

Enabling Growth



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



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



Crown Prince, Prime Minister, Chairman of the Council of Economic
and Development Affairs
His Royal Highness Mohammed Bin Salman Bin Abdulaziz Al Saud



Enabling Growth



Our focus at solutions by stc is on building a better future for enterprises and the Kingdom at large. Our growth strategy is driven by the evolving trends in technology and the ambitious goals outlined in Vision 2030. We take pride in leading the digital transformation in the Kingdom, working in collaboration with our partners and clients to achieve sustainable growth and positive impact for all stakeholders. Our commitment is fueled by a strong sense of purpose and an unwavering dedication to delivering outstanding outcomes that benefit our customers, employees, and the nation.



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Presenting solutions by stc's Annual Report for 2022, which covers the performance of the Company during the year ended 31 December 2022. We aim to provide a balanced view of the Company's performance by communicating material information in a concise but comprehensive manner.

Pages 18 to 27 form the Strategic Report. This provides an overview of our business and offerings; the context in which we operate; details of our stakeholders and how we engage them; description of our business model to create value for our stakeholders; progress against our strategic framework for sustainable growth; and an exploration of our material risks and the Company's response.

The Performance Report on pages 28 to 71 outlines solutions by stc's performance during the year under review, measured against a number of standardized indicators and metrics.

The Governance Report on pages 80 to 113 forms the Report of the Board of Directors.

► Reporting scope and boundary

The Report covers the operations of solutions by stc, duly identified as the "Company", "solutions by stc", or "Organization". Key financial aspects and non-financial aspects are discussed in the context of the Company. The solutions by stc Annual Report 2022 covers the 12-month period from 1 January 2022 to 31 December 2022.

► Reporting frameworks

solutions by stc's Annual Report 2022 draws from the following reporting concepts, principles, and guides:

- ◆ The Integrated Reporting Framework, prepared by the International Integrated Reporting Council (IIRC), now part of the IFRS Foundation.
- ◆ The Integrated Thinking Principles, prepared by the Value Reporting Foundation, now part of the IFRS Foundation.
- ◆ The Capital Market Authority (CMA) Listed Companies Guide, which provides guidance on material necessary for the Board Report in accordance with requirements of the Corporate Governance Regulations, Companies Law, and Regulatory Rules and Procedures.
- ◆ The Software & IT Services Sustainability Accounting Standards prepared by the Sustainability Accounting Standards Board (SASB), now part of the IFRS Foundation.

► Compliance

solutions by stc is committed to compliance in operations, investments, and all business activities.

► Queries

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

solutions by stc

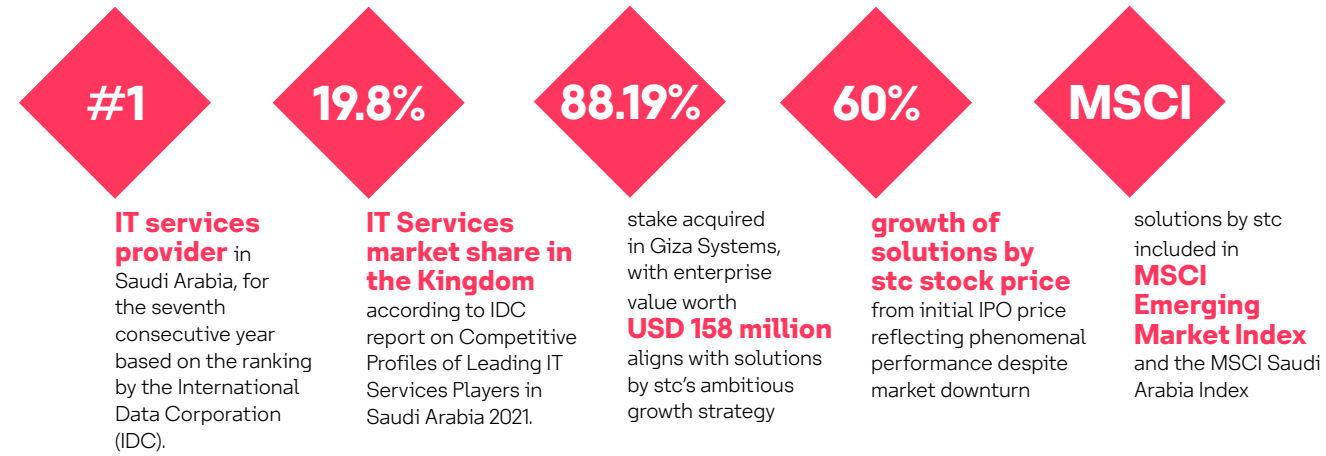
Address: PO Box 50
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Phone: +966 115 251 111
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Email: IR@solutions.com.sa

View our Annual Report online at:

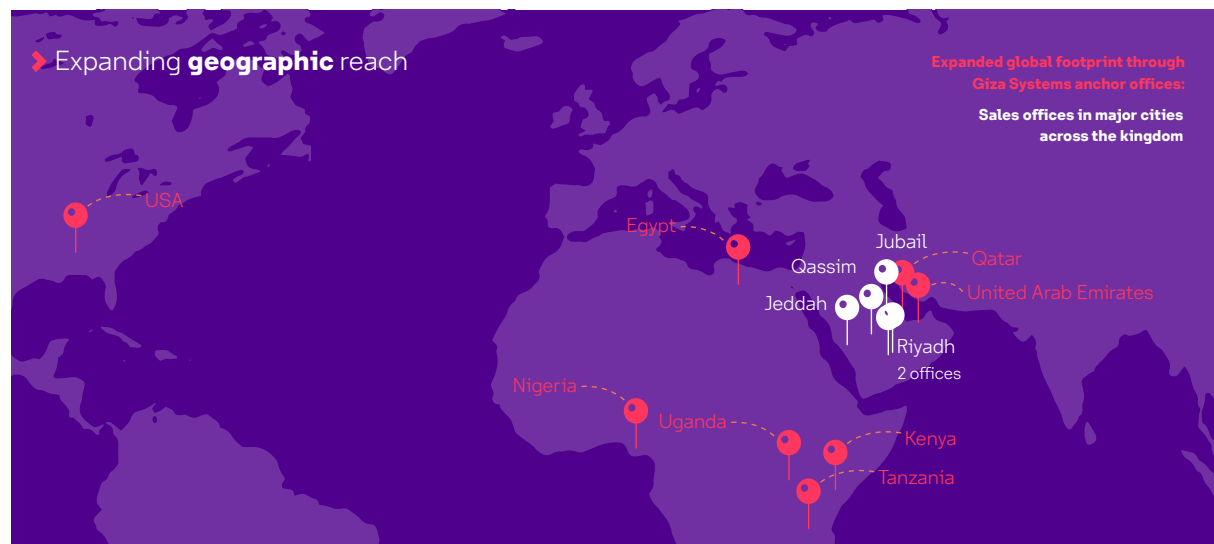
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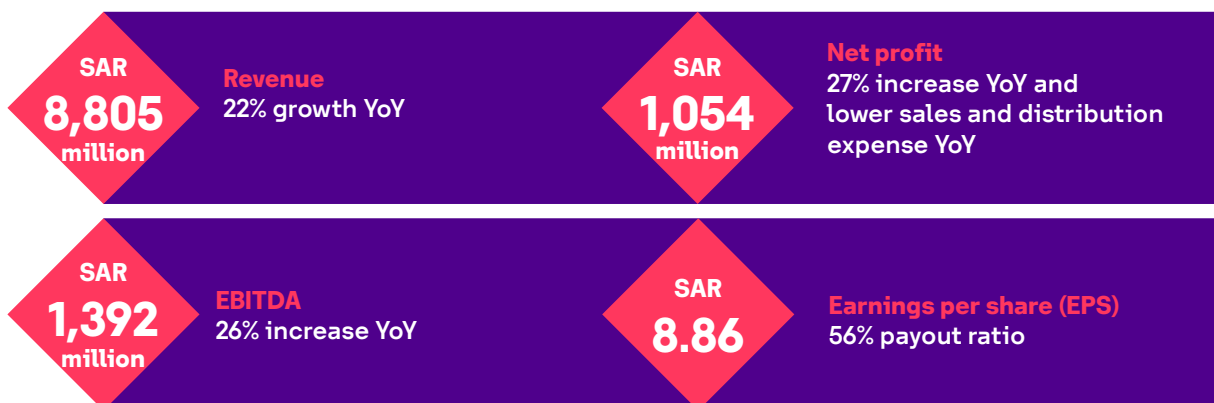
Key highlights



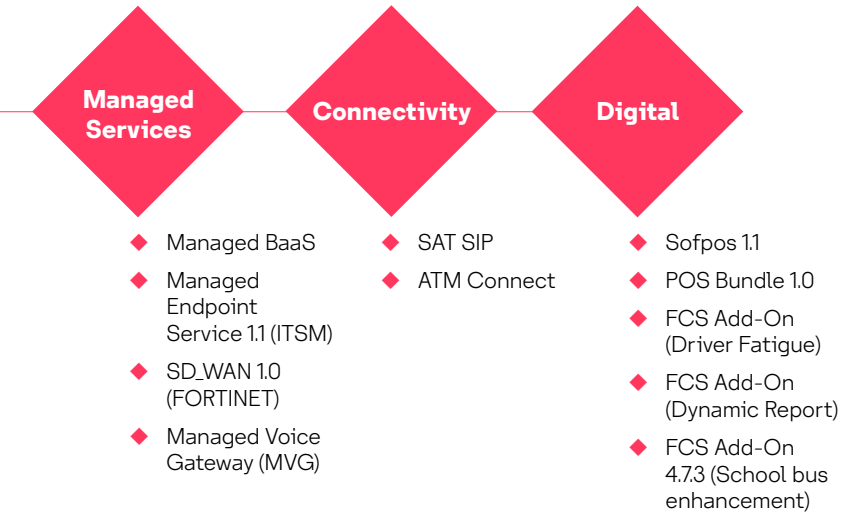
Expanding geographic reach



Robust financial performance



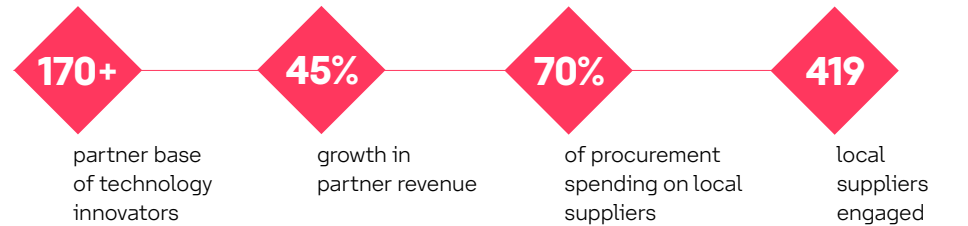
Innovative features and Services



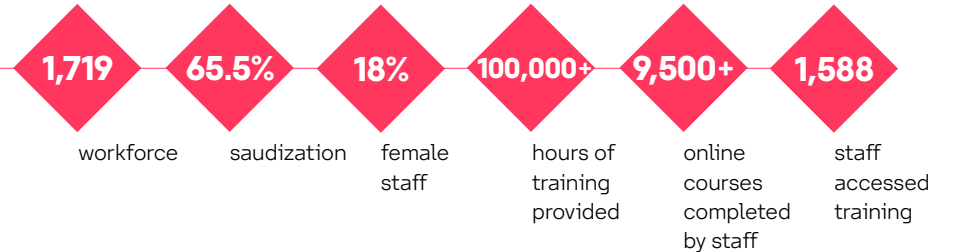
Delivering Value to our Customers



Strength of our partnerships



Our talented team



› Awards and recognition

| | | | |
|-------------------------|---|--|---|
| Institution | Saudi Capital Market Award for "Most Notable Listing Company in the Saudi Market" | Ranked among "Top 100 Companies in the Middle East" by Forbes | Treasury Team of the year - Saudi Trade Finance Awards |
| People | GCC GOV HR AWARDS – Outstanding Change Management Strategy | Ministry of Labor – LABOR AWARDS – Best Work Environment for Women | Great Place to Work® <ul style="list-style-type: none"> ◆ Great Place to Work® (Best Workplaces in the Technology Sector in the Middle East) ◆ Great Place to Work® (Best Workplace in Asia) ◆ Great Place to Work® (Best Workplaces in KSA) ◆ Great Place to Work® (Best Workplaces for Saudi Nationals) |
| Performance | The KPIs Institute – Integrated Performance Excellence Award (International from The KPI Institute) | International Project Management Awards <ul style="list-style-type: none"> ◆ Silver Award in the Communications and Information Technology category ◆ Bronze Award in the Change Management and Product Development category ◆ Bronze Award in the Mega Projects category | |
| Partnerships | Informatica Award – for Data Analytics | IR Prognosis – Managed Services Partner of the Year 2021 – MEA region | |
| Customer Service | Best Customer Centric Culture from International Customer Experience Association IXCA. | | |

› Certifications

14 International Standards Certificates obtained

| | | |
|--|--|---|
| ISO 27001 Information Security Management System | Cloud Security Alliance STAR Certification | ISO 45001 Occupational Health and Safety Management Systems |
| ISO 9001 Quality Management System | EFQM Committed to Excellence | ISO 37301 Compliance Management System |
| ISO 14001 Environmental Management System | Payment Card Industry Data Security Standard | ISO 41001 Facility Management Services |
| ISO 27017 Cloud Security Management System | ISO 27018 Identifiable Information Security in Marketplace | Dammam7 Data Center - Uptime Institute certified gold |
| HIPPA compliant | ISO 31000 Risk Management Certification | |

› Key awards from partners

solutions by stc remains committed to the Kingdom's Vision 2030 goal of developing the Information and Communication Technology (ICT) Sector to be a key contributor to the economy and national GDP



Dear valued shareholders,

I am pleased to present to you, on behalf of the Board of Directors, solutions by stc's Annual Report for 2022. During the past year, the Company strengthened its position as the Kingdom's leading enabler of digital transformation, and took new and exciting strides for expansion and consolidation, in alignment with an ambitious growth strategy.

solutions by stc remains committed to the Kingdom's Vision 2030 goal of developing the Information and Communication Technology (ICT) Sector to be a key contributor to the economy and national GDP. The Company continues to provide ICT and digital solutions to key customers in the government and private sectors; while taking active and forward-looking steps to diversify its customer base and strengthen capabilities in key growth areas and markets.

