,977 |
| Non-controlling interests' share of comprehensive income | 181,279 | 276,244 |
| Dividends paid to non-controlling interests | 204,747 | 142,784 |

| | For the year ended 31 December 2024 | |
|---|---|---|
| | **stc Kuwait** | **Solutions** |
| **Statement of cash flows** | | |
| Operating activities | 1,165,466 | 1,509,256 |
| Investing activities | (899,835) | (2,126,870) |
| Financing activities | (635,937) | (807,470) |
| **Net decrease in cash and cash equivalents** | **(370,306)** | **(1,425,084)** |

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| | As at 31 December 2023 | |
|---|---|---|
| | **stc Kuwait** | **Solutions** |
| **Statement of financial position** | | |
| Current assets | 2,757,949 | 10,296,333 |
| Non-current assets | 2,704,915 | 1,219,911 |
| Current liabilities | (2,004,969) | (7,195,438) |
| Non-current liabilities | (481,974) | (968,252) |
| **Net assets** | **2,975,921** | **3,352,554** |
| Group's share of net assets | 1,542,658 | 2,659,170 |
| Non-controlling interests' share of net assets | 1,433,263 | 693,384 |

| | For the year ended 31 December 2023 | |
|---|---|---|
| | **stc Kuwait** | **Solutions** |
| **Statement of income and other comprehensive income** | | |
| Revenues | 3,986,034 | 11,040,493 |
| Profit for the year | 398,777 | 1,195,145 |
| Other comprehensive loss for the year | (4,332) | (97,242) |
| | | |
| **Total comprehensive income for the year** | **394,445** | **1,097,903** |
| Group's share of comprehensive income | 204,472 | 878,322 |
| Non-controlling interests' share of comprehensive income | 189,973 | 219,581 |
| Dividends paid to non-controlling interests | 178,047 | 118,976 |
| | | |
| **Statement of cash flows** | | |
| Operating activities | 1,123,998 | 1,715,337 |
| Investing activities | (349,583) | 1,036,159 |
| Financing activities | (482,670) | (688,976) |
| **Net increase in cash and cash equivalents** | **291,745** | **2,062,520** |





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## 27. BORROWINGS

Total loans repaid during the year ended 31 December 2024 amounted to ⃁ 2,635 million (2023: ⃁ 433 million). Total loans received during the year ended 31 December 2024 amounted to ⃁ 880 million (2023: ⃁ 11,834 million). A list of the loans are as follows:

| | | | | | Current portion | | Non-current portion | |
|---|---|---|---|---|---|---|---|---|
| **Nature of borrowing** | **Date of borrowing** | **Date of final instalment** | **Currency** | **Profit rate** | **Balance as at 31 December 2024** | **Balance as at 31 December 2023** | **Balance as at 31 December 2024** | **Balance as at 31 December 2023** |
| Sukuk (1) | May 2019 | May 2029 | US Dollar | 3.89% | - | - | 4,678,577 | 4,676,733 |
| Sukuk (2) | June 2014 | June 2024 | Saudi Riyal | 3-months SAIBOR + 0.70% | - | 2,000,000 | - | - |
| Murabaha (3) (4) | December 2017 | December 2027 | Malaysian Ringgit | 6 months KLIBOR + 0.65% | - | - | 1,267,094 | 1,231,344 |
| Murabaha (4) | September 2021 | August 2026 | US Dollar | 3 months SOFR + 0.75% | - | - | 494,160 | 696,705 |
| Murabaha (5) | March 2021 | November 2029 | US Dollar | 1.27% | 69,713 | 68,757 | 274,312 | 342,800 |
| Murabaha (5) (7) | September 2023 | March 2029 | US Dollar | 6 months SOFR + 0.73% | - | 5,962,629 | 6,000,726 | - |
| Murabaha (4) (6) | August 2023 | February 2025 | US Dollar | 6 months SOFR + 0.50% | - | - | - | 1,125,000 |
| Murabaha (5) (6) | August 2023 | August 2028 | US Dollar | 6 months SOFR + 0.95% | - | - | - | 4,095,000 |
| Murabaha (4) | February 2019 | December 2025 | Saudi Riyal | 3 months SAIBOR + 0.55% | 155,000 | - | - | 155,000 |
| Murabaha (5) | February 2022 | March 2028 | Kuwaiti Dinar | CBK +0.55% | 69,974 | 70,168 | 139,948 | 210,503 |
| Mudarabha (5) | December 2018 | May 2026 | Bahraini Dinar | 2.10% | 3,870 | 3,594 | 2,177 | 6,386 |
| Murabaha (4) | January 2023 | January 2029 | US Dollar | 3 months SOFR+0.95% | - | - | 449,763 | 248,675 |
| Murabaha (4) | August 2022 | August 2036 | Saudi Riyal | 6 months SAIBOR+0.60% | - | - | 500,394 | 354,495 |
| Murabaha (4) | June 2022 | June 2027 | Saudi Riyal | 6 months SAIBOR + 0.45% | - | - | 499,377 | 499,127 |
| Others (8) | | | | | 93,027 | 210,580 | 433,627 | - |
| **Total** | | | | | **391,584** | **8,315,728** | **14,740,155** | **13,641,768** |

(1) At the General Assembly meeting on 19 Shaaban of 1440 H (corresponding to April 24, 2019), the Company approved the establishment of an international sukuk program and the issuance of sukuk either directly or by establishing special purpose vehicles that are established and used to issue primary or secondary sukuk in one or several parts or one or several stages, or through a series of issuance in US dollars, not exceeding the amount of USD 5,000 million for the total value of the sukuk issues and parts of the sukuk program referred to above at any time.

Based on the above, the Saudi Telecom Sukuk Company Limited during the second quarter of 2019 (a company established for the purpose of issuing sukuk under the sukuk program referred to above in US dollar) launched the first issue of the sukuk program in the amount of ⃁ 4,688 million (equivalent to USD 1,250 million) for 10 years. This program is an international sukuk in US dollar, with a total number of 6,250 sukuk and a nominal value of USD 200 thousand per sukuk having an annual return of 3.89% and a maturity of ten years.
(2) During 2014, the Company approved a sukuk program with a maximum amount of ⃁ 5 billion. The first tranche has

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been issued amounting to ⃁ 2 billion (Sukuk certificates have a nominal value of ⃁ 1 million each) for a period of 10 years. These sukuk certificates have matured and were fully repaid in 2024.
(3) stc Asia Holding Limited has extended its syndicated variable commission loan's repayment date from December 2022 to December 2027.
(4) Secured.
(5) Unsecured.
(6) Borrowings related to disposed subsidiaries refer to Note 14.1.
(7) The borrowing repayment date has been extended from September 2024 to March 2029 and profit rates changed from 3 months SOFR + 1.50% to 3 months SOFR + 0.75%.
(8) Borrowings obtained by indirectly owned subsidiaries.

