



# Digitalizing the **Future**

Annual  
Report  
**2021**

In The Name of Allah  
The Most Merciful, The Most Gracious



The Custodian of the Two Holy Mosques  
**King Salman Bin Abdulaziz Al Saud**



His Royal Highness Crown Prince  
**Mohammad Bin Salman Bin Abdulaziz Al Saud**



As a key enabler of the digital transformative wave spreading across the Kingdom, "solutions by stc" places a substantial portfolio of innovative and digitally inspired solutions that enriches people's lives and creates new possibilities in many fields, accelerating the Kingdom's strive towards prosperity, sustainability and growth.

It is the nation's LEAP along the way to a digitally driven present and future.

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Scan the QR code to access solutions by stc's Annual Report 2021

## About this Report

This is solutions by stc's first Annual Report – it covers the performance of the Company during the financial year ended 31 December 2021. Our aim is to provide a balanced review of our performance by communicating relevant material information in a concise but comprehensive manner. This Report contains information about the context in which we operate our business; our strategy and business model for value creation; how we engage with and manage our relationships with our stakeholders; how we govern our business and assess and mitigate risks; our value creation process; our performance during the year under review; and our outlook for the future.

### Report boundary

The Report covers the operations of solutions by stc, duly identified as the "Company", "solutions by stc", or "Organization"; the key financial aspects and non-financial aspects are discussed in the context of the Company. The solutions by stc Annual Report 2021 covers the 12-month period from 1 January 2021 to 31 December 2021.

### Reporting frameworks

we have drawn on the concepts and principles mentioned in the following guides when preparing this report:

- The International Integrated Reporting Council (IIRC) Framework ([www.theiirc.org](http://www.theiirc.org))
- CMA's Listed Companies Guide, which provides guidance on all material necessary for the Board Report
- The SASB industry standards for the software and IT services industry

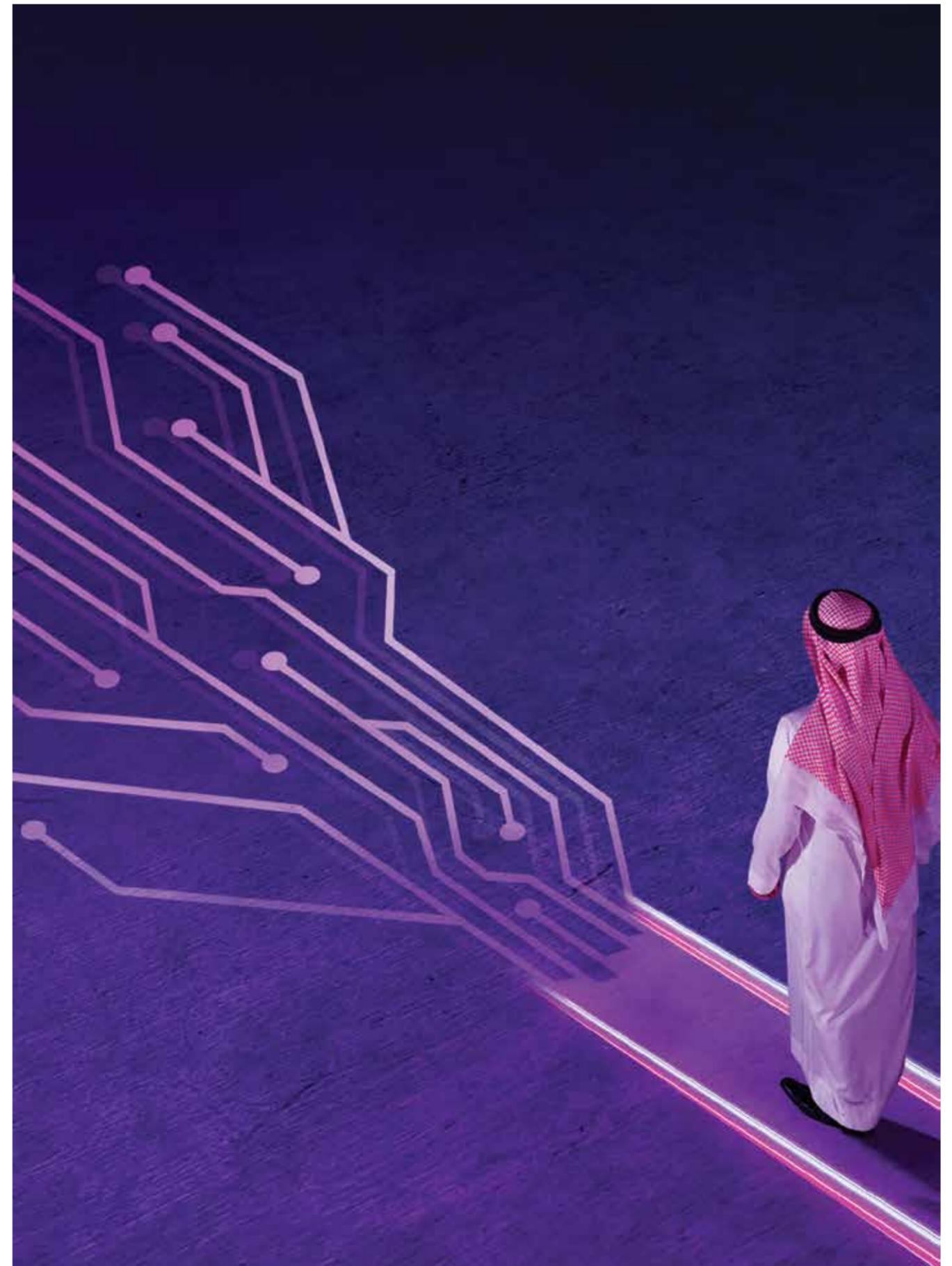
### Compliance

We operate in accordance with all applicable laws, rules, regulations, directions, and standards while abiding by guidelines for voluntary disclosures, both in letter and in spirit.

### Queries

We welcome your comments and queries on this Report and we invite you to direct them to:

solutions by stc  
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**Post Code:** 11372  
**Phone:** +966 115 251 111  
**Fax:** +966 114 601 110  
**Email:** [IR@solutions.com.sa](mailto:IR@solutions.com.sa)



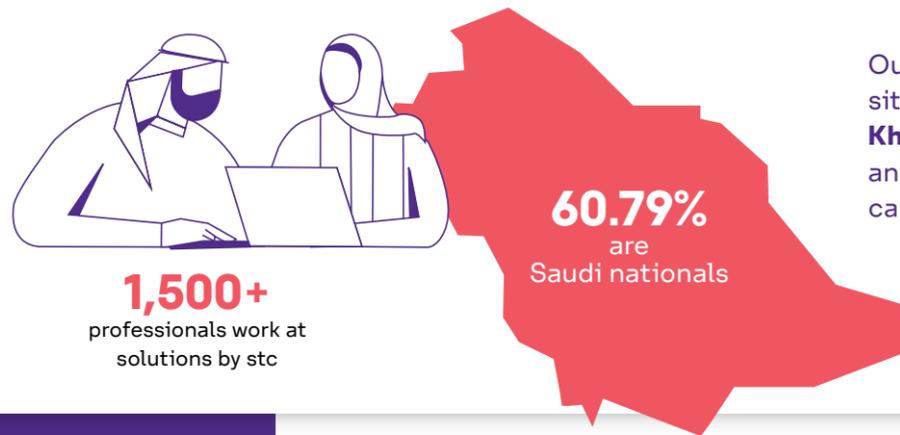
## Our Year at a Glance

### Key highlights

Rated **number 1** IT services provider in Saudi Arabia by the International Data Corporation (IDC) for the sixth consecutive year.

With our IPO we have reached a noteworthy milestone as it was one of the most successful local offerings.

**130x** oversubscriptions from Institutions  
**SAR 471 billion** institutional demand  
**2,365.0%** coverage rate  
**1,042,090** subscribers reached by individual investors



Our offices are situated in **Jubail, Khobar, Jeddah,** and two in the capital city, **Riyadh**

### Financial highlights

**SAR 7,816 million** revenue generated at the end of the financial year – a 13.4% growth since the previous year  
**SAR 833 million** net profit generated – an increase of 18.7%  
**SAR 1,107 million** EBITDA – an increase of 28.4% compared to the previous year  
**SAR 6.96** earnings per share

### Products and services highlights

**18 product launches;** across Digital, Managed, and Cloud Services

**8 Digital Services**

Voice Recognition, AI Thermal Feature (RAQIB Ext.), MSP PoS, VSS Evolution (Cloud Direct)

### Partnerships

**150+** partners including Microsoft, IBM, SAP and Oracle.  
**10** partners signed under VAP scalable program to penetrate the SME segment  
**SAR 3 billion** PO value  
**8 new** niche digital and emerging tech partners

### Industries

As the Kingdom's digital transformation enabler, we are contributing towards Vision 2030's goal of transforming the KSA into a digital hub. This year we completed 400+ projects in multiple sectors including:



### Empowering employees

Introduced the Unified Employees Platform. Key features of the Platform include:



**5 Managed Services**

Unified Endpoint Management Service (UEMS) and ITAM, E2E Operation Managed Services, Smart Office in a Box

**5 Cloud Services**

DNS registry service, Backup as a Service Revamp, Firewall as a Service, GPU as a service

Ventured into BPO business line with a robust roadmap

### Awards, recognition, and certifications



Implementation Conformance Certificate Award eTOM 20.5 from tmforum



Blue Ocean Award for supply chain management from IPSC



Procurement Digital Transformation Award from Procurement Middle East



Two Stevie Awards: Gold and Bronze



solutions' CFO awarded CFO of the Year 2021 (Public Sector) by Saudi Trade Finance



Best Work Environment for Women Award



IT and Customer Services Digitization Award from servicenow



CISO 50 and Future Security Awards 2021 based on efforts in security transformation from Tahawultech.com



Certified Great Place to Work for high-trust, high-performing workplace culture



Certified Dammam7 DC Gold by Uptime Institute



First place for quarterly performance in most video games from GAME MODE



Outstanding Change Management Strategy Award from the GCC GOV HR Awards



Top 3 nominees for project of the year from the Project Management Institute



Appointed as Corporate Members of the IAOP



CITC Recognition



Highly Commended Honour at GLOTEL AWARDS 2021

### ISO certifications



### Key awards from partners



- Service Provider Architecture Partner of the Year 2021 from Cisco
- Managed Services Provider of the Year 2021 from Cisco
- Customer Experience Award from from Cisco



- The Fellow Traveler Award from Huawei
- Top IP Sales Accelerate Award from Huawei
- Best Carrier Reseller Partners Award of The Year from Huawei



Best Business Process Outsourcing Provider from SAP



VMware Master Services Competency for Data Center Virtualization



Excellence in VMware/Transformational Sales Award



Partner Excellence Award – Cyber & Cloud Vision 2021 from StarLink



System Integrator Partner of the year 2021 from F5



Partner of the Year 2021 from HPE



- Partner of the Year 2021 from Mindware
- Dell Cloud & Services from Mindware



Partner of the Year 2021 from Palo Alto Networks

### Corporate social responsibility

Office Furniture Donation to:



The company won 1,453 opportunities across its business lines

Customer satisfaction score 92%

Fully integrated platform for E2E project management

Chairman's Message

We are committed to meeting investor expectations as we move ahead with our ambitious growth strategy – one that supports the goals of Vision 2030.



Dear Valued Shareholders,

On behalf of my colleagues, the members of the Board of Directors, it is a pleasure to present you with solutions by stc's first Annual Report. For over 25 years, the Company has been delivering strong operational expertise and market leading capabilities in key technology verticals across the information and communications technology value chain, evolving into the Kingdom's leading enabler of digital transformation. Today, we provide ICT and digital solutions to a number of industries including, the Government, Education, Healthcare, and Banking to name a few.

Achieving a strategic milestone

This year, we celebrated the listing of the Company on the Saudi Stock Exchange, which marks a landmark in our journey. The Company's listing attracted a plethora of local and international investors. The institutional side of the offering was oversubscribed by 130 times, making it one of the most successful local offerings of the year, and the Company's market value reached SAR 18.1 billion (USD 4.8 billion) upon listing. The total size of the offering reached SAR 3.624 billion (USD 966 million), representing 20% of the Company's capital. It is a testament to investors' confidence in Saudi Arabia's growing ICT market and the Company's strong business proposition.

Future-focused outlook

The Kingdom's Vision 2030 informs solutions' strategy and dictates its future outlook. The ambitious digital transformation targets in Vision 2030 provides solutions by stc with many growth opportunities within the government and private sectors with new mega projects and initiatives arising, which have increased the demand for ICT services.

As part of our 5-year (LEAP) strategy to deliver sustainable and profitable growth, we aim to maintain large stable businesses, invest in new business lines, extend customer segments to SMEs, and leverage our platform to grow outside the Saudi market.

Our team of world class talent is part of our agenda for growth. By establishing and maintaining a stimulating workplace environment, our talented team is enabled to contribute towards achieving our strategic objectives.

Improved operational performance and business development

Core ICT Services, IT Managed and Operational Services, and Digital Services are the three main ICT services and solutions the Company offers. Core ICT services contributed towards 54.1% of the revenue, while IT Managed and Operational Services contributed 25%, and Digital Services 20.8%.

The partnership with Cisco is a key relationship that was revitalized during the year. Under the new agreement, solutions by stc can offer customers new managed services products under the Cisco umbrella. We also partnered with Udemy to provide a new training platform for our employees. They now have access to more than five thousand relevant training courses. Moreover, our long-standing partnership with Hewlett Packard Enterprise (HPE) was upgraded to silver level, allowing solutions to resell and sublicense HPE products and support.

We also signed a Memorandum of Understanding (MOU) with Saudi Aramco, the world's largest integrated oil and gas company to launch a joint innovation program for 5G technology and applications utilization in the oil and gas industry.

Board, leadership team, and employees

Our Board and leadership team have continued to work very closely and in harmony. Throughout the year, the Board has guided and strengthened the leadership team in their endeavors to achieve corporate progression and business goals.

The Board is confident the Company has a strong and talented team in place and on behalf of the Board, I would like to thank the leadership team for their strong performance in 2021, especially during the IPO.

Similarly, and on behalf of the Board I would like to extend our appreciation to the employees of solutions by stc for their efforts and hard work that made it possible for the Company to reach unprecedented heights this past year.

I would also like to extend my appreciation to my fellow Board members who have made significant contributions to the development and growth of our Company and will continue to provide advice and support to ensure that we continue to achieve success in the years to come.

Our valued shareholders

Most importantly, on behalf of the Board, I would like to express our gratitude to the valued shareholders of solutions by stc, and assure them that the future of solutions by stc is well positioned for sustainable and profitable growth.

We are committed to meeting investor expectations as we move ahead with our ambitious growth strategy, supported by consistent growth, strong profitability, operational expertise, and market-leading capabilities. We welcome you to continue to be a part of this upward growth trajectory.

Riyadh Muawad  
Chairman of the Board

Chief Executive Officer's  
Message

Our ambition is to reinforce our position as the Kingdom's leading ICT and digital solutions innovator and provider.



By enabling enterprises to digitize and better integrate their processes we will continue to contribute towards Vision 2030's goal of transforming the Kingdom into a digital hub.

Our financial performance reflects the progress we made throughout the year. Notable increases have been made in revenue, gross profit, net profit, and EBITDA while growth has been reported across the Company's business lines.

Over the past year, we continued to generate strong financial results. The Company's net revenue grew by **13.4%** to **SAR 7,816 million** in 2021 from SAR 6,891 million in 2020 supported by business growth across all key revenue segments.

The past year has been a very successful and transformative year for solutions by stc and I am proud to present to you our first Annual Report as a publicly listed company.

business proposition, as it has evolved into the Kingdom's leading enabler and pioneer of digital transformation over the past 25 years.

**A year of strategic transformation and enablement**

We achieved tremendous success with our Initial Public Offering (IPO) - it reflected the trust domestic, regional, and international investors have placed in the Company and the growth solutions by stc is projected to achieve in the future. solutions by stc's IPO was the first public listing of a company subsidiary in the Kingdom and was among the largest IPOs on the Saudi Stock Exchange to date. This reinforces solutions' strong

I want to take this opportunity to thank the Board of Directors, the Management, and other integral team members. The untiring support you lent us resulted in the tremendous growth we reported this year. I also am very grateful for the strong bonds established with our wider customer and partner network, which is the foundation of our success. As we embark on a new chapter in our history, I have every confidence that our journey will be fruitful and will contribute towards the advancement of the Kingdom and its vision for the future.

**Net profit grew by**

**18.7%**

**Gross profit grew by**

**20.1%**

**Earnings before Interest, Taxes, Depreciation, and Amortization (EBITDA)**

**28.4%**

Among other financial highlights, net profit for the year amounted to SAR 833 million compared to SAR 702 million of the previous year, reporting an increase of 18.7% while gross profit for the year totaled SAR 1,708 million compared to SAR 1,422 million of the previous year, reporting an increase of 20.1%. Earnings Before Interest, Taxes, Depreciation, and Amortization (EBITDA) for 2021 amounted to SAR 1,107 million compared to SAR 862 million the previous year, reporting an increase of 28.4%.

**Core ICT Services:**  
**+13.0%**  
YoY in 2021

**IT Managed and Operational Services:**  
**+19.9%**  
YoY in 2021

**Digital Services:**  
**+7.4%**  
YoY in 2021

**A culture of resilience and agility**

2021 has also been a year of perseverance, as we continued to confront the impact of the COVID-19 pandemic.

We have put our people first, prioritizing their safety, well-being, and job security. We continued to implement and introduce new measures that embrace the future of work, such as our flexible work-from-home policy, our impressive office perks, as well as the complete digitalization of our work process. As a result, these initiatives have allowed our employees to continue to deliver consistent and uninterrupted services and support to our customers.

For many around the world, the pandemic has continued to demand that we unlearn old habits and embrace new technology to adapt to the need for new ways of working. At solutions, we are proud to have taken part in enabling companies by offering remote solutions to reach their employees and customers virtually around the world.

**Awards and recognition**

For the sixth consecutive year, solutions by stc was rated number 1 IT services provider in Saudi Arabia by IDC. This reflects the undisputed position the Company holds within the industry and the trust placed in the Company's capabilities.

Moreover, the Company also achieved the "Customer Experience Specialization" certificate for adopting best in class customer experience and customer success practices. In addition, the Company also was awarded a Great Place to Work-Certified™ for its efforts to create an empowering work environment for its team.

**Completion of major projects**

Over the course of a couple of months, we have completed a number of large-scale projects which required; providing integrated security systems, network infrastructure, and communication systems for our customers across the Kingdom.

These projects and the Company's contribution towards the installation of Saudi Aramco's Dammam-7 – a new supercomputer that is among the top ten most powerful in the world – reflects solutions by stc's technological prowess and the solid relationships it has built with its suppliers, customers, and 150+ local and international partners.

**Looking forward with optimism**

Moving forward, our ambition is to reinforce our position as the Kingdom's leading digital solutions innovator and provider of end-to-end services, while supporting the public and private sectors to gain the scale, reach and speed required to service the needs of all sectors in Saudi Arabia. This ambition is supported by the Company's LEAP strategy which focuses on the growth of the business and the solidification of relationships with partners, customers, and employees. We also aim to grow inorganically and provide our services to the SME market, which is on the path to joining a digitally-driven economy.

We will continue to provide ICT and digital solutions to a growing number of industries and businesses within the Kingdom. By enabling enterprises to digitize and better integrate their processes we will continue to contribute towards Vision 2030's goal of transforming the Kingdom into a digital hub.

**Omer Alnomany**  
Chief Executive Officer

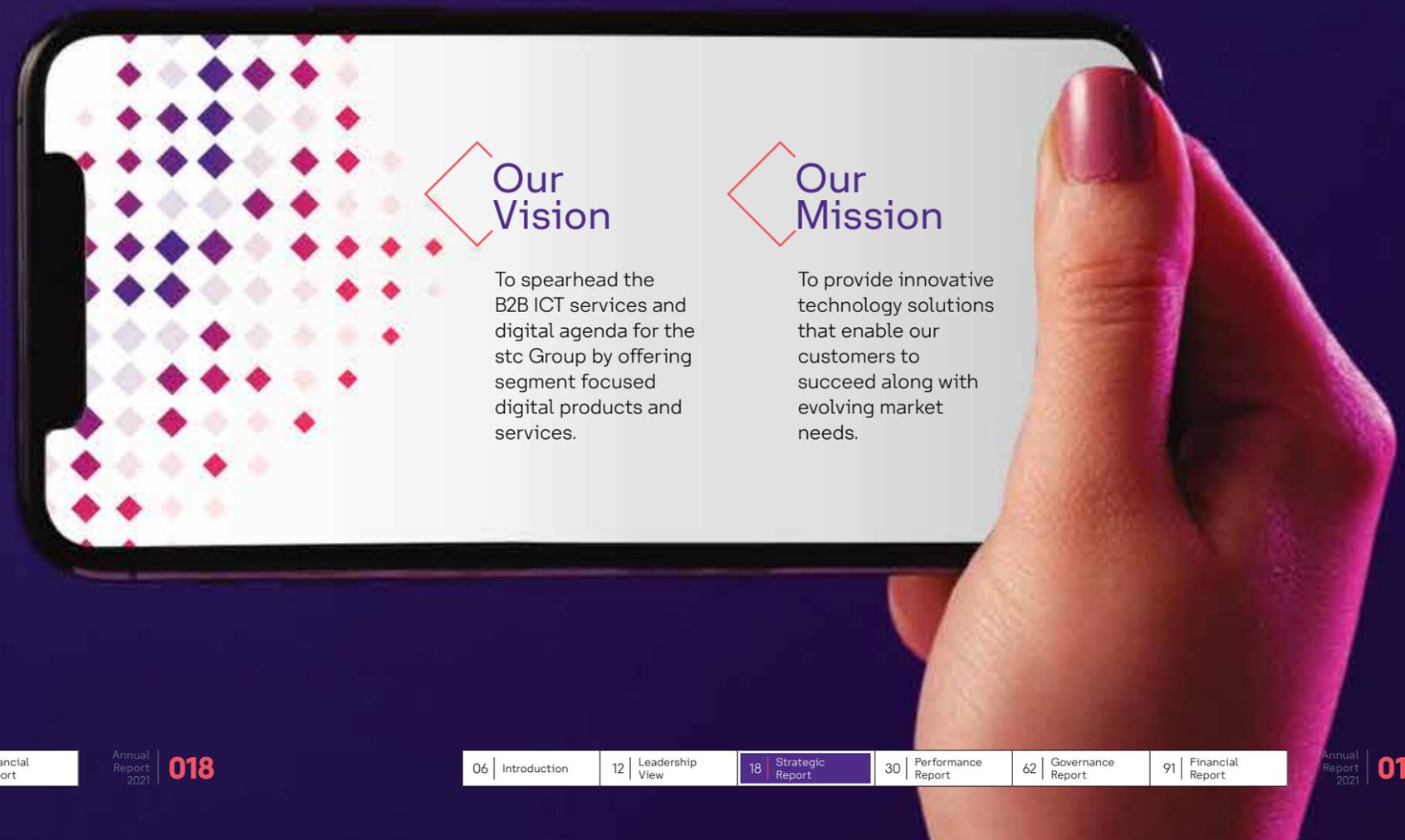
# As a frontrunner in the ICT industry within the Kingdom, we have our sights set on growth

solutions by stc is the leader in ICT services in the KSA, enabling the digital transformation of enterprises and government-related entities. The Company provides end-to-end, integrated IT services and solutions to its customers, offering a one-stop-shop approach across the IT value chain encompassing core ICT services, IT managed and operational services, and digital services. The Company's growth strategy is in line with that of the Kingdom's Vision 2030. Over the years, solutions by stc has been diversifying its portfolio to cater to the rapidly changing ICT requirements of industries and enterprises within the Kingdom.

As a frontrunner in the ICT industry within the Kingdom, we have our sights set on growth. Whether it is further expanding and better integrating our product and services portfolio or building

new capabilities, we believe our pioneering spirit will contribute towards sustainable growth. The advancements we hope to achieve will not only be beneficial to the Company but will also contribute to the success of our stakeholders.

Following the success of the IPO, the company's market value has reached, upon listing, SAR 18.1 billion (USD 4.8 billion). This indicates the phenomenal growth we have achieved throughout the past few years.



## Our Vision

To spearhead the B2B ICT services and digital agenda for the stc Group by offering segment focused digital products and services.

## Our Mission

To provide innovative technology solutions that enable our customers to succeed along with evolving market needs.



### The services that we offer

Our offerings fall under three broad categories and address the end-to-end IT needs of public and private enterprises across the Kingdom.

#### 1. Core ICT services – system integration and communication and internet

- System integration services cover needs across the value chain of enterprises enabled by our strong local and global partner ecosystem. These services include advisory, design, implementation and integration of networks, infrastructure and applications offered through custom engagement models to our customers.
- Communication and Internet services provide high-end connectivity needs of enterprises within cities and remote locations by providing dedicated, secured and high-quality business internet and satellite services through the wholesale purchase of communication capacity from infrastructure providers.

#### 2. IT managed and operational services – managed services and outsourcing services

- Managed services include end-to-end management of business networks and systems with the capability to deliver customized managed services projects to serve the individual needs of customers, which help them grow and improve their businesses. We create added value by increasing efficiency, providing better services, improving operations, and monitoring and resolving problems where solutions by stc is responsible for managing the components of our customers' technical infrastructure such as network and server infrastructure, data storage, account and printer management and application infrastructure management.
- Business Process Outsourcing provide services to customers on their behalf in the domains of HR, customer care, and other shared services. The services benefit from from technology and automation to optimize the outcome. The Company partners with customers with the customer using different business models to deliver the services. This business vertical has strong momentum given the focused efforts by

the Saudi government towards privatization under the direction from Saudi Vision 2030.

#### 3. Digital services – cloud services, digital services, and cybersecurity integration

- Cloud services includes the full spectrum of data center and cloud services including co-location, private and public cloud, infrastructure as a service ("IaaS"), platform as a service ("PaaS") and software as a service ("SaaS"), as well as cloud professional services.
- Digital services consist of Internet of Things (IoT) and digital transformation services, providing digital solutions to connect, monitor, and analyze machines/devices data for informed and effective decisions, and redesigning how businesses are conducted to enhance customer experience – these include but are not limited to application services and IoT offerings offerings.
- Cybersecurity Integration provides security services covering all stages of the IT value chain, including planning, design, implementation and project management of technical solutions that cater to enterprises' specific security needs.

### The sectors in which we work and operate

We provide ICT solutions across a number of industry sectors which include but are not limited to:



Government



Healthcare



Real Estate



Education



Banking



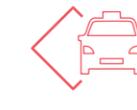
Media and Telecom



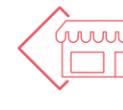
Oil and Gas



Manufacturing



Transportation



Retail

### solutions by stc is one of the highest revenue generating companies for major technology providers in the Kingdom.



#### 1 We function as a one-stop-shop for IT solutions

The products and services offered through our multiple business lines are leveraged to provide solutions to our customers' existing and emerging needs. This wide scope of products and services, and the Company's ability to cross sell and bundle services enables solutions by stc to build strong customer relationships with existing and prospective customers.



#### 2 We are the market leader within the Kingdom

With the highest IT services market share in the Kingdom based on IDC's assessment, we are the clear market leader for IT solutions in the KSA. Our sound presence and leadership position has attracted myriad customers from diverse industries across the Kingdom. Additionally, the brand equity of solutions by stc is evidenced by the number of awards won in recent years, in recognition of the quality of service provided to customers.