► **A landmark achievement**

We are proud to announce that in October 2022, solutions by stc completed the acquisition of an 88.19% stake in Giza Systems, a leading systems integrator in the region. This acquisition enables a new phase of expansion and diversification in the Middle East and North Africa (MENA), and West, East, and Central Africa (WECA). Being the first acquisition of its kind, the deal was a strategic move to capitalize on a lucrative opportunity in the region at a time when there is exponential growth in the ICT sector.

Furthermore, this move enables us to expand our capabilities, penetrate new markets, and grow our customer base; while achieving the best value for our shareholders and positioning the Company on the global stage. Working together with the team at

Giza Systems, we have enriched our service offering and continued to add value to our customers across the Kingdom and beyond.

We are also pleased to announce that solutions by stc signed a binding offer to acquire ccc by stc from stc group and ESM Holdings LLC, at an enterprise value of SAR 450 million. ccc by stc is a BPO powerhouse with local roots and international expertise. Through this acquisition, we look forward to exploring new synergies that empower both companies; allowing solutions by stc to expand into the BPO market and positioning ccc by stc for further growth in regional markets.

We are proud to announce that in October 2022, solutions by stc completed the acquisition of an 88.19% stake in Giza Systems, a leading systems integrator in the region.

► **Building on our strengths**

Following solutions by stc's celebrated listing on the Saudi Stock Exchange in 2021, one of the most successful IPOs of the year, the Company's market value appreciated in 2022. We upheld the trust of our investors and enjoyed positive growth during the year that enabled solutions by stc to reach a market capitalization of SAR+29 billion (USD 7.8 billion) by the end of 2022. This is a testament to the Company's ambitious strategy, future-focused business proposition, industry competitiveness, and agile business model.

Building on the success of the IPO and confidence of our shareholders, solutions by stc was able to further its strategic goals of enhancing relationships with stakeholders, improving capabilities, and strengthening processes. As a Board, we have worked to increase transparency and provide stronger governance oversight that will be crucial in ensuring business sustainability on the Company's growth trajectory.

In line with solutions by stc's five-year LEAP strategy, the Company aims to continue to strengthen its existing portfolio while investing in new business lines, diversifying into new customer segments, and entering new markets in the region. Establishment of an Investment Committee at Board level will spearhead our efforts to leverage opportunities in our Mergers & Acquisition (M&A) strategy. In line with our growth strategy, we have updated and expanded our existing risk appetite statement to better capture the context of the Company, and ensure a more robust management of both internal and external risks.

► **Committed to Vision 2030**

As solutions by stc continues to enable the digital transformation in the Kingdom, it remains committed to furthering the ambitious goals reflected in Vision 2030. Increasing demand for ICT services within the Kingdom, both in the government and private sectors, yielded significant growth opportunities for solutions by stc in 2022.

Core ICT services, IT managed and operational services, and digital services make up the three pillars of our offering. During the year, solutions by stc continued to deliver secure and cutting-edge digital infrastructure, and provide vital services that drove growth, scale, and transformation for our customers.

We have engaged in a number of new, robust partnerships during the year in order to expand our horizontal and vertical market presence, and are continually monitoring different trends in the ICT landscape in order to gear the Company to deliver cutting-edge solutions in growth sectors.

2022 marks the beginning of solutions by stc's sustainability journey.

➤ **A journey of sustainability**

Active steps were taken to improve the mainstreaming of Environmental, Social and Governance (ESG) factors in strategic decision-making, business operations, stakeholder engagement, and corporate disclosure. As part of this journey, solutions by stc has identified material ESG areas to focus on, and has begun instilling a culture of sustainability within the Company, which would lay the foundation for the Company's plans and efforts to identify, measure, and mitigate ESG risks and challenges, while leveraging opportunities for business growth.

➤ **Looking to the future**

Behind the achievements of solutions by stc is a talented workforce that must be credited for their values and dedication to success. In alignment with the Company's mission, the leadership team continued efforts to improve and enhance corporate culture. A well-defined engagement transformation strategy focused on boosting employee morale, satisfaction, and performance was successfully implemented across the organization.

➤ **A dynamic leadership team**

The experience, knowledge, and agility of our Board of Directors and senior leadership team have guided the Company to deliver yet another strong performance in 2022.

On behalf of the Board, I would like to extend my deep appreciation to the leadership team for a stellar performance, and thank the talented workforce who form the backbone of solutions by stc and without whom the success and growth of the Company would not be possible.

Finally, I would like to thank my colleagues on the Board for their visionary leadership and invaluable contribution. I am confident that with their continued guidance and support, we will be able to lead solutions by stc to achieve greater success in the future.

➤ **Our valued shareholders**

On behalf of the Board, I would like to take this opportunity to thank our valued shareholders for their role in the success of solutions by stc. We are committed to continuous growth and strengthening our position as the market leader you have come to trust, and to build on our successes in the years to come.

Riyadh Muawad
Chairman of the Board

➤ **Chief Executive Officer's Message**

solutions by stc posted stellar performances across all business lines in 2022, continuing to build on the successes of the previous year and contributing to net revenue growth by 22% to SAR 8,805 million



It is with great pride that I present to you the Annual Report of solutions by stc for the year ended 31 December 2022.

solutions by stc posted stellar performances across all business lines in 2022, continuing to build on the successes of the previous year and contributing to net revenue growth by 22% to SAR 8,805 million. Our strong financial results are a testament to our market leadership and a solid indicator of future sustainable growth. By delivering a strong financial performance we were able to reinforce our position as the leading enabler of digital transformation in the Kingdom and the number one provider of information technology solutions.

During 2022, solutions by stc took bold strides towards achieving the goals of our ambitious growth strategy; with the acquisition of Giza Systems. The first of its kind for solutions by stc, the acquisition was successfully completed in October of 2022. By gaining a strong foothold in new geographic markets, while diversifying and deepening our service offerings, we have clearly signaled our ability to expand and compete in the international arena.

Guided by the Company's dynamic Mergers & Acquisition (M&A) strategy, we look forward to acquiring a 100% stake in ccc by stc, the Kingdom's business process outsourcing (BPO) market leader. These moves will strengthen our capacity and build new capabilities in solutions by stc's professional and managed services offering.

► Human Capital as the beating heart of the Company

This is an exciting period of expansion and growth for the entire solutions by stc family, as over 300 new employees joined the Company, bringing new ideas and fresh energy to our dynamic work environment. We also welcomed strengthening of our human capital following the acquisition of Giza Systems, with their team of over 1,500 professionals.

Continuous investment in human capital remained a key component of the Company's success in 2022. Implementing the BEAM 2.0 strategy, we continue to scale up digitalization within the Company, with significant improvements to efficiency and productivity. Upskilling our talented workforce was another focus area in 2022, with talent incubation programs, and continuous learning and development going hand in hand with employee engagement activities which enhanced employee experience and helped attract and retain corporate talent. We were able to provide over 100,000 hours of training for our teams, in line with the Company's Learning and Development programs.

Testament to the Company's drive for excellence in customer satisfaction, solutions by stc recorded a 91% Customer Satisfaction (CSAT) score in 2022.

The diversity of our expert workforce is another key element of our successful workplace culture. Approximately 18% of our team is female, and several initiatives are in place to continually increase the intake of female talent. We believe in the value of our empowered female employees, and are committed to continuously improve our work environment, enabling all employees to thrive.

In recognition of our successful corporate culture and work environment, solutions by stc received a number of awards in 2022, including: the HRSD Labor Award for Outstanding Work Environment; and Great Place To Work® awards for Best Workplace in KSA, Best Workplace in Middle East, Best Workplace in Asia, and Best Workplace for Saudi Nationals.

► Building strong business relationships

As per solutions by stc's 2020-2025 LEAP Strategy: advancing customer success and maintaining a strong partner ecosystem plays a key role in the Company's plans for growth, expansion, and business sustainability.

With our customers as the central focus, we worked to develop and improve the capabilities that would better serve their requirements. Testament to the Company's drive for excellence in customer satisfaction, solutions by stc recorded a 91% Customer Satisfaction (CSAT) score in 2022 and was recognized with a number of awards including the ICXA Award (International Customer Experience Award).

The fruits of our efforts were also reflected in solutions by stc's Managed Services; featuring end-to-end management of network infrastructure, seeing significant demand in 2022 doubling the growth of our customer base. Showcasing solutions by stc's reliability in project delivery, the Company was awarded three International Project Management Awards in 2022: in the Communications and Information Technology, Change Management and Product Development, and Mega Projects categories.

We are also proud to work with over 170 global and local technology innovators, and have achieved the highest partnership level with several leading Information and Communication Technology (ICT) giants. By consciously engaging and enabling local suppliers and SMEs, solutions by stc has also fostered the growth of the Kingdom's digital economy and ICT market. Our robust ecosystem of partners continues to enable solutions by stc to deliver high-quality global products and services, and cutting-edge technologies to our customers.

► Enabling the Kingdom's digital transformation

Delivering on our promise as the leading ICT and digital services provider in the Kingdom, solutions by stc is the trusted partner of pivotal government organizations and leading private sector entities; in support of their digital advancement and development. Foremost amongst these were opportunities to embark on major digital transformation projects with key clients in central administration, public security, financial services, oil & gas, real-estate, and hospitality sectors.

We are honored to be appointed to support the Smart City strategy, implemented by The Ministry of

Municipal Rural Affairs and Housing (MOMRA), which is a major step toward creating citizen-centric cities that reap the benefit of smart services and state-of-the-art technology. solutions by stc will take the lead in designing, building, implementing, managing, and operating ICT infrastructure required for key Smart Cities in the Kingdom.

► Awards and recognition

Among our proudest achievements in 2022, was being ranked the "No. 1 IT services provider in Saudi Arabia" by IDC for the 7th consecutive year. As the market leader for IT solutions in the Kingdom, we are committed to delivering the best value to our customers, whilst developing the IT sector and fraternity.

During the year, we also won a number of local and international awards, including the Saudi Capital Market Award for "Best Listing Company in the Saudi Market"; ISO 37301 Compliance Management Certification and ranking in the "Top 100 Companies in the Middle East" by Forbes. Our achievement of the ISO 31000 Risk Management Certification showcases our existing capabilities and reiterates the Company's commitment to enhancing our practices in the years to come.

Following solutions by stc's successful Initial Public Offering (IPO) last year, the Company has also been included in the MSCI Emerging Market Index and the MSCI Saudi Arabia Index, reflecting our attractiveness to investors.

► Delivering a superior performance

In 2022, solutions by stc was able to build on the tremendous success of its IPO. Capitalizing the trust

and confidence of investors, both local and foreign, the Company was able to capitalize on several growth opportunities.

The successes we have enjoyed this year would not have been possible without the vision and expertise of the Board of Directors and Management. I would like to extend my heartfelt thanks to both for their unwavering guidance and continuous support. I am grateful for the talented team at solutions by stc, whose dedication to the success of the Company remains invaluable. I would also like to appreciate our network of partners and our valued customers for embarking on this journey with us, I have no doubt it will be a successful and enduring relationship.

► Looking to a promising future

Throughout our journey, of over a quarter of a century, we have taken advantage of timely opportunities when implementing strategic initiatives. As a result, we have maintained our market position as the best-in-class ICT service provider in the Kingdom. As we look to the future, our goal is to strengthen our position locally while extending our reach to the region: as the leading digital solutions innovator and provider of end-to-end ICT services.

In the long-term we aim to continue diversifying our portfolio to attract a wider customer-base as we enter new markets and business lines at a global level. Through our ambitious growth strategy, we aim to continuously achieve strong profitability, advance our operational expertise, and maintain our leadership role in the ICT sector.

Eng Omer Alnomany
Chief Executive Officer

We are the leading ICT services provider and digital enabler at the forefront of digitalization in the Kingdom, supporting the aspirations laid out in Vision 2030. In a rapidly evolving digital environment, we deliver innovative solutions that help our customers in the private and the public sectors to overcome their business challenges and achieve their digital agenda.

solutions by stc delivers 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 unparalleled capabilities that span the entire ICT value chain are positioned to help customers resolve their business challenges through technology and digitalization.

As a frontrunner in the ICT industry within the Kingdom, solutions by stc has embarked on an ambitious growth strategy intended to reinforce its positioning as the leading ICT services provider in the Kingdom and expand further into new markets. The Company's growth strategy focuses on strengthening core capabilities in competitive growth areas, expanding geographic reach, and accelerating efforts to improve efficiencies across the board. As a major player in the ICT ecosystem and value chain, solutions by stc's successes contribute to the Kingdom's development and the success of our stakeholders.

Following a successful IPO in 2021, solutions by stc stock achieved phenomenal performance even during a market downturn, reaching more than 60% growth on the initial IPO price by the end of 2022. As a result, solutions by stc achieved a market capitalization of SAR +29 billion (USD 7.8 billion) by the end of 2022. Following a strategy for stable growth with strong profitability, the Company is well poised to continue creating value for its investors, partners, and other stakeholders.



Vision
"To create digital eco-system enabling our customers to achieve sustainable growth, regionally and globally"

Mission
To provide technology solutions to businesses addressing their needs and challenges to succeed in evolving market conditions

Dynamism
We're driven to inform and spark imagination. Our point of view is not literal. It brings a new vision, and inspires others to see the world in a more ingenious way. We arouse enthusiasm around the promise of better things to come.

Devotion
Our style is human, not because it focuses on people, but because it is warm, simple, and clean. Eliminates superfluous details to achieve quality and clarity.

Drive
Focused on what's important, displaying the reason why, how or where things happen. They convey the idea of movement, with agility and progression.



➤ What we do

➤ Core ICT services –

System Integration (SI) services cover a variety of organizational needs across the value chain, enabled by our strong local and global partnership ecosystem. These services include advisory, design, implementation and integration of networks, infrastructure, and applications; which are offered through custom engagement models to our customers.

solutions by stc's communication and internet services address high-end connectivity needs of Organizations 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 telecommunication providers.