## 28. RETIREMENT BENEFITS PLANS

### 28.1 End of service benefits provision

The Group provides end of service benefits to its employees. The entitlement is based upon the employees' final salary and length of service, subject to the completion of a minimum number of service years, calculated under the provisions of the Labour Law of the respective country and is payable upon resignation or termination of the employee. The expected costs of these benefits are accrued over the years of employment.

The Group's plan is exposed to actuarial risks such as discount rate and salary risk.

| | |
|---|---|
| Discount rate risk | A decrease in the discount rate will increase the end of service benefits plan liability. |
| Change in salaries risk | The present value of the end of service benefit plan liability is calculated by reference to the estimated future salaries of plan participants. As such, an increase in the salaries of the plan participants will increase the plan's liability. |

Calculation of end of service benefit provision was performed using the most recent actuarial valuation as at 31 December 2024. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the projected unit credit method.

The significant actuarial assumptions during 2024, used in determining the end of service benefit obligation, represent the discount rate of (4.50%- 6.20%) ,the expected increase in salary (1.50%- 5.32%) and experience adjustments (2023: discount rate of (4.40%- 5.70%) and the expected increase in salary (1.25%-6.00%)) resulting in recording of net actuarial gain included in the consolidated statement of comprehensive income amounting to ⃁ 180 million (2023: actuarial loss amounting to ⃁ 214 million).

The net expenses recognized in the consolidated statement of profit or loss are as follows for the year ended 31 December:

| | 2024 | 2023 |
|---|---|---|
| Services cost | 470,618 | 435,847 |
| Interest cost | 240,721 | 237,265 |
| | **711,339** | **673,112** |





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Movements of end of service benefit provision for the year ended 31 December is as follow:

| | 2024 | 2023 |
|---|---|---|
| Balance at 1 January | 5,258,413 | 4,871,335 |
| Expenses recognized in the consolidated statement of profit or loss | 711,339 | 673,112 |
| Effect of acquisition of new subsidiaries | 10,617 | 95,870 |
| **Actuarial (gains) losses recognized in the consolidated statement of comprehensive income during the year resulting from:** | | |
| - Changes in financial assumptions | (305,543) | 69,010 |
| - Experience adjustments | 125,133 | 145,464 |
| | **(180,410)** | **214,474** |
| Paid | (585,633) | (609,280) |
| Effect of disposal of subsidiaries | (63,225) | - |
| Effect of foreign currency exchange differences and others | 33,441 | 12,902 |
| **Balance at 31 December** | **5,184,542** | **5,258,413** |

The following table shows the maturity profile of the Group's defined benefit obligations as at 31 December:

| | 2024 | 2023 |
|---|---|---|
| One year or less | 27,629 | 55,389 |
| Above one year but less than five years | 785,983 | 502,206 |
| Above five years | 7,818,025 | 7,256,948 |
| | **8,631,637** | **7,814,543** |

The following table shows the change in defined benefit obligation balance based on increase / decrease in the below assumptions:

| | | 2024 | Defined benefit obligation | |
|---|---|---|---|---|
| | **Change in Assumption** | **Base Value** | **After increase in assumption** | **After decrease in assumption** |
| Discount rate | 100 basis points | 5,184,542 | 4,999,550 | 5,781,012 |
| Salary change rate | 100 basis points | 5,184,542 | 5,785,749 | 4,989,249 |

| | | 2023 | Defined benefit obligation | |
|---|---|---|---|---|
| | **Change in Assumption** | **Base Value** | **After increase in assumption** | **After decrease in assumption** |
| Discount rate | 100 basis points | 5,258,413 | 4,780,950 | 5,660,836 |
| Salary change rate | 100 basis points | 5,258,413 | 5,662,816 | 4,771,957 |

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The sensitivity analysis presented above may not be representative of the actual change in the end of service benefit provision as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated. The sensitivity analysis of employees' retirements benefits was calculated using the projected unit credit method.

### 28.2 Defined contribution plans
The Group participates in pension schemes for its employees which are managed by government institutions in the countries concerned. The amount recognized as an expense for defined contribution plans for the year ended 31 December 2024 is ⃁ 675 million (2023: ⃁ 651 million).

### 28.3 Early retirement plan
The Group has early retirement plan for its employees. The amount recognized as an expense early retirement plan for the year ended 31 December 2024 is ⃁ 2,577 million (2023: ⃁ 863 million).

## 29. LEASE LIABILITIES
Following is the movement on lease liabilities:

| | 2024 | 2023 |
|---|---|---|
| Balance as at 1 January | 4,275,229 | 3,296,120 |
| Additions | 1,768,791 | 1,633,022 |
| Effect of acquisition of new subsidiaries | 1,130 | 657,137 |
| Payments | (1,515,120) | (1,218,622) |
| Financing costs | 202,478 | 120,395 |
| Other adjustments | (517,269) | (212,823) |
| Effect of disposal of subsidiaries | (2,051,154) | - |
| **Balance as at 31 December** | **2,164,085** | **4,275,229** |
| Current | 593,447 | 947,703 |
| Non-current | 1,570,638 | 3,327,526 |
| | **2,164,085** | **4,275,229** |

Table above includes movements related to disposed discontinued operations.

## 30. CONTRACT LIABILITIES

| | 31 December 2024 | 31 December 2023 |
|---|---|---|
| Deferred revenue from services | 4,708,962 | 4,671,784 |
| Material right / Customer loyalty program | 528,458 | 572,557 |
| | **5,237,420** | **5,244,341** |
| Current (1) | 4,067,079 | 4,133,619 |
| Non-current (2) | 1,170,341 | 1,110,722 |
| | **5,237,420** | **5,244,341** |



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(1) The current portion of contract liabilities relates to unearned revenue pertaining to unutilized prepaid card units sold and the value of customer loyalty program points not yet redeemed. Revenue recognized during the year that was included in the contract liability balance at the beginning of the year amounted to ⃁ 4,134 million (2023: ⃁ 3,933 million).
(2) The non-current portion of contract liabilities relates to amounts received by one of the group subsidiaries from a key customer to construct a fibre optic network for which capital work completed amounted to ⃁ 591 million (2023: ⃁ 591 million) (Note 45.3).
(3) Significant changes in contract liabilities balances: contract liabilities decreased by ⃁ 360 million for the year ended 31 December 2024 as a result of disposal of subsidiaries (Note 14.1) (2023: increased by ⃁ 41 million as a result of the acquisition of new subsidiaries).