#### 3 We are able to capitalize on stc and our partner ecosystems

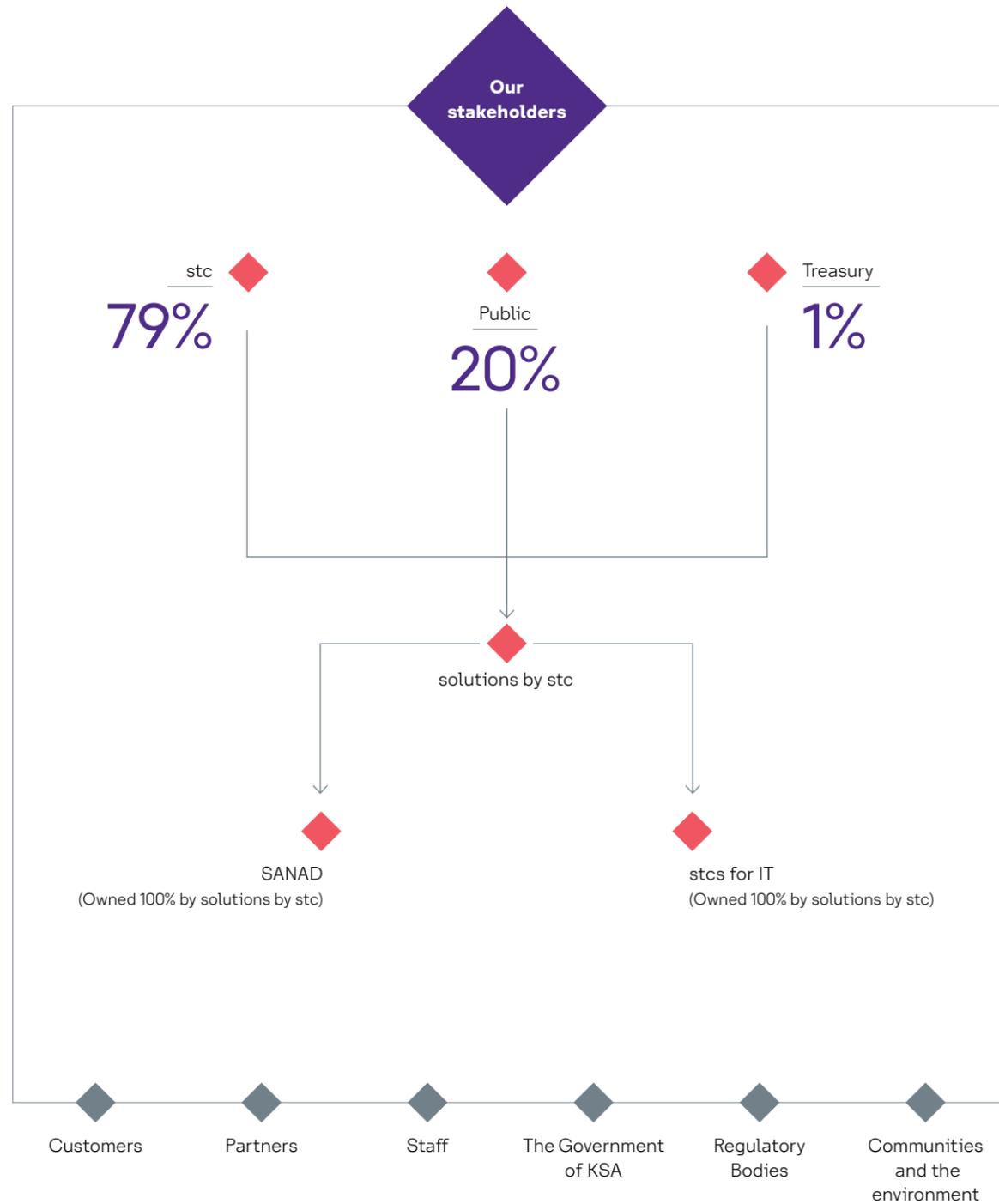
Our partnership with stc has enabled us to draw upon a large institutional base of knowledge, customer reach, and physical infrastructure. We have over 150 trusted global and local partners including innovative technology providers and solutions by stc is one of the highest revenue generating companies among other major technology providers in the Kingdom.



#### 4 We have an experienced management team and qualified employees

Our management team comprises individuals with strong operational experience and execution capabilities. They have gained substantial experience by working in the Company and within the industry. Realizing the importance of a strong team, the Company provides robust training and development programs to all employees including executive management development.

## Our Business Structure and Stakeholders



Our stakeholders are the driving force of the Company. By nurturing fruitful relationships with them, we are able to improve all aspects of our business. While their support is integral for the sustenance of the Company, we also ensure their needs are at the forefront of our operations.

Stakeholder group	Their needs and expectations	Our response
Shareholders	Our Shareholders expect to be informed about the company's growth and it's strategies for the future while being ensured their investment in the company will bring long-term value.	We not only pay dividends to our shareholders in a timely manner but have also put in place a strategy that will encourage them to continue investing in the Company.
stc	stc expects our support in its ventures and keenly contributes to our revenue and helps us build networks with partners and customers across the Kingdom.	Over the years, we have been able to diversify our products and services while looking to branch into new territories in order to support stc's growth and vision.
Customers	We have numerous customers across our business units – our products and services range from connectivity and system integration to digital solutions. Our customers require speedy solutions to address their concerns and innovative products to meet their evolving needs.	Customer satisfaction is a key strategic focus for solutions by stc where we ensure the experience is captured periodically across multiple touchpoints to ensure the issues are addressed in a timely and effective manner.
Partners	solutions by stc has established partnerships with over 150 reputed organizations in order to support its mission of providing end-to-end ICT and digital solutions to its customers across the Kingdom.  These partners keenly observe the growth and strategies of the Company – they are part and parcel of the successes the Company achieves.	We strongly consider the growth of our partners when diversifying our products and services. We make sure every move we make results in mutually beneficial outcomes.
Staff	We nurture a team of 1,500+ professionals who are certified in key technologies and domains. They require our support in acquiring professional growth and gaining personal satisfaction in the work they do.	We support the needs of our employees through the BEAM 2.0 strategy (more information on pages 45-47 in this Annual Report) that focuses on maximizing their digital capabilities, enhancing their work experience by focussing on their growth and well-being, accelerating their potential by nurturing their skills, and increasing efficiency by reviewing their performance and changing organizational design, if required.
The Government of the KSA	As per the Saudi Vision 2030, the Kingdom aspires to create a technological hub in the KSA with the support of organizations such as ours, which have the infrastructure and networks to carry this vision forward.  Moreover, Saudization requires that we recruit a stipulated number of Saudi nationals in order that in the long-term, we will support the creation of a self-sufficient kingdom.	solutions by stc lends its services to a number of government organizations and projects undertaken by the Government.  Over the years, we have also been recruiting a growing number of Saudi nationals. Today, 60.79% of our workforce are Saudis and we continuously work towards development of skill set and take pride in contributing to the realization of the digital aspirations of the Kingdom.
Regulatory bodies	Regulators who monitor our business activities and growth patterns ensure that we meet all regulatory requirements in order to maintain a sustainable business entity.	All regulatory requirements are taken into consideration and abided by for day-to-day business activities and when making plans for the future.
Communities and the environment	The communities we operate amongst are concerned about how our business activities will impact their well-being while we hold a responsibility to safeguard and nurture the environments we occupy.	We have put in place systems to minimize waste while none of our business activities have an adverse effect on the communities amongst which we operate.

**Our Strategy for Sustainable and Profitable Growth**

solutions by stc's IPO was a milestone achievement for the Company as it generated record-breaking demand from domestic, regional, and international institutional investors with c.130x oversubscription.

- It was one of the largest IPOs on the Saudi Stock Exchange.
- Despite the complexity and size of the offering coupled with fluctuating market conditions, the offering was successfully completed in an accelerated timeline compared to other Saudi IPOs.
- An analysis of share performance demonstrates significant demand from corporates and share allocation reflects the same.



Our Strategy for Sustainable and Profitable Growth

**Our growth context**

Today, the omnipresence of ICT and digital solutions is felt globally. Studies have shown that enterprises across the world hope to achieve digitally-fueled growth while companies have increased spending on IT solutions – the most notable increase was in 2021.

Moreover, the reliance on IT became more pronounced since the outbreak of the COVID-19 pandemic. Most businesses and industries across the world had to digitize processes and fine-tune their operations in order to keep pace with the rapidly changing requirements of a growing number of digital citizens.

Long before the outbreak of the pandemic, the Kingdom of Saudi Arabia embarked on a journey to

digitize the Kingdom. Saudi Vision 2030 Vision 2030 – the Kingdom's strategic framework for broader development – has put the KSA on the path to shifting reliance on oil and converting the Kingdom into a digital hub.

Fueled by Vision 2030, the Kingdom is reported to have the largest and fastest growing ICT market in the GCC. The market is quite sizable even when compared to other mature global markets and the trend for future growth is remarkable. The trajectory of growth for the ICT market in the Kingdom demonstrates steady growth across all ICT related business lines with the demand for systems integration being the topmost requirement.

Among the key drivers in the market are system integration for

smart cities and other large-scale enterprises; digital solutions for better integration of operations within factories, healthcare, and education; data center and cloud for better management of data for enterprises adopting a work-from-home culture due to the pandemic; equipment services for the digitization of medium sized businesses; application services for the digitalization of processes in government and private enterprises; Cybersecurity Integration for increased security of data in banks and other pivotal organizations; and managed networks and infrastructure for multivendor environments that require 24x7 monitoring.

In an effort to keep pace with the latest trends, businesses from all sectors have increasingly adopted digital solutions into their

operations. Despite the challenges brought on by the COVID-19 pandemic, businesses across the Kingdom began to invest more on integrating their systems and embracing digital solutions to reach their stakeholders who were confined to their homes.

We operate within this dynamic environment and each emerging trend is reflected in our business lines. The key drivers in the market and the enterprises that require these solutions are also among our product and customer portfolios.

**Our strategic journey**

Since the start of our operations, we have been guided by strategies that have taken into consideration the business context, the solid relationships built with our parent, stc, our shareholders, stakeholders,

and our growing partner ecosystem. We believe the strategies we adopt contribute towards their growth and align with their visions.

Over the years we have focussed on different aspects and paces of growth that have been captured below:



We have achieved some critical strategic goals in our journey so far. During Horizon One (2007-2014), we focussed on "starting right" by putting in place suitable systems and processes while also hiring individuals who are experts in the field. Next, we moved onto Horizon Two (2014-2019), a time of "rapid growth". During this period, we expanded our products and services and attracted partners and businesses throughout the Kingdom.

### Our 2020-2025 strategy

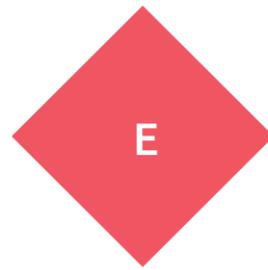
Today, we are in the “stable growth with strong profitability”, Horizon Three of our strategic journey. Our strategy is to increase market share and maximize shareholders value by focusing on high growth segments and categories, by expanding portfolio and market reach, by enhancing customer experience, and developing and attracting the best talent. These goals are propelled by the objectives set out in our LEAP strategy revolving around the following areas:



#### Lead in managed and professional services

To achieve growth of our business, we have current and planned initiatives to focus on strengthening our market position in managed and professional services, and business process outsourcing markets, with a view to nurture customer relationships throughout the IT value chain, strengthening our competitive position in the market.

In order to reinforce our leadership position in managed and professional services (including integration, customization, development and management), we are focused on strengthening our offerings by leveraging best external technologies, optimizing and improving our existing offerings through continuous enhancements in our capabilities.

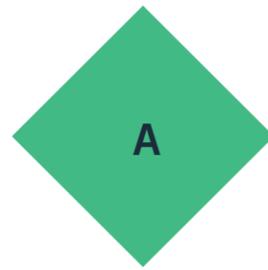


#### Expand product portfolio and market reach

We are actively seeking to expand into new and adjacent business lines linked to our current business in order to meet the evolving needs of our customers and further enhance brand equity, as an innovator in the market. We carry out comprehensive assessments of needs of businesses and market trends in order to identify opportunity areas to venture into, addressing customers’ end-to-end IT needs.

With these initiatives for expansion and diversity of portfolio with high margin products across IT, digital and emerging technologies, we intend to grow organically and inorganically in KSA and beyond. Our aim is to address the future needs of our current and potential customers; which will further diversify our customer base into segments and verticals including small and medium enterprises.

By further focusing on these areas, we are aiming to support our cross selling and upselling efforts as well as bundled offerings, – move comma to the end of this section. in order to maximize shareholder value and leverage our position as a major end-to-end ICT services provider in the Kingdom across business lines.



#### Advance customer success and partner ecosystem

Individual efforts only go so far, and we believe in winning with our customers and partners. We seek to develop and maintain a strong partner ecosystem, fostering effective working relationships with our suppliers in order to meet the evolving needs of our customers. Building on and maintaining relationships with global technology vendors, such as international hyper-scale cloud providers and technology providers, represents an essential element of our go-to-market strategy, where we enable our foreign partners to access the Saudi market.

Moreover, we have a strong focus on delivering best in class customer experience to our clients by implementation and continuous improvement of total experience focusing on customer centricity, shareholders, employees, and partners experience.



#### Promote internal efficiencies and collaboration

In order to achieve our aspirations and objectives we consistently aim to create efficiencies within the business and streamline existing processes. We actively seek to cultivate synergies within the business and maximize transparency within the company with the aim of improving our broad operational capabilities, maximizing our shareholder value.

Initiatives currently in place revolves around enhancing internal operating models, further increasing automation of internal processes, and optimization of investments in internal capabilities buildup and resource management.

We believe in being ahead of the curve, constantly innovating and being in tune with our customers’ needs. As we venture forward, we hope to be recognized as a company that is enabling technology and the aspirations of those who become a part of our network. We hope to grow sustainably, by establishing more fruitful partnerships, diversifying our portfolio, and improving our internal processes. The strategy we follow for the next few years will propel us and help us ‘leap’ beyond familiar terrains.

## Transforming Risks into Opportunities

Our Company has grown significantly over the past few years and we believe it’s critical to have an in-depth understanding of the risks we face. Identification of risks helps to strategize and modify our systems and processes.

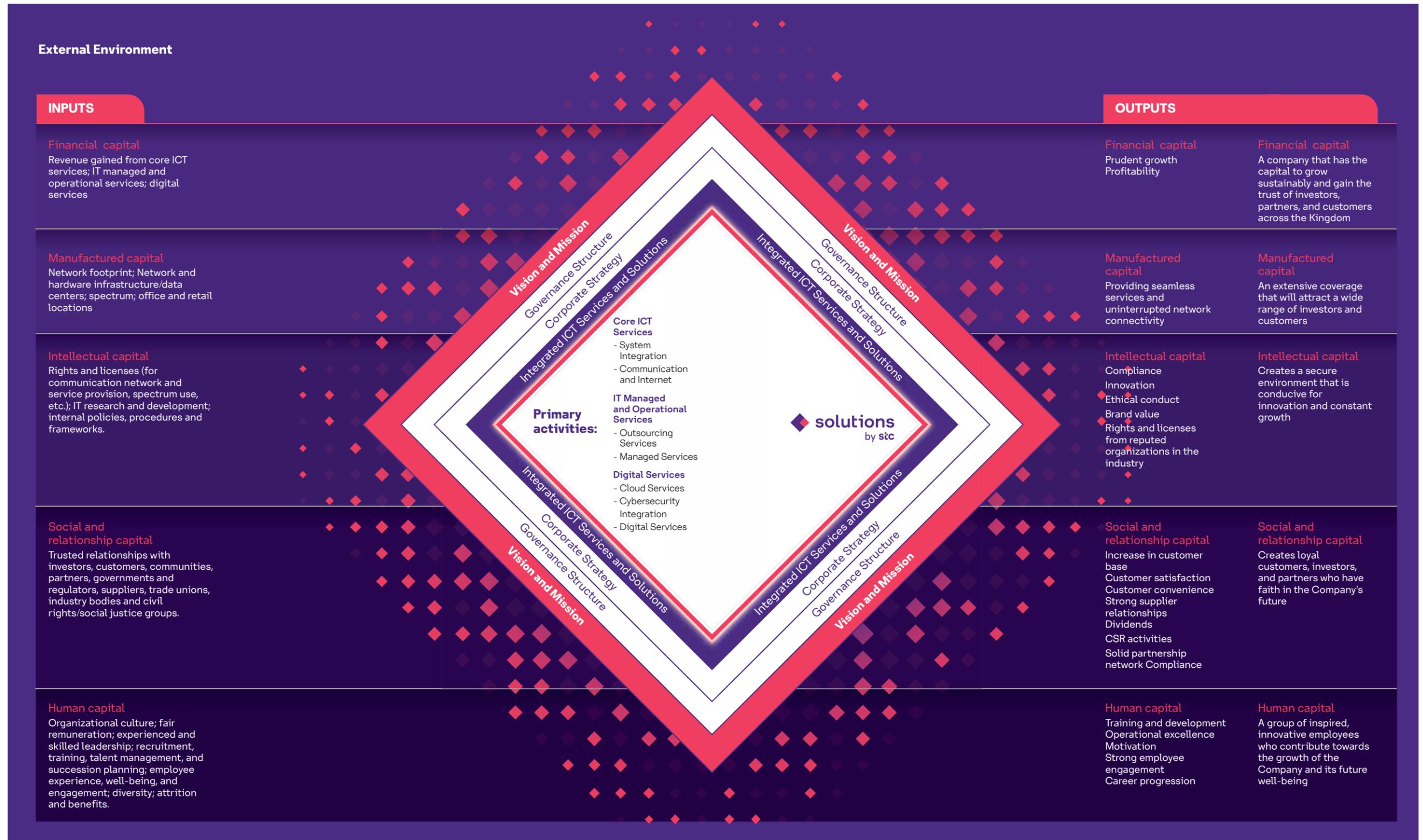
In the table provided below, we unpack the risks we face and discuss how these were mitigated or transformed into opportunities.

The risks we face	The aspects it covers	How we responded/transformed them into opportunities
Increased competitiveness within the market	Increasing footprint of international players and local players continuously striving to gain market share, additionally the increased number of start-ups in the Saudi Arabian IT market will make the market more fragmented.	<p>solutions by stc is continuously focusing on building and enhancing its digital and IT offering with entry into new business lines and expanding its portfolio to cover customer needs across the IT value chain.</p> <p>In addition, the Company is continuously expanding its partnership ecosystem to bring complementary offerings to the market.</p> <p>solutions by stc has embarked on bundling/cross-selling initiatives to improve customer stickiness and protect itself from competitive threats.</p>
Technology partner relationship risks	<p>solutions by stc partners with global technology vendors and integrates them into the Organization’s IT offerings to customers.</p> <p>solutions by stc’s ability to work with different partners and provide attractive pricing is valued by customers.</p> <p>Losing access to partner products or squeezing margins on partner products could impact business.</p>	<p>solutions by stc maintains an approach to simultaneously work with multiple partners to expand its portfolio and have less dependency on a single partner, effectively mitigating the risk of losing access to its partners’ offerings.</p> <p>Additionally, with the value it creates for partners, the Company has nurtured stronger partnerships and lasting relationships with vendors.</p>
Changes to data localization, data protection and other regulations	<p>Data localization requirements and data protection regulations impact the ability of international cloud/analytics providers to serve the KSA clients.</p> <p>solutions by stc and local cloud service providers obtain a competitive edge by having local data centers and are able to command better market positions and margins.</p> <p>Any relaxation to localization regulations could impact solutions by stc, due to international players competing for business.</p>	<p>The Company actively monitors regulations, and plans to participate in public consultations to discuss the regulations, and ensure its products adhere to them.</p> <p>solutions by stc is continuously strengthening its offerings and client relationships by partnering with international providers to sustain its leadership position in the market.</p>

# Business Model

Our business model provides a detailed outline of our business operations. The capitals that are used to fuel our ICT solutions are reflected as "Inputs", the "Outputs" reflect the immediate return, and the "Outcomes" indicate the value this process will generate in the long-term.

Our business model contributes towards achieving the objectives set out in our LEAP strategy. In turn, the strategy contributes towards the smooth functioning of our business model and the processes that ensure the long-term growth of the entity.



**Performance Highlights  
Financial Year 2021**

In 2021, solutions by stc reported growth across all financial elements. The performance reported below is supported by a strategy that prioritizes sustainable and profitable growth.



**FY 21 Revenue**

**7,816** SAR million  
+13% YoY ▲

**FY 21 GP Margin**

**21.9%**  
+122bps YoY ▲

**FY 21 Capex/Revenue**

**2.0%**  
-580bps YoY ▼

**FY 21 Return on Capital Employed (ROCE)**

**35.4%**  
+202bps YoY ▲

**FY 21 EBITDA**

**1,107** SAR million  
+28% YoY ▲

**FY 21 EBITDA Margin**

**14.2%**  
+165bps YoY ▲

**FY 21 Net cash from Operating Activities**

**1,379** SAR million  
+23% YoY ▲

**FY 21 Return on Average Equity (ROAE)**

**39.7%**  
-441bps YoY ▼

**FY 21 Net Profit**

**833** SAR million  
+19% YoY ▲

**FY 21 NP Margin**

**10.7%**  
+47bps YoY ▲

**FY 21 Net Cash Generated**

**1,608** SAR million  
+62% YoY ▲

Chief Financial Officer's Statement



“ Our financials are not only capturing the remarkable growth achieved this year, but also reflect our strategy that is focused on catering to the evolving needs of our customers. ”

As a pioneer ICT and digital solutions provider within the Kingdom, solutions by stc has experienced remarkable growth over the past 20 years. This notable growth is steered by the Company's ability to evolve in tandem with changes within the industry. Saudi Vision 2030 has also been a pivotal guide for the Company and enterprises within the Kingdom – companies have commenced digitizing processes in keeping with the goal of transforming the Kingdom into a digital hub. Today, solutions by stc provides its products and services to a growing number of industries and enterprises across the Kingdom.

Our Company strategy complements Vision 2030. Having completed strategic initiatives that provided a solid foundation for growth, we have now arrived at an era of “stable growth with strong profitability”. This vision is being propelled by the LEAP strategy (2020-2025) which will focus on bringing in sound revenue, investing in new business lines, growing inorganically, enhancing customer experience, attracting the best talent, and pushing our boundaries by venturing into business overseas.

solutions by stc achieved a remarkable growth during the year. Our financials are not only capturing the remarkable growth achieved this year, but also reflect our strategy that is focused on catering to the evolving needs of our customers across the Kingdom and beyond.

During the year, the Company had its Initial Public Offering (IPO) – a landmark event that highlighted the progress the Company has made and the growth it is positioned to achieve in the future. The Company's IPO was 130 times oversubscribed and attracted SAR 471 billion in orders.

Financial highlights

Net profit SAR 833 million	Net profit for the year amounted to SAR 833 million compared to SAR 702 million of the previous year	▲ 18.7%
Gross profit SAR 1,708 million	Gross profit for the year totaled SAR 1,708 million compared to SAR 1,422 million of the previous year	▲ 20.1%
EBITDA SAR 1,107 million	Earnings Before Interest, Taxes, Depreciation, and Amortization (EBITDA) for 2021 amounted to SAR 1,107 million compared to SAR 862 million the previous year	▲ 28.4%
Total assets SAR 7,173 million	Total assets grew to SAR 7,173 million compared to SAR 6,335 million the previous year	▲ 13.2%
Shareholders' equity SAR 2,271 million	Shareholders' equity grew to SAR 2,271 million compared to SAR 1,924 million of the previous year	▲ 18.0%

Income statement

	2021 SAR '000	2020 SAR '000	2019 SAR '000	2018 SAR '000	2017 SAR '000
Revenue, net	7,815,797	6,891,419	5,257,296	4,041,299	2,962,262
Cost of revenue	(6,107,831)	(5,469,447)	(4,410,052)	(3,076,252)	(2,047,609)
<b>Gross profit</b>	<b>1,707,967</b>	<b>1,421,972</b>	<b>847,245</b>	<b>965,047</b>	<b>914,653</b>
Total operating expenses	(808,863)	(664,965)	(499,216)	(392,723)	(344,613)
Operating profit	899,104	757,007	348,028	572,324	570,039
Other income and expenses	4,921	(3,234)	86,730	35,962	27,427
Zakat	(71,107)	(51,978)	(40,933)	(51,831)	(47,604)
<b>Net profit for the year</b>	<b>832,919</b>	<b>701,796</b>	<b>393,825</b>	<b>556,455</b>	<b>549,862</b>
Gross profit	21.9%	20.6%	16.1%	23.9%	30.9%
Net profit	11%	10%	7%	14%	19%

	2021 SAR '000	2020 SAR '000	Change SAR '000	Percentage (%)
Revenue, net	7,815,797	6,891,419	924,378	13.41
Cost of revenue	(6,107,831)	(5,469,447)	(638,384)	11.67
<b>Gross profit</b>	<b>1,707,967</b>	<b>1,421,972</b>	<b>285,995</b>	<b>20.11</b>
Total operating expense	(808,863)	(664,965)	(143,898)	21.64
Operating profit	899,104	757,007	142,097	18.77
Other income and (expenses)	4,921	(3,234)	8,155	252.18
Zakat	(71,107)	(51,978)	(19,128)	36.80
<b>Net profit for the year</b>	<b>832,919</b>	<b>701,796</b>	<b>131,123</b>	<b>18.68</b>

**solutions by stc generates sales through the following:**

- Our core business sectors, which include: a) core ICT services (consisting of the System Integrations and Communication and Internet service lines); b) IT Managed and Operational Services (consisting of the Outsourcing and Managed Services line); and c) Digital Services (consisting of the Cloud Services, Cybersecurity Integration and Digital Services lines). For more information on our business lines, refer page 20 in this Annual Report.
- Our sales channels, which include: a) Business to business (B2B) where sales are conducted either through stc or directly to customers; and b) sell-to-stc where stc is the end customer.

Net revenue grew by 13.4% to SAR 7,816 million in 2021 as opposed to SAR 6,891 million in 2020. This progress was supported by business growth across all key business lines.

- Core ICT services: +13.0% YoY in 2021
- IT Managed and Operational Services: +199% YoY in 2021
- Digital Services: +74% YoY in 2021

The trend reported above is consistent with the growth patterns reported in previous years with Core ICT services contributing substantially towards the overall growth of revenue. Moreover, the pandemic caused changes in consumer behavior - solutions by stc closely monitored these changes and addressed

customer needs through digital transformation measures in various aspects of the business.

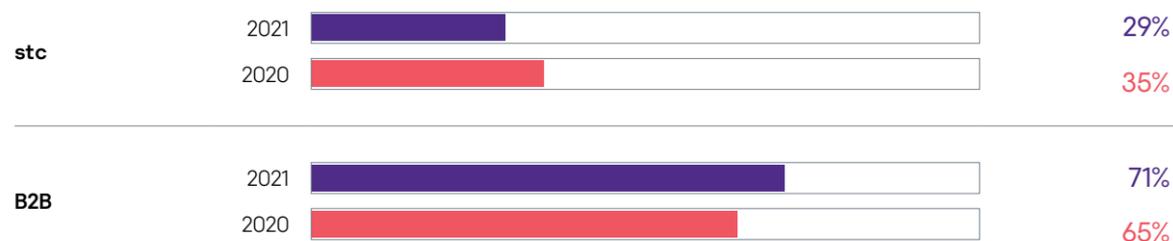
This year, our B2B sales channel contributed 71% towards the total revenue while sales made to stc (stc is the end customer) contributed 29% of the total revenue.

B2B sales is an aspect that we have continued to focus on throughout the years - we have gathered customers from a variety of sectors and businesses of different scales. Moreover, we aim to develop this aspect of our business by further growing our presence among SMEs.

**Revenue by customer and channel**

	2021 SAR millions	2020 SAR millions
stc	2,246	2,424
B2B	5,569	4,467
Total revenue, net	7,815	6,891

**As a percentage of revenues, net**



**Business-to-stc**

Sell-to-stc represented 29% of total revenue, net in 2021. A marginal decrease is noted in the contribution from this channel to the overall revenue of the Company. This is in line with solutions' strategy to focus on growing its B2B portfolio and acquiring customers across the Kingdom.

**Business to Market (B2B)**

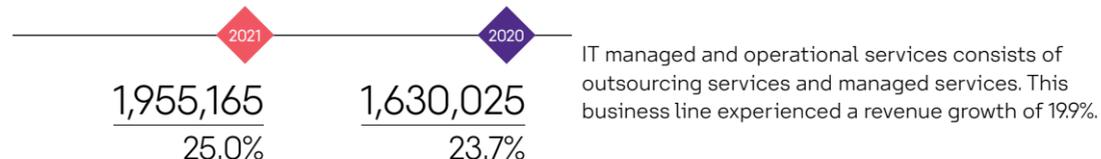
Government and private agencies represented 71% of total revenue, net in 2021. The growing contributions from these sectors are in line with the Company's strategy to diversify its revenue base and obtain a greater contribution from private agencies while supporting the initiatives of government organizations in line with Vision 2030 and its comprehensive mechanisms for digitization in the Kingdom.

**Revenue by major products and services ('000)**

**Core ICT services**



**IT managed and operational services**



**Digital services**



**Total**





solutions by stc contributed towards the launch of Saudi Aramco's Dammam-7 – a new supercomputer that is among the top ten most powerful in the world.

- This complements Aramco's suite of advanced technologies that are reshaping core operations, driving efficiencies, and reinforcing industry leadership in geoscience.
- The project was executed in partnership with CRAY (one of the world's best supercomputer manufacturers), IBM, and Vertiv (a leading prefabricated data center provider).

Chief Financial Officer's Statement

Chief Financial Officer's Statement

### Geographic Analysis of Company's Total Revenue

	KSA	Gulf Cooperation Council (GCC)*	Total
2021	7,814,523,164	1,274,237	7,815,797,402

### Assets and liabilities

	2021 SAR '000	2020 SAR '000	2019 SAR '000	2018 SAR '000	2017 SAR '000
Total current assets	6,446,295	5,571,035	4,523,290	4,261,236	3,432,103
Total non-current assets	726,453	763,592	354,098	188,814	75,911
Total assets	7,172,748	6,334,628	4,877,388	4,450,049	3,508,014
Total current liabilities	4,634,258	4,068,116	3,377,268	2,658,919	2,017,633
Total non-current liabilities	267,922	342,948	243,296	125,754	92,250
Total liabilities	4,902,180	4,411,063	3,620,564	2,784,673	2,109,883
Total equity	2,270,568	1,923,564	1,256,824	1,665,377	1,398,131
Total liabilities and equity	7,172,748	6,334,628	4,877,388	4,450,049	3,508,014

### Assets, liabilities, and equity

Total assets increased from SAR 6,335 million in 2020 to SAR 7,173 million during the year. The increase is mainly due to increase in Cash and cash equivalents from SAR 993 million to SAR 1,608 million and Accounts Receivables from SAR 2,804 million to SAR 3,021 million resulting from effective working capital cycle management.

Total liabilities increased to SAR 4,902 million from SAR 4,411 million in 2020. The increase is primarily due to Deferred revenue from SAR 1,705 million to SAR 2,277 million in 2021.

Total equity increase from SAR 1,924 million in 2020 to SAR 2,271 million during the year. This increase is mostly due to profit for the year and compensated by the dividend payment & treasury shares.

It was a tremendously successful year for solutions by stc. All elements that contribute towards the financial growth of the Company have developed positively and align with the progress the Company envisions.