➤ IT managed and operational 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 value by increasing efficiency, providing better services, improving operations, and monitoring and resolving problems by managing the components of our customers' technical infrastructure such as; network, servers, storage, devices, and applications.

Business outsourcing services covers services in the domains of HR, customer care, and other shared services enabled by technology and automation to optimize outcomes. The Company partners with customers by utilizing a variety of business models to deliver services. This business vertical has strong momentum given the focused efforts by the Saudi Government towards privatization in line with the aspirations of Saudi Vision 2030.

➤ Digital Solutions

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 digital transformation services; providing digital solutions to connect, monitor, and analyze machine/device 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.

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 the specific security needs of enterprises.



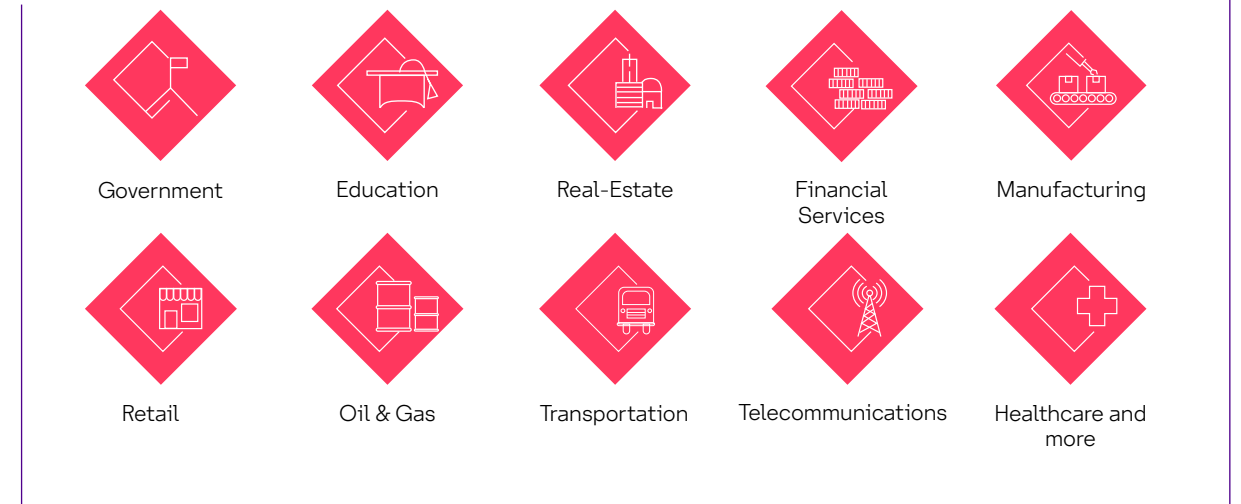
Presence across KSA for serving the needs of our customers...

Sales offices covering the four major cities in KSA, in addition to the reach of stc EBU.

Development centers in Riyadh and Cairo; development center in Cairo for software/platform development and to support cloud marketplace.

*Also, in Dubai, Doha, Nairobi, Dar-es-Salaam, Abuja, Kampala and New Jersey

► The key sectors we serve



solutions by stc is an integral partner in the digital transformation and growth trajectories of hundreds of public and private organizations in the Kingdom.

► Key strengths

► Market leadership

solutions by stc's market leadership position is built on the strength of the Company's brand, its sound business proposition, reliable systems and processes, and innovative offering that is responsive to industry trends and market needs.

► Strong partnership ecosystem

Our partnership with stc and more than 170 trusted global and local partners including innovative technology providers, enables us to draw upon a large institutional base of knowledge, customer reach, physical infrastructure, and trusted and innovative technology.

► Diverse customer base

solutions by stc is an integral partner in the digital transformation and growth trajectories of hundreds of public and private organizations in the Kingdom. Our expansive presence and market leadership position has attracted myriad customers from diverse industries across the Kingdom.

► Customer-centric culture

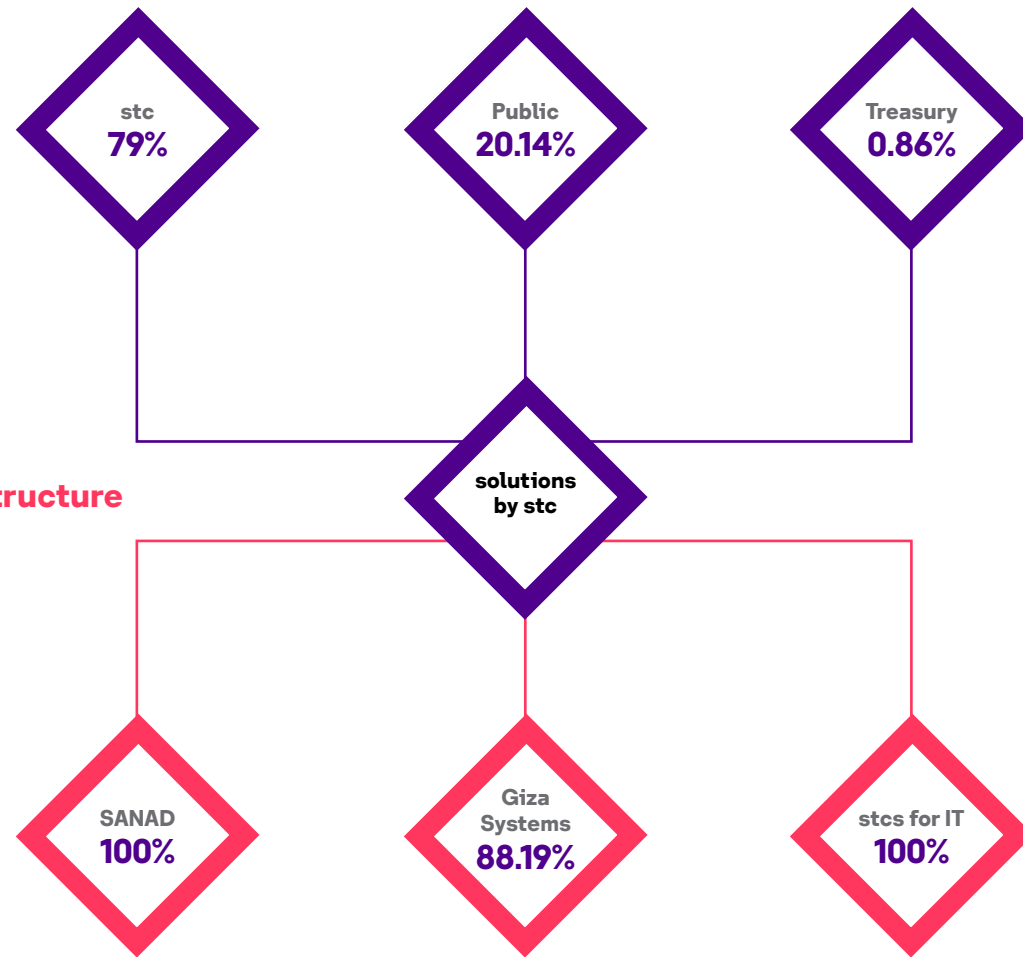
The Company's 360° CX Framework and Customer-Centricity Culture ensure Customer experience is foremost through policies and practice and operationalized across all business units and functions.

► Phenomenal growth

solutions by stc's continuous growth, innovation, and future-focused responsiveness ensures customers and business partners have the confidence of aligning with a company that will grow with them.

► Expert team

From a highly qualified and experienced senior management team, to an expert cadre of certified technical specialists with extensive industry experience; solutions by stc's staff capabilities are a key reason for the Company's success.



Business structure

Our stakeholders

Our stakeholders are central to solutions by stc's business continuity, sustainability, and success. We believe in delivering optimal value to our stakeholders and strive to forge strong relationships with them based on trust, understanding, and shared values and purpose.

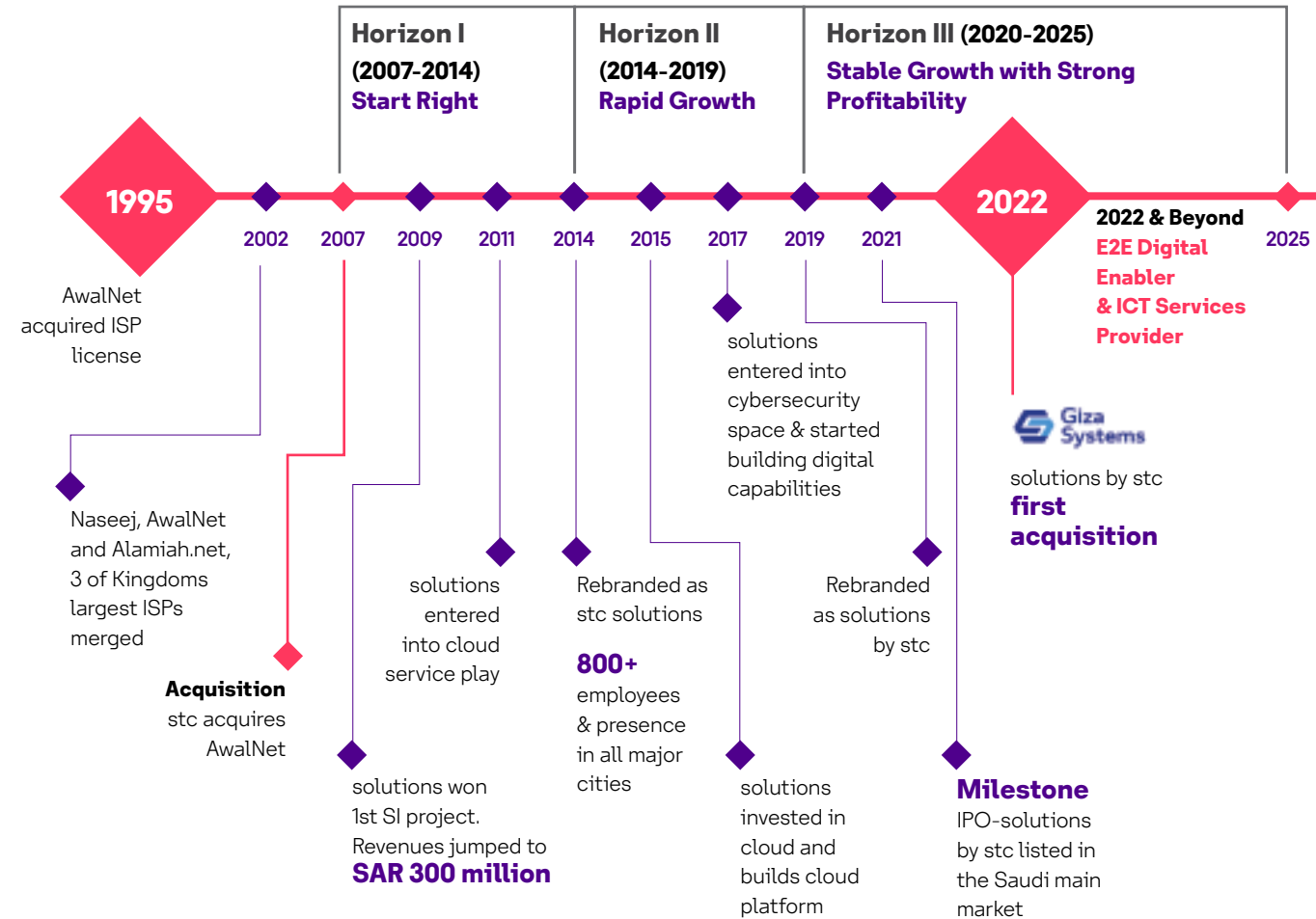
In 2022, the Company initiated an ESG baselining and maturity assessment where key stakeholder groups were identified and analyzed, along with ESG issues that are material to stakeholders and the Company. solutions by stc takes every opportunity to actively engage its stakeholders and ensure they are part of the Company's journey.

| Stakeholder | Stakeholder needs and expectations | Material issues | Our response |
|----------------------------|--|--|---|
| Shareholders and Investors | Shareholders expect timely and accurate information regarding the Company's performance, strategies, and growth trajectory. They are interested in competitive returns on investment in the short-term, and the ability of the Company to create value in the long-term. | Economic performance Business ethics and transparency Corporate Governance | solutions by stc's Dividend Distribution Policy outlines the distribution of net profits amongst shareholders. Led by an Investor Relations team, the Company maintains a close relationship with investors and ensures timely disbursement of material business information. With regard to annual corporate disclosure, solutions by stc produces an Integrated Annual Report that describes the Company's performance and communicates strategic endeavors for long-term value creation. |
| stc | stc expects a synergistic relationship for ICT ventures, strengthening and stewardship of the brand, contribution to revenue, and opportunities for networking partners and customers across the Kingdom. | Economic performance Business ethics and transparency Corporate Governance | Over the years, solutions by stc has diversified products and services, reached new customers, created new opportunities for cross-selling, and branched into new business verticals and geographic territories in line with stc's vision for growth. |
| Customers | solutions by stc's diverse customer base expects a high standard of service synonymous with the brand, innovative products and solutions that meet their evolving needs, reliability of services and infrastructure, and responsiveness to address their concerns. | Data privacy and cybersecurity client satisfaction & collaboration Digital Innovation and transformation | Customer Experience (CX) is a key strategic focus for solutions by stc, and the Company took a number of steps in 2022 to improve customer experience, strengthen relationships, and uphold the needs of customers. Refer page 60 in the Social & Relationship Capital section for details on solutions by stc's relationship with its Customers. |
| Partners and Suppliers | With over 170 reputed global and local organizations that make up a dynamic partner ecosystem; solutions by stc is expected to support the mission of its partners and suppliers, and ensure transparency and ethical and responsible procurement practices. These partners keenly observe the growth and strategies of the Company and are part and parcel of solutions by stc's achievements. | Supply chain/ Responsible procurement | The Company considers the growth of partners and suppliers when developing products and delivering services. Maintaining strong relationships with its partner ecosystem, at every step, solutions by stc strives for mutually beneficial outcomes for its partners. Refer page 68 in the Social & Relationship Capital section for details on solutions by stc's relationship with its Partners and Suppliers. |