## 31. PROVISIONS

| | 31 December 2024 | 31 December 2023 |
|---|---|---|
| Legal, regulatory, and other provisions (1) | 1,284,350 | 2,593,786 |
| Decommissioning provision (2) | 143,092 | 312,292 |
| | **1,427,442** | **2,906,078** |
| Current | 915,209 | 2,221,748 |
| Non-current | 512,233 | 684,330 |
| | **1,427,442** | **2,906,078** |

| | 2024 | 2023 |
|---|---|---|
| **Legal, regulatory, and other provisions (1)** | | |
| Balance as at 1 January | 2,593,786 | 2,450,092 |
| Additions | 603,390 | 389,517 |
| Reversals | (1,790,027) | (86,435) |
| Payment / settlements | (122,799) | (159,388) |
| **Balance as at 31 December** | **1,284,350** | **2,593,786** |
| **Decommissioning provision (2)** | | |
| Balance as at 1 January | 312,292 | 163,488 |
| Additions | 94,771 | 5,635 |
| Unwinding of discount | 4,409 | 8,853 |
| Effect of acquisition of new subsidiaries | - | 100,646 |
| Other adjustments | 66,338 | 31,979 |
| Effect of disposal of subsidiaries | (330,954) | - |
| Effect of foreign currency exchange differences | (3,764) | 1,691 |
| **Balance as at 31 December** | **143,092** | **312,292** |

1) The Company is considered a party to a number of legal and regulatory claims. The Group, after taking independent legal advice when required, has established provisions after taking into account the facts for each case.
2) In the course of the Company's normal activities, a number of sites and other assets are utilized which are expected to have costs associated with restoration of the assets. The associated cash outflows are expected to occur primarily in years up to ten years from the date when the assets are brought in use.

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## 32. FINANCIAL LIABILITIES AND OTHERS

### 32-1 Financial liabilities

| | 31 December 2024 | 31 December 2023 |
|---|---|---|
| Dividends payable (Note 47) | 3,008,990 | 2,246,738 |
| Customers' deposits – stc Bank (Note 16.1) | 2,360,035 | 2,532,874 |
| Financial liabilities related to frequency spectrum licenses | 1,954,130 | 2,123,244 |
| Government charges | 1,102,309 | 1,552,086 |
| Financial derivatives - Forward contract (Note 16.1) | - | 262,998 |
| Other financial liabilities (1) | 716,959 | 547,534 |
| | **9,142,423** | **9,265,474** |
| Current | 6,969,176 | 7,064,605 |
| Non-current | 2,173,247 | 2,200,869 |
| | **9,142,423** | **9,265,474** |

(1) Mainly includes the following:

a) During the year 2022, the Group has granted a put option to non-controlling interest shareholders in SCCC in which the Group commits to purchase 27% shareholding in the subsidiary at fair value at the exercise date of the option. As a result, the Group has recorded, as at 31 December 2022, a non-current financial liability of ⃁ 469 million against the reduction in non-controlling interests of ⃁ 206 million and other reserves of ⃁ 263 million. As at 31 December 2023, the decrease in the fair value of the non-current liability resulting from the put option is recognized in equity amounting to ⃁ 226 million. As at 31 December 2024, the decrease in the fair value of the non-current liability resulting from the put option is recognized in equity amounting to ⃁ 45 million (Note 43.2).
b) Deferred fee with a fair value amounting to ⃁ 160 million as at 31 December 2024 (2023: ⃁ 165 million) on the options agreement the Group has entered into in relation to its investment in Telefonica.

### 32-2 Other liabilities

| | 31 December 2024 | 31 December 2023 |
|---|---|---|
| Deferred income (*) | 3,789,308 | 3,954,147 |
| Deferred tax liabilities | 12,530 | 341,747 |
| Others | 501,508 | 471,810 |
| | **4,303,346** | **4,767,704** |
| Current | 457,667 | 483,667 |
| Non-current | 3,845,679 | 4,284,037 |
| | **4,303,346** | **4,767,704** |

(*) The details of deferred income are as follows:





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| | 31 December 2024 | 31 December 2023 |
|---|---|---|
| Government grants (**) | 3,550,850 | 3,612,879 |
| Others | 238,458 | 341,268 |
| | **3,789,308** | **3,954,147** |

(**) The government grants represent grants provided by Communications, Space & Technology Commission ("CST") to the Company to build telecommunication networks in different areas in the Kingdom (Note 4.8).

## 33. TRADE AND OTHER PAYABLES

| | 31 December 2024 | 31 December 2023 |
|---|---|---|
| Accrued expenses | 9,051,610 | 11,617,247 |
| Trade payables | 6,048,267 | 4,875,450 |
| Employee accruals | 3,621,852 | 1,902,137 |
| Notes payable | 2,415,990 | 2,709,851 |
| Others | 1,489,753 | 718,515 |
| | **22,627,472** | **21,823,200** |

Trade payables are non-interest bearing and are normally settled by the Group on average range 90–115-days. The Group has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

## 34. ZAKAT AND INCOME TAX

| | 31 December 2024 | 31 December 2023 |
|---|---|---|
| Zakat provision (a) | 2,903,646 | 2,570,467 |
| Income tax provision (b) | 30,981 | 62,301 |
| | **2,934,627** | **2,632,768** |

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## a. Zakat provision

The Group calculates and records the zakat provision based on the zakat base in accordance with the zakat rules and principles in the Kingdom:

| | 2024 | 2023 |
|---|---|---|
| **Additions:** | | |
| Share capital | 50,000,000 | 50,000,000 |
| Retained earnings, reserves, provisions and others | 56,276,332 | 74,427,177 |
| Adjusted net profit | 26,001,393 | 12,223,309 |
| **Total additions** | **132,277,725** | **136,650,486** |
| **Deductions:** | | |
| Net property and investments | 76,665,690 | 80,509,898 |
| Other deductions | 12,663,010 | 12,740,506 |
| **Total deductions** | **89,328,700** | **93,250,404** |
| Zakat base | 42,949,025 | 43,400,082 |
| Zakat on wholly owned companies for the year | 1,110,123 | 1,109,221 |
| Zakat adjustments during the year | - | (12,539) |
| Add: zakat on partially owned companies for the year | 123,737 | 219,020 |
| **Total zakat provision charged during the year** | **1,233,860** | **1,315,702** |

The following is the movement of zakat provision:

| | 2024 | 2023 |
|---|---|---|
| Balance at 1 January | 2,570,467 | 2,044,356 |
| Additions | 1,233,860 | 1,315,702 |
| Effect of acquisition of new subsidiaries | 2,633 | 16,703 |
| Amounts paid | (847,057) | (808,765) |
| Effect of disposal of subsidiaries | (74,323) | - |
| Other adjustments | 18,066 | 2,471 |
| **Balance at 31 December** | **2,903,646** | **2,570,467** |

The Group submitted all zakat returns until the end of 2023, 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 implementing regulations for zakat collection.