**Abdulrahma Alrubaia**  
Chief Financial Officer

\*Revenues of Kuwait – SAR 1,142,784, Revenues of Bahrain – SAR 118,453, Revenues of UAE – SAR 13,000

# Our systems and processes are seamless and are always updated to keep pace with changes in technology and the needs of our employees and clients.

Our Company is propelled by knowledge generation and the cultivation of an innovative spirit. This is why in the context of solutions by stc, the interconnections between manufactured and intellectual capitals are strong.

Manufactured capital refers to human-created, production-oriented buildings, equipment and tools etc., that help in the manufacture of goods and services. While solutions by stc has state-of-the-art offices scattered across the Kingdom, most aspects that conventionally fall under manufactured capital are not applicable to the operations of the Company. solutions by stc collaborates with its 150+ partners to provide ICT solutions for businesses and industries in the Kingdom.

Therefore, its intellectual capital which encompasses both tangible and intangible aspects of a business such as improvements made to products, and research and development for the smooth operation of the value chain play a more significant role in the operations of the Company.

## Our offices

solutions by stc has five branches in the Kingdom which are located in Jubail, Khobar, Jeddah, and two branches in the capital city, Riyadh.

While we have created a futuristic set up, we also ensure our systems and processes are seamless and are always updated to keep pace with changes in technology and the needs of our employees and clients.

Currently we have incorporated the following to improve our technology and processes:

- Increasing the automation level in the lead-to-cash cycle and bringing traceability on solutions by stc's standard services and customers.
- Centralized platform for managing opportunities, customers' information, orders, and subscriptions.
- Enhancing customer experience and solutions by stc's financial reporting for standard services.
- Reduced order delivery efforts and enhanced coordination among the operation teams of solutions by stc.
- A better customer and investor experience with an improved external website for information on the IPO.
- Improved digital care for customers and employees with new platform enhancements.
- Implementation of data platform to expand the use of data to support decision-making and streamline operations.
- Legal and contracts analytics dashboard for Management to better support managing contracts.
- Implementation and digitizing the end-to-end cycle of the supply chain.

### Programs introduced for clients and employees during the COVID-19 pandemic

Our employees and clients were introduced to a range of programs during the COVID-19 pandemic. Clients were able to monitor the progress of projects and provide their feedback remotely while employees addressed these requirements in a timely manner. Through the programs introduced, employees could also stay up to date on COVID-19 developments and precautionary measures that need to be taken.

For employees working from home, we also provided a desk and all the necessary tools required to accomplish their tasks comfortably.

Manufactured and Intellectual Capital



Manufactured and Intellectual Capital

The programs we introduced to our employees since the outbreak of the COVID-19 pandemic helped them communicate and collaborate effectively with internal teams and also enabled them to gain a sound understanding of customer requirements.



**Our internal communication channels facilitate dialogue and the transmission of information among all members of our team.**

Our internal communication channels facilitate dialogue and the transmission of information among all members of our team.

**Our corporate culture**

We focus on providing an empowering work environment that prioritizes our employees and their satisfaction, ensures seamless operations across all business lines, and guarantees the well-being of our team and their families. solutions by stc provides an integrated environment from top to bottom in order to ensure the regular flow and transmission of information in various directions, because it represents the foundation on which the organizational structure is based.

Through our corporate culture we aim to:

- Develop knowledge and a good understanding among all employees.
- Create an environment that will motivate employees and bring about job satisfaction.
- Assure accurate information, providing transparency and controlling rumors is a crucial step within our change management function.
- Helping employees adapt to change.
- Measure and enhance solutions by stc's culture and work environment.
- Uplift employee engagement across the organization and with leaders.

**Our key areas of focus are as follows:**

**1 Be aware approach**

- Enhance employees' knowledge on ethical codes and policies such as data privacy, code of conduct and conflict of interest, etc.
- Advocate for employee rights, benefits, and roles in the Company.

**2 Cooperation across different parts of the Organization**

- Introduced cross-engagement activities such as CEO gathering called "Takyah Abu Abdullah".
- Extending tokens of appreciation for those who made notable efforts in different divisions.

**3 Long-term goals and clear directions**

- Consistently communicate the vision and mission using entertainment and activities.
- Deliver key messages through unique experiences or activities during the Company's annual gathering.
- Enhance the role of change management to make any organizational change seamless and smooth. The work we have achieved in this area led to solutions by stc receiving "Outstanding Change Management Strategy" Award from GCC GOV HR Awards.

**5 Ensuring the satisfaction and well-being of ladies**

- Conducting quarterly surveys targeting ladies.
- Launched multiple activities and programs for ladies, which resulted in solutions by stc receiving "Best Work Environment for Women" from the Labor Award.

**Research and development**

We have a well-established market insights framework to continuously monitor and track the market for technological developments, market movements, and evolving customer needs and expectations. These insights continuously feed into the products and solutions development, enhancements and strategy formulation of the Organization and help in the day-to-day decision-making of the Management.

**4 People Capabilities is a Source of Inspiration**

- Inspiring individuals and top performers are showcased by communicating exceptional achievements.
- High caliber employees are more than welcome to share their knowledge in "Talks by solutions".

# The development and well-being of our employees are at the heart of our operations.

## Our people strategy

We believe it's important to focus on the people who steer our Company. They are part and parcel of our success and the strategy detailed below reinforces that their development and well-being are at the heart of our operations.

The purpose of BEAM 2.0 – our People General Management strategy – is to ensure that the capacities and productivity of our 1,545-strong workforce are robust enough to implement LEAP – solutions by stc strategy. The emphasis on talent development and local content also help further the national objectives of Vision 2030.

# BEAM 2.0

is structured around four pillars:

## Build digital people

- Adopt People Practices with Future Of Work Trends
- Implement Machine Learning
- Digitalize Employee Experience

## Enhancing employee experience

- Strengthen Employer Branding and Enhance Employee Value Proposition
- Establish solutions' Alumni Program
- Embrace Well-Being Practices

## Accelerate talent

- Identify Critical Positions' Succession and Retention Plan
- Build Resilience Leadership Skills
- Develop Technical Development Programs

## Maximize efficiency

- Build Strategic Workforce Planning
- Revamp Performance Mechanism
- Revamp Organizational Design

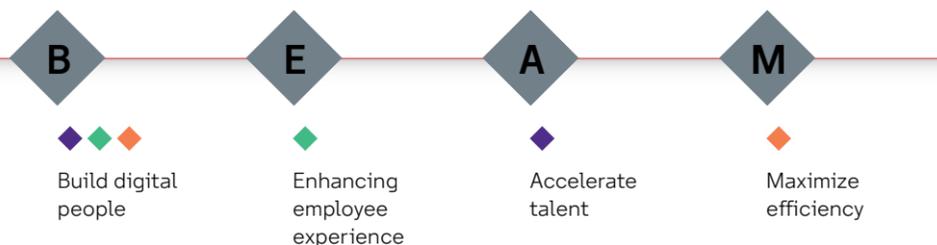
Each pillar and the aspects covered under the BEAM strategy directly feed into solutions by stc's LEAP strategy which is discussed in-depth on pages 25-26 in this Annual Report.

The table provided below demonstrates how the two strategies complement each other. Moreover, both strategies combined help to achieve the Company's strategic values which are critical for the advancement of the Company and its people.

### solutions by stc's strategy



### Strategic enablers



### Strategic values

Leading the market by implementing pioneering digital HR practices.

Providing a distinctive and enriching experience for our employees, which leads to satisfying our customers.

Expand the knowledge of our employees and provide advanced programs. This will ensure innovativeness in product development and the smooth delivery of services.

Ensure the long-term growth and investment of our teams

## Employee profile

Total number of employees (full-time)

1,545

2021

No part time employees

1,294 1,540 1,494  
2018 2019 2020

Total male employees 2021

1,328

86%

Total female employees 2021

217

14%

Percentage of Saudi national employees in 2021

60.79%

1,223 1,383 1,319  
95% 90% 88%  
2018 2019 2020

54% 55% 58%  
2018 2019 2020

71 157 175  
5% 10% 12%  
2018 2019 2020



24

Senior Management

214

Middle Management

1,307

Staff

### Employee qualification profile

1,201

Employees with Bachelor degree

203

Employees with Master's degree

### Age analysis of employees



### Service analysis of employees



Environment is everything, and we aim to provide an appealing one to both current employees and prospective hires.

### Culture and engagement

Environment is everything, and we aim to provide an appealing one to both current employees and prospective hires. By cultivating a culture aligned with the three values of devotion, dynamism, and drive, we are able to achieve high levels of engagement and productivity.

In order to monitor employee satisfaction and feedback, the Company undertakes semiannual employee engagement surveys. In addition, the Company regularly reviews its compensation and benefits strategy to offer our employees a rewards scheme that is competitive within the context of the broader market. The Company also offers a number of benefits to its employees including personal, housing and education loans, medical fund support, child

nursery allowances and retention rewards, as well as continuous feedback, mentoring, and coaching opportunities.

Moreover, the Company also encourages participation in community initiatives throughout the Kingdom, such as the Human Resources Development Fund, which provides training opportunities to the fresh graduates.

In order to maintain strong levels of satisfaction and productivity amidst the COVID-19 pandemic, we focused our actions on improving the overall quality of life for employees at every level through an employee experience model that responded to the unique demands of the context. First and foremost was implementing remote working options and providing

supplementary support such as office desks at home for employees. Wider initiatives included an internal health clinic, an internal gym, entertaining activities within the premises and outside venues, and a heightened focus on employee recognition. Internal surveys were conducted in order to ensure a healthy work-life balance for all Company employees. For its efforts, the Company was awarded a Great Place to Work-Certified™.

solutions by stc has a thorough Whistle-blowing Policy that covers issues that may involve alleged fraud, unethical behavior, misconduct, or corruption. This encourages all employees and connected parties to speak up in confidence on the issues outlined above. The Policy applies to irregularities or suspected irregularities involving employees, shareholders, consultants, vendors,

contractors, and other parties who have a business relationship with the Company. Whistle-blowing channels include a dedicated email address and a 24/7 hotline. The Company makes every effort to maintain confidentiality of the issues raised through the channels and thereafter conducts sound investigations followed by remedial action.

Moreover, the Company's People General Management (PGM) Policy has a comprehensive set of guidelines on handling grievances with regard to performance evaluation. Every employee is made aware of the objectives that need to be met in order to ascend within the Organization. Once performance evaluations are conducted, employees are given the right to voice their concerns regarding the results of the evaluation. This ensures that employees receive

a fair evaluation and are able to communicate openly with their line managers and other key decision makers within the Organization.

The Company has also developed an automated process through the Enterprise Resource Planning (ERP) Platform. Through the ERP, employees can access a wide range of resources including financials, supply chain, projects, and most importantly seamlessly connect with the People General Management to raise their queries and concerns.

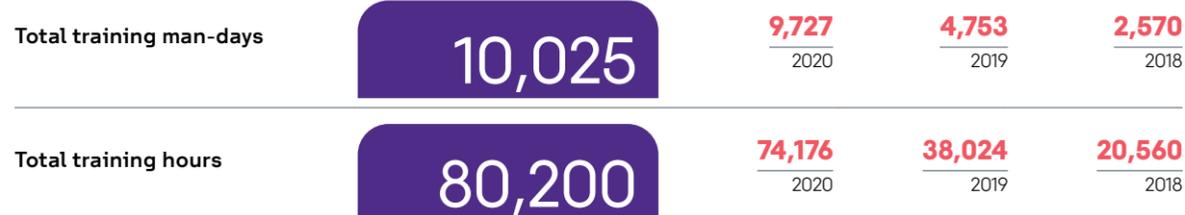
Given that the Company has sound policies in place to ensure the well-being and satisfaction of its employees, it has been able to effectively attract and retain talent, with a turnover rate of 8.85% in 2021.

## Learning and development

The training of staff is considered a priority and on-par with international standards. Therefore, we design and execute dedicated training programs catered to our entire staff to ensure a familiarity to soft skills, technical tasks, and project management-related responsibilities. Developmental programs of the Company provide a structured career path for employees who may want to pursue a technical career path or a leadership intensive role. We are always looking to provide employee development training through different methods, in alignment with our strategy so that we achieve an apt skill level across the Company. Our most prominent employee training programs are as follows:

- solutions' Futurist Program:** In partnership with IESE Business school, we aim to prepare and develop selected employees as leaders by providing training in business skills and knowledge, as well as developing collaboration and mindset skills applicable within the Company.
- Digital Collaboration Program:** a program that aims to enhance virtual and digital communication between teams while utilizing diverse digital platforms to cope with current remote working environments.
- Talks by solutions Program:** a series of webinars in which guest speakers (from within the Company or externally) provide information on diverse topics including leadership skills and technical expertise.
- Virtual Coaching Program:** a coaching program in partnership with coREACH Institute which focuses on coaching employees with a view to elevating individual performance and effectiveness as well as team productivity and individual leadership capabilities.
- Virtual Mentorship Program:** the Program objective is to establish and expand an internal SME mentors pool from within the Company, and from which employees can select their mentors in order to encourage knowledge sharing within the company and further develop internal engagement levels.
- LinkedIn Learning:** a subscription service for employees on the LinkedIn Learning platform providing content to develop skills, prepare for professional certification exams, and provide insight on a variety of specific topics.
- In-House and Virtual Training Classes:** training classes developed based on an annual training needs analysis, undertaken by the Company in partnership with various training institutes covering areas of technical training and certification exam preparation as well as soft skills.
- Signature by solutions:** a management development program for recently promoted and soon to be promoted managers at the Company focusing on key skills and competencies required by managers within the Company.

### Training profile

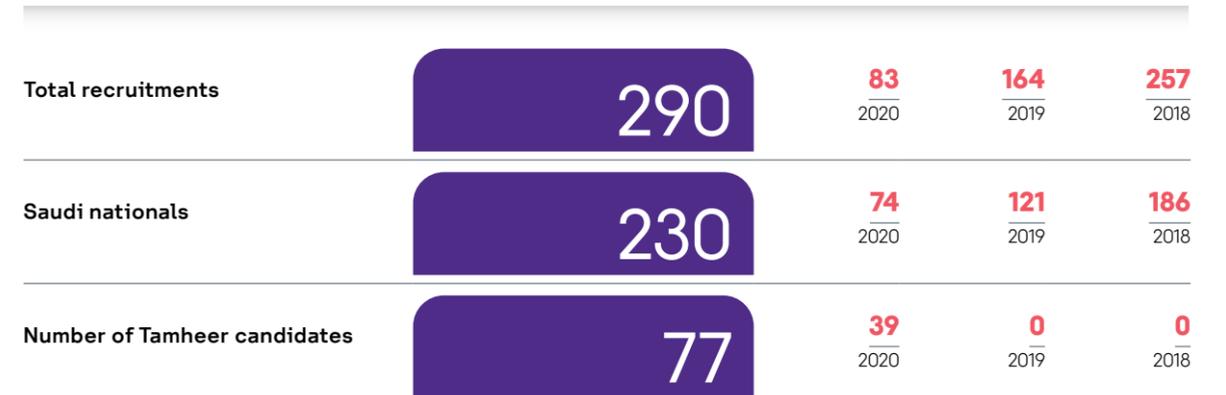


### Training summary 2021



## Recruitment, Saudization, and Nitaqat

In accordance with the Nitaqat program, male and female Saudi employees make up 60.79% of the total manpower within the Company, receiving a "platinum" classification in the Ministry of Human Resource and Social Development Nitaqat program after calculating the Saudization process. We are committed to achieving government policies on Saudization, for which reason the training of Saudi capacities are a high priority for the Company.



### Recruitment analysis based on gender 2021



### Recruitment analysis based on age 2021



**We fortify the relationships we have established with our customers, partners, and the community. We believe it is critical to understand the value they deliver and reward their commitment to solutions by stc.**

**Customers**

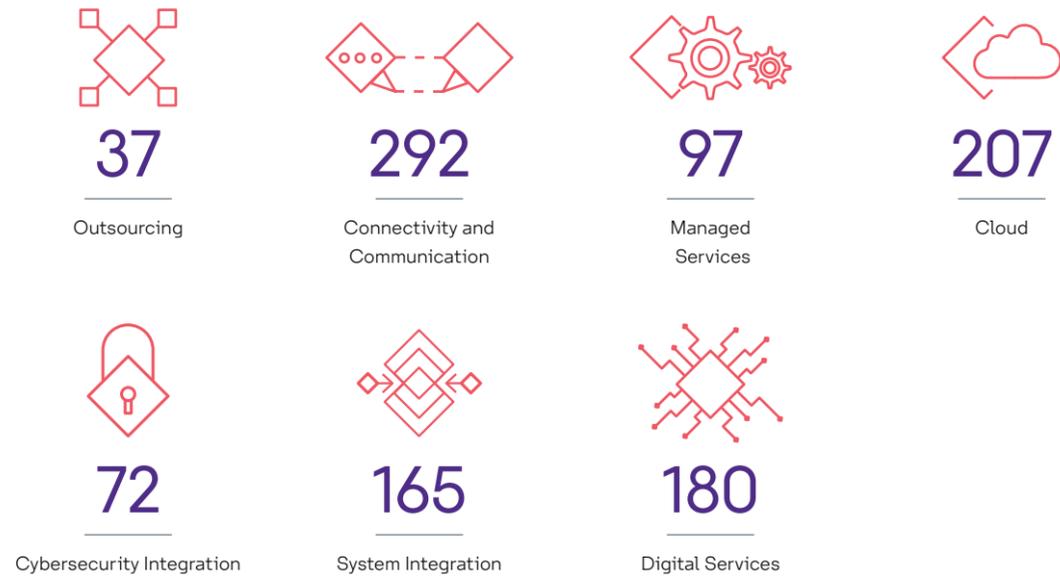
**Diverse customer base**

solutions by stc leads the ICT market in the KSA with a 18.8% share and a CAGR of 22% (3-year) of net revenue: the highest among systems integrators across the Kingdom. The Company offers comprehensive solutions across (i) Core ICT services, including systems integration, communications and internet, (ii) Information Technology services and managed operational services, including outsourcing and managed services, (iii) Digital services, including cloud services and Cybersecurity Integration.

The customer base comprises mainly government and semi-government, private sector and institutional customers, as well as Small and Medium Enterprises (SMEs). Net revenues from government and semi-government customers in 2021 was 54% of the Company's total net revenues, and revenues from private sector customers for the year accounted for 17% of the total net revenues.

Given on the following pages are details pertaining to our total number of customers, which have been subdivided into a number of categories.

Customers by business line



By Segment

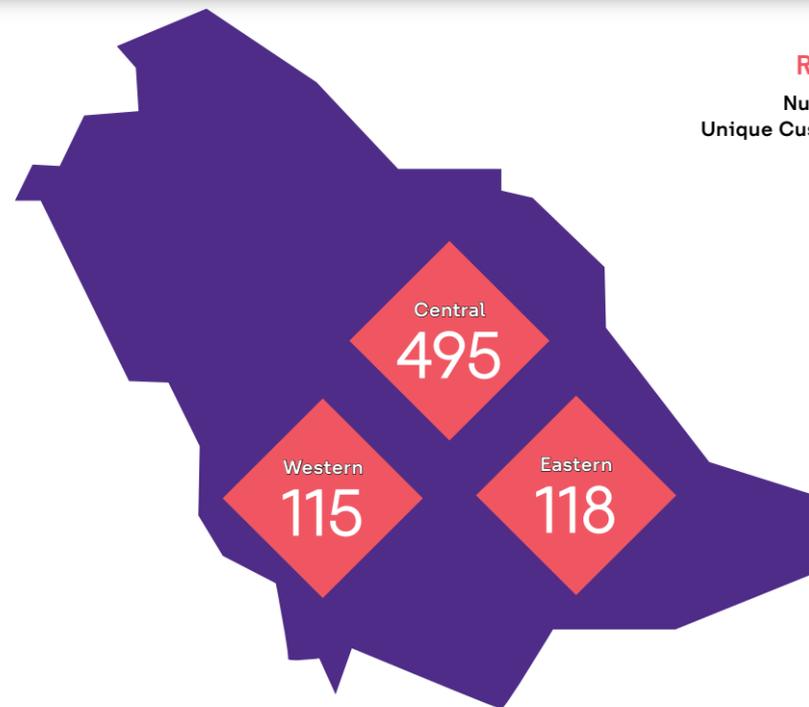
Number of Unique Customers – 2021



Only customers with whom solutions by stc won a purchase order (PO) in 2021 were counted.

Region

Number of Unique Customers – 2021



As the country's market leader in ICT, the Company is present in all geographic regions. In 2021, the Company won 1,453 opportunities across its business lines.

Focus on customer relations

The Company considers customer relations as a key strategic imperative and takes a 360° view of the customer journey, covering all related stakeholders. This encompasses the entire value chain from product development, product and service partner ecosystem, suppliers, employees, right through to creating a delightful customer experience. The Company is of the firm view that its success and continued growth are dependent on its identification of customers' current and emerging needs, monitoring changes in ICT and related technologies and trends, thereby offering solutions that are relevant, up-to-date, cost-effective and meeting the highest performance criteria. The Company's growth strategy is focused on enhancing its offerings through innovation and

using the very latest in technology that meet customer's needs. At the vanguard of the Company's customer engagement effort is the sales force, which has been divided into distinct teams serving the government sector and private sector, which are in turn subdivided into specific industry or technology related teams.

Understanding customer needs

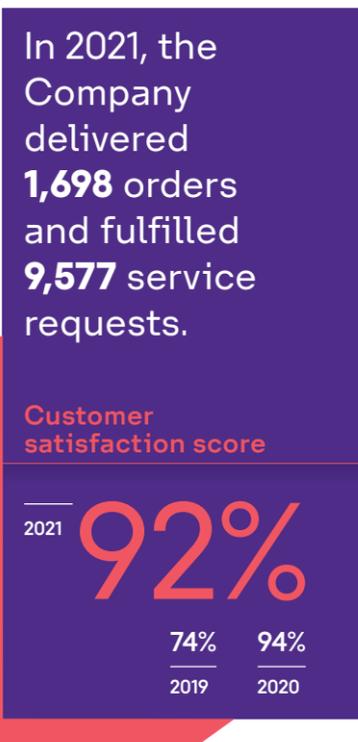
As part of the Company's overall strategic direction, current and evolving needs of customers are assessed through in-depth market research, which enables it to identify new markets; diversify its customer-base, including SMEs; develop cross-selling opportunities; expand sales channels, and enhance its offerings, including off-shelf products, as well as bundling digital and connectivity devices.

In addition, customer satisfaction and experience are captured across multiple touchpoints and the most important KPIs shared with the relevant solutions by stc executives to make sure that the issues are addressed in a timely and effective manner. Customer experience is further enhanced by managing and governing data in the context of customer relationships, thereby offering a clear conception of customers' needs.

The Company also serves as a one-stop-shop to customers by offering multiple product and service lines, as well as cross-selling across business lines which cover a broad spectrum of customers' needs. As the country's market leader in ICT, the Company is present in all geographic regions. In 2021, the Company won 1,453 opportunities across its business lines, reinforcing the Company's strategy of providing a range of services to clients.

Our clients are provided with a per-product Service Level Agreement (SLA) customized based on each product domain and its nature with the purpose of delivering exceptional services to customers, monitoring and acting on performance metrics to ensure expectations and obligations are fulfilled. As we strive to exceed our customers' expectations, we keep an eye on the SLA performance results as they help us to gain insights on enhancing our products, introducing new features, as well as adopting strict internal KPIs.

Frequent surveys are also conducted to assess the overall customer experience across their lifecycle, and the results shared with them for further feedback. Surveys are carried out to monitor the level of success of each transaction, in addition to analysis of customer bases in terms of business units, verticals, expenditures, services used, etc. Appraisal of the customer's value to the business is undertaken in terms of the sector, service provided, net revenue, and net revenue as a percentage of Company's total revenue.



**Enhancing customer satisfaction**

Customer satisfaction is a top priority – one that is integrated into solutions by stc's LEAP strategy (details on pages 25-26 in this Annual Report). In order to ensure our products and services align with the needs of our customers, we have put in place a Delivery Excellence Program.

As part of the program, we review and enhance our internal practices for all project delivery activities. We also assess the quality of our relationships with customers, partners, and subcontractors and implement new initiatives to strengthen these relationships.

The following was accomplished under the Delivery Excellence Program. The achievements noted below are testament to the sound relationships we have established so far:

1. **TM Forum Certificate** - for demonstrated conformance in "Resource Capability Delivery" and "Customer Problem Handling"

2. Selected as a finalist for the **PMI Project of the Year Award** for its mega project "Dammam-7 Supercomputer". Only two other companies have been chosen worldwide
3. Received "**Highly Commended Status**" for our project which was part of Glotel Delivery Perfection

solutions by stc also uses the following platforms to manage, monitor, and measure customer and partner relationships:

- **ERP Platform:** for raising invoices and tracking payments
- **CRM Platform:** covering all customer oriented and sales related activities
- **Azer:** for customer service management on an end-to-end basis
- **Sahel:** customer-facing tool for outsourced employees to access Admin/HR functions
- **C Zone:** for customers to track their projects and outsourced employees. C Zone may be merged with Sahel at a future date.

**Supporting customers during the COVID-19 pandemic**

During the height of the pandemic, the Company introduced a number of initiatives with a view to ensuring business continuity and streamlined operations. This included remote working for all staff to ensure delivery of all critical projects within agreed deadlines and costs. All staff were vaccinated in due course and instructed to follow guidelines and precautions announced by the Ministry of Health. Regular meetings were held with clients to assess their urgent requirements and deliver projects on time.

**Impact of IPO on customer relationships**

The IPO has served to strengthen the position of solutions by stc as the market leader and the partner of choice for customers. It has also strengthened the customer relationship strategy, offering a renewed focus on an all-encompassing 360° view of customers' experience and relationships, resulting in the implementation of best practices and benchmarks to ensure best-in-class delivery and solutions.

**Awards and Recognition**

In recognition of the quality of the brand and the services provided, solutions by stc has won the following awards from 2018 to 2021:

**2018-2021 Among the highest ranked in the KSA**

for compliance with cybersecurity controls (evaluated by the National Cybersecurity Authority)

**2019 Committed to Excellence:**

First ICT company in the KSA to be recognized by the European Foundation for Quality Management (EFQM)

**2015-2020 Ranked number 1 IT service provider in the KSA**

**2021 Achieved "Cisco Customer Experience Specialization" certificate**

**Rated 1st in Privacy of Personal Data in CITC Privacy Assessment**

**Reliable systems and processes**

Establishing solid systems is key to ensuring our customers' data is secure and their concerns are resolved in a timely manner. solutions by stc has garnered recognition both locally and internationally for maintaining high standards with regard to Operations and Managed Services (MS). The Company has gained the trust of its customers across the Kingdom because:

- It has 300 FTEs with +465 Technical Certifications
- It owns the biggest cloud environment in the KSA
- It operates Tier IV data centers in Riyadh and Jeddah with a combined area of 4,000+ square meters
- It has a round-the-clock Network Operations Center managing the most MS business in the KSA
- It has field ops across the Kingdom with 20 dispatch locations to deliver solutions by stc services

- It owns the biggest unified communication platform hosted by Cisco in KSA
- It owns the first operations center to obtain HIPAA certification in KSA
- It is managing 222 Managed Services Projects serving multiple segments
- It achieved all Division's KPIs with high score value
- It operates one of the top 10 Supercomputers in the world

The recognition received was made possible because the Company has put in place a sound support model which consists of:

- Incident Management 909 – Azer
- On Site/Remote Support
- 24/7 Support
- Proactive Support
- Review and Escalation
- Customer Review and Satisfaction Survey
- Quality Analysis and Operation Relations Management (ORM)

The recognition we received is as follows:

### Customer data and technology disruptions

As an IT services provider, the Company collects and processes personal data and other data from present and prospective customers. The Company rigorously adheres to the KSA laws and regulations relating to data protection, data localization, and Cybersecurity Integration requirements.

The Company is aware that any failure or breakdown of its information and technology systems and data center operations, including network, storage, and server operations, could impact the Company's ability to optimize its services to customers. This could result in a significant slowdown in their operational and management efficiencies, results of operations, and financial position. The related safeguards that have been put in place are in compliance with the KSA laws and regulations.