| Stakeholder | Stakeholder needs and expectations | Material issues | Our response |
|---------------------------------------|--|---|--|
| Employees | solutions by stc's team of 1,700+ consists of ICT professionals certified in key technologies and domains, and dedicated to an overarching vision. Employees look to the Company for fair remuneration, professional growth, career progression, and a satisfying and rewarding work environment. | Diversity and Inclusion Employee Health and Safety Employee engagement, wellbeing and experience Talent Incubation: Retention and Development | The Company's HR function is at the nexus of operations and people management; supporting the needs of our employees in alignment with solutions by stc's LEAP strategy and BEAM 2.0 people management strategy. A number of new measures were taken in 2022, contributing to improving the work environment, improving employee engagement, and understanding and meeting the needs of employees across the Company. Refer page 45 in the Human Capital section for details on solutions by stc's diverse and dynamic team. |
| Government of KSA | As per the Kingdom's Vision 2030, goal of advancing the ICT sector, the Government of the KSA expects support with regard to investment in infrastructure and networks, and contribution to the economy in the form of services, employment, capacity development, and global competitiveness. | Digital inclusion Business ethics and transparency Corporate Governance Waste management Resource and energy use Opportunities for clean technology Social investment for Community Development Climate change | 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 and Interest groups | Regulators who monitor business activities and growth patterns expect that all regulatory requirements are met in order to maintain a sustainable business entity. | Digital inclusion Business ethics and transparency Corporate Governance Waste management Resource and energy use Opportunities for clean technology Social investment for Community Development Climate change | solutions by stc takes into account all stipulated regulatory requirements and is committed to compliance in operations, investments, and all business activities. As an industry leader and publicly listed Company, solutions by stc maintains cordial relationships with industry and capital market regulators. The Company strives to go beyond mere compliance, to meet the spirit of regulations and lead the field in ESG, Corporate Governance and industry best practices. |
| Communities and the Environment | The communities we operate amongst are concerned about how our business activities impact their wellbeing. The Company holds a responsibility to ensure these communities share in the Company's success, whilst further efforts are made to safeguard and nurture the environment in the areas we work. | Digital inclusion Business ethics and transparency Corporate Governance Waste management Resource and energy use Opportunities for clean technology Social investment for Community Development Climate change | As part of the Company's Sustainability journey, systems are in place to minimize waste, minimize negative externalities, and mitigate adverse effects on communities and the environment. Throughout, solutions by stc remains cognizant of wider global environmental issues, and is gearing the Company to respond to the same. Refer page 72 in the Sustainability Journey section for details on solutions by stc's sustainability plans and efforts. |

Strategy for Sustainable and Profitable Growth

Over the years, solutions by stc's journey has witnessed a steady and profitable growth. From an early entry into the field of System Integration, to timely moves to cloud and digital services, and Cybersecurity, solutions by stc has continually made strategic and forward-looking moves that enabled solutions by stc to maintain a market leader position.



solutions by stc's five-year LEAP strategy: 2020-2025

Now in our third strategic phase (Horizon III), solutions by stc is looking to maintain stable revenue drivers, whilst investing in new business lines with high growth potential and a high contribution-margin.

The strategy is centered around four key focus areas:



► **Lead in managed and professional services**

The Company places great emphasis on the core business of system integration, managed services, connectivity and digital services. Initiatives are in place to increase business volumes to ensure strengthening of market position for managed and professional services (including integration, consulting, development and management) and Business Process Outsourcing (BPO), whilst nurturing customer relationships throughout the IT value chain to improve competitiveness. To this end, solutions by stc works to leverage the best external technology, optimize and improve harmonization of delivery teams, and continuously expand operational capabilities.

► **Expand offerings portfolio and market reach**

solutions by stc actively seeks to venture into new and adjacent business lines; thereby improving operational diversity and meeting the evolving needs of customers, whilst establishing brand equity as an innovator in the market. The Company's moves are backed by detailed assessments of market trends and customer needs. Company's expansion of offerings and market reach are enabled by strong organic and inorganic strategies to unlock accelerated growth of the business. This is an exciting phase of growth for the Company with potential to grow outside the Kingdom, whilst continuing to invest in the Kingdom's IT value-chain.

► **Achieve Excellence in Total Experience**

Customer-centricity is a key component of solutions by stc's strategy for growth in Horizon III. From instilling a Customer-centric culture in the Company's DNA, to focusing on Customer Experience (CX) as a unique differentiator and competitive advantage, solutions by stc is focused on winning with customers and partners. Building and maintaining relationships with global technology vendors, represents an essential element of the Company's go-to-market strategy, with solutions by stc being the partner of choice for foreign partners to access the Saudi market. As the Company draws strength from its robust partner ecosystem, strategic focus remains on building relationships and seeking mutually beneficial outcomes for suppliers, business partners, and the Company.

► **Promote internal efficiencies and collaboration**

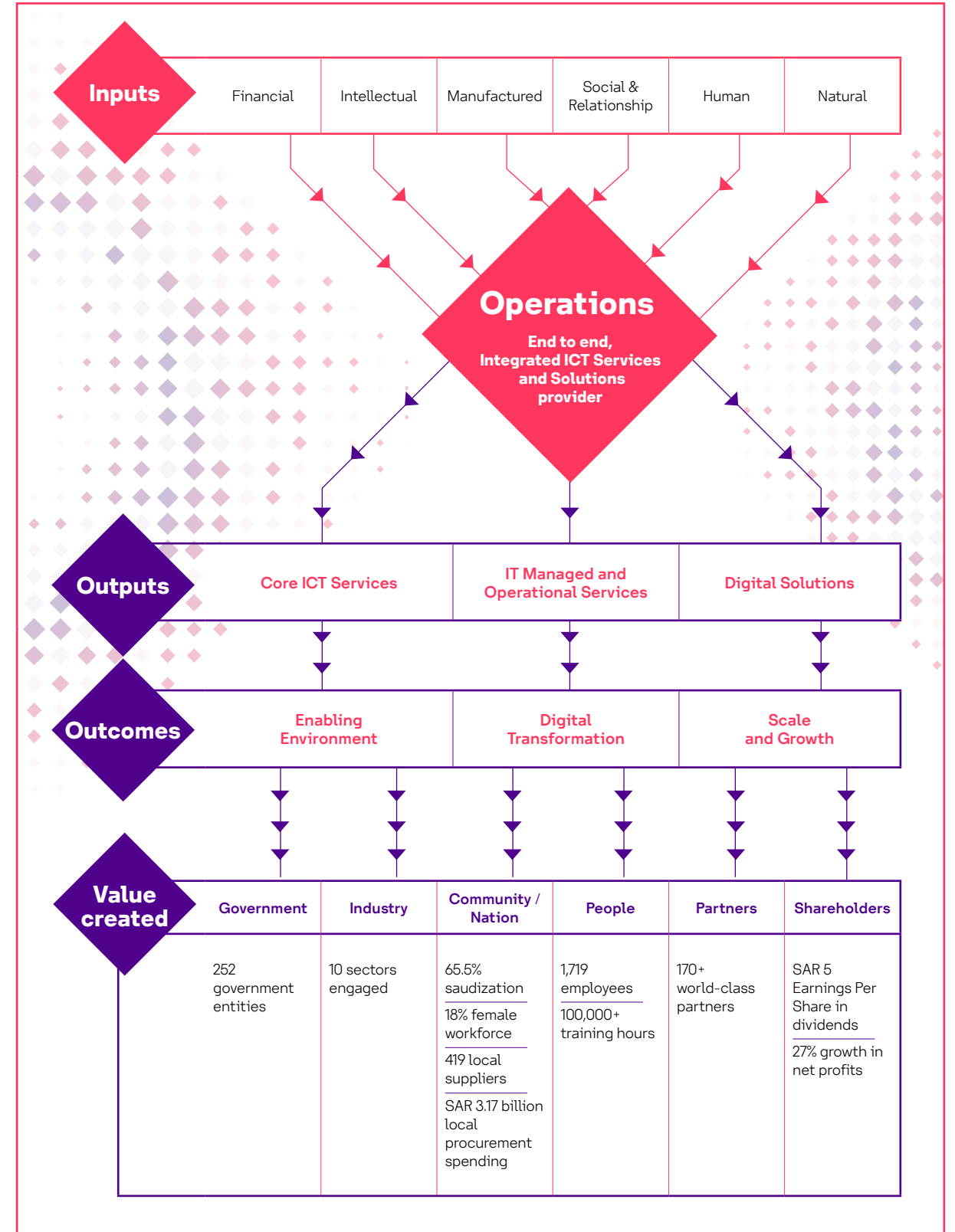
Central to solutions by stc's success in this phase of growth, is the Company's continual investment in developing capabilities in key growth areas, including attracting the best talent to drive innovation, promote efficiency and adopt best in class sustainability practices. solutions by stc seeks to actively cultivate synergies and transparency within the business, to obtain the maximum benefit from of its broad operational capabilities. Collaboration of synergies across business units and subsidiaries is being promoted through a concerted effort, and these efforts promise to unlock new advantages and opportunities for the Company.

► **Transforming risks into opportunities**

In 2022, the Company's existing risk appetite statement was updated and expanded to better capture the context, and ensure a more robust management of risks. This is in line with solutions by stc's plans for growth as per its ambitious five-year LEAP strategy. The Company also achieved ISO 31000 Risk Management Certification, which reiterates solutions by stc's commitment to continual enhancement of our Risk Management practices. Further, as part of a long-term sustainability journey, the Company identified material ESG areas to focus on, which lays the foundation for the Company's efforts to identify, measure, and mitigate ESG risks and challenges.

Analysis of material risks faced by solutions by stc, and steps taken to manage, mitigate, and transform these risks into opportunities are further explored in the Company's Corporate Governance report, found on page 107.

► **Business Model**



Performance Highlights of the year 2022

solutions by stc
Annual Report 2022

solutions by stc
Annual Report 2022

Performance Highlights of the year 2022

solutions by stc posted a strong performance in 2022; achieving targets for all financial metrics



All figures are before deducting non-disclosure interest.

► **Financial highlights**

| | | |
|-----------------------------|--|--|
| Net profit | SAR 1,054 million 2021: SAR 833 million | Net profit increased by 27% YoY, supported by strong revenue growth and lower sales and distribution expense. |
| Gross profit | SAR 2,011 million 2021: SAR 1,708 million | Gross profit margin declined 85 bps YoY, as cost of sales increased to support revenue growth. 24% increase in cost of sales attributed primarily to increased direct costs. |
| EBITDA | SAR 1,392 million 2021: SAR 1,107 million | EBITDA increased by 26% YoY, supported by strong revenue growth and lower S&D expense. |
| Total assets | SAR 10,282 million 2021: SAR 7,173 million | Company remains asset-light, with CAPEX intensity ratio of 1.5% in 2022. Working capital changes reflect strong revenue growth. |
| Shareholders' equity | SAR 2,823 million 2021: SAR 2,271 million | ROAE of 41.4% in 2022, up from 39.7% in 2021. ROCE of 32% in 2022, down from 35.4% in 2021. DPS of SAR 5.00 in 2022, up from SAR 4.00 in 2021, implying a stable 57% payout ratio. |

► **Income statement (5-year summary)**

| | *2022 (SAR '000) | *2021 (SAR '000) | 2020 (SAR '000) | 2019 (SAR '000) | 2018 (SAR '000) |
|-----------------------------|---------------------|---------------------|--------------------|--------------------|--------------------|
| Revenue (Net) | 8,805,091 | 7,208,337 | 6,891,419 | 5,257,296 | 4,041,299 |
| Cost of revenue | (6,793,845) | (5,500,370) | (5,469,447) | (4,410,052) | (3,076,252) |
| Gross profit | 2,011,246 | 1,707,967 | 1,421,972 | 847,245 | 965,047 |
| Total operating expenses | (851,015) | (808,863) | (664,965) | (499,216) | (392,723) |
| Operating profit | 1,160,231 | 899,104 | 757,007 | 348,028 | 572,324 |
| Other income (and expenses) | 11,268 | 4,921 | (3,234) | 86,730 | 35,962 |
| Zakat | (117,786) | (71,107) | (51,978) | (40,933) | (51,831) |
| Net profit | **1,053,713 | 832,919 | 701,796 | 393,825 | 556,455 |
| Gross profit margin | 22.8% | 23.7% | 20.6% | 16.1% | 23.9% |
| Net profit margin | 12% | 12% | 10% | 7% | 14% |

* Certain comparative figures have been reclassified to conform with the classification used for the year ended 31 December 2022.

** Net profit before deducting non-controlling interest of SAR 844,104.

► **Chief Financial Officer's Message**



solutions by stc delivered a strong financial performance in 2022, testament to the strength of the Company's forward-looking LEAP strategy in line with Vision 2030. The Company is well positioned to take advantage of projected expansion of the ICT sector and increased demand for digitalization in the Kingdom and the wider region.

In 2022, solutions by stc delivered a strong performance, posting a revenue of SAR 8,805 million and net profit of SAR 1,054 million, both showing double-digit growth from the previous year. Core ICT Services was the primary growth driver in 2022, with revenue growth of 30% for the segment. The Company has achieved its targets for revenue growth, profitability, cash generation, and return metrics; setting up a strong foundation for achieving our strategic objectives in the long term. The year also saw a series of new milestones for the Company.

› Inorganic growth unlocks new avenues for expansion

On 3rd October 2022, solutions by stc successfully closed the deal on acquiring an 88.19% stake in Giza Systems as well as 34% of Giza Arabia (not owned by Giza Systems) for a total Enterprise Value (EV) of USD 158 million. Furthermore, this move signaled solutions by stc's entry into the substantially lucrative Egyptian IT market. This constituted the first Mergers & Acquisition (M&A) transaction carried out by the Company. solutions by stc's M&A strategy is set to drive an ambitious growth trajectory for the Company in the years to come. The Company recognizes the potential of the IT market in the MENA region, and looks to make significant gains through consolidation, which improves scale, offering, and reach, while cementing the solutions by stc's market-leadership position.

› Leveraging long-term debt to fuel growth

At the end of the year, solutions by stc's balance sheet position remains strong. With low capital requirements from its asset-light business model, and newly raised long-term debt that can fuel growth ambitions and optimize its capital structure; solutions by stc's balance sheet provides the Company with ample flexibility to increase shareholder value.