The Group received from Zakat, Tax, and Customs Authority ("ZATCA") the final zakat assessments up to 2011 and the years ended 31 December 2014 and 2018.
The Group did not receive the zakat assessment of the years from 2019 up to 2023.

The Group received the decision of the Tax Violations and Disputes Appeal Committee to end the dispute with the Authority over the zakat assessments for the years 2015 to 2017, and the final assessments for those years have been received.





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The not wholly owned subsidiaries submit their zakat declarations separately. They have submitted all zakat returns until the end of 2023, and have paid the zakat dues based on those returns. Solutions received from ZATCA a notice stating that it had finished its zakat position for the years from 2021 to 2023. The remaining other not wholly owned subsidiaries have not received any zakat assessments on their declarations yet.

## b. Income tax provision

Income tax provision is calculated in accordance with the prevailing tax regulations in the countries of some subsidiaries.

The following is the movement of income tax provision:

| | 2024 | 2023 |
|---|---|---|
| Balance at 1 January | 62,301 | 40,356 |
| Additions | 62,047 | 59,796 |
| Effect of acquisition of new subsidiaries | 2,681 | 12,693 |
| Amounts paid | (45,051) | (48,419) |
| Effect of disposal of subsidiaries | (18,276) | - |
| Effect of foreign currency exchange differences and other adjustments | (32,721) | (2,125) |
| **Balance at 31 December** | **30,981** | **62,301** |

## c. Pillar 2

The comprehensive framework of the Organization for Economic Co-operation and Development (OECD) addresses the challenges posed by the digitalization of the global economy in relation to Base Erosion and Profit Shifting (BEPS). The Global Anti-Base Erosion Model Rules (Pillar Two Model Rules) apply to multinational enterprises with annual revenues exceeding €750 million, according to their consolidated financial statements.

stc Group is within the scope of Pillar Two, and it has conducted a preliminary assessment for the financial year 2024 to identify the potential impacts of these regulations in the countries where it operates. Based on the regulations adopted in the countries where the stc Group operates, the results of this assessment indicated that there is no significant impact for the financial year 2024.

stc Group continues to follow Pillar Two legislative developments to assess the potential future impact on its consolidated financial statements.

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## 35. REVENUES

| | For the year ended 31 December | |
|---|---|---|
| | **2024** | **2023** |
| Rendering of services | 63,283,188 | 60,306,720 |
| Sale of devices | 12,458,105 | 11,406,625 |
| Others | 152,120 | 63,816 |
| | **75,893,413** | **71,777,161** |
| **Timing of revenue recognition** | | |
| Recognized over time | 62,159,614 | 59,331,737 |
| At a point in time | 13,733,799 | 12,445,424 |
| | **75,893,413** | **71,777,161** |

Geographical segmentation of revenues is provided in the operating segments note (Note 9).

Disaggregation of revenues from government and government related entities are disclosed in related party transactions (Note 21.2).

The aggregate amount of unsatisfied or partially unsatisfied performance obligations related to contracts with customers amounted to ⃁ 5,237 million as at 31 December 2024 (2023: ⃁ 5,244 million). The Group expects to recognize approximately 79% (2023: 79%) of these obligations as revenues during the following reporting period.

## 36. COST OF REVENUES

| | For the year ended 31 December | |
|---|---|---|
| | **2024** | **2023** |
| Cost of devices, equipment and software | 14,644,906 | 13,360,079 |
| Network access charges (*) | 8,126,317 | 9,149,535 |
| Government charges (**) | 5,378,203 | 4,571,302 |
| Employees costs | 5,534,674 | 5,051,339 |
| Repairs and maintenance | 1,895,572 | 1,952,911 |
| Amortization and impairment of contract costs (Note 15.2) | 190,054 | 150,725 |
| Others | 2,823,277 | 2,801,204 |
| | **38,593,003** | **37,037,095** |

(*) Network access charges for the year ended 31 December 2024 includes a non-recurring item that represents a reversal of a withholding tax provision amounting to ⃁ 1,500 million.
(**) Government charges for the year ended 31 December 2023 includes a non-recurring item that represents a reversal of a provision amounting to ⃁ 724 million.

"Others" comprises mainly: direct cost related to stc Bank operations, postage and delivery, and utilities.
The details of government charges are as follows:





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| | For the year ended 31 December | |
|---|---|---|
| | **2024** | **2023** |
| Commercial service provisioning fees | 4,702,782 | 3,687,775 |
| License fees | 463,948 | 444,266 |
| Frequency spectrum fees | 137,427 | 361,932 |
| Others | 74,046 | 77,329 |
| | **5,378,203** | **4,571,302** |

## 37. SELLING AND MARKETING EXPENSES

| | For the year ended 31 December | |
|---|---|---|
| | **2024** | **2023** |
| Employee costs | 2,905,142 | 2,904,133 |
| Advertising, publicity and sales commissions | 1,763,681 | 1,800,537 |
| Impairment loss on trade receivables | 1,257,976 | 448,141 |
| Impairment loss on contract assets (Note 15.1) | 113,839 | 135,851 |
| Amortization and impairment of contract costs (Note 15.2) | 92,817 | 93,645 |
| Call centre expenses | 43,781 | 87,765 |
| Others | 384,584 | 399,749 |
| | **6,561,820** | **5,869,821** |

"Others" comprises mainly: sadad service fees and consultancy.

## 38. GENERAL AND ADMINISTRATIVE EXPENSES

| | For the year ended 31 December | |
|---|---|---|
| | **2024** | **2023** |
| Employees costs | 4,596,844 | 4,279,273 |
| Consultancy and other contracted services (*) | 646,645 | 682,577 |
| Repairs and maintenance | 644,871 | 577,674 |
| Security and safety | 132,160 | 154,307 |
| Utilities and cleaning | 160,792 | 142,612 |
| Rent | 38,866 | 44,554 |
| Others | 592,811 | 543,859 |
| | **6,812,989** | **6,424,856** |

(*) Includes fees of the Group's primary external auditor and its global members' firms for audit and non-audit services amounting to ⃁ 30.7 million and ⃁ 2.3 million; respectively, for the year ended 31 December 2024 (2023: ⃁ 27.9 million and ⃁ 2.6 million; respectively).

"Others" comprises mainly: insurance premiums and postage and courier expenses.