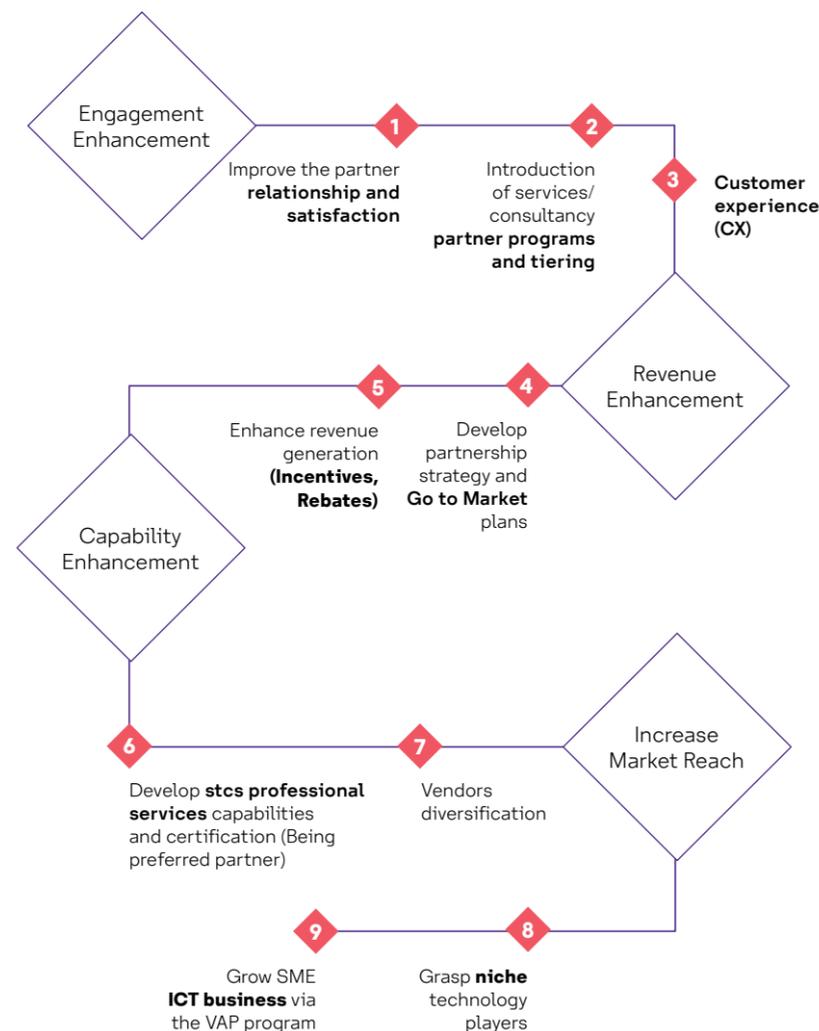
### Partners

Ensuring the highest quality of its customer offerings, solutions by stc is diligently focused on developing and maintaining robust partner ecosystems, and cultivating strong bonds with its suppliers, including global technology vendors. The partner ecosystem consists of over 150 global and local technology innovators. The Company generates the highest revenue for major technology providers such as Cisco, Fortinet, PaloAlto, DellEMC, VMWare, IBM, Huawei, and Microsoft. The Company acts as a value-added reseller for SME customers through its relations with such providers. Leveraging its relationship with stc, the Company is able to access specific opportunities and large projects.

The Company's Partnership and Alliance Department has devised its key objectives to address four domains: Engagement Enhancement; Revenue Enhancement; Capability Enhancement; Increase Market Reach:

**Below are the resolutions KPIs for service availability.**

KPI	Numbers	Resolved within KPIs
Number of incidents resolved within product resolution	121,309	99.9%
Total number of incidents	121,314	
Number of service requests fulfilled within product fulfilment	11,260	99.9%
Total number of fulfilled requests	11,263	



### Robust partner and supplier ecosystem

solutions by stc obtains a range of products and services from reputed global technology vendors, which are integrated into the solutions offered to customers. Strategic partners are measured periodically using the "Partners Ranking Process", which evaluates their performance based on five main criteria:

1. Revenue
2. Number of transactions – which indicates level of business engagement
3. Profitability - which help us to maneuver among partners delivering similar technologies
4. Investment and incentives - that help us to evaluate partners' spending on marketing activities that improve leads generations, as well as incentives that help us improve our margin and profitability
5. Subjective criteria depend on answering following three measures:
  - a. Does vendor technology align with solutions by stc objectives?
  - b. Is the partner considered a leader in aligned technologies?
  - c. Is there a high level of communication and trust?

Total purchases from top 10 suppliers were SAR 2,076,585,010, SAR 2,018,897,890, and SAR 2,468,905,306 in 2018, 2019 and 2020, respectively. Based on the total value of purchases for 2018-2020 (SAR) the Company's Top Ten (10) Suppliers for the financial years ended 31 December 2018, 2019 and 2020:

1. Microsoft
2. Cisco
3. HPE
4. CRAY Inc.
5. Oracle
6. DellEMC
7. Juniper Networks
8. Huawei
9. Ericsson AB
10. IBM

Among these, the relationship with Cisco and HPE dates back to 2010 and IBM dates back to 2011.

The General Authority for SMEs ("Monshaat") is a useful resource for screening suppliers. By utilizing this resource, we are also contributing towards the goals set out in Vision 2030, which envision a greater contribution by SMEs to the market. However, we also conduct our own research when screening suppliers.

In addition to this Process, the Company conducts bimonthly business plan reviews, which provides a 360° view of partner relationship based on a range of similar criteria.

**OEM Tier 1**

DELL EMC | Microsoft | vmware | SAP | CISCO

**OEM Tier 2**

HUAWEI | IBM | Hewlett Packard Enterprise | redhat | ORACLE | NUTANIX | FORTINET | JUNIPER NETWORKS | TREND MICRO | FIREEYE | CLOUDERA | COMMSCOPE | paloalto | splunk > | NetApp | SAS | software | NVIDIA

**OEM Tier 3** > 100 Partners

We screen the best supplier to suit the specific business needs based on the following:

- Competency
- Capacity
- Quality and reliability
- Capability
- Distribution network
- Geographical reach

**Total procurement spending (SAR)**

4,314 million

4,141 million	3,560 million
2020	2019
2,928 million	
2018	

**Amount spent on local suppliers (SAR)**

2,676 million

2,671 million	2,205 million
2020	2019
1,683 million	
2018	

**Number of local suppliers (Nos.)**

439

417	424
2020	2019
417	
2018	

**Percentage of total procurement spending on local suppliers (%)**

62.04

64.5	61.93
2020	2019
57.49	
2018	



**The Company is focused on formulating community engagement and involvement programs which will lead to transformational changes among the employees, customers, and the greater community, focusing on strengthening its relationships with all stakeholders.**

**Sustainability**

Vision 2030 of the Kingdom of Saudi Arabia is built around three primary themes: a vibrant society, a thriving economy, and an ambitious nation. In keeping with this vision, solutions by stc, began its transition from conventional Corporate Social Responsibility (CSR) to formalized and strategic sustainability practices, incorporating salient aspects of the UN's Sustainable Development Goals (SDGs) as well. This was envisioned to create the required transformation in the economy, people, and planet, while meeting stakeholders' expectations. The Company has formulated a strategic action-plan within the framework of Environmental, Social, and Governance (ESG) principles to accomplish these farsighted and far-reaching objectives. Achieving a greater Social Return on Investment (SROI) will form the ideological framework of all initiatives

undertaken in this regard. This will help solutions by stc to identify more efficient and effective uses of its capital and other resources to create greater and lasting value for all stakeholders, including a vastly enhanced quality of life for the wider community in addition to enriching the environment.

Considering the broader implications of the ICT industry in the evolution of the Kingdom's economy and its people, solutions by stc has a significant role to play in achieving such goals. The Company is fully focused on formulating community engagement and involvement programs which lead to transformational changes among the Company's employees, customers, and the community. Achieving greater equity for the brand and the Company's

reputation also form an important aspect of this program. This will go a long way in terms of developing strategically important skills and domain expertise within the Company, while strengthening its relations with all stakeholders, as well as the wider community. Such programs also have the broader, beneficial objective of embedding a deeply entrenched culture of ethics, integrity, sincerity, and empathy, while also being regarded as a model corporate citizen, whose actions are worthy of emulation.

Among external stakeholders, marginalized communities will form the main focus of attention for the Company. The creation of ethical business practices and adopting a Social Return on Investment (SROI) approach and SROI methodology will be rigorously followed. The objective is to bring about a cultural shift among businesses

and the adoption of sustainable practices based on the "Circular economy" approach. This will entail an unwavering focus on the three principles required for making the successful transition to a circular economy: eliminating waste and pollution, circulating products and materials, and the regeneration of nature. This will offer a contrasting and more beneficial alternative to the linear economy model followed by most businesses.

During the course of 2022, the Company is committed to following a strategic CSR program based on sustainability practices that create lasting benefits to the environment and society. The Company will use social investment methodologies and SROI tools for planning, implementing, and monitoring the impact and viability of projects. This will include establishing the scope and identifying key stakeholders, mapping and evaluating outcomes,

establishing the impact, and embedding best practices within each project. Having a shared value-based approach with internal and external partners, along with integrating stakeholders with continuous communication and learning will result in a robust and holistic approach to improving outcomes. Our expertise in ICT, especially a data driven approach, will be invaluable to ensuring better, measurable, and durable outcomes.

The Company places strong emphasis on the active engagement of employees in its CSR projects. This involves comprehensive training and skills development on the subject through the HR Department, clearly identifying and communicating the goals of each project and the envisaged outcomes, monitoring and sharing the achievement of goals, and creating a sense of

ownership of the project in addition to sharing the outcomes with the outside world. This will be carried out with external collaborators within the KSA in facing the critical challenges of the projects.

## Corporate Governance

### Board of Directors

solutions by stc is managed by a Board of Directors consisting of nine (9) Directors, classified according to the definitions contained in the Corporate Governance Regulations issued by the Capital Market Authority in the Kingdom of Saudi Arabia, and appointed by the Conversion General Assembly of Shareholders held on 22 December 2020. The tenure of Directors, including the Chairman, shall be a maximum of three (3) years for each session. As an exception, the Conversion General Assembly shall appoint the first Board of Directors for five (5) years, and they may be reappointed unless otherwise provided in the Company's by-laws. The current five-year session of the Board of Directors commenced on 22 December 2020 and ends on 21 December 2025.

### Composition of the Board of Directors, the nature and classification of their membership

Name	Nature of membership	Membership classification
1. Mr Riyadh Saeed Muawad	Chairman of the Board	Non-executive member
2. Mr Haithem Mohammed AlFaraj	Deputy Chairman of the Board	Non-executive member
3. Mr Emad Oudah AlOudah	Board Member	Non-executive member
4. Mr Omar Abdulaziz AlShabibi	Board Member	Non-executive member
5. Mr Mathad Faisal AlAjmi	Board Member	Non-executive member
6. Mr Mohammed Abdullah AlAbbadi	Board Member	Non-executive member
7. Mr Mohammad Abdullah Alaseeri	Board Member	Independent member
8. Mr Abdullatif Ali Al-Saif	Board Member	Independent member
9. Mr Fahad Suleiman Alamoud	Board Member	Independent member

## Board Members, Committee Members and Executive Management current and previous positions, qualifications, and experience

### Board and Committee Members



**Mr Riyadh Saeed Muawad**  
Chairman of the Board/Non-executive

#### Current positions

- ▶ Chairman of the Board – solutions by stc
- ▶ Chairman of the Executive Committee – solutions by stc
- ▶ Chairman of the Board of Directors - specialized by stc
- ▶ Chief Business Officer – stc

#### Previous positions

- ▶ Vice President – Corporate and Government Sales at stc
- ▶ Board Member – Kuwait Telecom Company (stc Kuwait)
- ▶ Held the following positions at Cisco Saudi Arabia Limited,
  - Regional Manager
  - Security and Defense Sales Manager
  - Account Manager
- ▶ Account/Channel Manager – CA Technologies
- ▶ Account Manager - National Technology Company (Bugshan Group)

#### Qualifications

Bachelor's degree in Computer Science, Boston University, USA

#### Experience

17 years of experience in the Information and Communication Technology industry.



**Mr Haithem Mohammed Alfaraj**  
Deputy Chairman of the Board/Non-executive

**Mr Emad Aoudah Aloudah**  
Board Member/Non-executive

Current positions	Previous positions	Qualifications	Experience	Current positions	Previous positions	Qualifications	Experience
<ul style="list-style-type: none"> <li>▶ Deputy Chairman of the Board - solutions by stc</li> <li>▶ Member of the Executive Committee - solutions by stc</li> <li>▶ Chairman of Board of Directors - sirar by stc</li> <li>▶ Member of the Board of Directors - Telecommunication Tower Co. Ltd (TAWAL)</li> <li>▶ Chief Technology Officer - stc</li> <li>▶ Member of Advisory Board - C4IR, KSA</li> </ul>	<ul style="list-style-type: none"> <li>▶ Member of the Board of Directors - Specialized by stc</li> <li>▶ Vice President of Operations - stc</li> <li>▶ Held a number of positions at Etihad Etisalat Company (Mobily) including,                             <ul style="list-style-type: none"> <li>- Chief IT Operations Officer</li> <li>- Vice President of Data Hosting and Managed Services</li> <li>- Vice President of IT Operations</li> <li>- Director of the Data Center</li> <li>- Manager - Systems Administration</li> </ul> </li> <li>▶ Systems Analyst - Saudi Arabian Oil Company (Aramco)</li> <li>▶ Project Engineer - Lucent Technologies</li> </ul>	<p>Bachelor's degree in Applied Computer Engineering, KFUPM, the KSA.</p>	<p>21 years of experience in the following industries:</p> <ul style="list-style-type: none"> <li>▶ Information and Communication Technology</li> <li>▶ Petroleum</li> </ul>	<ul style="list-style-type: none"> <li>▶ Member of the Board - solutions by stc</li> <li>▶ Member of the Executive Committee - solutions by stc</li> <li>▶ Vice President of Procurement and support Services - stc</li> <li>▶ Member of the Board of Directors and Executive Committee Member - Arab Satellite Communications Organization (Arabsat)</li> </ul>	<ul style="list-style-type: none"> <li>▶ Held the following positions at stc,                             <ul style="list-style-type: none"> <li>- Vice President for Regulatory &amp; Corporate Affairs</li> <li>- Vice President for Strategy &amp; Projects (Acting)</li> </ul> </li> <li>▶ Chairman of the Board - stc channels</li> <li>▶ Chairman of the Board - stc Gulf Investment Holding</li> <li>▶ Member of the Board - Bravo Company</li> <li>▶ Member of the Board - Aqalat Real Estate Company</li> <li>▶ Member of the Board - stc specialized</li> <li>▶ President/CEO - National Unified Procurement Company for Medical Supplies (NUPCO)</li> <li>▶ General Manager of Electronic Publishing Channels &amp; cheif of IT</li> <li>▶ General Manager - Saudi Information Technology Company (SIT)</li> <li>▶ Public Sector Marketing and Sales Country Manager - Oracle</li> <li>▶ Program Manager - Saudi Central Bank</li> </ul>	<p>Bachelor's degree in Information Systems, King Saud University, the KSA.</p>	<p>More than 30 years of experience in multiple industries such as;</p> <ul style="list-style-type: none"> <li>▶ Information and Communication Technology</li> <li>▶ Finance</li> <li>▶ Health</li> <li>▶ Publishing</li> <li>▶ Real Estate</li> </ul>



**Mr Omar Abdulaziz Alshabibi**  
Board Member/Non-executive

**Mr Mathad Faisal Alajmi**  
Board Member/Non-executive

Current positions	Previous positions	Qualifications	Experience
<ul style="list-style-type: none"> <li>Member of the Board – solutions by stc</li> <li>Member of the Audit Committee – solutions by stc</li> <li>Member of the Nomination and Remuneration Committee – solutions by stc</li> <li>Member of the Board of Directors – stc Gulf Investment Holding</li> <li>Member of the Board of Directors – Telecom Commercial Investment Company Limited</li> <li>Vice President – Financial Reporting and Control sector, stc</li> </ul>	<ul style="list-style-type: none"> <li>Member of the Board of Directors – stc Pay</li> <li>Head of Audit Committee – stc Pay</li> <li>Member of the Board of Directors – Safayer Company Ltd</li> <li>General Manager of Accounting – stc</li> </ul>	<p>Bachelor's degree in Accountancy, King Saud University, the KSA.</p>	<p>23 years of experience in multiple industries such as;</p> <ul style="list-style-type: none"> <li>Information and Communication Technology</li> <li>Finance</li> </ul>

Current positions	Previous positions	Qualifications	Experience
<ul style="list-style-type: none"> <li>Member of the Board – solutions by stc</li> <li>Member of the Audit Committee – solutions by stc</li> <li>Member of the Board and Member of the Audit Committee – Intigral</li> <li>Chief Legal Officer and General Counsel – stc</li> </ul>	<ul style="list-style-type: none"> <li>Board Member and Audit Committee Member – Saudi Iron &amp; Steel Co. (Hadeed)</li> <li>Held the following positions at Saudi Basic Industries Corp (SABIC):                             <ul style="list-style-type: none"> <li>General Manager and Chief Counsel</li> <li>Director, International Trade</li> <li>Senior Council and Manager, International Trade</li> <li>Lawyer</li> </ul> </li> <li>Member of International Trade Committee – Gulf Petrochemicals and Chemicals Association (GPCA)</li> <li>Foreign Legal Consultant (Part-time) – King &amp; Spalding (USA)</li> <li>Foreign Legal Consultant – Freshfields (Germany)</li> <li>Vice President and General Counsel of Legal Affairs – stc</li> </ul>	<p>Master of Laws in International Intellectual Property Law, Illinois Institute of Technology, USA.</p>	<p>21 years of experience in multiple industries such as;</p> <ul style="list-style-type: none"> <li>Petrochemical</li> <li>Legal</li> <li>Non-Profit</li> <li>Information and Communication Technology</li> </ul>

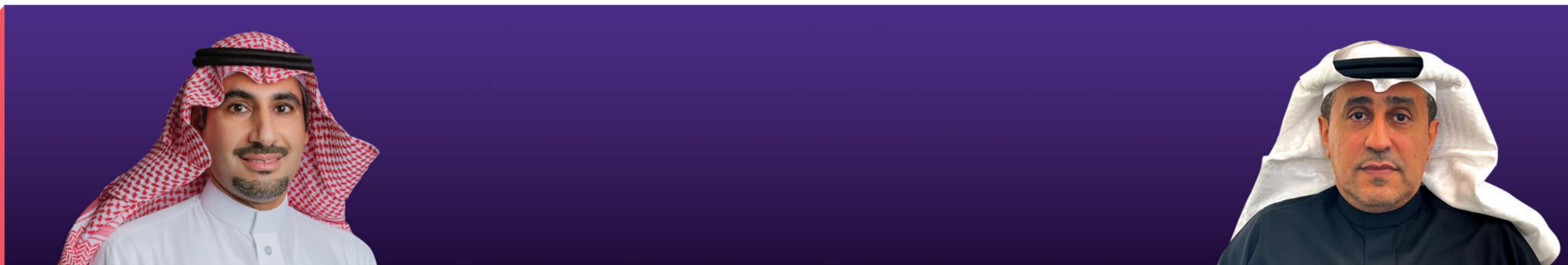


**Mr Mohammed Abdullah Alabbadi**  
Board Member/Non-executive

**Mr Mohammad Abdullah Alaseeri**  
Board Member/Independent

Current positions	Previous positions	Qualifications	Experience
<ul style="list-style-type: none"> <li>▶ Member of the Board – solutions by stc</li> <li>▶ Member of the following committees at solutions by stc at solutions by stc                             <ul style="list-style-type: none"> <li>– Executive Committee</li> <li>– Nomination and Remuneration Committee</li> </ul> </li> <li>▶ Member of the Board of Directors – Saudi Volunteer Organization (Takatuf)</li> <li>▶ Member of the Board of Directors – Specialized by stc</li> <li>▶ Chief Wholesale Officer – stc</li> </ul>	<ul style="list-style-type: none"> <li>▶ Director at stc Pay</li> <li>▶ Director at solutions by stc</li> <li>▶ Held the following positions at stc:                             <ul style="list-style-type: none"> <li>– VP of Strategy Execution and Corporate Affairs</li> <li>– VP of Strategic Projects &amp; Corporate Performance</li> </ul> </li> <li>▶ Chairman – Aqalat Company Limited (Aqalat)</li> <li>▶ Held the following positions at Cisco Saudi Arabia Limited,                             <ul style="list-style-type: none"> <li>– CEO</li> <li>– Deputy General Manager</li> <li>– Operations Director (Public Sector)</li> <li>– Regional Manager of the Education Sector</li> <li>– Regional Manager of the Education and Defense Sector</li> <li>– Regional Manager for the Local Government Sector</li> <li>– Channels Account Manager</li> <li>– Marketing Manager</li> </ul> </li> </ul>	<p>MBA, IE University, Spain</p>	<ul style="list-style-type: none"> <li>▶ 23 years of experience in multiple industries such as;                             <ul style="list-style-type: none"> <li>▶ Information and Communication Technology</li> <li>▶ Finance</li> <li>▶ Real Estate</li> </ul> </li> </ul>

Current positions	Previous positions	Qualifications	Experience
<ul style="list-style-type: none"> <li>▶ Member of the Board – solutions by stc</li> <li>▶ Member of the Executive Committee – solutions by stc</li> <li>▶ Strategies and Digital Transformation Advisor to HE the Vice Minister of Municipal and Rural Affairs and Housing</li> </ul>	<ul style="list-style-type: none"> <li>▶ General Manager – Research and Consulting at Traveler Security Center</li> <li>▶ Held the following positions at The Ministry of Education,                             <ul style="list-style-type: none"> <li>– Policy, Technology, and Strategy Advisor</li> <li>– General Manager of the Strategy Management Office</li> </ul> </li> <li>▶ Held the following positions at The National Information Center,                             <ul style="list-style-type: none"> <li>– Director of Business Development</li> <li>– Policy, Technology and Strategy Advisor</li> <li>– Director of Identity Program</li> <li>– Solutions Architect (National Identity Project)</li> <li>– Deputy Director for Research, Development and Technical Studies</li> <li>– Technical Director (Machine Readable Passport Project)</li> <li>– Design Engineer</li> </ul> </li> </ul>	<p>Master's degree in Computer Engineering, Syracuse University, USA.</p>	<ul style="list-style-type: none"> <li>▶ 35 years of experience in multiple industries such as;                             <ul style="list-style-type: none"> <li>▶ Information and Communication Technology</li> <li>▶ Education</li> <li>▶ Real Estate</li> </ul> </li> </ul>



**Mr Abdulatif Ali Alseif**  
Board Member/Independent

**Mr Fahad Suleiman Alamoud**  
Board Member/Independent

Current positions	Previous positions	Qualifications	Experience	Current positions	Previous positions	Qualifications	Experience
<ul style="list-style-type: none"> <li>Member of the Board – solutions by stc</li> <li>Chairman of the Audit Committee – solutions by stc</li> <li>Managing Director and CEO – Sabeen Investment Company</li> <li>Member of the Board of Directors – Arabian Cement Company (ACC)</li> <li>Member of the Board of Directors – National Petrochemical Company (Petrochem)</li> <li>Member of the Board of Directors – Wisayah Global Investment Company</li> <li>Member of the Board of Directors – Al Rajhi Bank</li> <li>Vice Chairman – Riva Investment</li> <li>Board Member – Alothaim Investment Company</li> <li>Board Member – Alnahdi Medical Company</li> </ul>	<ul style="list-style-type: none"> <li>CEO and Board Member – Raidah Investment Company investment (RIC)</li> <li>Investment Advisor – Public Pension Agency</li> <li>Vice President and Chief Investment Officer – King Abdullah Humanitarian Foundation</li> <li>Director of Portfolio Management – Mohammed I. Alsubeaei &amp; Sons Investment Company (MASIC)</li> <li>Held the following positions at Saudi Aramco,                             <ul style="list-style-type: none"> <li>Head of Portfolio Management, Investment Management Division</li> <li>Financial Analyst, Credit &amp; Collection Division</li> <li>Financial Analyst, Investment Management Division</li> </ul> </li> <li>Member of the Board of Directors – HSBC Saudi Arabia</li> <li>Portfolio Manager – KAUST Investment Management Company</li> </ul>	<p>MBA (Majoring in Finance), Boston University, USA</p>	<ul style="list-style-type: none"> <li>20 years of experience in multiple industries and sectors such as;                             <ul style="list-style-type: none"> <li>Finance</li> <li>Petroleum</li> <li>Materials</li> <li>Humanitarian</li> <li>Government and Public sectors</li> <li>Petrochemical</li> <li>Information and Communication Technology</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Member of the Board – solutions by stc</li> <li>Chairman of the Nomination and Remuneration Committee – solutions by stc</li> <li>CEO – Saudi Company for Visa and Travel Solutions (TASHIR)</li> <li>Member of the Board of Directors - Saudi Visa &amp; Travel Solution Limited (in Bangladesh)</li> <li>Member of the Board of Directors - The Saudi International Company for Completion and Follow-up of Visa Procedures and Approvals for Embassies (in Kuwait)</li> </ul>	<ul style="list-style-type: none"> <li>CEO - Sehati for Information Technology Services</li> <li>Delivery and Operations Director – Saudi Technology and Security Comprehensive Control Company (Tahakom)</li> <li>ICT Director – The Ministry of Transport</li> <li>Held the following positions at the Ministry of Foreign Affairs,                             <ul style="list-style-type: none"> <li>Deputy ICT Director</li> <li>Assistant ICT Manager and Director of E-Services Department</li> <li>Quality Control Department Manager</li> <li>E-Government Project Manager</li> <li>Development Team Leader</li> <li>Systems Analyst and Programmer</li> </ul> </li> </ul>	<p>Bachelor's degree in Information Systems, King Saud University, the KSA.</p>	<ul style="list-style-type: none"> <li>23 years of experience in multiple industries and sectors such as;                             <ul style="list-style-type: none"> <li>Government and public sectors</li> <li>Information and Communication Technology</li> <li>Travel and Tourism</li> </ul> </li> </ul>

## Executive Management



**Omer Abdullah Alnomany**

**Current position**  
Chief Executive Officer

**Previous position**  
Vice President of Information Technology at stc

**Qualifications**  
Bachelor's degree in Computer Engineering, King Saud University, the KSA, 1994

Senior Executive Leadership Program, Harvard University, USA, 2020

**Experience**  
28 years



**Fahad Abdulaziz Alhajeri**

**Current position**  
Vice President of Digital Solutions

**Previous position**  
Vice President of Strategy and Planning at solutions by stc

**Qualifications**  
Master's degree in Business Administration, Al Faisal University, the KSA, 2015

**Experience**  
20 years



**Jehad Salem Altwairki**

**Current position**  
Vice President of Business Solutions

**Previous position**  
Unit Manager at IBM

**Qualifications**  
Bachelor's degree in Information Systems Management, King Saud University, the KSA, 1999

**Experience**  
23 years



**Ahmed Naji Bajnaid**

**Current position**  
Vice President of Operations and Managed Services

**Previous position**  
General Manager of Operations at solutions by stc

**Qualifications**  
Bachelor's degree in Computer Engineering, King Abdulaziz University, the KSA, 2003

**Experience**  
19 years



**Abdulrahman Hamad Alrubaia**

**Current position**  
Chief Financial Officer

**Previous position**  
Director of the Financial Accounting Department at solutions by stc

**Qualifications**  
Bachelor's degree in Accountancy, King Saud University, the KSA, 2003

**Experience**  
18 years



**Muataz Abdullah Aldharrab**

**Current position**  
Vice President of Corporate Strategy and Performance

**Previous position**  
General Manager of Corporate Governance and Customer Success at solutions by stc

**Qualifications**  
MBA, Prince Sultan University (PSU), the KSA, 2014

**Experience**  
15 years



**Saleh Abdullah Alzahrani**

**Current position**  
Vice President of Solutions Delivery

**Previous position**  
Vice President of Business Excellence at solutions by stc

**Qualifications**  
Bachelor's degree in Computer Engineering, King Saud University, the KSA, 1994

**Experience**  
28 years



**Saleh Tariq Algoony**

**Current position**  
Vice President of Business Excellence

**Previous position**  
General Manager of Human Capital Management at solutions by stc

**Qualifications**  
Bachelor's degree in Computer Science, KFUPM, the KSA, 2010

**Experience**  
13 years



**Thamir Mohammed Alhammad**

**Current position**  
Vice President of Business Outsourcing

**Previous position**  
Vice President of Telecom Services at solutions by stc

**Qualifications**  
Bachelor's degree in Electrical Engineering, King Saud University, the KSA, 2001

**Experience**  
21 years



**Alma Saeed Almoter**

**Current position**  
Chief Audit Executive

**Previous position**  
General Manager of Business Unit Audit at stc

**Qualifications**  
Master's degree in Accounting, Griffith University, Australia, 2007

**Experience**  
26 years

### Committees Member from outside the Board of Directors

#### Mr Abdullah Alenzi Audit Committee

Current position	Previous positions	Qualifications	Experience
<ul style="list-style-type: none"> <li>Chief Audit Executive – stc Group</li> </ul>	<ul style="list-style-type: none"> <li>Senior Manager at SAMBA Financial Group</li> <li>Held the following positions at stc,                             <ul style="list-style-type: none"> <li>General Manager, Network and Information Systems Audit</li> <li>General Manager, Investment and Operational Audit</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Executive Masters of Business Administration, King Fahd University of Petroleum &amp; Minerals, the KSA.</li> </ul>	<ul style="list-style-type: none"> <li>25 years of experience in multiple domains such as:                             <ul style="list-style-type: none"> <li>Governance and Risk Management</li> <li>Information Technology</li> </ul> </li> </ul>

#### Mr Fahad Alghamdi Nomination and Remuneration Committee

Current positions	Previous positions	Qualifications	Experience
<ul style="list-style-type: none"> <li>NRC Member – solutions by stc</li> <li>General Manager – stc Business Units</li> <li>Audit Committee Member – Saudi Investment Bank</li> <li>Audit Committee Member – Alahli Capital</li> <li>Audit Committee Member – NADEC</li> <li>Audit Committee Member – SEERA Group</li> <li>NRC Member – AQALAT by stc</li> </ul>	<ul style="list-style-type: none"> <li>Held the following position at stc                             <ul style="list-style-type: none"> <li>General Manager, HR Planning and Organizational Development</li> <li>Director, Workforce Planning</li> <li>Manager, Customer Relationship Management – HR Shared Services</li> <li>HR specialist, Rewards and Performance Management</li> </ul> </li> <li>Held the following positions at Samba Fin. Group,                             <ul style="list-style-type: none"> <li>Account Manager, Corporate Services Unit</li> <li>Group Customer Services Unit, Key Account</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Bachelor's degree in Marketing, King Fahd University of Petroleum &amp; Minerals, the KSA.</li> </ul>	<ul style="list-style-type: none"> <li>Over 20 years of HR experience in industries such as:                             <ul style="list-style-type: none"> <li>ICT (information and Communication Technology)</li> <li>Finance</li> </ul> </li> </ul>