› solutions by stc delivering on guidance provided

Following a landmark IPO in 2021, the Company has reported outcomes in line with, or exceeding, guidance provided. Group revenue has shown YoY growth of 22%; EBITDA margin improved to 15.8% in 2022, up 45bps YoY; and Capex intensity ratio normalized at 1.5%.

These factors and more ensure solutions by stc remains a strong investment option. Continued growth in Qualified Foreign Investors (QFIs), amounting to 7.72% by end of 2022, showcases the attractiveness of solutions by stc's investment thesis. From the Company's market-leadership position, unrivalled synergies in the KSA ICT sector, and proactive M&A strategy; to its stable payout ratio, high Free Cash Flow (FCF) generation, and flexible balance sheet; solutions by stc is the right stock in the right market, at the right time.

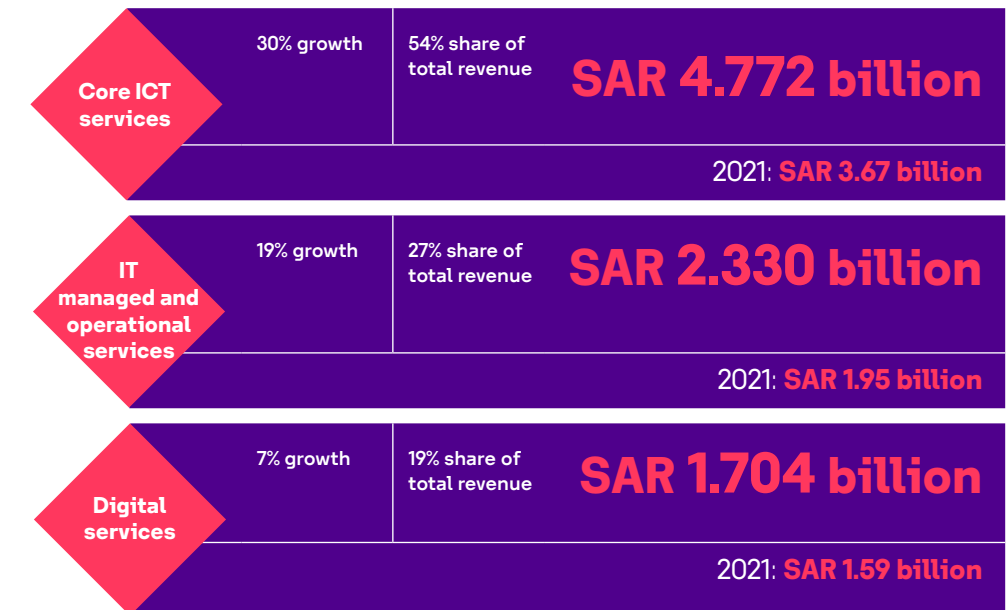
› A sound strategy for future performance

The Company's solid financial performance, enhanced by the acquisitions of Giza Systems and Giza Arabia, align with the Company's LEAP Strategy (2020-2025), which focuses on revenue growth, strategic inorganic growth, and expansion into new business lines and markets.

solutions by stc's success in 2022 is testament to a continued focus on growth and efficiency in line with the Company's forward-looking LEAP strategy. It is also indicative of a dynamic Information and Communication Technology (ICT) sector in the Kingdom and the MENA region. Entering a post-pandemic period in 2022, Saudi Arabia's economy experienced accelerated growth during the year in line with Vision 2030. The Kingdom recorded a real GDP growth rate of 8.7% in 2022, more than doubling the growth rate of 3.2% from 2021. We anticipate further expansion of the ICT Sector and a larger contribution to GDP amidst favorable macroeconomic conditions in the Kingdom. In this climate, solutions by stc is well positioned to cater to increased demand for digitalization, as we support government and private sector institutions to grow their digital presence and infrastructure in 2023 and beyond.

› Revenue by business segment

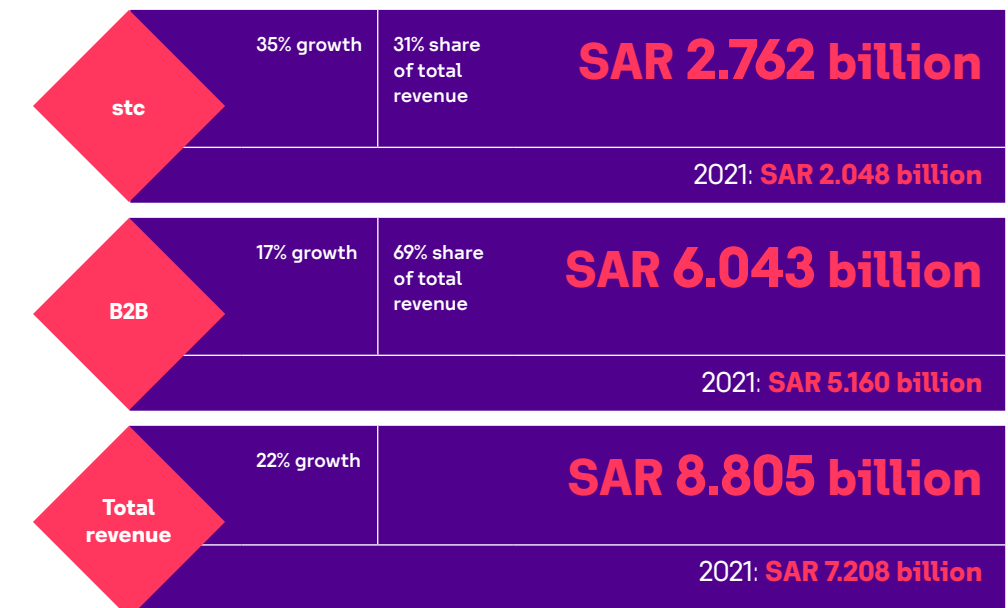
The Company posted an increase in total revenue by 22% YoY, to SAR 8.8 billion supported by business growth across all key business lines. Strong performance was led by 30% growth in Core ICT Services (to SAR 4.77 billion), which accounted for 54% of revenue in 2022. Other business lines also performed well, with 19% growth in IT Managed and Operational Services (to SAR 2.330 billion), and 7% growth in Digital Services (to SAR 1.704 billion).



› Revenue by customer segment

solutions by stc's customer segment consist of a) Business-to-Business (B2B), where sales are conducted either through stc or directly to customers, ranging from government and semi-government institutions, to large and small-scale private sector entities; and b) Sell-to-stc where stc is the end customer.

In 2022, B2B sales recorded 17% growth, and comprise a 69% share of total revenue. These reflect the Company's keen focus on developing this area of business and leveraging opportunities for growth in the SME segment.



➤ **Business to stc**

Our parent company, stc, continued to be an anchor customer for solutions by stc during 2022. 31% of revenues were generated from sales to stc, up from 28% the previous year. A substantial portion of revenue generated from stc can be directly attributed to the large data center project booked in early 2022. Synergies with stc also played a significant role in helping solutions by stc to expand its customer base through introductions to new government and private sector institutions.

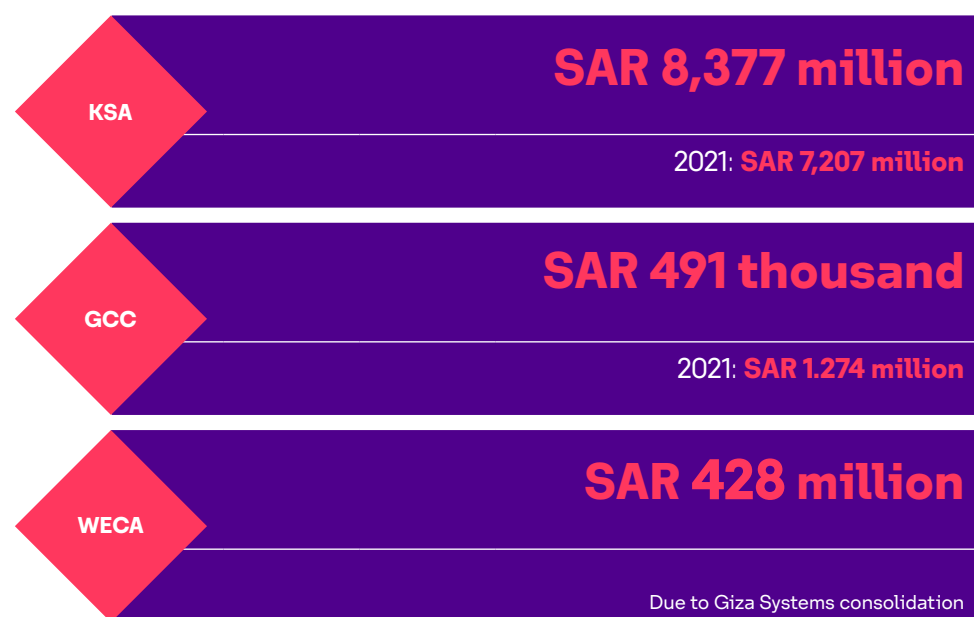
➤ **Business to Market (B2B)**

This year, our B2B sales channel contributed 69% towards total revenue, reflecting the strength and competitiveness of solutions by stc's infrastructure, products, services, and the Company's renewed focus on excellence in customer experience.

As part of Vision 2030, the Saudi government brought into effect several digitalization initiatives, which translated into sales opportunities for solutions by stc. Overall, the B2B segment added close to SAR 6.04 billion in revenue during the year, a 17% increase YoY.

These figures also reflect the Company's increased focus on new industries and sectors particularly within the SME category. The private sector SME segment is historically underserved in the region, and presents significant opportunities for growth in the future.

➤ **Geographic analysis of revenue**



➤ **Marginal increase in operating profitability**

In 2022, solutions by stc's net profit margin increased to 12.0% from 11.6%, due to the inherent seasonality of its project-based business. For the same reason, its EBITDA margin similarly increased to 15.8% in 2022 from 15.4% the previous year.

Overall operating expenses increased 5% YoY on the back of Giza acquisition-related expenses, partially offset by lower sales and distribution expenses.

➤ **Assets, liabilities, and equity**

| | 2022 SAR '000 | 2021 SAR '000 | 2020 SAR '000 | 2019 SAR '000 | 2018 SAR '000 |
|-------------------------------|------------------|------------------|------------------|------------------|------------------|
| Total current assets | 9,383,268 | 6,446,295 | 5,571,035 | 4,523,290 | 4,261,236 |
| Total non-current assets | 899,068 | 726,453 | 763,592 | 354,098 | 188,814 |
| Total assets | 10,282,336 | 7,172,748 | 6,334,628 | 4,877,388 | 4,450,049 |
| Total current liabilities | 6,656,330 | 4,634,258 | 4,068,116 | 3,377,268 | 2,658,919 |
| Total non-current liabilities | 802,947 | 267,922 | 342,948 | 243,296 | 125,754 |
| Total liabilities | 7,459,277 | 4,902,180 | 4,411,063 | 3,620,564 | 2,784,673 |
| Total equity | *2,823,059 | 2,270,568 | 1,923,564 | 1,256,824 | 1,665,377 |
| Total liabilities and equity | 10,282,336 | 7,172,748 | 6,334,628 | 4,877,388 | 4,450,049 |

* Total Equity before deducting non-controlling interest of SAR 28,890,452.

During 2022, the Company's Total Assets increased by 43.35% to SAR 10,282 million, from SAR 7,173 million the previous year. The increase is primarily due to short-term Murabaha financing amounting to SAR 2,701 million and an increase in Accounts Receivables to SAR 4,345 million resulting in a healthy level of working capital management.

The Company's Total Liabilities increased by 52.16% to SAR 7,459 million in 2022, compared to SAR 4,902 million the previous year. This reflects the Company's short-term borrowings of SAR 194 million and long-term borrowings of SAR 502 million during the year under review.

Total Equity increased 24.33% to SAR 2,823 million in 2022. Up from SAR 2,271 million the previous year. The increase reflects the Company's profit and non-controlling interest for the year.

solutions by stc concluded 2022 on an extremely positive note with several successes throughout the year. The Company reached a number of critical milestones that led to a strong overall financial performance, leaving it well positioned to maintain a positive trajectory and achieve its future goals for growth.

Abdulrahman Alrubai
Chief Financial Officer

A landmark step

solutions by stc completed the acquisition of an 88.19% stake in Giza Systems and 34% stake in Giza Arabia on 4 October 2022, with an enterprise value worth USD 158 million, following the deal's initial announcement in April 2022. The move aligns with solutions by stc's ambitious growth strategy and signals a phase of expansion and consolidation in the Middle East and North Africa (MENA), and West, East, and Central Africa (WECA).



The acquisition will diversify solutions by stc's service offerings and customer base, and strengthen capabilities in key growth areas such as application integration. This is a timely step as the region experiences exceptional growth in the IT sector, and ensures solutions by stc is well placed to compete on the global stage.

Being the first acquisition of its kind, solutions by stc has reinforced its leading role in digital transformation in the Kingdom and region. Furthermore, it reiterates the Company's commitment to Saudi Arabia's Vision 2030 goals of developing the ICT industry and increasing the sector's contribution to the Kingdom's GDP.

"This acquisition showcases our commitment towards achieving the ambitious goals of stc Group's growth strategy. We made this strategic decision to acquire Giza Systems in order to accelerate our growth and consolidate our position as the leading enabler of digital transformation in the region. Giza Systems will remain independent and we will work together to diversify our offerings to our clients within Saudi Arabia and beyond."

Eng Omer Alnomany
Chief Executive Officer, solutions by stc

Giza Systems: a closer look

Giza Systems is a digital transformation enabler and leading systems integrator in the MEA region, which designs and deploys industry-specific technology solutions for asset-intensive industries such as telecommunications, utilities, oil and gas, smart cities, smart mobility, and other sectors. The Company helps clients streamline operations and businesses through a portfolio of solutions, managed services, and consultancy practice. The Company's services include systems and application integration, as well as emerging technologies. It serves a client base extending across 25 countries, and boasts a team of over 1,600 professionals based out of anchor offices in Cairo, Riyadh, Dubai, Doha, Nairobi, Dar es Salaam, Abuja, Kampala, and New Jersey.