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## 39. FINANCE INCOME

| | For the year ended 31 December | |
|---|---|---|
| | 2024 | 2023 |
| Income from murabaha | 1,400,785 | 1,187,706 |
| Income from sukuk | 295,525 | 287,561 |
| Income from bank deposits (*) | 21,541 | 6,749 |
| | **1,717,851** | **1,482,016** |

(*) Mainly Shariah based except for ⃁ 147 thousand (2023: ⃁ nil) from one of Center 3 subsidiaries based in Europe.

## 40. FINANCE COST

| | For the year ended 31 December | |
|---|---|---|
| | 2024 | 2023 |
| Finance cost relating to sukuk | 568,672 | 476,294 |
| Finance cost relating to murabaha | 222,066 | 185,135 |
| Finance cost relating to lease liabilities | 77,125 | 60,438 |
| Unwinding of discounts on provisions and financial liabilities | 365,816 | 346,235 |
| | **1,233,679** | **1,068,102** |

## 41. NET OTHER GAINS

| | For the year ended 31 December | |
|---|---|---|
| | 2024 | 2023 |
| Net gains arising on financial assets measured at FVTPL (Note 43) | 383,367 | 30,503 |
| Net gains from derivatives | 189,044 | 50,842 |
| Gain on sale/disposal of property and equipment & assets held for sale | 15,535 | 1,196,776 |
| Gain on sale of an associate and a joint venture | - | 133,243 |
| Net foreign exchange losses and others | (58,877) | (78,287) |
| | **529,069** | **1,333,077** |



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## 42. EARNINGS PER SHARE

The following is the calculation of basic and diluted earnings per share for the year ended 31 December:

| | 2024 | 2023 |
|---|---|---|
| Net profit from continuing operations attributable to equity holders of the Parent Company | 10,715,292 | 12,536,335 |
| Net profit from discontinued operations attributable to equity holders of the Parent Company | 13,973,360 | 759,046 |
| Net profit attributable to equity holders of the Parent Company | 24,688,652 | 13,295,381 |
| **Number of shares "in thousands":** | | |
| Weighted average number of ordinary shares for the purposes of calculating basic earnings per share | 4,986,034 | 4,983,652 |
| Weighted average number of repurchased ordinary shares | 13,966 | 16,348 |
| Weighted average number of ordinary shares for the purposes of calculating diluted earnings per share | 5,000,000 | 5,000,000 |
| **Earnings per share from net profit from continuing operations attributable to equity holders of the Parent Company (in Saudi Riyals):** | | |
| - Basic | 2.15 | 2.52 |
| - Diluted | 2.14 | 2.51 |
| **Earnings per share from discontinued profit attributable to equity holders of the Parent Company (in Saudi Riyals):** | | |
| - Basic | 2.80 | 0.15 |
| - Diluted | 2.79 | 0.15 |
| **Earnings per share from net profit attributable to equity holders of the Parent Company (in Saudi Riyals):** | | |
| - Basic | 4.95 | 2.67 |
| - Diluted | 4.94 | 2.66 |

The following is the number of outstanding shares (in thousands) as at:

| | 2024 | 2023 |
|---|---|---|
| Outstanding shares as at 1 January | 4,984,506 | 4,982,178 |
| Outstanding shares re-issued | 2,410 | 2,328 |
| Outstanding shares as at 31 December | 4,986,916 | 4,984,506 |

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## 43. FINANCIAL INSTRUMENTS

### 43.1 Capital management

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

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

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

The Group is not subject to any externally imposed capital requirements. The Group did not introduce any amendments to the capital management objectives and procedures during the year ended 31 December 2024.

The Group reviews the capital structure on an annual basis to evaluate the cost of capital and the risks associated with capital. The Group has the following target ratios:

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

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

| | 2024 | 2023 |
|---|---|---|
| Debt (a) | 15,131,739 | 21,957,496 |
| EBITDA (b) | 23,925,601 | 22,445,389 |
| Debt to EBITDA | 63% | 98% |
| Debt | 15,131,739 | 21,957,496 |
| Debt + Equity (c) | 107,616,786 | 103,472,662 |
| Debt to (Debt + Equity) | 14% | 21% |

a. Debt is defined as current and non-current borrowings (Note 27).
b. EBITDA is defined as operating profit for the year adjusted for depreciation, amortization and impairment.
c. Equity is defined as total equity including share capital, reserves, retained earnings and non-controlling interest.

### 43.2 Fair value of financial instruments

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

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





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Financial assets and liabilities measured at fair value:

| 31 December 2024 | Carrying amount | Fair value | | |
|---|---|---|---|---|
| | | Level 1 | Level 2 | Level 3 |
| **Financial assets** | | | | |
| Listed equity investments (Note 16,1) | 4,318,321 | 4,318,321 (1) | - | - |
| Cash collateral against purchase of a listed equity investment (Note 16.1) | 4,144,063 | - | 4,144,063 (2) | - |
| Investment funds and unlisted equity investments (Note 16.1) | 4,063,687 | - | - | 4,063,687 (6) |
| Financial derivatives- forward contract (Note 16.1) | 200,857 | - | 200,857 (4) | - |
| Financial derivatives- Options (Note 16.1) | 23,391 | - | 23,391 (3) | - |
| Islamic cross currency profit rate swap (Note 16.1) | 238,829 | - | 238,829 (7) | - |
| **Financial liabilities** | | | | |
| Put option to non-controlling interest shareholders (Note 32.1) | 198,166 | - | - | 198,166 (5) |

| 31 December 2023 | Carrying amount | Fair value | | |
|---|---|---|---|---|
| | | Level 1 | Level 2 | Level 3 |
| **Financial assets** | | | | |
| Listed equity investments (Note 16.1) | 4,130,284 | 4,130,284 (1) | - | - |
| Cash collateral against purchase of a listed equity investment (Note 16.1) | 4,468,557 | - | 4,468,557 (2) | - |
| Investment funds and unlisted equity investments (Note 16.1) | 3,532,376 | - | - | 3,532,376 (6) |
| Financial derivatives- options (Note 16.1) | 662,073 | - | 662,073 (3) | - |
| **Financial liabilities** | | | | |
| Financial derivatives -forward contract (Note 32.1) | 262,998 | - | 262,998 (4) | - |
| Put option to non-controlling interest shareholders (Note 32.1) | 243,000 | - | - | 243,000 (5) |

There are no transfers between levels of the fair value hierarchy during year ended 31 December 2024.