### Name of companies inside and outside the Kingdom in which a Board Member is a member of their current or previous Board or Management

Names of companies in which a Board Member is a member of their current Board or a Management	Inside/ outside the Kingdom	Legal entity (Listed Joint Stock Company/ Unlisted Joint Stock Company/ Limited Liability Company/ Government/ Non-profit organization)	Names of companies in which a Board Member was a member of their previous Board or a Management	Inside/ outside the Kingdom	Legal entity (Listed Joint Stock Company/ Unlisted Joint Stock Company/ Limited Liability Company/ Government/ Non-profit organization)
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#### Mr Riyadh Saeed Muawad

Specialized by stc	Inside	Limited Liability Company	Kuwait Telecom Company (stc Kuwait)	Outside	Listed Joint Stock Company (Kuwait)
stc	Inside	Listed Joint Stock Company	Cisco	Inside	Limited Liability Company
			CA Technologies	Outside	Listed Joint Stock Company (USA)
			National Technology Company (Bugshan Group)	Inside	Limited Liability Company

#### Mr Haithem Mohammed Alfaraj

Sirar by stc	Inside	Limited Liability Company	Specialized by stc	Inside	Limited Liability Company
Telecommunications Tower Co. (TAWAL)	Inside	Limited Liability Company	Etihad Etisalat Company (Mobily)	Inside	Listed Joint Stock Company
stc	Inside	Listed Joint Stock Company	Aramco	Inside	Listed Joint Stock Company
			Lucent Technologies	Outside	Merged with Alcatel to form Alcatel-Lucent

#### Mr Emad Oudah Aloudah

stc	Inside	Listed Joint Stock Company	stc Channels	Inside	Limited Liability Company
Arabian Satellite Communications Organization (Arabsat)	Inside	Limited Liability Company	Aqalat	Inside	Limited Liability Company
			stc spacelized	Inside	Limited Liability Company
			NUPCO	Inside	Limited Liability Company
			Saudi Research and Marketing Group	Inside	Listed Joint Stock Company
			Saudi Information Technology Company (SITE)	Inside	Limited Liability Company
			Oracle	Outside	Limited Liability Company
			Saudi Central Bank	Inside	Government

Names of companies in which a Board Member is a member of their current Board or a Management	Inside/ outside the Kingdom	Legal entity (Listed Joint Stock Company Unlisted Joint Stock Company/ Limited Liability Company Government/ Non-profit organization)	Names of companies in which a Board Member was a member of their previous Board or a Management	Inside/ outside the Kingdom	Legal entity (Listed Joint Stock Company/ Unlisted Joint Stock Company/ Limited Liability Company Government/ Non-profit organization)
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**Mr Omar Abdulaziz Alshabibi**

stc Gulf Investment Holding	Inside	Limited Liability Company	stc Pay	Inside	A closed Joint Stock Company
Telecom Commercial Investment Company Limited	Inside	Limited Liability Company	Safayer Company	Inside	Limited Liability Company
stc	Inside	Listed Joint Stock Company			

**Mr Mathad Faisal Alajmi**

stc	Inside	Listed Joint Stock Company	Saudi Iron and Steel Company (Hadeed)	Inside	A closed Joint Stock Company
Intigral	Inside	Limited Liability Company	Saudi Basic Industries Corp (SABIC)	Inside	Listed Joint Stock Company
			Gulf Petrochemicals and Chemicals Association (GPCA)	Outside	A closed Joint Stock Company
			King and Spalding	Outside	International Law Firm
			Freshfields	Outside	International Law Firm

**Mohammed Abdullah Alabbadi**

stc	Inside	Listed Joint Stock Company	stc Pay	Inside	A closed Joint Stock Company
Saudi Volunteer Organization (Takatuf)	Inside	Non-profit Organization	Aqalat	Inside	Limited Liability Company
Specialized by stc	Inside	Limited Liability Company	Cisco	Inside	Limited Liability Company

**Mr Mohammad Abdullah Alaseeri**

Municipal and Rural Affairs and Housing	Inside	Government	Traveler Security Center	Inside	Government
			Ministry of Education	Inside	Government
			National Information Center	Inside	Government

Names of companies in which a Board Member is a member of their current Board or a Management	Inside/ outside the Kingdom	Legal entity (Listed Joint Stock Company Unlisted Joint Stock Company/ Limited Liability Company Government/ Non-profit organization)	Names of companies in which a Board Member was a member of their previous Board or a Management	Inside/ outside the Kingdom	Legal entity (Listed Joint Stock Company/ Unlisted Joint Stock Company/ Limited Liability Company Government/ Non-profit organization)
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**Mr Abdulatif Ali Alseif**

Sabeen Investment Company	Inside	A closed Joint Stock Company	King Abdullah Humanitarian Foundation	Inside	Non-profit Organization
Arabian Cement Company (ACC)	Inside	Listed Joint Stock Company	Raidah Investment Company	Inside	A closed Joint Stock Company
Alothaim Investment Company	Inside	A closed Joint Stock Company	HSBC	Inside	A Closed Joint Stock Company
National Petrochemical Company (Petrochem)	Inside	Listed Joint Stock Company			
Wisayah Global Investment Company	Inside	Limited Liability Company			
Al Rajhi Bank	Inside	Listed Joint Stock Company			
Riva Investment Company	Inside	Limited Liability Company			
Alnahdi Medical Company	Inside	A closed Joint Stock Company			

**Mr Fahad Suleiman Alamoud**

Visa and Travel Solutions (TASHIR)	Inside	Limited Liability Company	Sehati	Inside	Limited Liability Company
			Saudi Technology and Security Comprehensive Control Company (Tahakom)	Inside	Limited Liability Company
			Ministry of Transport	Inside	Government
			Ministry of Foreign Affairs	Inside	Government

**Board of Directors meetings and the attendance record of each meeting held during 2021**

Name	Meetings					
	1st Meeting (24 Jan 2021)	2nd Meeting (15 Feb 2021)	3rd Meeting (29 Apr 2021)	4th Meeting (11 Aug 2021)	5th Meeting (03 Nov 2021)	6th Meeting (14 Nov 2021)
1. Mr Riyadh Muawad	✓	✓	✓	✓	✓	✓
2. Mr Haithem Alfaraj	✓	✓	✓	✓	✓	✓
3. Mr Emad Aloudah	✓	✓	✓	✓	✓	✓
4. Mr Mohammed Alabbadi	✓	✓	✓	✓	✓	✓
5. Mr Mathad Alajmi	✓	✓	✓	✓	✓	✓
6. Mr Omar Alshabibi	✓	✓	✓	✓	✓	✓
7. Mr Fahad Alamoud	✓	✓	✓	✓	✓	✓
8. Mr Abdulatif Alseif	✓	✓	✓	✓	✓	✓
9. Mr Mohammad Alaseeri	✓	✓	✓	✓	✓	✓

Date of the latest General Assembly Meeting for the Company was 01 June 2021.

### General Assembly Meetings held during the fiscal year and Board Members who attended them

Name	Meetings		
	1st Meeting (26 Jan 2021)	2nd Meeting (16 Feb 2021)	3rd Meeting (01 Jun 2021)
1. Mr Riyadh Muawad	✓	✓	✓
2. Mr Haithem Alfaraj	✓	✓	✓
3. Mr Emad Alaoudah	✓	✓	✓
4. Mr Mohammed Alabbadi	✓	✓	✓
5. Mr Mathad Alajmi	✓	✓	✓
6. Mr Omar Alshabibi	✓	✓	✓
7. Mr Fahad Alamoud	✓	✓	✓
8. Mr Abdulatif Alseif	✓	✓	✓
9. Mr Mohammad Alaseeri	✓	✓	✓
<b>Audit Committee Member</b>			
1. Mr Abdullah Alenaze	✓	✓	✓

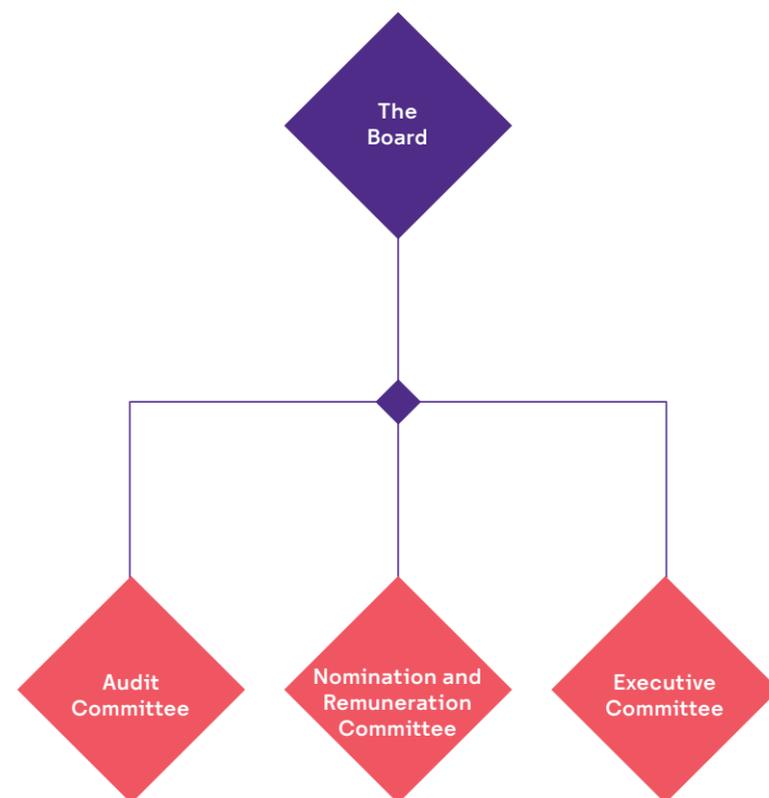
### Procedures taken by the Board to inform its members, especially the non-Executives' suggestions and remarks on the Company and its performance

The Investor Relations team, which reports to the CFO directly was established during the year. The main objective of the department is to act as a mediator between the Company, the investment community, and capital market regulators. We aim to enable further accessibility between shareholders and various stakeholders within the Company through various methods. Investor Relations is responsible for all communications with investors and shareholders, and reports to the Board by providing an update about shareholder activities and remarks periodically. Our stakeholders' views are of paramount importance to us. Shareholder feedback is always considered and incorporated into our department's strategies for long-term value creation. We ensure that we provide our investors with the maximum information possible by giving access to various disclosures through the Investor Relations section of the website, quarterly disclosures, and annual reports.

During the year ending 31 December 2021, the Company did not receive any written proposals or notes from any of the shareholders.

### Board Committees

In accordance with the Corporate Governance Regulations issued by the Capital Market Authority and the Companies Law, the Company has prepared a charter for the Audit Committee, the Nomination and Remuneration Committee, and the Executive Committee, as these charters include the rules for the members of the committee, their term of membership, and their duties. All those charters and regulations were approved by the Board of Directors and the General Assembly of shareholders, as per the Company's by-laws. solutions by stc has three committees as follows:



### Audit Committee

The Audit Committee consists of four (4) members appointed pursuant to an Ordinary General Assembly resolution dated 26 January 2021 and ending 21 December 2025.

The duties and responsibilities of this Committee include the oversight of the internal audit tasks and reports, the implementation of corrective measures for the observations contained therein, and recommending to the Board

of Directors the appointment of Company's External Auditor and his scope of work and annual fees, and reviewing the Company's interim and annual financial statements before submitting them to the Board of Directors. The Committee's responsibilities also include evaluating and ensuring that an effective internal control system is in place and prepared on a sound basis and providing oversight on governance and risk management. During the year, the Audit Committee reviewed the

quarterly financial statements and the annual financial statements and recommended the approval of the Board of Directors. The Committee met with the External Auditor to ensure that the Financial Statements have been prepared in accordance with the accounting standards and that there are no important or material observations on the financial statements. The Audit Committee also discussed the Internal Auditors' Report, which did not contain material observations.

### The Committee is composed of four members and held five meetings during the year 2021, as shown in the following table:

Name	Nature of Membership	Meetings				
		1st Meeting (15 Feb 2021)	2nd Meeting (07 Apr 2021)	3rd Meeting (21 Apr 2021)	4th Meeting (05 Aug 2021)	5th Meeting (19 Oct 2021)
1. Mr Abdulatif Alseif	Chairman	✓	✓	✓	✓	✓
2. Mr Mathad Alajmi	Member	✓	✓	✓	✓	✓
3. Mr Omar Alshabibi	Member	✓	✓	✓	✓	✓
4. Mr Abdullah Alenzi	Member	✓	✓	✓	✓	✓

### Nomination and Remuneration Committee

The Nomination and Remuneration Committee consists of four (4) members appointed pursuant to a Board resolution dated 24 January 2021.

The main purpose of this Committee is to make recommendations to the Board of Directors with regard to nominations to the membership of the Board, its subcommittees and Executive Management in accordance with the approved policies and standards, provided that no person may be nominated if previously convicted of a felony involving moral turpitude;

undertaking the annual review of the skill requirements for the Board of Directors; preparing the description of skills and qualifications required for Board membership including determination of the time that the Board Member should dedicate to the business of the Board; and determination of the compensation and remuneration of Board Members, its subcommittees and Executive Management.

The Committee also reviews the structure and formation of the Board, makes recommendations concerning changes that can be made and identifies the weaknesses and strengths of the Board with recommendations on how to address them to serve the

interests of the Company. On an annual basis, the Committee ensures the independence of the independent members and that there are no conflicts of interest if the member holds membership to the Board of Directors of another Company. It develops clear policies for the compensation and remuneration of Board members and senior executives, taking into consideration performance-related standards. Lastly, the Committee prepares periodic and annual reports on the Committee's activities and the annual disclosure report according to the by-laws. These reports are presented to the Board of Directors.

The Committee is also responsible for assisting the Board of Directors in developing and reviewing the organizational structure of the Company.

The Committee is composed of four members and held three meetings during the year 2021, as shown in the following table:

Name	Nature of Membership	Meetings		
		1st Meeting (27 Apr 2021)	2nd Meeting (30 Jun 2021)	3rd Meeting (19 Sep 2021)
1. Mr Fahad Alamoud	Chairman	✓	✓	✓
2. Mr Fahad Alghamdi	Member	✓	✓	✓
3. Mr Omar Alshabibi	Member	✓	✓	✓
4. Mr Mohammed Alabbadi	Member	✓	✓	✓

### Executive Committee

The Executive Committee consists of five (5) members appointed pursuant to a Board resolution dated 24 January 2021.

The Company's Executive Committee was appointed by the Board of Directors to exercise all functions entrusted thereto and reports to and maintains direct communication channels with the Board of Directors. It may not amend any resolution issued by the Board. Pursuant to the

relevant laws and regulations, the responsibilities of the Executive Committee include the following:

- Engaging in and supervising the development of the Company's strategic plan and evaluating the proposals submitted by the Executive Management on the Company's vision, mission, strategic themes, goals and strategic and financial initiatives, and submitting them to the Board for approval.
- Overseeing the preparation of the Company's annual budget, reviewing proposals submitted by the Executive Management, and submitting recommendations to the Board on the approval of the annual budget.
- Reviewing the financial and strategic performance reports related to monitoring the implementation of strategic plans and initiatives, and submitting its recommendations to the Board.
- Examining strategic and important issues and projects with a significant financial impact, and submitting them to the Board for approval.
- Reviewing the corporate social responsibility policy, media plan and sports sponsorships, and submitting its recommendations to the Board.
- Reviewing programs for social work initiatives and submitting its recommendations to the Board.

The Committee is composed of five members and held four meetings during the year 2021, as shown in the following table:

Name	Nature of Membership	Meetings			
		1st Meeting (29 Apr 2021)	2nd Meeting (11 Aug 2021)	3rd Meeting (03 Nov 2021)	4th Meeting (14 Nov 2021)
1. Mr Riyadh Muawad	Chairman	✓	✓	✓	✓
2. Mr Haithem Alfaraj	Member	✓	✓	✓	✓
3. Mr Mohammed Alaseeri	Member	✓	✓	✓	✓
4. Mr Emad Alaoudah	Member	✓	✓	✓	✓
5. Mr Mohammed Alabbadi	Member	✓	✓	✓	✓

### Disclosure of the remuneration policy for members of the Board of Directors, members of the committees and the Executive Management:

#### 1. Board and its Committee Members' remuneration

- The remuneration of the Board member shall be a fixed amount, in addition to an allowance given for attending meetings.
- The Board may determine a remuneration for members/member of the Board for their membership in the Board's Standing Committees.
- The remunerations that the Board of Directors' member receives shall be fair and coordinates with the

member's competencies as well as the activities and the responsibilities that the Board Member undertakes in addition to the the specified goals for the Board of Directors that must be achieved during the fiscal year.

- The remuneration payment shall be stopped or retrieved if it turns out that it was approved based on inaccurate information presented by a member of the Board.
- The remuneration shall be based on the number of meetings that the member attends.
- The remunerations of the members of the Board and its Standing Committees shall be in accordance with the relevant laws and regulations.

1.7 In all cases, the overall amount that the member of the Board receives from remunerations shall not exceed SAR. 500,000 annually, in accordance with rules prescribed by the Competent Authority.

1.8 The member deserves a remuneration for any additional work, or executive, technical, administrative, or advisory positions assigned to him/her in the Company. This is in addition to the remuneration that such member deserves as a Board member and shall be verified in accordance with Article 20 (c) (8) of the CMA Corporate Governance Regulations and related action as per the Company's conflict of interest policy, Ministry of Communication Companies Law and the Company's by-laws.

### Board Members' remuneration

Members of Board of Directors	Fixed remunerations					Variable remunerations					End of Service Rewards	Grand Total	Expenses Allowances		
	Specific amount	Allowance for attending Board meetings	In-kind benefits	Remunerations for technical managerial and consultative work	Remunerations of the chairman	Total	Percentage of the profits	Periodic remunerations	Short-term incentive plans	Long-term incentive plans				Granted shares	Total
<b>First: Independent Members</b>															
Mr Fahad Alamoud	300,000	30,000				330,000									330,000
Mr Abdullatif Alseif	300,000	30,000				330,000									330,000
Mr Mohammed Alaseeri	300,000	30,000				330,000									330,000
<b>Total</b>	<b>900,000</b>	<b>90,000</b>				<b>990,000</b>									<b>990,000</b>
<b>Second: Non-executive Members</b>															
Mr Riyadh Muawad	375,000	30,000				405,000									405,000
Mr Haithem Alfaraj	300,000	30,000				330,000									330,000
Mr Emad Alaoudah	300,000	30,000				330,000									330,000
Mr Mohammed Alabbadi	300,000	30,000				330,000									330,000
Mr Mathad Alajmi	300,000	30,000				330,000									330,000
Mr Omar Alshabibi	300,000	30,000				330,000									330,000
<b>Total</b>	<b>1,875,000</b>	<b>180,000</b>				<b>2,055,000</b>									<b>2,055,000</b>

## Senior Executives' remuneration

- 1.1 The annual remuneration for the Chief Executive Officer shall be determined upon his/her achievement of the financial and strategic goals and others according to the Company's policies.
- 1.2 The annual remuneration for the Chief Executive Officer shall be calculated after the publication of the financial statements according to the approved policy of the Company.
- 1.3 The annual remuneration for the Executive Management in the Company shall be calculated according to the policy and the mechanism for the approved annual remuneration in the Company.
- 1.4 The specified salaries and advantages for the Executive Management shall be determined to include (the base salary and advantages and allowances) according to the Executive Incentive Policy.

### Remunerations of the Top Five Senior Executives (including the CEO and the CFO in 2021)\*

Senior Executives	Fixed remuneration			Variable remunerations								Grand total
	Salaries and allowances (SAR)	In kind benefits (SAR)	Total (SAR)	Periodic remunerations (SAR)	Profit (SAR)	Short-term incentive plans (SAR)	Long-term incentive plans (SAR)	Equity grants (SAR)	Total (SAR)	End of service rewards (SAR)	Total remuneration for executives in the Board (SAR)	
Total	10,347,534.25	877,120.39	11,224,654.64	4,855,731.23		8,316,929.20						24,397,315.07

(\* The Company complied with the disclosure of components of the Senior Executive's remuneration on aggregate, in line with the requirements of subparagraph (b) of paragraph (4) of article (93) of the Corporate Governance Regulations issued by the Capital Market Authority. But to protect the interests of the Company, its shareholders and employees, and to avoid any damage that may occur as a result of disclosing the detailed Senior Executives Remuneration by position, the Company did not disclose the details as per Appendix (1) of the Corporate Governance Regulations

## Committee Members' remuneration

Committee Members	Fixed remuneration (except attending sessions) (SAR)	Allowances for attending sessions (SAR)	Total (SAR)
<b>Audit Committee</b>			
Mr Abdullah Alenzi	100,000	25,000	125,000
Mr Mathid Alajmi	100,000	25,000	125,000
Mr Omar Shabibi	100,000	25,000	125,000
Mr Abdullatif Al-Seif	100,000	25,000	125,000
<b>Total</b>	<b>400,000</b>	<b>100,000</b>	<b>500,000</b>
<b>NRC committee</b>			
Mr Fahad Alghamdi	60,000	15,000	75,000
Mr Mohammed Alabbadi	-	15,000	15,000
Mr Fahad Alamuod	-	15,000	15,000
Mr Omar Shabibi	-	15,000	15,000
<b>Total</b>	<b>60,000</b>	<b>60,000</b>	<b>120,000</b>
<b>Executive Committee</b>			
Mr Riyadh Muawad		20,000	20,000
Mr Haitham Alfaraj		20,000	20,000
Mr Mohammed Alaseeri		20,000	20,000
Mr Emad Alaoudah		20,000	20,000
Mr Mohammed Alabbadi		20,000	20,000
<b>Total</b>		<b>100,000</b>	<b>100,000</b>

## Adherence to Corporate Governance Regulations issued by the Capital Market Authority:

The following section highlights provisions of the corporate governance regulations issued by the Capital Market Authority which have not been implemented along with their justifications:

Article No.	Article text	Implementation status	Justification
Article 46	<b>(3) Competing Rules and Standards Policy.</b>	Implemented	The Competing Rules and Standards Policy is in place, implemented, and will be approved by the General Assembly
Article 70	<b>Composition of the Risk Management Committee</b>	Not Implemented	A dedicated risk management committee has not been established based on the optional article issued by CMA. However, its main mandates were incorporated as part of the Audit Committee responsibilities
Article 71	<b>Competencies of the Risk Management Committee</b>	Not Implemented	A dedicated risk management committee has not been established based on the optional article issued by CMA. However, its main mandates were incorporated as part of the Audit Committee responsibilities
Article 72	<b>Meetings of the Risk Management Committee</b>	Not Implemented	A dedicated risk management committee has not been established based on the optional article issued by CMA. However, its main mandates were incorporated as part of the Audit Committee responsibilities
Article 85	<b>Employee Incentives</b> (3) establishing social organizations for the benefit of the Company's employees.	Not Implemented	This is an optional article
Article 87	<b>Social Responsibility</b>	Not Implemented	The policy is in place, just needs to be approved by the General Assembly.
Article 95	<b>Formation of a Corporate Governance Committee</b>	Not Implemented	A dedicated corporate governance committee has not been established based on the optional article issued by CMA. However, significant governance oversight mandates were incorporated as part of the Audit Committee responsibilities

## Internal Audit

### Results of the annual review of the effectiveness of internal control procedures

The Internal Audit Division carried out planned audits in accordance with the Audit Committee's approved plan to evaluate, objectively and independently, the adequacy and effectiveness of the Internal Control Systems beside a quarterly review of the financial statements. Additionally, internal audit provides advisory services to add value, improve operations, and achieve main strategic objectives.

Throughout 2021, internal audit regularly issued audit progress reports to the Audit Committee covering the audit plan progress, the results of audit engagements and overall views of Internal Control Systems, and reporting on other audit activities. In addition, internal audit continued to pursue the Assurance Transformation Strategy, with impactful outcomes.

The three strategic pillars of the Internal Audit Division are Expanding Digital Audit Services, Combined Assurance and Collaboration with other Assurance Providers, and Project Assurance Audit Services. This enabled internal audit to conduct proactive,

innovative, and collaborative audits with notable influence on Governance, Risk Management, and Internal Controls across solutions. The Internal Audit Division also focuses on human capabilities. It remains a top priority; attracting, retaining, and developing talents and equipping them with the required skills and qualifications is essential to perform the audit activities effectively.

The executed internal audit activities have resulted in no material observations affecting solutions by stc's ability to continue carrying out its work or achieving its strategic objectives.

## Internal Control

The Audit Committee oversees the compliance, risk management, internal audit, and external audit, which regularly review the adequacy and effectiveness of the internal control system and procedures to provide a continuous assessment of the system and its effectiveness. This is part of the objectives of the Board to obtain reasonable assurance about the soundness of the design of solutions by stc internal control system and its effectiveness. During the fiscal year 2021, the Audit Committee held 5 meetings and discussed many topics falling under its competencies, such as reviewing financial statements, as well as strategic and organizational affairs, human resources and procurement, and IT systems, among other issues relevant to solutions by stc businesses. This is during the presence of the Executive Management and the Internal Audit.

In this regard, the Audit Committee has reached reasonable assurance on the effectiveness and efficiency of the internal control systems; in addition, the committee has not found that there are material observations on the performance of internal control system that would affect the integrity and fairness of the financial statements issued by the Company, and the internal control systems associated with the critical business processes in the Company are effective in monitoring and reducing the risks associated.

## Sanctions, penalties, preventive measures, or precautionary restrictions imposed on the Company

Sanction/Penalty/Precautionary procedure/Preventive measure	Reasons for violation	Imposing authority	Amount SAR	Measures undertaken to remedy and avoid such non-compliance in the future
Penalty	Non-conformance with certain SMS Service Terms and Conditions	CITC - Communications and Information Technology Commission	50,000	Development of an optimized service operating model while maintaining strong alignment with the regulator will empower the organization to further enhance its conformance levels.

## Affiliate companies

Affiliate name	Capital	Company's ownership percentage	Main scope of business	Country of operation	Country of incorporation
stcs for IT	SAR. 262,500 (USD. 70,000)	100%	The principal activities of the subsidiary are concentrated in the information technology and communication industry domain. The products of the subsidiary involve design and development of electronics and data centers, outsourcing activities, software, application and database development, technological education, and digitization activities.	Egypt	Egypt
SANAD	SAR. 5,000,000	100%	Management and Manpower Services	Kingdom of Saudi Arabia	Kingdom of Saudi Arabia

It should be noted that no debt instruments in the form of Sukuk or bonds were issued for the aforementioned companies.

## The Company's Dividend Distribution Policy

As per the article number (48) of the Company's by-law provided the annual net profits shall be distributed as follows:

- Ten percent (10%) of the net profits shall be set aside to form a statutory reserve of the Company. Such setting aside may be discontinued by the Ordinary General Assembly when the said reserve totals thirty percent (30%) of the Company's paid-up capital.
- The Ordinary General Assembly may, upon the proposal of the Board of Directors, set aside 5% of the net profits to form consensual reserve to be allocated for certain purposes specified by the General Assembly.
- The Ordinary General Assembly may form other reserves at the portion that would serve the Company's best interest or would ensure distributing constant profits, as much as possible, amongst shareholders. Besides, the Ordinary General Assembly may allocate a certain amount from the net profits to establish social institutions for the Company employees or to support existing social institutions.

- Out of the balance of the profits, if any, there shall be paid to the shareholders an initial payment of not less than ten percent (10%) of the paid-up capital.
- Subject to provisions in Article (22) hereof, and Article (76) of Companies Law, the remaining amount shall be paid as compensation to the Board of Directors, provided that entitlement of such remuneration shall be in proportion to the number of sessions the member has attended.
- The Company may distribute interim profits to its shareholders on a biannual or quarterly basis as per a decision passed by the Board of Directors if the Company's financial position allows to do so and the liquidity is available as per the controls and requirements set by the competent authority.

	Dividends distributed during the year
Ratio (of paid-up capital)	33%
Total amount (SAR)	400,000,000

The Board of Directors recommended in its meeting held on 14 Rajab 1443H (corresponding to 15 February 2022) to distribute dividends of SAR 4 per share, totaling to SAR 475.2 million subject to General Assembly approval.

## Company ownership

The following is the substantial shareholder who directly owns more than 5% of the Company's capital as of 31 December 2021:

Shareholder name	Number of shares at the beginning of the year	Ownership percentage at the beginning of the year	Number of shares at the end of the year	Ownership percentage at the end of the year	Share changes	Percentage change
stc	116,400,000	97%	94,800,000	79%	(21,600,000)	-18%
Telecom Commercial Investment Company Limited	3,600,000	3%	-	-	(3,600,000)	-3%
solutions by stc Treasury shares	-	-	1,200,000	1%	1,200,000	1%
Public	-	-	24,000,000	20%	24,000,000	20%

Declaration: Regarding the declaration of movements in major shareholders' ownership in accordance with Listing Rules, the Company confirms that it has not received any written notification during 2021 from its major shareholder indicating any changes or movement in their ownership percentages. The disclosed information is based on the Saudi Stock Exchange (Tadawul) records on 31 December 2021.

There is no ownership of shares in the company belonging to the Board, committees members, senior executives and their spouses and children in the company's debt instruments or any of its subsidiaries.