Giza Systems and UN SDGs - Adopting the United Nations' Sustainable Development Goals

Building on Giza Systems' commitment to provide technologies that improve quality of life and create value for their communities, and stemming from its belief that positive action is a key factor for sustainability, Giza Systems formalized its efforts and adopted the United Nations' Sustainable Development Goals (SDGs) by incorporating them as a core part of the Group's strategy.



"solutions by stc's acquisition of Giza Systems comes at a time when the regional markets are witnessing an exceptional growth in the ICT sector. Our synergies will enable us to expand our digital offerings in the region. Giza Systems is proud to be part of this significant milestone, through which it can accelerate its growth and gain access to the thriving Saudi market."

Eng Osama Sorour
Chief Executive Officer, Giza Systems

Key facts about Giza Systems

2,000+
Clients

48+
Years in the market

25
Countries

4
Regions of operation

1,600+
Employees

Founded in
1974

First Egyptian IT company
in Egypt

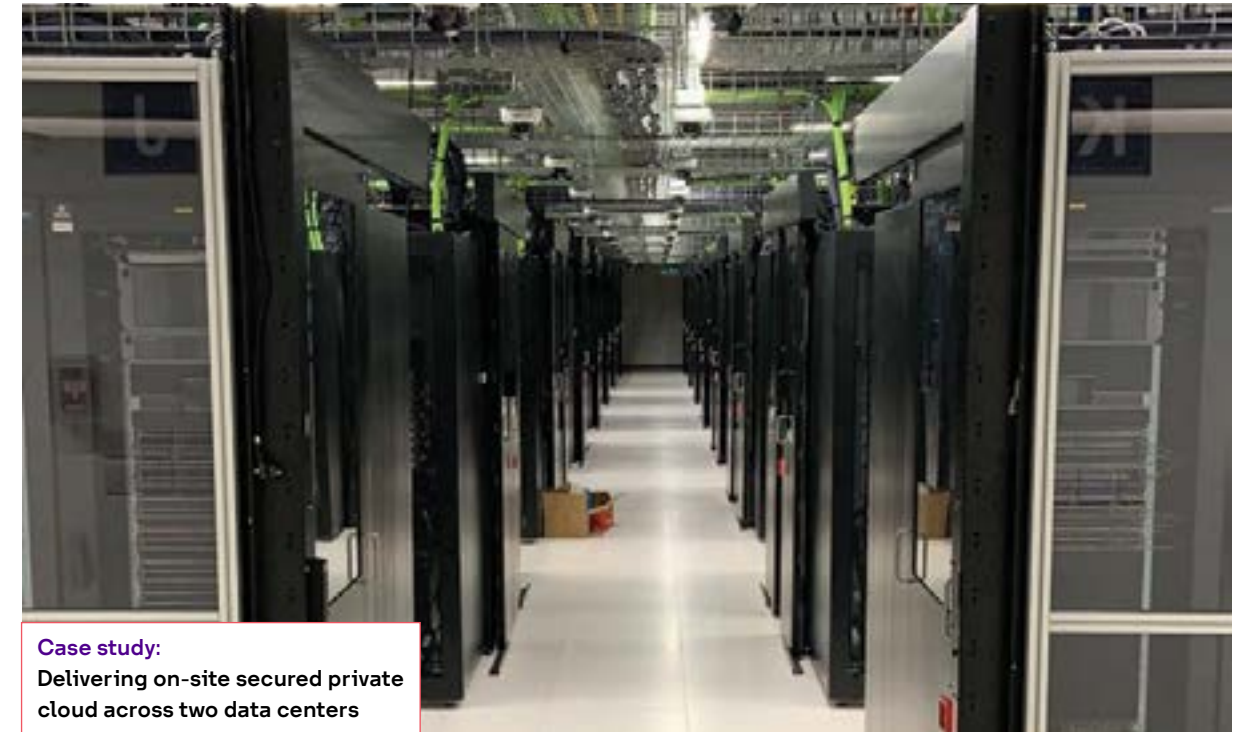
Headquarters:
Cairo, Egypt

Giza Systems values

- People first
- Forward thinkers
- Own it
- Embrace uncertainty
- Beginner's mindset

Giza Systems industries

- Telecommunications
- Smart mobility
- Oil and gas
- Smart cities
- Power
- Manufacturing
- Water
- Financial services



Case study:
Delivering on-site secured private cloud across two data centers

A leading bank in Saudi Arabia

In July 2022, solutions by stc was contracted by a leading bank in Saudi Arabia to deliver on-site secured private cloud across two data centers, the existing MITC data center and New Data Center (NDC). The scope of work included installing computing, storage and backup infrastructure with performance monitoring capabilities. Application migration from MITC to NDC was carried out with secure network and modern security infrastructure successfully installed.

Project Highlights

- Supporting one of the biggest strategic mergers in the region's banking sector.
- Building one of the biggest new tier-IV data centers for Banking Sector.
- Ensuring the highest level of cybersecurity to provide for business continuity.
- Expanding solutions by stc's product portfolio by integrating multiple technology vendors: Cisco, DellEMC, VMware, F5, PaloAlto, Netscout, and Arbor.
- Improving internal project and technical capabilities by leading integration of a highly intricate end-to-end smart data center solution.
- Strongly aligning with solutions by stc's organizational vision, to spearhead the business-to-business ICT and digital agenda for stc Group.

Keeping up with the rate of advancement in the ICT sector, our systems and processes are maintained at the cutting edge, to operate seamlessly and serve the needs of our clients.

solutions by stc prioritizes fostering a culture of innovation and knowledge creation. The Company's sector-leading best practices, commitment to process improvement, and focus on maximization of synergies have contributed to maintaining solutions by stc's market leadership position. This section explores the Company's investment in intellectual capital that is vital for sustainable growth.

► Presence

solutions by stc operates six branches within the Kingdom of Saudi Arabia; located in Jubail, Khobar, Jeddah, Qassim and two branches in the capital city, Riyadh. In addition, solutions by stc's recent acquisition of an 88.19% stake in Giza Systems has strengthened the Company's presence in the Middle East and North Africa (MENA), and expanded its footprint to the West, East, and Central Africa (WECA) region; with offices in Cairo, Dubai, Doha, Nairobi, Dar-es-Salaam, Abuja, Kampala, and New Jersey. The expansion comes at a time when the region is experiencing significant growth and opportunity in the ICT sector. For more information regarding solutions by stc's acquisition of Giza Systems, refer [page 36](#).

solutions by stc is dedicated to ensuring systems and processes are regularly updated to work seamlessly and stay ahead of emerging trends and advances in the ICT sector, as well as meeting the needs and expectations of all stakeholders.

► Continuous investment in our IT capabilities

In line with the Company's 2020-2025 LEAP strategy for stable growth, solutions by stc continually invests in IT capabilities. These enhancements enable the Company to reinforce its leadership position and continue to lead the field in managed and professional services. The following enhancements to IT infrastructure services were instituted during the year:



| IT infra Service | Enhancements |
|-------------------------------|---|
| ► Security Services | STC GUARD Enforcement of network access control to all users Enhancement and upgrade of Trend Micro components such as server-side protection, advance threat protection, integration with multiple threat intelligence platforms Enhance the Identity Access Management System Migration and upgrade of Privilege Access Management System Migration of Vulnerability Management Platform |
| ► Information Security Audits | STC GUARD KPIs (Implementation of CS Controls) NCA Cybersecurity Cloud Controls NCA ECC Compliance |
| ► System Services | Implementation of Open Shift Implementation of Azure HCI Stack Upgrade of ADFS 2019 Implementation of Email Archiving |
| ► Virtualization Services | Upgrade of VMware Esxi/VCenter Addition of new Esxi host to meeting demand/capacity Upgrade of VDI. |
| ► Network Services | Addition of four (4) new branch offices Enhancement in network links Upgrade multiple core switches |
| ► Storage Services | Addition of new NetApp appliances Upgrade of Commvault backup system Upgrade of SAN Brocade Switches |
| ► Disaster Recovery Services | Completion of Phase 1 (replication of Tier 0-1 services) Kickoff Phase 2 (addition of new nodes in HyperFlex) DMZ/VDI hardware implementation |
| ► Communication Services | CISCO PCCE Upgrade for Ameer project Enhancement of IPT services for IT Operations Implemented customer quality assurance feedback |

► Processes

The Company's systems and processes make up a key component of its tacit knowledge, and intangible and inherent value. They promote internal efficiencies, collaboration, and dynamism that are essential to the success of solutions by stc's agile business model.

► Embracing digitalization to support changing work modalities

Several new programs and processes were adopted during the COVID-19 pandemic to maintain smooth flow of business. Uninterrupted communication between customers and employees was enabled, and served in providing greater feedback, closer monitoring of projects, and efficient and effective response to client requests.

Additionally, instituted optimizations opened new communication channels, enabling better internal collaboration and information transfer within teams. The following digital solutions continue to provide strong collaborative efficiencies in the post-pandemic period:

| IT infra service | Enhancements |
|--------------------------|---|
| ▶ My access | Includes all solutions apps and systems under one umbrella |
| ▶ VPN | Allows access to critical systems at any time |
| ▶ Microsoft Teams | Offers flexibility to work, share documents, calls, and meetings in real time |
| ▶ Webex | Offers flexibility to schedule meetings with and for clients |
| ▶ Jabber | Provides the ability to access work numbers from outside work |
| ▶ Azer | Removes access barriers to resolving client issues quickly and easily |

Further, a number of automated processes have been instituted for critical functions of the Company such as:

- ◆ BPO Continuous Improvement and Reporting
- ◆ BPO Process Migration and Re-engineering
- ◆ ERM Escalation
- ◆ Top Risk Identification
- ◆ Risk Off-Boarding.

- ◆ Communicating accurate information, providing transparency and maintaining professionalism
- ◆ Facilitating positive change and growth
- ◆ Continuously monitoring and improving the work environment
- ◆ Maintaining open communication channels between employees and leaders.

Foundational to development of the Company's corporate culture are five (5) key focus areas:

1. Enhancing employee awareness: Be aware approach
2. Collaboration and cooperation
3. Change management and employee engagement
4. Fostering a high-performance culture and shared achievement
5. Supporting diversity and a well-being of women

Throughout the year, the Company continued to invest in cultivating a work culture where employees were satisfied, engaged, and empowered. For more information on how the Company invests in its Human Capital, refer [page 45](#).

Using systematic scientific research studies and a focused strategic approach, the Company successfully implemented a well-defined engagement transformation strategy, which significantly impacted the performance, productivity and effectiveness of the business. solutions by stc implemented a number of major initiatives as part of the engagement transformation strategy, as detailed in the Human Capital section, on [page 50](#).

Throughout the year, the Company continued to invest in cultivating a work culture where employees were satisfied, engaged, and empowered.

▶ Corporate culture

solutions by stc holds a firm belief in the importance of a corporate culture that is conducive to development and change. By regularly implementing initiatives that best serve its employees, the Company makes way for creativity and innovation. The corporate culture at solutions by stc aims to achieve the following:

- ◆ Empowering all employees and facilitating knowledge generation
- ◆ Increasing motivation leading to job satisfaction

▶ Celebrating the strength of our corporate culture

Reflecting the Company's successful and dynamic corporate culture, solutions by stc received a number of awards in 2022.



Outstanding Change Management Strategy



Best Workplace in KSA



Best Workplace in Asia



Best Workplace in the Technology Sector in the Middle East



Integrated Performance Excellence Award (International from The KPI Institute)

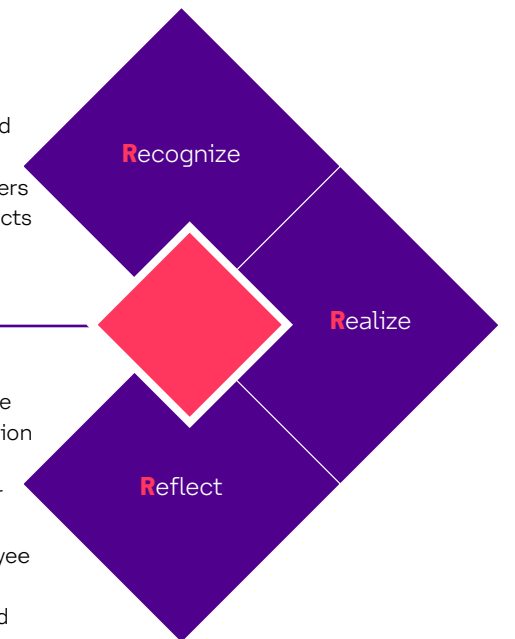


Best Work Environment for Women

▶ Corporate communications and change-management functions – The 3R's Model

To drive and sustain momentum in a rapidly changing business environment, the Company developed the 3R's Model for change-management. Developed internally and customized for solutions by stc, the model centers around the most important aspects of the change cycle.

3R's



Using a unique approach, change is initiated through communication with employees. First, making employees aware of the need for change, then using a model and methodology that invites employee input and support, convinces them of the benefits to them and fosters desire to participate in the implementation of change.

▶ Brand equity

solutions by stc retains a strong brand position shared with its parent company, stc, the digital enabler in the region. At the same time, solutions by stc has carved a niche of its own, built on over one and a half decades of excellence and proven project delivery. solutions by stc's brand strategy reflects the strength of this foundation, and engages proactively with stakeholders to reflect solutions by stc's story, values, and message of digital transformation.

As the leading enabler of digital transformation for institutions and enterprises in the Kingdom, solutions by stc has garnered a reputation for innovation and unmatched technological advancement. This has led to the Company's pole position as the number one IT service provider in the Kingdom. As the premier agency of choice for ICT services in the Kingdom, solutions by stc is at the cutting edge of developments in the ICT sector.

In line with the Company's local, regional, and international growth strategy; solutions by stc participated in a number of key local and international events in 2022 such as LEAP, Global AI Summit, Misk Global Forum, and the Future Aviation Forum. Strategic participation by the Company was aimed at raising awareness of products, services, and offering, and attracting new customers.



Human Capital



Our talented team is the force that drives our success.