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The following methods / assumptions were used to estimate the fair values:

1. Fair value of equity instruments at level 1 is based on quoted market price at the reporting date.
2. The fair value of cash collateral against purchase of a listed equity investment approximates its carrying amount largely due to the short-term maturity of this instrument.
3. The fair value of financial derivatives- options were estimated by using Black Scholes Model. The significant observable inputs are the volatility of share prices and interest rate.
4. The fair value of the financial derivatives -forward contract was estimated by subtracting the quoted market price at the reporting date from the agreed price multiplied with forward number of shares.
5. The fair value of the non-current liability resulting from the put option to non-controlling interest shareholders has been determined within level 3 utilizing discounted cash flow method. (Note 32.1).
6. The fair value of the Group's investment in 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. STV fund represents the majority Group investment in funds with carrying value of ⃁ 3,752 million. Significant unobservable inputs embedded in the models used by the STV fund's managers include adjusted discount rates and lack of marketability discount. An increase/(decrease) of 10% in the discount rate would lead to a (decrease)/increase of (⃁ 96 million)/ ⃁ 111 million in fair value (2023: An increase/(decrease) of 10% in the discount rate would lead to a (decrease)/increase of (⃁ 41 million)/ ⃁ 45 million in fair value). An increase/(decrease) of 10% in the lack of marketability discount would lead to a (decrease)/increase of (⃁ 12 million)/ ⃁ 12 million in fair value (2023: An increase/(decrease) of 10% in the lack of marketability discount would lead to a (decrease)/increase of (⃁ 61 million)/ ⃁ 41 million in fair value).

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

| | 2024 | 2023 |
|---|---|---|
| Net assets value as at 1 January | 3,532,376 | 2,929,065 |
| Contributions paid | 337,720 | 572,808 |
| Proceeds from investments liquidation | (189,776) | - |
| Net unrealized gains recognised in profit or loss (Note 41) | 383,367 | 30,503 |
| **Net asset value as at 31 December** | **4,063,687** | **3,532,376** |

7. During the second quarter of 2024, the Group entered into an Islamic Cross Currency Profit Rate Swap arrangement with a notional amount of EUR 1,470 million (USD 1,600 million) to mitigate the EUR forex risk and floating profit rate whereby the Group receives USD and pays EUR. The Group accounted for this arrangement as derivative financial instruments measured at fair value through profit or loss up to the end of second quarter 2024. During the third quarter of 2024, this financial instrument was designated as a hedge instrument protecting the Group from the fluctuations in the EURO net asset position due to movement in EURO/SAR exchange rates and movement in the Term SOFR rates. The Group recognised the change in fair value of the hedging instrument in other comprehensive income for the effective portion and in profit or loss for the ineffective portion. The fair value was estimated using appropriate valuation techniques based on the forward profit and currency rates in Bloomberg portal.





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### Financial assets and liabilities measured at amortized cost:

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

| 31 December 2024 | Carrying amount | Fair value levels Level 1 | Level 2 | Level 3 |
|---|---|---|---|---|
| **Financial assets** | | | | |
| Financial assets at amortized cost - MoF Sukuk | 3,687,754 | - | 3,536,020 | - |
| **Financial liabilities** | | | | |
| Borrowings - Sukuk | 4,678,577 | - | 4,566,907 | - |

| 31 December 2023 | Carrying amount | Fair value Level 1 | Level 2 | Level 3 |
|---|---|---|---|---|
| **Financial assets** | | | | |
| Financial assets at amortized cost – Sukuk MoF | 3,938,871 | - | 3,839,694 | - |
| **Financial liabilities** | | | | |
| Borrowings - Sukuk | 4,676,733 | - | 4,473,771 | - |

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

There are no transfers between levels of the fair value hierarchy during year ended 31 December 2024.

### 43.3 Profit rate risk

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

The sensitivity analyses below have been determined based on the exposure to profit rates for non-derivative instruments at the end of the financial year. These analyses show the effects of changes in market profit rates on profit and loss. For floating rate liabilities, the analysis is prepared assuming the amounts outstanding at the end of the year were outstanding for the whole year. A 100-basis point increase or (decrease) represents management's assessment of the reasonably possible change in profit rates. If profit rates had been 100 basis points higher (lower) and all other variables were held constant, the impact on the profit of the Group would have been higher (lower) by ⃁ 26 million (2023: the impact on the profit of the Group would have been higher (lower) by ⃁ 155 million). This hypothetical effect on profit of the Group primarily arises from potential effect of variable profit financial liabilities.

The Group periodically monitors the impact of the incremental changes in profit rates and assesses the impact on the Group's profitability.

### 43.4 Foreign currency risk management

Saudi Riyal is considered as the functional currency of the Group which is pegged against the United States Dollar. Therefore, the Group is only exposed to exchange rate fluctuations from transactions denominated in foreign currencies other than United States Dollar. The fluctuation in exchange rates against currencies, which are not pegged with Saudi Riyal, are monitored on a continuous basis and risk is assessed via the Value-at-Risk (VaR) measure. The Group's exposure to foreign currency changes for all other currencies is not material. The sensitivity of the changes of SAR/EUR exchange rates by 1% would have impacted equity by ⃁ 25 million (2023: ⃁ 88 million).

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## 43.5 Credit risk management

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

Other than the concentration of credit risk disclosed in Note 18, concentration of credit risk with respect to trade receivables are limited given that the Group's customer consists of a large number of unrelated customers. Payment terms and credit limits are set in accordance with industry norms.

Ongoing evaluation is performed on the financial condition of trade receivables and management believes there is no further credit risk provision required in excess of the normal provision for impairment loss (Note 18).

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

Cash balances and short-term investments are deposited in banks with credit rating ranging from Baa1 and above. while investments made with local banks had an investment grade credit rating of Baa3 and above.

The credit rating of the Company's investments in government Sukuk and Binariang GSM Sdn Bhd ("BGSM") Sukuk are A and Aa3, respectively as at 31 December 2024 (2023: A and Aa3, respectively) (Note 16-1).
The carrying value of financial assets represent the maximum exposure to credit risk.

## 43.6 Liquidity risk management

The Group has established a comprehensive liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity requirements under the guidelines approved.

The Group ensures its liquidity by maintaining cash reserves, short-term investments and committed undrawn credit facilities with high credit rated local and international banks. The Group determines its liquidity requirements by continuously monitoring short and long term cash forecasts in comparison to actual cash flows.