## Requests of the Company's shareholders registry

Number of the Company's requests of shareholders registry	Request date	Request reasons
1	29 September 2021	IPO correction
2	3 October 2021	IPO correction
3	14 October 2021	Internal Management Use
4	14 October 2021	Internal Management Use
5	2 December 2021	Internal Management Use
6	2 December 2021	Internal Management Use

Transactions between the Company and any related party

No.	Name of related party	Type of related party	Contract/Agreement	Duration	Value SAR '000
1	Kuwait Telecommunication Company (KSC) dba stc Kuwait	stc Subsidiaries	Costa Coffee Contract (End Point)	2 years	799
2	stc	Parent Company	Master Purchase Service Agreement for Alibaba Cloud DC Fitout and Additional Facility Requirements	3 years	53,660
3	stc	Parent Company	Framework Contract for 5G Ph2 - Cisco EPC Expansion	1.6 years	4,313
4	stc	Parent Company	Framework Contract for CS DFIR Technologies Renewal 2021 (CON-20-518)	1.6 years	2,900
5	Kuwait Telecommunication Company (KSC) dba stc Kuwait	stc Subsidiaries	Costa Coffee Contract (Cyber)	2.3 years	7,427
6	stc	Parent Company	Contract Amendment CS Threat Intelligence Renewal (CON-21-352)	1 year	7,000
7	stc	Parent Company	Framework Contract for stc Network MSP and TSS	3 years	23,921
8	stc	Parent Company	BULK SMS Agreement	2 years	132,000
9	stc	Parent Company	Framework Contract for GI FW Phase 2: Part 1 and Part 2	2 years	22,200
10	stc	Parent Company	Framework Contract for Wireless Network Improvement and Expansion 2021 - 5G3 GI	2 years	11,355
11	stc	Parent Company	Framework Contract for STCOPS Extension	1 year	26,900
12	stc	Parent Company	Framework Contract for MS for OSS - Hardware Support	2 years	4,291
13	stc	Parent Company	Framework Contract for Centralized Storage Units Managed Services	2 years	33,521
14	stc	Parent Company	Framework Contract for Operational and Technical Support for VAS Server	2 years	10,579
15	stc	Parent Company	Framework Contract for Servers and Data Network Support Agreements	2 years	49,306
16	Telecommunication Towers Co. Ltd. (TAWAL)	stc Subsidiaries	Managed Services Contract Amendment #02 (CON-21-022)	1 year	0.00
17	stc	Parent Company	NEOM - Telco Park Prefab Office and Data Center - Agreement	1 year	55,877
18	stc	Parent Company	NEOM - Telco Park Digital Platform Agreement	1 year	44,946
19	stc	Parent Company	NEOM - Telco Park Network, Service and Application Agreement	1 year	63,727
20	stc	Parent Company	NEOM - Telco Park Civil and Office Furniture Agreement	1 year	36,789
21	stc	Parent Company	Framework Contract for Centralized Server and Storage 2021	2 years	74,265
22	stc	Parent Company	Framework Contract for CBU BI and Analytics Enablement	1 year	10,800
23	stc	Parent Company	Framework Contract for Operation and Technical Managed Service for stc IT Components	2 years	139,972

No.	Name of related party	Type of related party	Contract/Agreement	Duration	Value SAR '000
24	stc	Parent Company	Framework Contract for IPMPLS, IGW and Transport Expansion 2021 - 5G3	2 years	12,600
25	stc	Parent Company	Framework Contract for IPMPLS, IGW and Transport Expansion 2021 - IPv4 2021	2 years	3,993
26	stc	Parent Company	Framework Contract for DCN Expansion and Tech Refresh- 2021	2 years	16,000
27	stc	Parent Company	Framework Contract for Managed Operation and Maintenance Services Contract for (Telco Cloud)	3 years	34,810
28	stc	Parent Company	Framework Contract for SW AG License Renewal	1 year	7,000
29	stc	Parent Company	Framework Contract for IPMPLS, IGW and Transport Expansion 2021-DNS 2021	2 years	7,805
30	stc	Parent Company	Framework Contract for Wireless Network Improvement and Expansion 2021 - 5G3 DNS	2 years	12,081
31	stc	Parent Company	stc National Roaming Agreement	1 year	8,607
32	stc	Parent Company	stc Special Services Agreement	1 year	1,195
33	stc	Parent Company	Framework Contract for Other Licenses Renewal 2021	1 year	21,624
34	stc	Parent Company	Framework Contract for 5G Ph2 - LBS 5G SA Enhancement	1.3 year	13,500
35	stc	Parent Company	Framework Contract for CS Telecom Monitoring Enhancements	1 year	2,000
36	stc	Parent Company	Framework Contract for CS Java project	1 year	2,642
37	stc	Parent Company	Framework Contract for Solutions SSL VPN Project	2.3 years	3,884
38	stc	Parent Company	Framework Contract for Software Compliance and License Optimization	1 year	2,480
39	stc	Parent Company	Framework Contract for Telco Cloud Staging Environment Expansion	2 years	7,854
40	stc	Parent Company	Frame Agreement - Captive	5.1 years	0.00
41	stc	Parent Company	Framework Contract for New CMP Integration with Core Network - IPMPLS	2 years	241
42	stc	Parent Company	Framework Contract for Machine Talk Integration and Daweyiat MPLS Integration	2 years	964
43	stc	Parent Company	Contract Amendment 01 (CON-21-381)	2 years	10,451
44	stc	Parent Company	Framework Contract for DC Facility of MENA Program - IPMPLS	2 years	2,109
45	stc	Parent Company	Framework Contract for IPMPLS, IGW and Transport Expansion 2021	2 years	34,048
46	stc	Parent Company	Framework Contract for Cloud Partnerships	5.1 years	33,979
47	stc	Parent Company	Framework Contract for IPMPLS 2021	2 years	81,919
48	stc	Parent Company	Framework Contract for Wireless Network Improvement and Expansion 2021 - 5G3 IGW	2 years	64,032
49	stc	Parent Company	Framework Contract for Wireless Network Improvement and Expansion 2021 - 5G3 IPMPLS	2 years	36,878

No.	Name of related party	Type of related party	Contract/Agreement	Duration	Value SAR '000
50	stc	Parent Company	Contract Amendment #01 (CON-21-374)	2.6 years	9,871
51	stc	Parent Company	Framework Contract for Wirefilter Expansion	1 year	37,097
52	stc	Parent Company	Framework Contract for Data as a Service Platform	1 year	5,283
53	stc	Parent Company	Framework Contract for CEM CCEX insights and Platform 2020	14 years	3,638
54	Public elecommunication Company (stc Specialized)	stc Subsidiaries	SOC Contract Renewal	1 year	791
55	stc	Parent Company	Framework Contract for NMS Modernization and DR1	2 years	4,644

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

During 2021 the Company has not conducted any business or contracts in which there was a substantial interest for the members of the Board of Directors and Executive Management or any person related to any of them.

### Zakat, taxes, fees, and other charges

Description	2021		Brief description
	Paid amount (SAR)	Outstanding amount until the end of the annual financial period	
Zakat	51,978,119	-	Paid during the year
Taxes	562,703	-	Paid during the year
GOSI	145,768,619	-	Paid during the year
Government fees	25,490,802	-	Visas, passports, and labor office fees – Paid during the year

### Treasury shares maintained by the Company

Number of Treasury shares maintained by the Company	Value (SAR)	Maintenance date	Utilization details	Purpose of keeping the shares as Treasury shares
1,200,000	181,200,000	29 September 2021	No Utilization	Employee incentive program

Note: Treasury shares maintenance date is date at which solutions by stc purchased 1,200,000 of its own shares from stc at a cost of SAR. 151 per share for cash consideration of SAR. 181,200,000.

solutions by stc's Board of Directors and General Assembly approved the purchase of 1,200,000 shares that involved solution by stc buying back shares from its parent company stc to be retained as treasury shares and utilized as part of employees' rewards and under different schemes and special terms\conditions that contribute towards attracting and retaining talents in addition to nurturing instead of elevating a healthy culture.

Solutions by stc utilized 184,250 shares from treasury shares in 2021 as celebratory grant to active employees on 30 September 2021 that vests on the 1st year anniversary from the grant date where the award of shares ceases to be conditional, i.e. the right to the shares passes from the company to the participant.

The objective of the celebratory grant is to:

- Celebrate the success of IPO of the company with the employees.
- Recognize employees' commitment and contribution.
- Share the rewards of the company's success and profitable performance with the employees.
- Align the interests of the Company's employees with those of its shareholders

The remaining treasury shares will be utilized in other share-based reward plans such as Long Term Incentive Plan (LTIP) for employees whose contributions are essential to the growth and success of solutions by stc, to attract and retain qualified individuals and to further align the interests of such employees with the shareholders of the company.

### solutions management clarifications during the year 2021:

- There were no debt instruments issued by the Company.
- There were no debt instruments issued by the Company to its subsidiaries.
- There were no debt instruments for the Company, and no interests, contractual documents, or subscription rights owned by Board Directors, Executive Management or their relatives in its shares or any of its subsidiaries.
- The Company did not issue or grant any debt instruments convertible to shares, contractual-based securities, option rights, subscription right notes, or similar rights.
- The Company did not issue any bonds, and therefore the Company did not redeem, buy, or cancel any recoverable debt instruments.
- There is no arrangement or agreement under which one of the shareholders of the Company waived any rights in profits.
- There is no arrangement or agreement under which one of the board of directors or executive member of the Company waived any rights in profits.
- Consolidated financial statements were prepared in accordance with international financial standards and in accordance with the Company's by-laws and Articles of Association with respect to the preparation and publishing of financial statements.
- The Company does not have any conversion or subscription rights under any convertible debt instrument, contractually based securities, warrants, or similar rights; both issued or granted.
- There were no differences from the standards approved by the Saudi Organization for Certified Public Accountants (SOCPA), which are the IFRS Standards.
- There were no comments received by the shareholders regarding the Company and its performance.
- The External Auditor's Report doesn't contain any reservations on the relevant annual financial statements.
- There were no arrangements or recommendations by the Board to change the Company's External Auditor.
- There was no recommendation to appoint an Internal Auditor for the Company, as it already has an Internal Audit Division.
- There were no contradiction between the Audit Committee and the resolutions of the Board of Directors, or the Board's refusal to take them into account regarding the appointment and dismissal of the Company's Auditor, determining his fees and evaluating his performance or appointing the Internal Auditor.

### The Board of Directors' declarations includes the following:

- The accounting records were properly and correctly prepared.
- The internal control system was properly designed and effectively implemented.
- There was no doubt about the Company's ability to continue the business.

### Conclusion

After thanking Allah Almighty, the Board of Directors would like to thank the Custodian of the Two Holy Mosques King Salman Bin Abdulaziz Al Saud, HRH Crown Prince Mohammed Bin Salman Bin Abdulaziz Al Saud, and our wise Government for the support, care, and encouragement they have given solutions in its quest to improve its performance and services.

The Board also expresses its gratitude and appreciation to solutions clients and shareholders for their trust, and to solutions employees for their dedication and diligence in the performance of their work. The Board confirms its commitment to develop solutions' services to meet the requirements of its clients, realize shareholders' aspirations, achieve its social objectives, and sustain the leadership position of solutions in the region's Information Technology sector.



# Financial Report

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# Independent Auditor's Report on the Audit of the Consolidated Financial Statements



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 ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholders of Arabian Internet and Communication Services Company (A Saudi Joint Stock Company)

Report on the Audit of the Consolidated Financial Statements

### Opinion

We have audited the consolidated financial statements of Arabian Internet and Communication Services Company (the "Company") and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards that are endorsed in the Kingdom

of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization for Chartered and Professional Accountants.

### 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 professional code of conduct and ethics endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the consolidated financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. 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.



## INDEPENDENT AUDITOR'S REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholders of Arabian Internet and Communication Services Company (A Saudi Joint Stock Company) (continued)

Key audit matter	How our audit addressed the key audit matter
<p><b>Revenue recognition</b></p> <p>The Group's revenue mainly comprises of; Core ICT Services, IT Managed and Operational Services, and Digital Services totalling SR 7.8 billion for the year ended 31 December 2021. Also, the revenue from related parties for the year is considered significant, as compared to total revenue.</p> <p>We considered this as a key audit matter due to the estimates and judgements involved in the application of revenue recognition in accordance with IFRS 15. Additionally, there are certain inherent risks associated with revenue, which mainly relate to use of IT applications and customers' long-term contracts, which have a material impact on the accuracy of recognizing and recording revenue.</p> <p>Refer to note 3 for the accounting policy relating to revenue recognition, notes 5 and 29 for the related disclosures.</p>	<p>Our audit procedures included, among others, the following:</p> <ul style="list-style-type: none"> <li>Involved our IT specialists in testing the design, implementation, and operating effectiveness of IT controls associated to revenue cycle.</li> <li>Evaluated the Group's accounting policy, as it specifically relates to revenue recognition for compliance with IFRS 15.</li> <li>In relation to the criteria followed by the management to determine the level of revenue to be recognized, we have, on a sample basis performed the following:                     <ul style="list-style-type: none"> <li>Evaluated management assessment related to identify performance obligation in line with the terms and conditions of contracts with customers;</li> <li>Tested the transaction price to the underlying contracts, on sample basis, as executed with customers;</li> <li>Evaluated management assessment to allocate transaction price that is allocated to identified performance obligation; and</li> <li>Evaluated management assessment of revenue recognition timing, whether is "at a point in time" or "over period of time".</li> </ul> </li> <li>For revenue with related parties, in addition to the audit procedures mentioned above, we have assessed the process followed by the management in identifying recording and reporting revenue from related parties.</li> <li>Assessed the adequacy of the relevant disclosures in the consolidated financial statements.</li> </ul>

## INDEPENDENT AUDITOR'S REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholders of Arabian Internet and Communication Services Company (A Saudi Joint Stock Company) (continued)

### Key audit matter

#### Allowance for expected credit losses of accounts receivable

As at 31 December 2021, the Group's accounts receivable balance amounted to SR 3.3 billion, against which an impairment allowance of SR 290 million is maintained.

The Group assesses at each reporting date whether the accounts receivable are impaired. Management has applied an expected credit loss ("ECL") model to determine the appropriate allowance for impairment loss. Further, the Group performs an assessment based on a defined policy for certain categories of customers.

The determination of allowance for expected credit losses of accounts receivable is based on certain assumptions that relate mainly to risk of default and expected loss rates. The Group applies judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, market conditions, as well as forward looking estimates.

We considered this as a key audit matter due to the level of judgment applied and estimates made in the application of the ECL model and the assessment of allowance for expected credit losses.

Refer to notes 3 and 4 for the accounting and critical judgements policies relating to allowance for impairment of accounts receivable and note 12 for the related disclosures.

### How our audit addressed the key audit matter

Our audit procedures performed included, among others, the following:

- Obtained an understanding of the process used by management in determining the allowance for expected credit losses of accounts receivable.
- Assessed significant assumptions used in the ECL model's calculation such as; forward-looking factors (that reflect the impact of future events) and macro-economic variables that are used to determine the allowance for expected credit losses.
- Tested the completeness and mathematical accuracy of the ECL model.
- Assessed the assumptions used by management in connection to the determination of allowance for expected credit losses for certain customers' categories.
- Tested, on a sample basis, the calculation performed by management of allowance for expected credit losses for these categories of customers.
- Assessed the adequacy of the relevant disclosures included in the consolidated financial statements.

## INDEPENDENT AUDITOR'S REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholders of Arabian Internet and Communication Services Company (A Saudi Joint Stock Company) (continued)

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

Other information consists of the information included in the Group's 2021 annual report, other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information in its annual report. The Group's 2021 annual report is expected to be made available to us after the date of this auditor's report.

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

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

When we read the Group's 2021 annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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

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

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

Those charged with governance, 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.

**INDEPENDENT AUDITOR'S REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS**

**To the Shareholders of Arabian Internet and Communication Services Company (A Saudi Joint Stock Company) (continued)**

Independent Auditor's Report on the Audit of the Consolidated Financial Statements

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.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our

auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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 period 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



**Abdulaziz A. Al-Sowailim**  
Certified Public Accountant  
License No. (277)

Riyadh: 19 Rajab 1443H  
20 February 2022



**Consolidated Statement of Profit or Loss and other Comprehensive Income**

For the year ended 31 December

	Notes	2021 SR	2020 SR
Revenue, net	5 & 29	7,815,797,402	6,891,419,063
Cost of revenue		(6,107,830,676)	(5,469,447,120)
<b>GROSS PROFIT</b>		<b>1,707,966,726</b>	<b>1,421,971,943</b>
General and administration expenses	6	(462,101,019)	(459,734,281)
Selling and distribution expenses	7	(346,761,533)	(205,230,327)
Other income/(loss), net	8	2,103,563	(2,335,201)
<b>PROFIT BEFORE FINANCE INCOME/(COSTS) AND ZAKAT</b>		<b>901,207,737</b>	<b>754,672,134</b>
Finance income/(costs), net	9	2,817,446	(898,512)
<b>PROFIT BEFORE ZAKAT</b>		<b>904,025,183</b>	<b>753,773,622</b>
Zakat	10	(71,106,574)	(51,978,118)
<b>NET PROFIT FOR THE YEAR</b>		<b>832,918,609</b>	<b>701,795,504</b>
<b>OTHER COMPREHENSIVE INCOME/(LOSS)</b>			
Item that will not be reclassified subsequently to consolidated profit or loss:			
Remeasurement of end of service indemnities	23	85,644,949	(35,271,285)
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>918,563,558</b>	<b>666,524,219</b>
<b>Earnings per share:</b>			
Basic EPS from net profit for the period (restated)	26	6.96	5.85
Diluted EPS from net profit for the period (restated)	26	6.94	5.85



Chief Financial Officer



Chief Executive Officer



Authorized Board Member

The accompanying notes 1 to 35 form an integral part of these consolidated financial statements.

## Consolidated Statement of Financial Position

As at 31 December

	Notes	31 December 2021 SR	31 December 2020 SR
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	11	1,607,556,524	993,473,644
Accounts receivable	12 & 29	3,020,557,307	2,803,751,456
Prepayments and other assets	13 & 29	287,976,272	156,879,523
Contract assets	14 & 29	1,256,218,688	1,504,561,466
Inventories	15	273,986,156	112,369,154
<b>TOTAL CURRENT ASSETS</b>		<b>6,446,294,947</b>	<b>5,571,035,243</b>
<b>NON-CURRENT ASSETS</b>			
Contract costs		23,128,803	6,641,665
Intangible assets	16	98,209,814	91,459,160
Property and equipment	17	550,611,682	593,558,752
Right-of-use assets	18	54,502,773	71,932,711
<b>TOTAL NON-CURRENT ASSETS</b>		<b>726,453,072</b>	<b>763,592,288</b>
<b>TOTAL ASSETS</b>		<b>7,172,748,019</b>	<b>6,334,627,531</b>
<b>LIABILITIES AND EQUITY</b>			
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Accounts payable and accruals	19 & 29	1,931,349,611	1,973,953,470
Deferred revenue	20 & 29	2,276,522,431	1,704,985,832
Contract liabilities	21 & 29	354,116,804	336,035,288
Zakat payable	10	72,269,437	53,140,982
<b>TOTAL CURRENT LIABILITIES</b>		<b>4,634,258,283</b>	<b>4,068,115,572</b>
<b>NON-CURRENT LIABILITIES</b>			
Lease liabilities	22	31,335,206	48,170,893
End of service indemnities	23	236,586,315	294,776,761
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>267,921,521</b>	<b>342,947,654</b>
<b>TOTAL LIABILITIES</b>		<b>4,902,179,804</b>	<b>4,411,063,226</b>
<b>EQUITY</b>			
Share capital	24.1	1,200,000,000	1,200,000,000
Statutory reserve	25	203,471,411	120,179,550
Other reserves		88,434,032	(6,851,269)
Treasury shares	24.3	(181,200,000)	-
Retained earnings		959,862,772	610,236,024
<b>TOTAL EQUITY</b>		<b>2,270,568,215</b>	<b>1,923,564,305</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>7,172,748,019</b>	<b>6,334,627,531</b>

## Consolidated Statement of Changes in Equity

For the year ended 31 December

	Share capital SR	Statutory reserve SR	Other reserves SR	Retained earning SR	Treasury shares SR	Total SR
Balance as at 1 January 2021	1,200,000,000	120,179,550	(6,851,269)	610,236,024	-	1,923,564,305
Net profit for the year	-	-	-	832,918,609	-	832,918,609
Transfer to statutory reserve (note 25)	-	83,291,861	-	(83,291,861)	-	-
Remeasurement of end of service indemnities (note 23)	-	-	85,644,949	-	-	85,644,949
Share-based payments (note 24.4 & 29)	-	-	9,640,352	-	-	9,640,352
Treasury Shares (note 24.3)	-	-	-	-	(181,200,000)	(181,200,000)
Dividends (note 24.2)	-	-	-	(400,000,000)	-	(400,000,000)
<b>Balance as at 31 December 2021</b>	<b>1,200,000,000</b>	<b>203,471,411</b>	<b>88,434,032</b>	<b>959,862,772</b>	<b>(181,200,000)</b>	<b>2,270,568,215</b>
Balance as at 1 January 2020	100,000,000	50,000,000	28,204,000	1,078,620,070	-	1,256,824,070
Net profit for the year	-	-	-	701,795,504	-	701,795,504
Transfer to statutory reserve (note 25)	-	70,179,550	-	(70,179,550)	-	-
Remeasurement of end of service indemnities (note 23)	-	-	(35,271,285)	-	-	(35,271,285)
Share-based payments (note 24.4 & 29)	-	-	216,016	-	-	216,016
Increase in share capital (note 24.1)	1,100,000,000	-	-	(1,100,000,000)	-	-
<b>Balance as at 31 December 2020</b>	<b>1,200,000,000</b>	<b>120,179,550</b>	<b>(6,851,269)</b>	<b>610,236,024</b>	<b>-</b>	<b>1,923,564,305</b>

Chief Financial Officer

Chief Executive Officer

Authorized Board Member

The accompanying notes 1 to 35 form an integral part of these consolidated financial statements.

Chief Financial Officer

Chief Executive Officer

Authorized Board Member

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## Consolidated Statement of Cash Flows

For the year ended 31 December

	Notes	2021 SR	2020 SR
<b>OPERATING ACTIVITIES</b>			
Profit before zakat		904,025,183	753,773,622
Adjustments for:			
Depreciation, impairment and amortization – property and equipment and intangible assets	16 & 17	191,116,049	89,813,403
Impairment of accounts receivable and contract assets	12 & 14	150,859,346	46,113,660
End of service indemnities expense	23	60,124,352	90,132,654
Depreciation – right-of-use assets	18	17,429,938	18,772,331
Provision against lease contracts, advances to supplier & other receivables		12,120,951	30,440,020
Share-based payment expense	24.4	9,640,352	216,016
Provision for slow moving and obsolete inventories	15	7,054,771	8,092,437
Provision for future contract losses		3,988,030	6,126,639
Finance charges	9	1,072,276	2,537,652
Gain on disposal of property and equipment		(162,142)	-
Finance income	9	(3,889,722)	(1,639,140)
		1,353,379,384	1,044,379,294
<b>Changes in operating assets and liabilities:</b>			
Accounts receivable		(367,665,197)	(217,527,654)
Prepayments and other assets		(142,593,233)	978,910
Contract assets		248,342,778	(335,550,829)
Inventories		(168,671,773)	30,192,871
Contract costs		(16,487,138)	(424,814)
Accounts payable and accruals		(35,743,731)	491,609,478
Deferred revenue		571,536,599	278,360,284
Contract liabilities		18,081,516	(116,218,219)
<b>Cash flows generated from operating activities</b>		<b>1,460,179,205</b>	<b>1,175,799,321</b>
Zakat paid	10	(51,978,119)	(38,951,120)
End of service indemnities paid	23	(32,669,849)	(19,765,830)
Finance income received, net		3,265,255	1,981,146
<b>NET CASH GENERATED FROM OPERATING ACTIVITIES</b>		<b>1,378,796,492</b>	<b>1,119,063,517</b>
<b>INVESTING ACTIVITIES</b>			
Proceeds from disposal of property and equipment		191,787	-
Purchase of property and equipment and intangible assets	16 & 17	(154,949,278)	(535,999,978)
<b>NET CASH USED IN INVESTING ACTIVITIES</b>		<b>(154,757,491)</b>	<b>(535,999,978)</b>
<b>FINANCING ACTIVITIES</b>			
Lease liabilities payment	22	(28,756,121)	(3,870,853)
Dividends paid	24.2	(400,000,000)	-
Treasury shares	24.3	(181,200,000)	-
<b>NET CASH USED IN FINANCING ACTIVITIES</b>		<b>(609,956,121)</b>	<b>(3,870,853)</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>614,082,880</b>	<b>579,192,686</b>
Cash and cash equivalents at the beginning of the year		993,473,644	414,280,958
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	11	<b>1,607,556,524</b>	<b>993,473,644</b>
<b>Significant non-cash items:</b>			
Increase in share capital	24	-	1,100,000,000
Recognition of right-of-use assets under IFRS 16	18	-	13,289,341
Recognition of lease liabilities under IFRS 16	22	-	12,933,987

Chief Financial Officer

Chief Executive Officer

Authorized Board Member

The accompanying notes 1 to 35 form an integral part of these consolidated financial statements.

## Notes to the Consolidated Financial Statements

The accompanying notes 1 to 35 form an integral part of these consolidated financial statements.

### 1. ACTIVITIES

Arabian Internet and Communication Services Company (“the Company”) is a Saudi Joint Stock Company registered in Saudi Arabia under commercial registration numbered 1010183482 and dated 8 Dhul-Qadah 1423H (corresponding to 11 January 2003). The registered office is located at Riyadh, Olaya street, P.O. Box 50, Riyadh 11372, Kingdom of Saudi Arabia (“KSA”). During December 2020, the Company changed its legal status from a limited liability company to a Saudi Joint Stock company and during September 2021, the Company has completed its initial public offering and its share was traded on 30 September 2021 (note 25).

The Company is engaged in the extension and installation of computer networks and wiring, communications, road repair, maintenance and supplies, security devices installation and maintenance, senior management advisory, management of institutes and training centers.

a. Saudi Telecom Company Solution for Information Technology (Owned by One Person) is a Limited Liability Company registered in Cairo, Egypt under commercial registration numbered 130135 and dated 9 Jumad Awal 1440H (corresponding to 15 January 2019) with a capital of USD 70,000 paid in cash. The subsidiary has 1000 shares with a nominal value of USD 70 per share and it is fully owned by the Company. The principal activities of the subsidiary are information technology and communication industry including industrial activities in designing including designing in computer systems, electronics development, data centers development, software and e-learning development, data analysis, data management, communication and internet services, production of electronic contents, system integration, trainings and outsourcing services, software production.

b. Sanad AlTeqany For Commercial Services Company (Owned by One Person) is a Limited Liability Company registered in the Kingdom of Saudi Arabia under commercial registration numbered 1010766752 issued in Riyadh on 18 Jumada Alawal 1443H (corresponding to 22 December 2021) with a capital of SR 5 Million. The subsidiary has 500,000 shares with a nominal value of SR 10 per share and it is fully owned by the Company. The principal activities of the subsidiary are providing a general admin and support services, searching employees for jobs hiring either by direction or tests and temporary employment agencies of Saudi individuals activities.

The Company and the subsidiaries (together the “Group”) immediate and ultimate controlling party is Saudi Telecom Company (“STC”).

The Company has the following branches in order to manage the operations in other parts of the Kingdom:

Name of branch	Registration No.	Date	Location
Arabian Internet and Communication Services Company	1010294137	20/09/1431H	Riyadh
Arabian Internet and Communication Services Company	1010464020	04/12/1437H	Riyadh
Leading Solutions Training Center	1010771115	03/06/ 1443H	Riyadh
Arabian Internet and Communication Services Company	2051057553	15/07/1435H	AlKhobar
Arabian Internet and Communication Services Company	2055022604	15/07/1435H	Al-Jubail
Arabian Internet and Communication Services Company	4030271030	15/07/1435H	Jeddah

The following is the detail of the subsidiary company included in these consolidated financial statements:

Subsidiary	Ownership %		
	Country of incorporation	31 December 2021	31 December 2020
a. Saudi Telecom Company Solution for Information Technology (Owned by One Person)	Egypt	100%	100%
b. Sanad AlTeqany For Commercial Services Company	Saudi Arabia	100%	-

## 2. BASIS OF PREPARATION

### Change in legal form

Although the first fiscal period of the Company (after its conversion to a joint stock company) starts from 31 December 2020 to 31 December 2021, the Company has prepared its consolidated financial statements for the year ended 31 December 2020, which reflects its accounting year.

### Statement of compliance

The consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRSs) that are endorsed in KSA and other standards and pronouncements that are issued by the Saudi Organization for Chartered and Professional Accountants ("SOCPA") collectively referred to as "IFRSs as endorsed in KSA").

These consolidated financial statements are prepared based on the following:

- Significant accounting policies described in note 3.
- Significant accounting estimates, assumptions and judgements described in note 4.

## 3. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied by the Group in the preparation of consolidated financial statements are set out below:

### Basis of measurement and functional currency

The consolidated financial statements have been prepared on the historical cost basis except for measurement of equity investments at fair value through other comprehensive income

at fair value as explained in the relevant accounting policies referred to below.

These consolidated financial statements are presented in Saudi Arabian Riyal (SR), which is the Company's functional currency.

### Basis of consolidation

These consolidated financial statements include the assets, liabilities and the results of operations of the Company and the Subsidiary listed in note (1).