A talented and dynamic workforce

The employees of solutions by stc form the backbone of the Company and are a vital component of the Company's continued success. Staff development and well-being is prioritized and reinforced in organizational culture and workplace practices.

solutions by stc employs BEAM 2.0, which is a People strategy that ensures employees are on a path to fulfilling their full potential. The aim of the BEAM 2.0 strategy is to enable a high performing workforce in line with solutions by stc's overarching strategy for growth: LEAP. The Company's emphasis on talent development and local content also furthers the National objectives of Vision 2030.

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 innovation in product development and smooth delivery of services.

Ensure the long-term growth and investment of our teams.

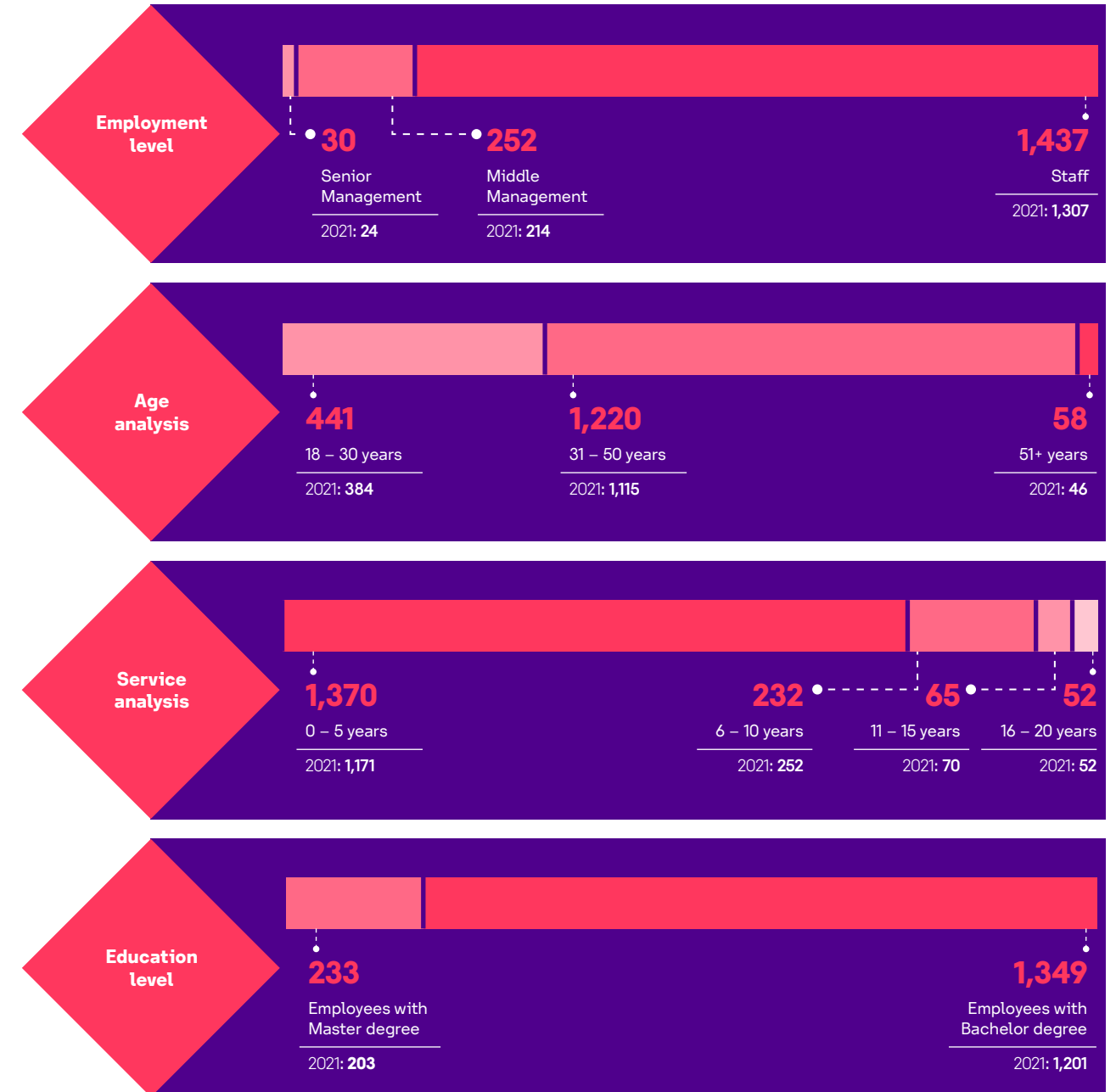
Workforce profile

Staff strength (full time)
1,719
2021: 1,545

| | |
|---|---|
| 1,415 (82.3%) Male 2021: 1,328 (86%) | 304 (17.7%) Female 2021: 217 (14%) |
|---|---|

Saudi nationals **1,126** 2021: 935

Saudization rate **65.5%** 2021: 60.79%



Workplace culture and Team management

solutions by stc places great importance on maintaining a work environment that is desirable to employees and attractive to potential talent. By fostering high levels of employee satisfaction, the Company aims to drive greater engagement and contribute to optimal performance.

Employee satisfaction surveys are conducted regularly to record employee feedback and levels of satisfaction. All employees across the organisation are included in the Annual Culture Comprehensive Assessment.

A Quarterly Assessment is also carried out amongst female employees; the most recent assessment recorded an 84% satisfaction rate regarding the work environment in solutions by stc.

Compensation and benefits are also reviewed on a regular basis. solutions by stc devised a 360° creative approach for highlighting monetary and non-monetary benefits rolled out through a well-defined communications and engagement strategy named Mazzya (advantage). All employees are part of the Mazzya scheme.

Other benefits provided to employees include: loan facilities, health insurance plans that cover employees as well as their immediate families, yearly ticket allowances, and covering of school fees for children of employees. Staff also receive retention rewards, as well as continuous feedback, training and development opportunities, and ongoing promotional benefits with local merchants and vendors.

Moreover, the Company also encourages participation in community and state-run initiatives throughout the Kingdom, such as programs by the Human Resources Development Fund, which provides training opportunities to new graduates.

In the wake of the COVID-19 pandemic, solutions by stc adapted significantly by adopting a number of proven methods to overcome new challenges that had emerged and were continuing to emerge in the business world. The Company conducted a comprehensive assessment to shed light on areas for improvement in the work environment. Workplace practices were overhauled to provide a better employee experience: including improved work-life balance, remote working options, e-Learning facilities for all employees that can be accessed remotely, and supplementary support to enable business continuity with minimal impact.

► **Non-discrimination and fair work environment**

The Company's People General Management (PGM) Policy has a comprehensive set of guidelines on 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, to enable employees to raise their queries and concerns. This is in addition to solutions by stc's comprehensive whistle-blowing policy, described on [page 71](#) of the Social & Relationship Capital section, which enables all stakeholders to flag issues within a safe environment.

► **Promoting a healthy lifestyle for employees**

In 2022, solutions by stc brought into effect a number of initiatives that support the health and wellbeing of employees. An in-house clinic was opened employing a doctor and nurse to attend to medical needs of employees during work hours. A performance centre "Shine" was launched, along with planned activities to mark international health days. Healthy lifestyle, habits, and fitness are promoted with an on-site gym, health-food restaurants and walking marathons organised for employees.

solutions by stc applies the highest industry standards to encourage a healthy work-life balance. These include: remote working facilities and on-site services such as car washing, laundry and grooming. These facilities being located within premises, assist employees by alleviating chores in their daily lives and creating time for rest, relaxation, and recreation after work hours.

The Company fosters employee satisfaction, driving greater engagement and optimal performance





▶ Enhancing employee engagement

In the drive to create a dynamic environment that appealed to employees and boosted employee engagement, solutions by stc took several steps to implement an Engagement Transformation Strategy that would enhance and promote engagement. Some of the most noteworthy initiatives taken are mentioned below:

▶ Annual gathering

The Company hosted a successful annual gathering for the entire organization with the aim of building connections, pride, and loyalty.

▶ Awareness and motivation campaign

A digital campaign was launched across all communication platforms to raise awareness about health and wellbeing. Employees' achievements were shared company-wide to recognize and motivate staff.

▶ Appreciation and recognition initiatives

Outstanding employees and their achievements were showcased company-wide to give recognition and motivate staff. Virtual meetings between separate divisions and the CEO were also launched in which senior management recognized outstanding performances on projects.

▶ Abu Abdullah's Takyah

The Company set a goal to build a digitally engaging environment, which was brought to life through a series of nine virtual meetings in the presence of the CEO, with each division separately. The initiative intended to bring employees and leadership together in a non-traditional setting. The meetings were informal gatherings with specific messages for each division. They centered around pain areas in the division, recognized outstanding efforts on current projects, and included activities and games that helped break the ice and foster conversation.

▶ Talks by solutions

The Company conducted a number of sessions within the year that addressed different topics and involved all levels of employees from executives to entry-level employees. Implemented through WebEx, these sessions ensured development and knowledge-sharing for all employees. Guests at the talks included both internal talent and external specialists; with topics in alignment with the goals of solutions by stc's Learning and Development Department.

▶ Corporate culture calendar

The Company set out and implemented a detailed corporate culture calendar focused on building, maintaining, and refining an engaging workplace environment that fostered employee loyalty, motivation and morale. The team utilized 700 different Strategic Verticals and achieved a 67% engagement rate in communications.

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 mechanisms
- ◆ 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

In 2022, the BEAM 2.0 Strategy focused mainly on adopting digital best practices to further enhance employee experience and productivity. Multiple initiatives were successfully implemented in 2022 to support Company's Human Capital, including:

- ◆ Launching the Talent Incubation Program (TIP)
- ◆ Building a partnership with Misk to attract top talent
- ◆ Introducing new Mazzya benefits: Parental medical insurance, Education allowance, Child nursery allowance
- ◆ Launching the SPD Learning & Development Program.

Multiple digital transformation initiatives were brought into play in 2022 to enhance the employee experience and the Hire-to-Retire Processes. Below are some examples:

- ◆ Launching My Team as a centralised location for all employee information, allows leaders instant access to all information required about their teams
- ◆ Launch of the Success Factor cloud solution in the talent acquisition, learning and development and performance management processes
- ◆ Introduction of the Employee Utilization Platform to boost employee efficiency
- ◆ Development of multiple RPAs to automate repetitive and tedious manual tasks
- ◆ Automation of the +15 People Services through the Takyah Platform.

► Diversity and inclusion

Diversity and inclusion in the workforce are aspects of organisational culture that solutions by stc takes to heart. Several of the Company's initiatives help promote diversity and inclusion in the workplace. From a quarterly work environment health assessment, to steps taken for leadership's role activation, to the Annual Gathering for all employees, solutions by stc is committed to creating a conducive work environment for employees.

In 2021 and 2022 employees of 20 different nationalities made up the workforce of solutions by STC. 17.7% of the cadre was female and initiatives were brought into effect to increase the intake of female talent in response to high-level directives. The Company is keen to capitalise on the value and benefit that qualified and empowered female employees bring to the Company, while creating a more inclusive work environment that enables all employees to thrive.

► Learning and development

solutions by stc strives to match international standards in the training and development of its workforce. The Company's Learning and Development Strategy takes into account the entirety of the cadre, career progression requirements and the need for a range of competencies from soft skills to technical skills. The strategy is closely aligned with the Company's overarching corporate strategy, and ensures employees are provided with continuous training that not only creates opportunity for personal development, but also contributes to improving capabilities and core competencies of the Company in key growth areas.

2022 saw continued investment in workforce development, and launch of several new initiatives to improve staff capacity and skills. Primary amongst these was introduction of a new Learning Management System (LMS) with SAP Success Factors.



solutions by stc deploys a suite of customized L&D products catering to the specialized needs of staff:

In line with solutions by stc's thrust for customer-centricity across all business units, a customer centricity program was launched. Sales was another area of focus, with initiation of a sales masters program to upskill staff to support the sales cycle. Further, the Data Analytics Program (DAP) improved data visualization and storytelling skills across key units.

Digital Future Talent, launched in July 2022, aligns with the Company's LEAP Strategy and the Learning and Development Strategy employed by solutions by stc to create a workforce that is geared for the future. The Strategy aims to:

- ◆ Upskill and reskill all solutions by stc talent in preparation for the future.
- ◆ Build organizational capabilities in digital fields to be aligned with solutions by stc's vision.
- ◆ Lay the foundation for long-term development, to retain talent and provide opportunities for growth.

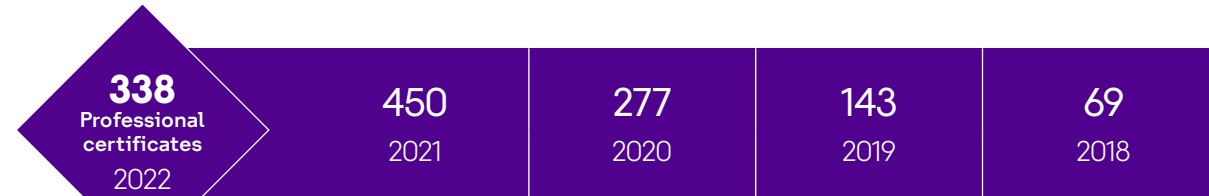
- ◆ Accelerate capabilities in digital and emerging technologies.
- ◆ Establish and enhance digital consulting capabilities.
- ◆ Optimize investments in internal capabilities buildup and resource management.
- ◆ Achieve operational agility through process optimization and automation, beyond digitalization.
- ◆ Build a culture of innovation and entrepreneurship through corporate venturing.

The Digital Future Talent Strategy is actioned through different products that have been designed to elicit the maximum potential of the workforce. The Strategy will provide long-term development, with clear career progression for in-house talent. SDP (Specialists Development Program): to build expertise in-house.

In realizing L&D goals, solutions by stc nominated key staff to take part in premier leadership and personal development programs.

1. CLP (Corporate Leadership Program)
2. HiPo (High Potential) Training Program
3. Talent Incubation Program
4. Futurists: to prepare high potential leaders for the digital future
5. Paths: technical development paths to take solutions by stc's employees further in their careers
6. Signature: a management development program which aims to standardize management practices across the organization's leadership.