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

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The following table details the Group's remaining contractual maturity for financial liabilities with agreed repayment periods. The table has been drawn up based on the undiscounted cash flows of financial liabilities.

| | Undiscounted Cash Flows | | | |
|---|---|---|---|---|
| | **Carrying amount** | **One year or less** | **Above one year but less than five years** | **Above five years** |
| **31 December 2024** | | | | |
| Trade and other payables (Note 33) | 22,627,472 | 22,627,472 | - | - |
| Borrowings (Note 27) | 15,131,739 | 806,759 | 15,589,459 | 290,733 |
| Lease liabilities (Note 29) | 2,164,085 | 639,318 | 1,266,859 | 561,186 |
| Dividends payable (Note 32.1) | 3,008,990 | 3,008,990 | - | - |
| Other financial liabilities (Note 32.1) | 6,133,433 | 4,183,160 | 1,641,913 | 933,513 |
| **31 December 2023** | | | | |
| Trade and other payables (Note 33) | 21,823,200 | 21,823,200 | - | - |
| Borrowings (Note 27) | 21,957,496 | 8,963,880 | 9,214,542 | 5,587,201 |
| Lease liabilities (Note 29) | 4,275,229 | 1,310,201 | 2,214,102 | 1,102,776 |
| Dividends payable (Note 32-1) | 2,246,738 | 2,246,738 | - | - |
| Other financial liabilities (Note 32.1) | 6,755,738 | 4,400,599 | 1,843,360 | 922,784 |
| Financial derivatives - forward contract (Note 32.1) | 262,998 | 262,998 | - | - |

The Group has unused financing facilities amounting to ⃁ 4,809 million as at 31 December 2024 (2023: ⃁ 5,917 million). The Group expects to meet its obligations from operating cash flows, cash and cash equivalents and proceeds of maturing financial assets.

In accordance with the terms of the agreements with other telecommunication operators, debit and credit balances are settled in connection to call routing and roaming fees and only the net amounts are settled or collected. Accordingly, the net amounts are presented in the consolidated statement of financial position as follows:

| | **Gross amounts** | **Amounts set off** | **Net amounts** |
|---|---|---|---|
| **31 December 2024** | | | |
| Financial assets subject to set off | 17,759,312 | (10,709,332) | 7,049,980 |
| Financial liabilities subject to set off | 25,000,578 | (10,709,332) | 14,291,246 |
| **31 December 2023** | | | |
| Financial assets subject to set off | 16,239,700 | (9,390,677) | 6,849,023 |
| Financial liabilities subject to set off | 21,846,998 | (9,390,677) | 12,456,321 |

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## 43.7 Changes in liabilities arising from financial activities

Changes in liabilities arising from financial activities are as follows:

| | 1 January 2024 | Cash flows | Non-monetary changes (*) | 31 December 2024 |
|---|---|---|---|---|
| Short-term borrowings | 8,315,728 | (2,634,143) | (5,290,001) | 391,584 |
| Lease liabilities current | 947,703 | (830,910) | 476,654 | 593,447 |
| Long-term borrowings | 13,641,768 | 879,453 | 218,934 | 14,740,155 |
| Lease liabilities non-current | 3,327,526 | - | (1,756,888) | 1,570,638 |
| | **26,232,725** | **(2,585,600)** | **(6,351,301)** | **17,295,824** |

| | 1 January 2023 | Cash flows | Non-monetary changes (*) | 31 December 2023 |
|---|---|---|---|---|
| Short-term borrowings | 276,783 | 5,893,969 | 2,144,976 | 8,315,728 |
| Lease liabilities - current | 912,914 | (1,218,622) | 1,253,411 | 947,703 |
| Long-term borrowings | 10,213,750 | 5,507,222 | (2,079,204) | 13,641,768 |
| Lease liabilities non- current | 2,383,206 | - | 944,320 | 3,327,526 |
| | **13,786,653** | **10,182,569** | **2,263,503** | **26,232,725** |

(*) Mainly includes reclassification from non-current to current portion.

## 43.8 Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises types of risk: interest rate risk, currency risk, and price risk. Financial instruments affected by market risk include loans and borrowings, deposits, debt and equity. The Group is exposed to changes in the value of equity investments and derivatives associated with such investments. To reduce the risk associated with variations in fair value and share price, the Group has acquired derivative instruments that hedge the risk profile of such investments.

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

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

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





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## 44. CAPITAL COMMITMENTS

1. One of the Group's subsidiaries has an agreement to invest in a fund aiming to improve the telecommunication and internet environment for ⃁ 553 million (equivalent to USD 147.5 million) as at 31 December 2024 (31 December 2023: ⃁ 806 million (equivalent to USD 215 million) (Note 6.15).
2. The Group has contractual commitments for the acquisition of property and equipment and intangible assets amounting to ⃁ 7,322 million as at 31 December 2024 (31 December 2023: ⃁ 7,369 million).
3. During 2022, the Company signed an agreement with STV LP Fund to allocated an additional ⃁ 1,125 million (equivalent to USD 300 million) additional investment in the fund out of which ⃁ 555 million (equivalent to USD 148 million) was injected.

## 45. CONTINGENT ASSETS AND LIABILITIES

1. The Group has outstanding letters of guarantee on behalf of the parent and its subsidiaries amounting to ⃁ 4,993 million as at 31 December 2024 (2023: ⃁ 5,466 million).
2. The Group has outstanding letters of credit as at 31 December 2024 amounting to ⃁ 1,654 million (2023: ⃁ 1,634 million).
3. On 21 March 2016, the Company received a letter from a key customer requesting a refund for paid balances amounting to ⃁ 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.
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 Company's financial position or on the results of its operations as reflected in these 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' interconnection cost for the years from 2004 to 2015, rejecting its appeal with an amount of ⃁ 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 cost 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. During the third quarter 2024, the Group received additional withholding tax assessment on international operators' interconnection cost for the years from 2016 to 2022 amounting to ⃁ 889 million. ZATCA has indicated that this assessment will be borne by the Government according to Council of Ministers resolution number (832) dated 23 Ramadhan 1445 H (corresponding to 2 April 2024) stipulating that the Government will bear withholding tax on telecom companies for international operators' interconnection cost for periods prior to Minister of finance resolution number (484) dated 15 Rabi' al Thani 1444 H (corresponding to 9 November 2022). Based on that, the Group received a notification letter from ZATCA confirming finalizing the treatment of withholding tax on international operators' interconnection cost whereby the Government bears withholding tax on behalf of telecom companies for the years 2004 up to 2022.
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 ⃁ 782 million. The Group has objected to these claims within the statutory deadline and a Supreme Court ruling was issued in favour of the Group in regards to two of the claims amounting to ⃁ 724 million. A final court ruling was issued by the Supreme Court in favour of CST in regards to the remaining claims amounting to ⃁ 58 million as at 31 December 2024.

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## 46. EMPLOYEES LONG-TERM INCENTIVES PROGRAM

### 46.1 Group's long-term incentives program

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

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

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

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

The program is generally equity-settled.