Subsidiaries are entities controlled by the Group. Control exists when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Group controls an investee if, and only if, the Group has:

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

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee.
- Rights arising from other contractual arrangements.

The Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one of the three elements of control. 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 in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary. 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 intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it derecognizes the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognized in consolidated statement of profit or loss. Any investment retained is recognized at fair value.

## Revenue

### Core ICT services

#### System integration services

System integration revenue represents revenue generated by the installation of new network (hardware and software) or enhancing the existing customer network together with stand ready right to maintenance and support

and training solutions. Hardware and software and installation are bundled into a single performance obligation as the goods and services are not distinct within the context of the contract because they are not separately identifiable from other promises in the contract. The transaction price will be allocated to each performance obligations based on the stand-alone selling price.

Where these are not directly observable, they are estimated based on expected cost plus margin.

The Group recognizes revenue relating to installed hardware and software along with design and professional services over time using the input method.

Revenue on selling maintenance and support is recognized at a point in time when the transfer of the right to the service to customer occurs.

Revenue on training is recognized over time using input method.

The Group offers perpetual and limited life licenses, which are accounted for as a performance obligation satisfied at a point in time at which the license is granted to the customer. The license, support service and upgrades are separate performance obligations. The Group recognizes the revenue when control transfers to the customer/end-user. In the case of sale of software licenses together with the hardware devices, the device and software will be accounted for as one performance obligation and the recognition will be in accordance with the relevant treatment for the hardware device.

### Communication and internet services

Communication and internet services revenue represent revenue generated by selling Dedicated Internet Access (DIA) and data services. If communication and internet services are provided as part of bundled contract, the consideration is allocated between separate products and services in a bundle based on their stand-alone selling prices. Where these are not directly observable, they are estimated based on expected cost plus margin. The Group recognizes revenue of these services as the customer avails the benefit of these services over the period based on time elapsed (Coinciding with the billing).

### IT Managed and operational services

#### Outsourcing services

The Group provides outsourcing services which primarily includes manpower services or managed manpower services or solution support. Further, in case of manpower services customer may also request the Group to deliver some hardware equipment.

Hardware is a separately identifiable component in the outsourcing contract (only in case of manpower services) and accounted for as a separate performance obligation and transaction price will be allocated to each performance obligation based on the stand-alone selling prices. Where these are not directly observable, they are estimated based on expected cost plus margin. Revenue for manpower services is recognized over a period of time and hardware is recognized at a point in time when the hardware is delivered.

### Managed services

Revenue from managed service includes managed router service, managed LAN service and managed Wi-Fi service and other similar service.

The Group accounts for individual goods and services separately if they are distinct.

Managed services revenue represent revenue generated by selling routers, managing the routers and providing technical support service and are recognized as per the nature of the service and when the control transferred to the customer (Over the period or at a point of time).

Hardware: at a point in time, managed service and technical support: Over a period of time. Where managed services are provided as part of a bundled contract, the consideration is allocated between separate products and services in a bundle based on their stand-alone selling prices.

### Digital services

#### Digital services

Revenue from digital service includes fleet control services, Enterprise Mobile Mobility (EMM), big data services etc. and other similar services.

The Group accounts for individual goods and services as a separate performance obligation if they are capable of being distinct and distinct in the context of the contract.

Digital services revenue represents revenue generated by selling devices (hardware), application service and value added service and are recognized as per the nature of the service Hardware: At a point in time Application services and Value added services: Over a period of time.

### Cyber security services

Cyber security revenue represents revenue generated from providing security products and services to the customers' networks, or any other security services.

In case of projects, hardware and software and installation are bundled into a single performance obligation as the goods and services are not distinct within the context of the contract. Sometimes the service integration contract includes multiple deliverables such as training solutions and maintenance and support. In this case, the transaction price will be allocated to each performance obligation based on the stand-alone selling prices. Where these are not directly observable, they are estimated based on expected cost plus margin. The Group recognizes revenue as per the nature of these services and when the control is transferred to the customer (Over the period or at a point of time).

### Cloud and data center services

Cloud and data center service revenue represents services hosted on the marketplace and falls broadly into two options:

#### a) The Group's own off-the-shelf or customized cloud products:

Cloud products are primary responsibility of the Company and certain third party Cloud Service Providers ("CSP"). The Group is the principal under this

arrangement because it controls the specified cloud service before they are transferred to the end customer.

#### b) Third party CSP cloud products:

The CSP are primarily responsible to render services to the customers for the promises to deliver cloud services, hardware or the bundled solution at the customer's premises. The Group does not obtain control of a right to cloud services before it is delivered to the end customer.

The Group is obliged to provide the cloud platform to the third party CSP in a month to month hosting service contract with variable consideration that is a separate performance obligation and therefore is an agent in this arrangement.

Revenue is recognized as follows:

- Pre-defined and customized cloud products - Revenue is recognized over a period of time that may be time elapsed or usage based output method based on packages offered.
- Hardware ("Add-ons") - Revenue from hardware sales are recognized at a point in time when the control of the hardware is transferred to the customer.

Where cloud and data center services are provided as part of bundled contract, the consideration is allocated between separate products and services in a bundle based on their stand-alone selling prices.

The Group charges the customers for certain activation activity which are not distinct in nature and therefore revenue is recognized from such activity when the goods or services to which they relate are provided to the customer.

### Other considerations

#### • Contract costs

The Group may incur cost to fulfil a contract before a good or service is provided to a customer. Such costs are capitalized where they relate directly to the contract or anticipated contract, generate resources used in satisfying the contract and are expected to be recovered. The Group will amortize these costs on a systematic basis, consistent with the transfer to the customer of the goods or services, and are periodically reviewed for impairment.

#### • Work-in-progress

Work-in-progress for an over-time performance obligation is generally expensed as a fulfillment cost when it is incurred because control of the work in progress transfers to the customer as it is produced and not at discrete intervals. However, inventory to support multiple contracts that has an alternative use is recognized as an asset until it is dedicated to a specific contract.

#### • Contract assets and liabilities

Under IFRS 15, when either party to a contract has performed, an entity shall present the contract in the consolidated statement of financial position as a contract asset or a contract

liability, depending on the relationship between the entity's performance and the customer's payment.

#### • Principal versus agent consideration

The Group has evaluated its arrangements to determine whether it is a principal, and report revenues on a gross basis, or an agent, and report revenues on a net basis.

Where the Group performs agency related activities under a contract as the end customer receives project management and coordination support, the Group only recognizes net commission income.

#### • Variable consideration

If the consideration promised in a contract includes a variable amount, the Group estimates the amount of consideration to which the Group is entitled in exchange for transferring the promised goods and services to a customer.

### IFRS 9 "Financial Instruments"

#### Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

#### i) Financial assets

Classification of financial assets depends on the Group's business model for managing its financial assets and the contractual terms of the cash flows. The Group classifies its financial assets as:

- Financial assets measured at amortized cost; or
- Financial assets measured at fair value

Gains or losses of assets measured at fair value will be recognized either through the consolidated statement of profit or loss or through the consolidated statement of OCI.

#### Initial measurement

Financial assets are initially measured at their fair value plus transaction costs. Transaction costs of financial assets carried at fair value through income statement are recognized in the consolidated statement of profit or loss, when incurred.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows meet the requirements as solely payment of principal and interest.

#### Subsequent measurement

##### Debt instruments

The Group recognizes three classifications to subsequently measure its debt instruments:

#### • Amortized cost

Financial assets held for collection of contractual cash flows, where those cash flows represent Solely Payments of Principal and Interest ("SPPI"), are measured at amortized cost. A gain or loss on an investment in debt instruments subsequently measured at amortized cost, and not part of a hedging relationship, is recognized in the consolidated statement of profit or loss when the asset is derecognized or impaired. Interest income from these financial assets is

included in finance income using the Effective Interest Rate ("EIR") method.

#### Equity instruments

The Group measures all investments in equity instruments at fair value and presents changes in fair value of investments in equity instruments in OCI. Dividends from such investments continue to be recognized in the special-purpose statement of profit or loss as other income when the Group's right to receive payments is established. There shall be no subsequent reclassification of changes in fair value through the consolidated statement of income.

#### De-recognition

A financial asset or a part of a financial asset is derecognized when:

- The rights to receive cash flows from the asset have expired, or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement, and either:
  - a) The Group has transferred substantially all the risks and rewards of the asset; or
  - b) The Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

#### Impairment

At each reporting date, the Group measures expected credit losses ("ECL") on financial assets accounted for at amortized cost and FVOCI.

## Lifetime ECL

The Group shall always measure the loss allowance at an amount equal to lifetime expected credit losses for trade receivables and contract assets (unbilled revenue) that result from transactions that are within the scope of IFRS 15, and that do not contain a significant financing component.

For equity instruments measured at FVOCI, impairment losses (and reversal of impairment losses) are not reported separately from other changes in fair value and for debt instruments measured at FVOCI, impairment gains or losses are recognized in the consolidated statement of profit or loss and other comprehensive income.

For trade receivables only, the Group recognizes expected credit losses for trade receivables based on the simplified approach. The simplified approach to the recognition of expected losses does not require the Group to track the changes in credit risk; rather, the Group recognizes a loss allowance based on lifetime expected credit losses at each reporting date from the date of the trade receivable. It considers available reasonable and supportive forwarding-looking information.

Objective evidence that financial assets are impaired may include indications that a debtor or a Group of debtors is experiencing significant financial difficulty, default or delinquency in profit or principal payments, the probability that they will enter bankruptcy or other financial reorganization, legal team is involved to claim outstanding balance, and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Expected credit losses are measured as the difference in the present value of the contractual cash flows that are due to the Group under the contract, and the cash flows that the Group expects to receive. The Group assesses all information available, including past due status, credit ratings, the existence of third-party insurance, and forward looking macro-economic factors in the measurement of the expected credit losses associated with its assets carried at amortized cost.

The Group measures expected credit loss by considering the risk of default over the contract period and incorporates forward-looking information into its measurement.

## ii) Financial liabilities Initial recognition and measurement

Financial liabilities are classified under either of the below two classes:

- Financial liabilities at FVPL; and
- Other financial liabilities measured at amortized cost using the EIR method.

The category of financial liability at FVPL has two sub-categories:

- Designated: A financial liability that is designated by the entity as a liability at FVPL upon initial recognition; and
- Held for trading: A financial liability classified as held for trading, such as an obligation for securities borrowed in a short sale, which have to be returned in the future. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships. Separated

embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

All financial liabilities are recognized initially when the Group becomes party to contractual provisions and obligations under the financial instrument. The liabilities are recorded at fair value, and in the case of loans and borrowings and payables, the proceeds received net of directly attributable transaction costs.

## Subsequent measurement

Financial liabilities at FVPL continue to be recorded at fair value with changes being recorded in the consolidated statement of profit or loss.

For other financial liabilities, including loans and borrowings, after initial recognition, these are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in consolidated statement of profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR method. The EIR amortization is included as finance costs in the consolidated statement of profit or loss and other comprehensive income.

## Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial period which are unpaid. They are recognized initially at their fair value and subsequently measured at amortized cost using the EIR method.

## Financial guarantee contracts

Financial guarantee contracts are recognized as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value adjusted for transaction costs that are directly attributable to the issuance of the guarantee. The fair value of financial guarantee is determined as the present value of the difference in net cash flows between the contractual payments under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligation.

Where guarantees in relation to loans or other payables of associates are provided for no compensation, the fair values are accounted for as contributions and recognized as part of the cost of the investment.

## De-recognition

A financial liability is derecognized when the obligation under the liability is settled or discharged. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the consolidated statement of profit or loss and other comprehensive income.

## Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the

consolidated statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

## Foreign currencies

Transactions in currencies other than the Company's functional currency ("foreign currencies"), which is SR are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Exchange differences on monetary items are recognized in the consolidated statement of profit or loss and other comprehensive income in the year in which they arise.

## Current versus non-current classification

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

- Expected to be realized or intended to be sold or consumed in 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.

The Group classifies all other assets that do not meet the above criteria, as non-current.

A liability is classified as current when:

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

## Fair value measurement

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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- **Level 1** — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- **Level 2** — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- **Level 3** — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

## Expenses

Selling and distribution expenses principally comprise of costs incurred in the distribution and sale of the Group's products and services.

General and administration expenses include indirect costs not specifically part of cost of sales or selling and distribution expenses as required under IFRSs as endorsed in KSA. Allocations between general and administration expenses, cost of sales and selling & distribution expenses, when required, are made on a consistent basis.

## Zakat

During the year ended 31 December 2021, the Company started filing its Zakat returns separately, and as a result, it calculates and records zakat provision based on the zakat base of its own financial statements, in accordance with the requirements of the Zakat, Tax and Customer Authority "ZATCA". Previously, Zakat filing was made through the Parent Company and Zakat provision was determined based on the Company's share of the Parent Company's overall Zakat.

## Dividends

The Company recognizes a liability to make dividend distribution to the shareholders of Company when the distribution is approved by the General assembly and the distribution is no longer at the discretion of the Company. In accordance with the Companies Law in KSA, a distribution is authorized when it is approved by the shareholders. A corresponding amount is recognized directly in equity.

## Employee benefits

### End of service indemnities

The Group primarily has end of service indemnities which qualifies as defined benefit plans.

The pension liability recognized in the consolidated statement of financial position is the present value of the projected Defined Benefit Obligation (DBO) at the reporting date.

DBO is re-measured on a periodic basis by independent actuaries using the projected unit credit method. The present value of the DBO is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms approximating to the terms of the related obligation. For instances where there is no deep market in such bonds, the market rates on government bonds are used. As there are insufficient corporate and government bonds in the Kingdom of Saudi Arabia to generate a credible discount rate, the discount rate has instead been based on US Treasury bonds adjusted for country differences between the US and Saudi Arabia.

The net interest cost is calculated by applying the discount rate to the net balance of the DBO. This cost is included in employees' related costs in the consolidated statement of profit or loss and other comprehensive income.

Re-measurement gains and losses arising from changes in actuarial assumptions are recognized in the period in which they occur in OCI. Changes in the present value of the DBO resulting from plan amendments or curtailments are recognized immediately in the consolidated statement of profit or loss and other comprehensive income as past service costs.

Current and past service costs related to end of service indemnities and unwinding of the liability at discount rates used are recognized immediately in the consolidated statement of profit or loss and other comprehensive income. Any changes in net liability due to actuarial valuations and changes in assumptions are taken as re-measurement in OCI.

The actuarial valuation process takes into consideration the provisions of the Saudi Arabian Labor Laws and Workmen Law as well as the Group's policy.

## Retirement benefits

The Group pays retirement contributions for its national employees to the General Organization for Social Insurance. This represents a defined contribution plan. The payments made are expensed as incurred.

## Short-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 the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service. The liabilities are presented as current employee benefit obligations in the consolidated statement of financial position.

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.

## Shared-based payments

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

## 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.

## Inventories

Inventories are stated at the lower of cost and net realizable value. Costs of inventories are determined on a weighted average basis. Net realizable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. Appropriate provision is made for obsolete and slow moving inventories, if required.

## Intangible assets

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at each financial year-end, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses. Intangible assets, which comprise computer software, is amortized at a rate of 20% per annum.

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or 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 and other comprehensive income when the asset is derecognized.

### Property and equipment

Property and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the property and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. All other repair and maintenance costs are recognized in income or loss as incurred. Depreciation is recognized on a straight-line basis over their estimated useful lives except for Supercomputer where sum of digits method of depreciation is used, based on the performance and expected usage of the asset.

The Group applies the below estimated useful life to its property and equipment and depreciate accordingly:

Computer hardware	3 to 5 years
Furniture	5 years
Office equipment	5 to 20 years
Leasehold improvements	Lower of the lease period or 5 years
Motor vehicles	5 years
Supercomputers	7 years

An item of property and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of profit or loss when the asset is derecognized. The residual values, useful lives and methods of depreciation of property and equipment are reviewed at each financial period ended and adjusted prospectively, if appropriate.

### Impairment of non-financial assets

At the end of each reporting period, the Group reviews the carrying amounts of its non-financial 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). When it is not possible to estimate the recoverable amount of an individual asset, the Group

estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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

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

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit), except for goodwill, is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in the consolidated statement of profit or loss and other comprehensive income.

### IFRS 16 Leases

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

#### As a lessee

For all such lease arrangements the Group recognize right of use assets and lease liabilities except for the short term leases and leases of low value assets as follows:

#### Right-of-use assets

The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any re-measurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment. Right-of-use assets comprise of lease of building and land which is amortized over the respective lease period.

### Lease liabilities

At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. 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 a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is re-measured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

### As a lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. This requires evaluation of each of the indicators provided in IFRS 16 including but not limited whether the discounted value of the lease payments covers significant part of the fair value of the underlying asset and whether the lease term covered major part of the economic life of the underlying asset.

Operating lease income is recognized in the consolidated statement of profit or loss on a straight-line basis over the lease term. Any benefits granted as an incentive to enter into an operating lease, are distributed in a straight-line basis over the lease term.

If an arrangement contains lease and non-lease components, then the total consideration is allocated using the standalone selling prices based on the principles of IFRS 15.

### Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of commercial buildings, vehicles and offices (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value

assets recognition exemption to leases of commercial buildings, vehicles and offices that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

### Onerous contracts

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.

An onerous contract is a contract under which the unavoidable costs (i.e., the costs that the Group cannot avoid because it has the contract) of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it. The cost of fulfilling a contract comprises the costs that relate directly to the contract (i.e., both incremental costs and an allocation of costs directly related to contract activities).

### 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 a reliable estimate can be made of the amount of the obligation. Provisions are not recognized for future operating losses.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to liability. The increase in the provision due to the passage of time is recognized as financial charges.

### Contingencies

Contingent liabilities are not recognized in the consolidated financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the consolidated financial statements but disclosed when an inflow of economic benefits is probable.

### Government grants

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

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in the consolidated profit or loss in the period in which they become receivable

### 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.

### New standards, amendment to standards and interpretations:

Certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2021 that does not have significant impact on the consolidated financial statements during the year.

### Amendments to IFRS 7 and IFRS 16 interest rate benchmark reform – Phase 2

The Phase 2 amendments address issues that arise from the implementation of the reforms, including the replacement of one benchmark with an alternative one. The Phase 2 amendments provide additional temporary reliefs from applying specific IAS 39 and IFRS 9 hedge accounting requirements to hedging relationships directly affected by IBOR reform.

### Amendment to IFRS 16, "Leases" – COVID-19 related rent concessions

As a result of the coronavirus (COVID-19) pandemic, rent concessions have been granted to lessees. In May 2020, the International Accounting Standards Board ("IASB") published an amendment to IFRS 16 that provided an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19 is a lease modification.

On 31 March 2021, the IASB published an additional amendment to extend the date of the practical expedient from 30 June 2021 to 30 June 2022. Lessees can select to account for such rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as variable lease payments in the period(s) in which the event or condition that triggers the reduced payment occurs.

### Standards issued but not yet effective

Following are the new standards and amendments to standards which are effective for annual periods beginning on or after 1 January 2022 and earlier application is permitted; however, the Group has not early adopted them in preparing these consolidated financial statements.

### Amendments to IAS 1: classification of liabilities as current or non-current

These narrow-scope amendments to IAS 1, "Presentation of financial statements", clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant). The amendment also clarifies what IAS 1 means when it refers to the "settlement" of a liability.

### Conceptual framework – amendments to IFRS 3

IFRS 3, "Business combinations" update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.

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

IAS 16, "Property, plant and equipment" prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognize such sales proceeds and related cost in profit or loss.

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

IAS 37, "Provisions, contingent liabilities and contingent assets" specify which costs a company includes when assessing whether a contract will be loss-making.

### Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2 and IAS 8

The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies.

### Amendment to IAS 12 – deferred tax related to assets and liabilities arising from a single transaction

These amendments require companies to recognize deferred tax on transactions that, on initial recognition give rise to equal amounts of taxable and deductible temporary differences.

## 4. SIGNIFICANT ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses and assets and liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future. These estimates and assumptions are based upon experience and various other factors that are believed to be reasonable under the circumstances and are used to judge the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised or in the revision period and future periods if the changed estimates affect both current and future periods.

The following critical judgements and estimates have the most significant effect on the amounts recognized in the consolidated financial statements:

### Useful lives, depreciation method and residual values of property and equipment and intangible assets

An estimate of the useful lives and residual values of property and equipment and intangible assets is made for the purposes of calculating depreciation and amortization, respectively. These estimates are made based on

expected usage for useful lives. Residual value is determined based on experience and observable data where available.

During the year ended 31 December 2021, the Group has changed the depreciation method for Super Computers from "straight line" method to "sum of digit" method, based on the performance and expected usage of the asset where it will depreciate the assets in a manner that more accurately reflects the economic benefits of the assets. This has resulted in an additional depreciation expense of SR 35.23 million for the year ended 31 December 2021.

### Expected credit losses ("ECL")

For accounts receivables and contract assets, the Group applies the simplified approach. To measure the expected credit losses, receivables have been grouped based on shared credit risk characteristics and the days past due. Expected loss rates were derived from historical information of the Group and are adjusted to reflect the expected future outcome which also incorporates forward looking information for macroeconomic. The Group estimates the case by case provision on STC, Government and Private customers based on the internal assessment regarding the collectability of the balances and this assessment is done based on the available information. An estimate of the collectible amount is made when collection of the amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and an allowance applied according to the length of time past due.

### 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 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.

### Impairment of inventories

Inventories are held at the lower of cost or net realizable value. When inventories become old or obsolete, an estimate is made for their net realizable value. For individually significant items of inventory this estimation is performed on an individual basis. Items of inventory which are not individually significant, but which are old or obsolete, are assessed collectively and a provision applied according to the inventory type and the degree of ageing or obsolescence, based on anticipated selling prices less estimated costs of sale.

### Long-term assumptions for employee benefits

Employees' end of service benefits represent obligations that will be settled in the future and require assumptions to project obligations. Management is required to make further assumptions regarding variables such as discount rates, rate of salary increase, mortality rates, employment turnover and future healthcare costs. Periodically, management of the Group consults with external actuaries regarding these assumptions. Changes in key assumptions can have a significant impact on the projected benefit obligations and/or periodic employee defined benefit costs incurred.

### Determining the lease term of contracts with renewal and terminations options

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 has several lease contracts that include extension and termination clauses. 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.

### Incremental borrowing rate for lease agreements

The Group cannot readily determine the interest rate implicit in the lease agreement, 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, such as for subsidiaries that do not enter into financing transactions 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.

### Provisions

By their nature, provisions are dependent upon estimates and assessments whether the criteria for recognition have been met, including estimates of the probability of cash outflows. Provisions for litigation are based on an estimate of the costs, taking into account legal advice and other information presently available. Provisions for termination benefits and exit costs, if any, also involve management's judgement in estimating the expected cash outflows for other exit costs. Provisions for uncertain liabilities involve management's best estimate of whether cash outflows are probable.

### Contract cost estimation

The Group recognizes contract revenue by reference to the stage of completion of the activity at the reporting date, when the outcome of a contract can be estimated reliably. The stage of completion is measured by reference to the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs. Assumptions are required to estimate the total estimated contract costs and the recoverable variation works that will affect the stage of completion. The estimates are made based on past experience and knowledge of the project engineers and other technical team. The accuracy of these estimates is likely to have an impact on the amount of revenue and related profits recognized.

At the end of each reporting period, the Group is required to estimate costs to complete the contracts based on work to be performed beyond the reporting period. This involves objective evaluation of project progress against the schedule, evaluation of work to be performed and the associated costs to fully deliver the contract to the customer. This estimate will impact contract revenue and costs, contract assets, contract liabilities and accrued project costs. The measurement of contract revenue is affected by a variety of uncertainties (including cost estimation) that depend on the outcome of future events. The estimates often need to be revised as events occur and uncertainties are resolved. Therefore, the amount of contract revenue recognized may increase or decrease from period to period.

## 5. REVENUE, NET

The following is the analysis of the Group's revenue:

	31 December 2021 SR	31 December 2020 SR
Core ICT Services	4,231,204,538	3,743,571,801
IT Managed and Operational Services	1,955,164,641	1,630,024,588
Digital Services	1,629,428,223	1,517,822,674
	7,815,797,402	6,891,419,063
<b>Type of customers</b>		
Sell through STC and sell to direct customers (STC is not the end customer)	5,569,352,001	4,467,318,493
Sell to STC & its subsidiaries (STC & its subsidiaries are the end customers)	2,246,445,401	2,424,100,570
	7,815,797,402	6,891,419,063
<b>Timing of revenue recognition</b>		
Goods or services transferred to customers:		
– over time	7,417,253,192	6,205,867,828
– at a point in time	398,544,210	685,551,235
	7,815,797,402	6,891,419,063

## 6. GENERAL AND ADMINISTRATION EXPENSES

	31 December 2021 SR	31 December 2020 SR
Employees related costs	229,232,024	208,460,414
Professional services	65,548,829	67,787,904
Depreciation and amortization	62,100,080	56,961,604
IT expenses	54,434,158	44,326,476
Hospitality and corporate gatherings	17,195,240	13,313,641
Office expenses	10,802,429	14,461,978
Rent expenses	9,693,157	10,560,459
Provision against lease contract	–	30,166,460
Business travel expenses	2,144,002	7,118,395
Utilities expenses	1,760,452	1,601,079
Others	9,190,648	4,975,871
	462,101,019	459,734,281

## 7. SELLING AND DISTRIBUTION EXPENSES

	31 December 2021 SR	31 December 2020 SR
Employees related costs	164,829,224	141,705,587
Impairment of accounts receivable and contract assets (note 12 & 14)	150,859,346	46,113,660
Selling and marketing expenses	24,427,125	12,627,528
IT expenses	4,008,419	3,178,965
Depreciation and amortization	2,132,477	378,072
Business travel expenses	504,942	1,226,515
	346,761,533	205,230,327

## 8. OTHER INCOME/(LOSS), NET

	31 December 2021 SR	31 December 2020 SR
Write-off of liabilities	2,614,237	–
Commission income	–	2,133,766
Impairment loss on property and equipment (note 8.1 & 17)	(621,965)	(3,517,908)
Foreign exchange loss	(127,434)	(952,799)
Other	238,725	1,740
	2,103,563	(2,335,201)

**8.1** This represents the impairment charge booked on assets related to certain offices which are planned to be handed back to lessor (note 17).

## 9. FINANCE INCOME/(COSTS), NET

	31 December 2021 SR	31 December 2020 SR
Finance charges on leases liabilities	(1,072,276)	(2,537,652)
Income from murabaha time deposits	3,889,722	1,639,140
	2,817,446	(898,512)

## 10. ZAKAT

For the years up to 2008, the Company filed its Zakat returns separately based on its own financial statements and has obtained final assessments with ZATCA for the years till 2008.

For the years, 2009 to 2020, the Company filed its Zakat through

the Parent Company, as part of the consolidated Zakat return of the Parent Company, where the Parent company is liable for any assessments provided by ZATCA for the years from 2009 to 2020.

Effective 1 January 2021, and based on approval from ZATCA, the Company started filing its Zakat returns separately, and as a result,

it calculates and records zakat provision based on the zakat base of its own financial statements, in accordance with the requirements of ZATCA. The Company's Zakat provision for the year ended 2021 amounted to SR 71.1 million (2020: SR 51.9 million), and is charged to the consolidated statement of profit or loss.

The movement in zakat provision is as follows:

	31 December 2021 SR	31 December 2020 SR
Balance as at 1 January	53,140,982	40,113,984
Charge for the year	71,106,574	51,978,118
Paid during the year	(51,978,119)	(38,951,120)
Balance as at 31 December	72,269,437	53,140,982

## 11. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of bank balances, cash in hand and investments that are readily convertible into known amounts of cash and have original maturity of three months or less when placed. Cash and cash equivalents comprise of the following:

	31 December 2021 SR	31 December 2020 SR
Cash in hand	17,333	22,471
Bank balances	24,039,191	8,451,173
Murabaha time deposits (*)	1,583,500,000	985,000,000
	1,607,556,524	993,473,644

(\*) Represent deposits placed with various banks and carry a profit rate of 0.5% to 1.2% (2020: 0.25% to 0.45%) per annum. The original maturity date for all these deposits are less than 90 days.

## 12. ACCOUNTS RECEIVABLE

	31 December 2021 SR	31 December 2020 SR
Gross trade receivables (excluding Parent Company and its subsidiaries balances)	922,538,872	813,285,140
Less: allowance for expected credit losses	(210,737,776)	(74,796,541)
Net trade receivables	711,801,096	738,488,599
Gross amounts due from Parent Company and its subsidiaries (note 29)	2,388,079,460	2,146,107,981
Less: allowance for expected credit losses (note 29)	(79,323,249)	(80,845,124)
Net amounts due from related parties (excluding Parent Company and its subsidiaries balances)	2,308,756,211	2,065,262,857
Total accounts receivable	3,020,557,307	2,803,751,456

## Trade receivables

The average credit period on sales of goods and provision for services is 60 days. No finance income is charged on trade receivables.

The Group performs credit-vetting procedures before granting credit to new customers. These procedures are reviewed and updated on an ongoing basis. There have been no changes to these procedures from the previous year.

Customers are grouped according to their credit characteristics, including whether they are private or not and whether sovereign or non-sovereign. The customers grouped in a particular segment share similar credit risk characteristics.

Since the Group considers the homogeneity of economic characteristics of the company/ individual for segmentation. Private customers are assessed for impairment on a collective basis. The Group does not have trade

receivable and contract assets for which no loss allowance is recognized because of collateral.

One of the Group's debtors represent 8% (2020: 13%) of the total trade receivables balance excluding Parent Company and its subsidiaries balances.

There were no amounts at the reporting date that were neither past due nor impaired for which the credit quality had reduced since the initial granting of credit.

## Movement in the allowance for expected credit losses related to trade receivables (excluding Parent Company and its subsidiaries balances):

	31 December 2021 SR	31 December 2020 SR
Balance as at 1 January	74,796,541	64,524,138
Net charge for the year	135,941,235	10,272,403
Balance as at 31 December	210,737,776	74,796,541

## Movements in the allowance for expected credit losses related to amounts due from Parent Company and its subsidiaries balances:

	31 December 2021 SR	31 December 2020 SR
Opening balance	80,845,124	45,223,074
Net (reversal)/charge for the year	(1,521,875)	35,622,050
Closing balance (*)	79,323,249	80,845,124

(\*) The above includes SAR 39.7 million (2020: 49.8 million) pertaining to receivables for which STC is not the end customer.

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the accounts receivable from the date credit was initially granted up to the end of the reporting period. The concentration of credit risk for third parties is limited due to the fact that the customer base is large and unrelated. The Group does not hold any collateral over the impaired trade receivables.

	31 December 2021 SR	31 December 2020 SR
<b>Age of unimpaired trade receivables</b>		
<b>Non-governmental receivables</b>		
0 to 3 months	138,089,349	145,786,309
4 to 6 months	43,293,197	62,994,560
7 to 12 months	11,306,309	5,046,037
Over 1 year	251,215	11,192,309
	192,940,070	225,019,215
<b>Governmental receivables</b>		
Neither past due nor impaired	244,612,753	269,979,122
0 to 3 months	206,680,487	53,335,690
4 to 6 months	31,615,944	80,707,005
7 to 12 months	35,051,560	73,608,103
Over 1 year	900,282	35,839,464
	518,861,026	513,469,384
	711,801,096	738,488,599
<b>Age of impaired trade receivables</b>		
<b>Non-governmental receivables</b>		
0 to 3 months	15,339,683	11,511,292
4 to 6 months	17,877,068	10,861,484
7 to 12 months	22,225,222	4,359,397
Over 1 year	53,951,986	28,544,283
	109,393,959	55,276,456
<b>Governmental receivables</b>		
0 to 3 months	26,239,565	2,346,182
4 to 6 months	1,193,297	60,090
7 to 12 months	23,609,628	1,073,980
Over 1 year	50,301,327	16,039,833
	101,343,817	19,520,085
	210,737,776	74,796,541

### 13. PREPAYMENTS AND OTHER ASSETS

	31 December 2021 SR	31 December 2020 SR
Advances to suppliers, net (note 13.1)	204,958,795	17,666,662
Prepaid expenses, net (note 13.2)	52,213,626	38,719,787
Other receivables, net (note 13.3)	28,095,770	96,666,789
Deposits, net	2,708,081	3,826,285
	287,976,272	156,879,523

**13.1** During the current year, additions to advances to suppliers were made in connection to certain projects. Advances to suppliers are presented net of provision for old advances amounting to SR 10.8 million (2020: SR 94 million).

**13.2** Prepaid expenses are presented net of provision for certain doubtful prepaid assets amounting to SR 22.6 million (2020: SR 22.6 million).

**13.3** Other receivables include amounting of SR 8.5 million (2020: SR 80.7 million) due from related parties (note 29).

### 14. CONTRACT ASSETS

Contract assets represents the value of work executed by the Group during the year which has not been billed to customers as at the reporting date. Total contract assets billed during the year amounted to SR 1,200 million (2020: SR 911 million) and total revenue recognized relating to the contract assets during the year amounted to SR 954 million (2020: SR 1,246 million).

	31 December 2021 SR	31 December 2020 SR
Gross contract assets (note 29)	1,264,069,299	1,510,518,671
Allowance for impairment	(7,850,611)	(5,957,205)
	1,256,218,688	1,504,561,466

The movement in the allowance for impairment related to contract assets for the year ended 31 December were as follows:

	2021 SR	2020 SR
Balance as at 1 January	5,957,205	8,548,117
Charge/(reversal) of impairment for the year	1,893,406	(2,590,912)
Balance as at 31 December	7,850,611	5,957,205

**15. INVENTORIES**

	31 December 2021 SR	31 December 2020 SR
Materials and supplies	349,123,113	180,451,340
Less: allowance for slow moving and obsolete inventory (note 15.1)	(75,136,957)	(68,082,186)
	273,986,156	112,369,154

The Group has charged inventories amounting to SR 596 million (2020: SR 711 million) to consolidated statement of profit or loss and other comprehensive income.

**15.1** The movement in the allowance for slow moving and obsolete inventories was as follows:

	2021 SR	2020 SR
Balance as at 1 January	68,082,186	59,989,749
Net charge for the year	7,054,771	8,092,437
Balance as at 31 December	75,136,957	68,082,186

**16. INTANGIBLE ASSETS**

	Software SR	Capital work-in-progress SR	Total SR
<b>COST</b>			
As at 1 January 2021	166,490,046	4,753,105	171,243,151
Additions	26,177,588	15,656,587	41,834,175
Transfer	10,161,529	(10,161,529)	-
As at 31 December 2021	202,829,163	10,248,163	213,077,326
<b>ACCUMULATED AMORTIZATION</b>			
As at 1 January 2021	79,783,991	-	79,783,991
Amortization	35,083,521	-	35,083,521
As at 31 December 2021	114,867,512	-	114,867,512
Net book value as at 31 December 2021	87,961,651	10,248,163	98,209,814
As at 1 January 2020	133,355,379	23,208,366	156,563,745
Additions	11,560,733	13,236,367	24,797,100
Disposal	(10,117,694)	-	(10,117,694)
Transfer	31,691,628	(31,691,628)	-
As at 31 December 2020	166,490,046	4,753,105	171,243,151
<b>ACCUMULATED AMORTIZATION</b>			
As at 1 January 2020	52,813,472	-	52,813,472
Amortization	30,898,330	-	30,898,330
Disposal	(3,927,811)	-	(3,927,811)
As at 31 December 2020	79,783,991	-	79,783,991
Net book value as at 31 December 2020	86,706,055	4,753,105	91,459,160

The amortization charge for the year, as reported in the consolidated statement of profit or loss and other comprehensive income is allocated as follows:

	31 December 2021 SR	31 December 2020 SR
Cost of revenue	13,845,004	13,713,422
Selling and distribution expenses (note 7)	1,835,624	103,890
General and administration expenses (note 6)	19,402,893	17,081,018
	35,083,521	30,898,330

**17. PROPERTY AND EQUIPMENT**

Cost	Computer hardware SR	Furniture and office equipment SR	Leasehold improve- ments SR	Motor vehicles SR	Super- computers SR	Capital work-in- progress* SR	Total SR
Balance as at 1 January 2021	255,663,799	65,530,834	63,522,078	2,112,077	-	420,704,721	807,533,509
Additions	40,706,364	1,395,103	3,310,822	-	-	67,702,814	113,115,103
Transfer	66,519,792	21,990,260	46,285,530	-	339,979,013	(474,774,595)	-
Disposal	(209,320)	(367,683)	-	(424,000)	-	-	(1,001,003)
Balance as at 31 December 2021	362,680,635	88,548,514	113,118,430	1,688,077	339,979,013	13,632,940	919,647,609
<b>Accumulated depreciation and impairment</b>							
Balance as at 1 January 2021	142,484,967	37,829,638	32,649,705	1,010,447	-	-	213,974,757
Depreciation and impairment charge	51,308,534	10,648,697	17,877,526	488,159	75,709,612	-	156,032,528
Disposal	(193,675)	(353,683)	-	(424,000)	-	-	(971,358)
Balance as at 31 December 2021	193,599,826	48,124,652	50,527,231	1,074,606	75,709,612	-	369,035,927
<b>Net book value</b>							
At 31 December 2021	169,080,809	40,423,862	62,591,199	613,471	264,269,401	13,632,940	550,611,682

\*Capital work in progress for 2020 represents creating a remote computing facility which mainly includes supercomputers. The facility has started its operations during 2021.

Cost	Computer hardware SR	Furniture and office equipment SR	Leasehold improvements SR	Motor vehicles SR	Capital work-in progress* SR	Total SR
Balance as at 1 January 2020	214,359,170	56,134,627	53,442,581	1,422,500	13,660,976	339,019,854
Additions	24,853,440	11,143,091	2,867,435	689,577	471,649,335	511,202,878
Transfer	54,475,465	1,392,162	8,737,963	-	(64,605,590)	-
Disposal	(38,024,276)	(3,139,046)	(1,525,901)	-	-	(42,689,223)
Balance as at 31 December 2020	255,663,799	65,530,834	63,522,078	2,112,077	420,704,721	807,533,509
<b>ACCUMULATED DEPRECIATION AND IMPAIRMENT</b>						
Balance as at 1 January 2020	121,950,343	28,617,588	21,011,188	725,475	-	172,304,594
Depreciation and impairment charge	36,488,876	10,070,369	12,070,856	284,972	-	58,915,073
Disposal	(15,954,252)	(858,319)	(432,339)	-	-	(17,244,910)
Balance as at 31 December 2020	142,484,967	37,829,638	32,649,705	1,010,447	-	213,974,757
<b>NET BOOK VALUE</b>						
At 31 December 2020	113,178,832	27,701,196	30,872,373	1,101,630	420,704,721	593,558,752

The depreciation and impairment charge for the year, as reported in the consolidated statement of profit or loss and other comprehensive income is allocated as follows:

	31 December 2021 SR	31 December 2020 SR
Cost of revenue	129,600,773	33,255,818
Selling and distribution expenses (note 7)	296,853	274,182
General and administration expenses (note 6)	25,512,937	21,867,165
Impairment loss on property and equipment (note 8)	621,965	3,517,908
	156,032,528	58,915,073

## 18. RIGHT-OF-USE ASSETS

Below is the movement of the right-of-use assets under the application of IFRS 16, Leases:

	Land and buildings SR	Vehicles SR	Total SR
Balance as at 1 January 2020	76,573,162	842,539	77,415,701
Additions to right of use assets	13,289,341	-	13,289,341
Depreciation charge for the year ended 31 December 2020	(18,043,910)	(728,421)	(18,772,331)
<b>Balance as at 31 December 2020</b>	<b>71,818,593</b>	<b>114,118</b>	<b>71,932,711</b>
Depreciation charge for the year ended 31 December 2021	(17,315,820)	(114,118)	(17,429,938)
<b>Balance as at 31 December 2021</b>	<b>54,502,773</b>	<b>-</b>	<b>54,502,773</b>

Right of use assets are depreciated as follows:

Leasehold lands	15 years
Buildings	4 years
Vehicles	3 years

The depreciation charge for the year, as reported in the consolidated statement of profit or loss and other comprehensive income is allocated as follows:

	31 December 2021 SR	31 December 2020 SR
General and administration expenses (note 6)	17,184,250	18,013,421
Cost of revenue	245,688	758,910
	17,429,938	18,772,331

## 19. ACCOUNTS PAYABLE AND ACCRUALS

	31 December 2021 SR	31 December 2020 SR
Accrued project costs	723,274,789	425,117,739
Accrued expenses (note 19.1)	608,250,608	501,060,307
Trade payables	459,879,696	653,070,944
Amounts due to related parties (note 29)	59,265,811	114,942,706
Accrued connectivity charges (note 29)	51,422,467	239,657,376
Lease liabilities (note 22)	29,256,240	40,104,398
	1,931,349,611	1,973,953,470

**19.1** Accrued expenses include an amount of SR 133 million (2020: SR 108 million) due to STC (note 29). Trade payables are normally settled within 90 days of the invoice dates.

## 20. DEFERRED REVENUE

This represents billings issued to customers in excess of the value of work executed by the Group, as per the terms of billings in the contract agreement with the customers as of the reporting date. Total deferred revenue invoiced during the year amounted to SR 1,197 million (2020: SR 1,066 million) and total revenue recognized relating to the deferred revenue during the year amounted to SR 624 million (2020: SR 787 million).

## 21. CONTRACT LIABILITIES

Contract liabilities represent amounts received from the Group's customers which will be applied against future billings.

## 22. LEASES

### As a lessee

	31 December 2021 SR	31 December 2020 SR
Opening	88,275,291	76,674,505
Additions to lease liabilities, net	–	12,933,987
Finance cost (note 9)	1,072,276	2,537,652
Payments	(28,756,121)	(3,870,853)
<b>Total discounted lease liabilities as at 31 December</b>	<b>60,591,446</b>	<b>88,275,291</b>

Following is the maturity analysis of undiscounted cash flows relating to leases payments as at 31 December 2021.

### Maturity analysis of lease undiscounted cash flows

	31 December 2021 SR	31 December 2020 SR
Less than 1 year	29,443,672	40,279,245
More than 1 year	33,417,569	51,187,531
<b>Total undiscounted lease liabilities as at 31 December</b>	<b>62,861,241</b>	<b>91,466,776</b>

Following is the presentation of the discounted lease liabilities in the consolidated statement of financial position:

	31 December 2021 SR	31 December 2020 SR
Current portion (included in accounts payable and accruals – note 19)	29,256,240	40,104,398
Non-current portion	31,335,206	48,170,893
<b>Total</b>	<b>60,591,446</b>	<b>88,275,291</b>

### As a lessor

The Group has entered into an operating lease arrangement for the lease of a remote computing facility for a customer that will be managed by the Group. The facility includes mainly supercomputers in addition to certain assets leased under this arrangement. The net carrying value of all such leased assets included in notes 16, 17 and 18 are as follows:

	31 December 2021 SR	31 December 2020 SR
Property and Equipment	346,074,097	–
Intangible assets	188,178	–
Land - Right-of-use assets	3,255,340	3,501,026
	<b>349,517,615</b>	<b>3,501,026</b>

The following table sets out a maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting date.

	31 December 2021 SR	31 December 2020 SR
Less than one year	132,569,580	–
More than one year	450,736,572	–
<b>Total</b>	<b>583,306,152</b>	<b>–</b>

## 23. END OF SERVICE INDEMNITIES

	31 December 2021 SR	31 December 2020 SR
<b>Defined benefit obligation (DBO)</b>	<b>236,586,315</b>	<b>294,776,761</b>

The Group grants end of service indemnities (benefit plan) to its employees taking into consideration the local labor law requirements in the Kingdom of Saudi Arabia. The benefit provided by this plan is a lump sum based on the employees' final salaries and allowance and their cumulative years of service at the date of the termination of employment.

The benefit liability recognized in the consolidated statement of financial position in respect of defined benefit end of service

plan is the present value of the DBO at the reporting date.

The DBO is calculated periodically by qualified actuaries using the projected unit credit method. The present value of the DBO is determined by discounting the estimated future cash outflows using yields on high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms approximating to the terms of the related obligation. Due to the lack of liquidity and the deep market

constraints of local corporate bonds, reference needs to be made to the Saudi Government Issuance of US dollar denominated bonds rates.

Re-measurement amounts of actuarial gains and losses on the DBO, if any, are recognized and reported within consolidated OCI under the consolidated statement of profit or loss and other comprehensive income and in the consolidated statement of changes in equity.

The following table represents the movement of the DBO:

	31 December 2021 SR	31 December 2020 SR
Balance as at 1 January	294,776,761	189,138,652
Amount recognized in the consolidated statement of profit or loss		
Current service costs	55,072,652	83,882,654
Finance cost	5,051,700	6,250,000
	60,124,352	90,132,654
Actuarial (gain)/loss recognized in the other comprehensive	(85,644,949)	35,271,285
Payments	(32,669,849)	(19,765,830)
<b>Balance as at 31 December</b>	<b>236,586,315</b>	<b>294,776,761</b>

### Significant actuarial assumptions

The most recent actuarial valuation was performed by the Group Actuarial Consultant and was performed using the projected unit credit method.

The principal assumptions used for the purposes of the actuarial valuation were as follows:

	31 December 2021 SR	31 December 2020 SR
Attrition rates	15% & 46%	15%
Salary escalation rate	1.6% & 4.5%	4.5%
Discount rate	2.1%	2.65%
Retirement age	65	65

### Sensitivity analysis

The results are sensitive to the assumptions used. The table below shows the change in DBO based on increase or decrease in the base assumption value as of 31 December 2021:

	Change in assumption	Base value SR	Impact on defined benefit obligation	
			Increase in assumption SR	Decrease in assumption SR
Discount rate	1%	236,586,315	(12,025,677)	13,486,413
Salary escalation rate	1%	236,586,315	13,098,825	(11,940,396)

Cost of revenue includes employees' cost amounting to SR 1,718 million (2020: SR 1,579 million).

## 24. SHARE CAPITAL, DIVIDENDS, TREASURY SHARES & SHARE BASED PAYMENTS

### 24.1 Share capital

During the year 2020, the shareholder of the Company in the meeting held on 12 Safar, 1442H (corresponding to 29 September 2020) resolved to increase the share capital of the Company from SR 100 Million to SR 1,200 Million (divided into 120 Million shares of SR 10 each) and to change the legal form of the Company from a limited liability company to a closed joint stock company. The legal formalities for the increase in share capital and change of legal structure including approval by the Ministry of Commerce which were obtained on 8 Jumada al-ula, 1442H (corresponding to 23 December 2020) and issuance of ministerial resolution were completed on 16 Jumada al-ula, 1442H (corresponding to 31 December 2020).

On 28 June 2021, the Company has received approval from the Capital Market Authority (CMA) for an initial public offering (IPO), through

the offering of 24 Million shares, representing 20% of the Company's shares. The Company started trading its shares on Tadawul on 30 September 2021.

### 24.2 Dividends distribution

The General Assembly in its extraordinary general meeting held on 4 Rajab 1442H (corresponding to 16 February 2021) approved to distribute dividends of SR 3.33 per share, totaling to SR 400 Million. No dividends were declared in year ended 31 December 2020.

### 24.3 Treasury shares

On 29 September 2021, the Company purchased 1.2 Million of its own shares from the Parent Company at cost of SR 151 per share, for cash consideration of SR 181 million. These shares are held by the Company as treasury shares in order to support its future employees long term incentive plans (see note 24.4).

### 24.4 Share-based payments

Employees of the Group receive remuneration in the form of equity settled share-based payments under the incentive rewarding

program, whereby employees render services as consideration to receive fixed number of Company's shares.

During the year ended 2021, the Group has recorded SR 9.6 million (2020: SR 0.2 million) as an expense in the consolidated statement of profit or loss, together with a corresponding increase in other reserves, in equity, over the period during which the vesting conditions are fulfilled.

## 25. STATUTORY RESERVE

In accordance with Companies law and the Company's By-laws, the Company must transfer 10% of its income for the year to the statutory reserve. In accordance with Company's By-laws, the Company may resolve to discontinue such transfers when the reserve totals 30% of the capital. The reserve is not available for distribution.

## 26. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the net profit for the year attributable to the shareholders of the Company by the weighted average number of shares outstanding during the year ended 31 December as follows:

	31 December 2021 SR	31 December 2020 SR
Net profit for the year 'SR'	832,918,610	701,795,504
Weighted average no of shares for basic earnings per share	119,690,959	120,000,000
Weighted average no of ordinary shares repurchased	309,041	-
Weighted average no of shares for diluted earnings per share	120,000,000	120,000,000
<b>Basic earnings per share (restated)</b>	<b>6.96</b>	<b>5.85</b>
<b>Diluted earnings per share (restated)</b>	<b>6.94</b>	<b>5.85</b>

## 27. FINANCIAL INSTRUMENTS

### Categories of financial instruments

The following table shows the carrying amounts and fair values of financial assets and financial liabilities including their levels in the fair value hierarchy:

#### 31 December 2021

	Category of financial assets	Carrying amount	Fair value level
<b>Financial assets</b>			
Cash and cash equivalents	Amortized Cost	1,607,556,524	N/A
Accounts receivable, contract assets and other receivables	Amortized Cost	4,605,491,482	N/A
<b>Financial liabilities</b>			
Accounts payable and accruals	Amortized Cost	1,962,684,817	N/A

#### 31 December 2020

	Category of financial assets	Carrying amount	Fair value level
<b>Financial assets</b>			
Cash and cash equivalents	Amortized Cost	993,473,644	N/A
Accounts receivable, contract assets and other receivables	Amortized Cost	4,408,805,996	N/A
<b>Financial liabilities</b>			
Accounts payable and accruals	Amortized Cost	2,022,124,363	N/A

The amounts for receivables and cash and cash equivalents represents the Group's maximum exposure to credit risk at the reporting date.

## 28. FINANCIAL RISK AND CAPITAL MANAGEMENT

### Market risk

The Group was not exposed to market risk during the year. There were no changes in these circumstances from the previous year.

### Foreign currency risk management

The Group did not have any material foreign currency denominated monetary assets or liabilities at the reporting date for which it was exposed to foreign currency fluctuations.

Consequently, no foreign currency sensitivity analysis has been presented.

### Profit and liquidity rate risk management

Ultimate responsibility for liquidity risk management rests with the board of directors, which has established an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and

reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities. There has been no change to this strategy from the previous year.

The Group was not exposed to movements in profit rates at the reporting date. Consequently, no profit rate sensitivity analysis has been presented.

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables have

been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The tables include both profit and principal cash flows.

	Profit rate %	Within one year SR	More than one year SR	Total SR
<b>31 December 2021</b>				
Accounts payable and accruals	NA	1,902,093,371	–	1,902,093,371
Lease liabilities relating to right of use assets	1.49% to 3.25%	29,443,672	33,417,569	62,861,241

	Profit rate %	Within one year SR	More than one year SR	Total SR
<b>31 December 2020</b>				
Accounts payable and accruals	NA	1,933,849,072	–	1,933,849,072
Lease liabilities relating to right of use assets	1.57% to 3.47%	40,279,245	51,187,531	91,466,776

### Credit risk management

Credit risk related to private customers is managed by the Group by establishing credit limits and monitoring outstanding receivables. Management does not believe that there is any significant credit risk associated with these receivables and is confident that they will be recovered. The Group is currently having most of its transactions with Saudi Telecom Company ("STC"), the Ultimate Parent Company, and also provide services to the Government. STC and the Government are recognized to have high credit rating and hence credit risk is considered to be low. The Group does not expect any default in payment from such receivables, except in case of disputes. Other

receivables are monitored on an on-going basis. Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's receivables from customers.

The carrying amounts of financial assets represent the maximum credit exposure. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets.

The allowance for impairment of trade receivables and contract assets is created to the extent and as and when required, based upon the expected collectability of

accounts receivables. The Group uses a provision matrix to measure the ECLs of trade receivables and contract assets.

Loss rates are calculated using a "roll rate"/"flow rate" method based on the probability of a receivable progressing through successive stages of delinquency to write-off. Roll rates/flow rates are calculated separately for exposures in different segments based on the common credit risk characteristics.

The following table provides information about the exposure to credit risk and ECLs for trade receivables and contract assets from private customers as at 31 December 2021:

31 December 2021	Gross carrying amount	Weighted average loss rate	Loss allowance
Unbilled	105,072,766	7.47%	7,848,936
0-90 days	153,283,859	9.91%	15,190,430
91-180 days	58,657,969	26.20%	15,368,388
181-270 Days	20,054,856	47.31%	9,487,952
271-365 Days	12,834,043	94.29%	12,101,219
More than 1 year	27,256,956	94.29%	25,700,584
	377,160,449	22.72%	85,697,509

## Capital management

The Group manages its capital to ensure it will be able to continue as going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance. The Group's overall strategy remains unchanged from the previous year.

The capital structure of the Group consists of equity comprising share capital, other reserves, statutory reserve and retained earnings.

## 29. RELATED PARTY INFORMATION

Related parties comprise of the Parent Company, and entities which are controlled directly or indirectly or influenced by the Saudi Telecom Company ("STC"), and also directors or key

management personnel. In the normal course of business, the Group has various transactions with its related parties. Transactions are entered into with the related parties on terms and conditions approved by either the Group's management or its Board of Directors.

The Group's immediate and ultimate controlling party is Saudi Telecom Company ("STC"), a listed company incorporated in the Kingdom of Saudi Arabia.

During the year, the Group entered into the following significant transactions with its Parent Company and its subsidiaries:

	31 December 2021 SR	31 December 2020 SR
Sales of goods and services (Parent Company and its subsidiaries) (a)	6,010,278,244	5,313,919,469
Purchases (Parent Company and its subsidiaries)	439,870,537	252,077,760
Discount on certain projects (b)	–	199,071,534
Sale of intangible assets and property and equipment (notes 16 & 17) (Other related party)	–	31,627,259
Long term incentive expense charged by the Parent Company	645,975	216,016

(a) Sales of goods and services to Parent Company and its subsidiaries include an amount of SR 3.8 billion (2020: SR 2.9 billion) for which Parent Company is not the end customer.

(b) This represents a discount on certain projects, that are performed through Parent Company.

(c) Revenue related to direct transactions with government and government related entities for the year-ended 31 December 2021 is SR 1.3 billion (2020: SR 1.5 billion).

The following balances were outstanding with related parties at the reporting date:

	31 December 2021 SR	31 December 2020 SR
Accounts receivable: gross (note 12)	2,388,079,460	2,146,107,981
Contract assets	846,921,803	949,422,179
Other assets: receivable from related parties (note 13)	8,516,330	80,661,693
Deferred revenue	(2,075,342,306)	(1,606,137,371)
Amounts due to related parties (note 19)	(59,265,811)	(114,942,706)
Accrued connectivity charges (note 19)	(51,422,467)	(239,657,376)
Contract liabilities	(342,315,572)	(260,457,485)
Accrued expenses (note 19)	(132,994,447)	(108,058,882)

The receivable amounts outstanding are unsecured and will be settled in cash or adjusted with payable balance. No guarantees have been given or received.

## Age of unimpaired amounts due from Parent Company and its subsidiaries

	Total SR	Neither past due nor impaired SR	Past due but not impaired			
			0 - 3 months SR	4 - 6 months SR	7 - 12 months SR	Over 1 year SR
31 December 2021	2,308,756,211	1,703,356,671	506,744,301	71,570,695	27,084,544	–
31 December 2020	2,065,262,857	932,147,422	450,520,253	379,906,106	298,474,987	4,214,089

The following compensation was paid to the key management personnel during the year:

	31 December 2021 SR	31 December 2020 SR
Employment benefits	46,957,616	34,911,209

The following amounts were payable in relation to end of service indemnities and annual leave provision to the key management:

	31 December 2021 SR	31 December 2020 SR
End of service indemnities and annual leave	8,025,952	5,578,995

## 30. SEGMENT INFORMATION

Information regarding the Group's operating segments is set out below in accordance with IFRS 8 Operating segments. IFRS 8 requires operating segments to be identified on the basis of internal reports that are regularly reviewed by the Group's chief operating decision maker and used to allocate resources to the segments and to assess their performance.

The Group is engaged in Information Communication & Technology (ICT) services as mentioned below. Majority of the Group's revenues, income and

assets relate to its operations within the Kingdom. The operating segments that are regularly reported to the Group's chief operating decision maker are the revenue streams and resources are distributed to an operating segment based on the revenue and their details are as below;

- **Core ICT Services:** These services are core requirements of the businesses, enabling customers to have core IT requirements with systems, hardware/software, and connectivity to the internet. (including: System Integration and Communication and Internet Services)

- **IT Managed and Operational Services:** These services are considered as add on(s) and help the customers in managing their operations and improve the total cost of ownership, (including: Outsourcing and Managed services)

- **Digital Services:** These services are advance digital services utilized by customers to further enhance and scale their offerings (including: Cloud, Cyber Security and Digital Services)

There are no intersegments revenue for the year ended 31 December 2021 (2020: Nil), therefore reconciliation of segments revenue to total revenue is not relevant.

	31 December 2021 SR	31 December 2020 SR
Core ICT Services	4,231,204,538	3,743,571,801
IT Managed and Operational Services	1,955,164,641	1,630,024,588
Digital Services	1,629,428,223	1,517,822,674
<b>Total revenue</b>	<b>7,815,797,402</b>	<b>6,891,419,063</b>
Total cost of revenue	(6,107,830,676)	(5,469,447,120)
Total operating expenses	(808,862,552)	(664,964,608)
Total non-operating income/(expenses)	4,921,009	(3,233,713)
Zakat charge for the year	(71,106,574)	(51,978,118)
<b>Total net profit for the year</b>	<b>832,918,609</b>	<b>701,795,504</b>

### 31. CAPITAL COMMITMENTS

The Group had no capital commitments at the reporting date.

### 32. SIGNIFICANT EVENT

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

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

The Group continues to monitor the impact of this pandemic on its business and financial results.

### 33. CONTINGENT LIABILITIES

	31 December 2021 SR	31 December 2020 SR
Letters of guarantees	271,433,635	205,670,965

The above letter of guarantee were issued under a borrowing facility of SR 500 million (2020: 500 million).

### 34. EVENTS AFTER THE REPORTING DATE

The Board of Directors recommended in its meeting held on 14 Rajab 1443H (corresponding to 15 February 2022) to distribute dividends of SR 4 per share, totaling to SR 475.2 million.

No events have arisen subsequent to 31 December 2021 and before the issuance of the consolidated financial statements that could have a significant effect on the consolidated financial statements as at 31 December 2021.

### 35. APPROVAL OF FINANCIAL STATEMENTS

These consolidated financial statements for the year ended 31 December 2021 was approved on the company's board of directors meeting held on 14 Rajab 1443H (corresponding to 15th February 2022).

## Notes

## Corporate Information

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