The grant and vesting dates, respectively are as follows:

| | Cycle 1 | Cycle 2 | Cycle 3 | Cycle 4 | Cycle 5 |
|---|---|---|---|---|---|
| Tranche 1 | July 2020 / July 2021 | July 2021/ May 2022 | May 2022/ May 2023 | May 2023/ May 2024 | May 2024/ May 2025 |
| Tranche 2 | July 2021/ May 2022 | May 2022/ May 2023 | May 2023/ May 2024 | May 2024/ May 2025 | May 2025/ May 2026 |
| Tranche 3 | May 2022/ May 2023 | May 2023/ May 2024 | May 2024/ May 2025 | May 2025/ May 2026 | May 2026/ May 2027 |

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

| | 2024 | 2023 |
|---|---|---|
| At the beginning of the year | 2,978 | 2,498 |
| Shares granted during the year (*) | 3,350 | 2,808 |
| Shares vested during the year | (2,410) | (2,328) |
| At the end of the year | 3,918 | 2,978 |

(*) 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. During year 2024, the average fair value of shares granted during the year amounted to ⃁ 36.3 per share (2023: ⃁ 43.4 per share). Total expenses related to the Program for the year ended 31 December 2024 amounted to ⃁ 108 million (31 December 2023: ⃁ 112 million), which were included as part of employees' benefits expense in the 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.

### 46.2 Subsidiary's long-term incentives program

During the year 2022, one of the subsidiaries started its own long-term incentive program whereby employees render services as consideration for a fixed number of its own shares. The total expense in relation to this program for the year ended 31 December 2024 amounted to ⃁ 10 million (2023: 9 ⃁ million).

## 47. DIVIDENDS

The Company had an approved dividends policy based on maintaining a minimum dividend of ⃁ 0.40 per share on a quarterly basis starting from 4th quarter of 2021 until the 3rd quarter of 2024.

In line with this policy, the Company distributed cash dividends to the shareholders for the fourth quarter of 2023 and for the first, second, and third quarters of 2024 at a rate of ⃁ 0.40 per share for each quarter. On 25 April 2024, General Assembly approved the board of directors' recommendation to distribute additional cash dividends for the year 2023 at the rate of ⃁ 1 per share.

On 20 Safar 1446H (corresponding to 24 August 2024), the Board of Directors have approved the Company's dividends distribution policy for the next three years. The dividends distribution policy was approved by the General Assembly during the meeting held on 4 Jumada al-Ula 1446 (corresponding to 6 November 2024).

The Company's dividends policy is based on maintaining a minimum dividend of ⃁ 0.55 per share per quarter for the next three years starting from the dividends distribution of the 4th quarter of 2024 until the 3rd quarter of 2027. Further, the Company may consider paying special dividends after the assessment of the Company's financial position, future outlook, strategic investments and capital expenditure requirements subject to the General Assembly's recommendation. In line with this policy, the Company will distribute cash dividends to the shareholders of the Company for the fourth quarter of 2024 at a rate of ⃁ 0.55 per share.

The dividends distribution policy remains subject to change based on any material changes in stc's strategy and business, regulatory requirements applicable to the Company, or banking agreements.

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

## 48. SUBSEQUENT EVENTS

1- On 27 January 2025, the Group signed a contract with a government entity for the purpose of building, operating and providing telecommunications infrastructure services with a contract value of ⃁ 32,640 million and contract duration of 18 months period for preparation and execution, followed by 15 years of project operation period.

2- On 28 January 2025, STC Bank received a non-objection from the Saudi Central Bank (SAMA) to commence its operations in the Kingdom of Saudi Arabia as a digital bank.

3- On 6 February 2025, the Group has increased its voting rights in Telefonica company from 4.97% to 9.97% following the completion of all relevant requirements.

4- On 11 February 2025, the ownership transfer of TAWAL to the new established entity (Digital Infrastructure for Investment Company) was completed (Note 6.22 and Note 8.1.1).

5- On 25 February 2025, the Company Board of Directors recommended to distribute special cash dividend of ⃁ 2 per share for the year 2024 to the Company shareholders, and it will be presented to the General Assembly at its next meeting for voting.

## 49. COMPARATIVE FIGURES

1. Certain figures have been reclassified as listed below to conform with the classification used for the year ended 31 December 2024. These reclassifications listed below have no impact on previously reported net income, retained earnings or net assets:

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| | As previously reported | Amount of reclassification | Amount after reclassification |
|---|---|---|---|
| **Consolidated statement of financial position as at 31 December 2023** | | | |
| Cash and cash equivalents | 13,414,125 | (42,805) | 13,371,320 |
| Financial assets and others - Current | 12,203,214 | 42,805 | 12,246,019 |
| Trade and other payables | 22,153,518 | (330,318) | 21,823,200 |
| Financial liabilities and others – Current | 7,217,954 | 330,318 | 7,548,272 |
| Contract assets and costs - Current | 7,481,936 | (447,752) | 7,034,184 |
| Contract liabilities – Current | 4,581,371 | (447,752) | 4,133,619 |
| **Consolidated statement of profit or loss for the year ended 31 December 2023** | | | |
| Revenues | 72,069,409 | (292,248) | 71,777,161 |
| Cost of revenues | (36,847,165) | 292,248<br>(482,178) | (37,037,095) |
| General and administration | (6,907,034) | 482,178 | (6,424,856) |

2. During 2024, the purchase price allocation of net assets reports resulted from TAWAL's (discontinued operation) acquisition of three towers companies from United Group (In Bulgaria, Croatia and Slovenia) was completed which resulted into reduction of provisional goodwill which was recorded in 2023 and adjustments to comparative numbers of assets and liabilities as follows:

| | As previously reported | Amount of adjustments | Amount after adjustments |
|---|---|---|---|
| **Consolidated statement of financial position as at 31 December 2023** | | | |
| Property and equipment (1) | 48,101,333 | 600,008 | 48,701,341 |
| Intangible assets (2) | 12,092,911 | 2,093,455 | 14,186,366 |
| Goodwill | 5,189,165 | (2,374,160) | 2,815,005 |
| Right of use assets | 3,802,290 | 91,548 | 3,893,838 |
| Lease liabilities - non-current | 3,251,538 | 75,988 | 3,327,526 |
| Provisions - Non-current | 690,677 | (6,347) | 684,330 |
| Financial liabilities and others - non-current (3) | 6,143,696 | 341,210 | 6,484,906 |

(1) Fair value of the property and equipment are measured using depreciated replacement cost ("DRC") method.
(2) Fair value of the Intangible assets (which are mainly contract based intangibles) are measured using the Multi-Period Excess Earnings method (MEEM).
(3) Arising from the completion of fair value recognition of net asset during the measurement period of the acquisition.

## 50. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The Board of Directors approved the consolidated financial statements for the year ended 31 December 2024 on 26 Sha'aban 1446H (corresponding to 25 February 2025).