Key Learning and Development achievements in 2022



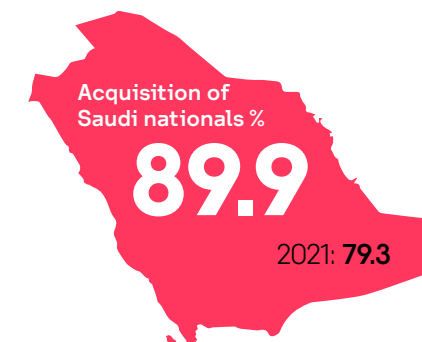
| | |
|---|---------------------------------|
| Total training man-days | 12,890 2021: 14,610 |
| Total hours of training for employees (hours) | 103,120 2021: 116,880 |
| Employees attending training programs (Nos.) | 1,588 2021: 1,433 |
| Online courses completed by employees (Nos.) | 7,952 2021: 7,684 |
| Managers enrolled in management development (Nos.) | 94 2021: 87 |
| Webinars and digital training programs made available (Nos.) | 522 2021: 463 |

► Saudization

In accordance with the Nitaqat program, Saudi employees made up 65.5% of the total manpower within the Company in 2022, achieving a High Green Level. solutions by stc received a “platinum” classification in the Ministry of Human Resource and Social Development Nitaqat program, reflecting the Company’s Saudization process and achievements. As a Company committed to achieving goals set out by government policies on Saudization; recruitment, training, and retention of Saudi capacities are a high priority.

Through a gradual process, solutions by stc intends to continue increasing the number of Saudi employees in its workforce. When contracting new hires, priority is given to candidates of Saudi nationality, while non-Saudi talent may be hired in accordance with the terms and conditions set out in labor laws, or in the event of gaps within the Saudi labor market.

The Company is also working to increase its appeal among nationals and improve its ability to attract highly qualified Saudi talent, which would ensure the continuation of solutions by stc’s successful performance.



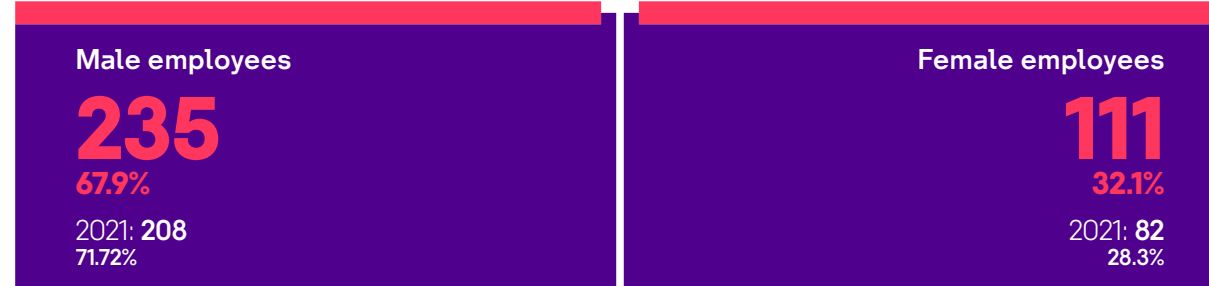
► Recruitment and Turnover

solutions by stc employs a talent attraction policy that fulfills a number of requirements including: realizing the man-power requirements as per the approved manpower plan; meeting functional needs resulting from: resignation, promotion, expiration of contract, dismissal, internal recruitment, retirement in accordance with the approved manpower yearly plan; and providing manpower for strategic projects outside the approved manpower plan.



| | |
|---|--|
| New recruitments 346 2021: 290 | Employee turnover (Nos.) 129 2021: 132 |
| Turnover ratio (%) 7.98 2021: 8.58 | Average tenure (yrs) 4.3 2021: 4.2 |
| Tamheer candidates (Nos.) 94 2021: 77 | Saudi nationals 1,126 2021: 935 |

► Recruitment analysis based on gender



► Recruitment analysis based on age



Given that the Company has sound policies and programs in place to ensure employee wellbeing is at the forefront, engagement is encouraged, voices are heard and requirements met; solutions by stc has been able to effectively attract and retain talent, with 2022 showing an overall reduction in rate of staff turnover and a steady increase in average period of tenure.

► Awards and achievements

solutions by stc's excellence in human resource management, attractive work environment, and strength of human capital was evidenced by a number of awards won in 2022. These elements make up a key component of the Company's ability to create value for its customers and are described in greater detail in the Intellectual Capital section on [page 40](#).

Case study:

Digitalisation and upgrading of legacy systems to meet new security demands

Banque Saudi Fransi (BSF)

In May 2022, solutions by stc successfully designed, delivered, and installed secure networks and modern security infrastructure for over 470 BSF branches and ATMs spread across the Kingdom. The system of 8000 CCTVs with a comprehensive Intrusion Detection System (IDS) is monitored, operated, and serviced by solutions by stc, in coordination with the bank's Security Operations Center (SOC).



Project Highlights

| | | | |
|---|---|--|--|
| Collaborative project design to meet client needs. | Coordination with multiple suppliers to provide high-tech materials, equipment, and applications. | Roll-out within tight timeframe to meet regulatory requirements and industry best-practices. | Rapid delivery at scale: Large geographic spread with parallel installation at sites across the Kingdom. |
| Training and capacity building to enable client's teams to adopt complex new systems. | Optimal security and coordination: working with multiple stakeholders in sensitive systems. | Integration with client's Security Operations Center (SOC). | Piloting and gradual roll-out to ensure smooth transition. |
| | | | Live testing, monitoring, and continued operational support. |

Features of solutions by stc's new Intrusion Detection System (IDS)

| | | | |
|--|--------------------------|--|--|
| Remote access: Centralized dashboard, live monitoring, and real-time alerts. | Cutting-edge components. | Reliability and business continuity: Isolated networking, backups, and redundancy solutions. | Full managed service, with professional ticketing system, and operations support across the kingdom. |
|--|--------------------------|--|--|

At solutions by stc, we believe in the value of our customers, partners, and community. We strive to forge strong relationships that are built on trust, understanding, and honoring a commitment to shared values and purpose.

Customers

As the Kingdom's ICT market leader, solutions by stc delivers direct value to its customers through a diversified offering that drives digitalization, transformation, scale, and growth. In turn, customers create value for the Company by driving revenue, innovation, and advancement. solutions by stc's position as service-provider of

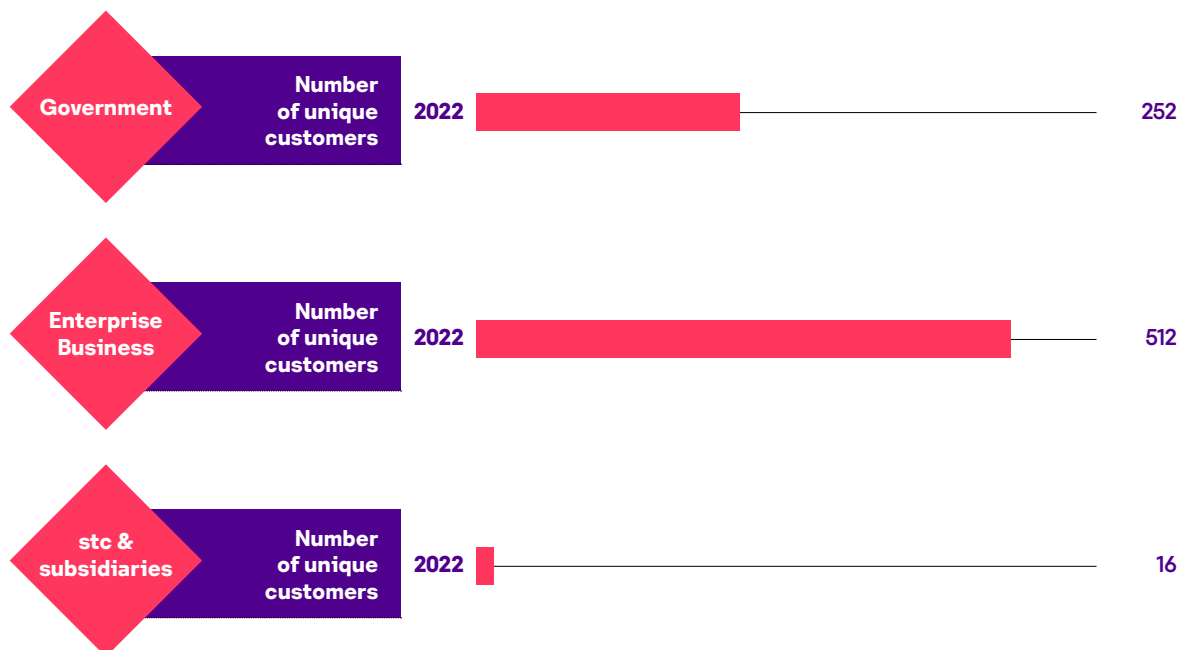
choice for customers is grounded in three pillars linked to the Company's overarching strategic thrust:

- ◆ Excellence in customer experience
- ◆ Responsive development of capabilities and offering
- ◆ Reliable and secure systems and processes.

Serving diverse customers

solutions by stc is an integral partner in the digital transformation and growth trajectories of hundreds of public and private enterprises in the Kingdom. Honouring its commitment to Saudi Vision 2030, the Company delivers secure and cutting-edge digital infrastructure, and provides vital services that are driving growth, scale, and transformation for customers.

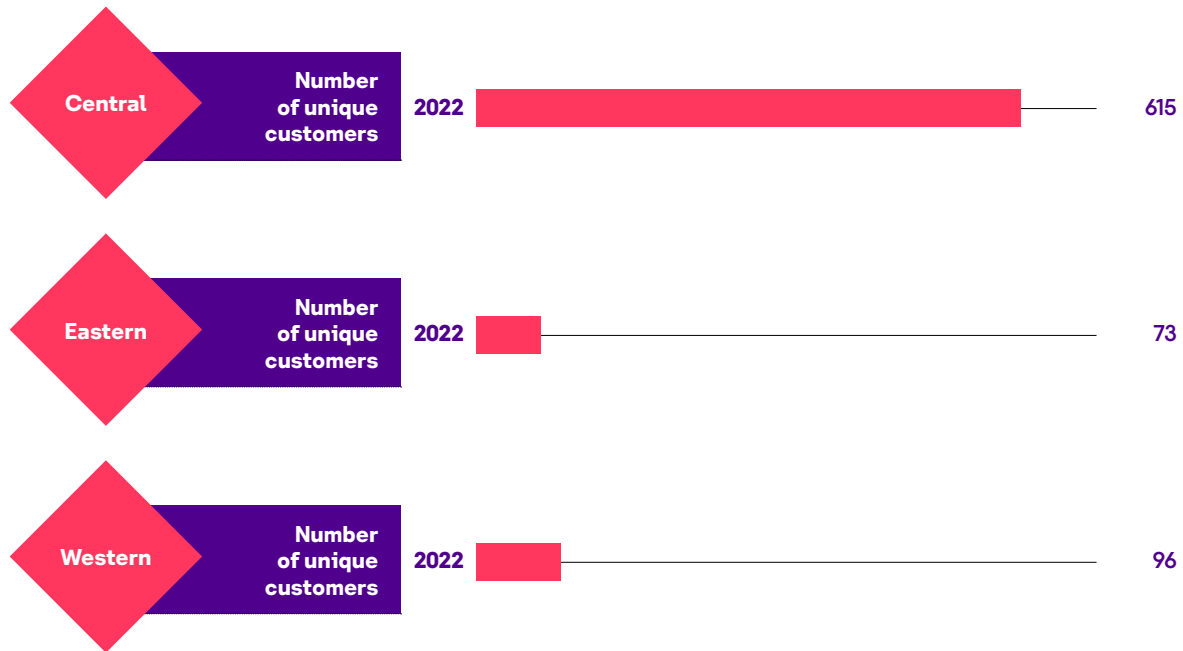
Customers by segment



Customers by business line



Customers by region



Growing our customer base

2022 saw solutions by stc engage a number of new customers from the state sector, alongside retention of key enterprise business customers. This comes alongside solutions by stc being awarded to implement the Smart City strategy, wherein the Company will take a lead role in designing, building, implementing, managing, and operating ICT infrastructure required for key Smart Cities in the Kingdom.

solutions by stc's managed services, featuring end-to-end management of network infrastructure showed significant growth in 2022; doubling the growth of our customer base. This increase was driven by solutions by stc's strong position in the market as the Kingdom's leading digital transformation enabler, and reputation of the Company's talented and expert teams and proven delivery modality.

Looking beyond the Company's presence as the ICT market-leader in the Kingdom, solutions by stc's recent acquisition of Giza Systems will see an expansion in customer base into new markets, regions, and business lines. Refer [page 36](#) for more details on solutions by stc's new acquisition.



Orders delivered



Enhancing customer experience

Building and maintaining strong, long-term relationships with customers is of strategic importance to the Company. solutions by stc's 5-year LEAP Strategy has a strong focus on Customer Experience as a key pillar for the journey of growth. The Company is committed to delivering best in class customer experience for clients, through optimization of processes, digitalization, and continuous improvement that focuses on customer centricity and customer experience.

During 2022, solutions by stc rolled out a detailed CX strategy designed to ensure best in class customer experience for customers and make it part of organization's DNA. The strategy follows a 360-degree framework that reiterates customers' position at the heart of operations.

Delivering a superior customer experience includes striving for excellence at every level of the value chain: starting from assessing and setting customer expectations, to offering development and the entire ecosystem of products and services enabled by a dedicated team of experts. During 2022, several initiatives were introduced to strengthen relationships between the Company and the customers, under the umbrella of "Voice of Experience", and "Building a Customer-Centric Culture".

The excellence of solutions by stc's customer experience is evident from the awards received from reputed global and regional entities:

- ◆ Best Voice of Experience program from CX Live show.
- ◆ Best Change Management from CX Live show.
- ◆ Best Customer Centric Culture from International Customer Experience Association (IXCA).

Listening to Customers

The Customer's voice is a key input that enriches and guides the offerings and operations of the Company. To effectively listen to customers, solutions by stc has an established mechanism in place to track the experience and feedback of customers across the customer journey. Details from which are collected, tracked, and taken up for action with the highest priority

Ongoing initiatives to support customers following COVID-19

Following the outbreak of the COVID-19 pandemic, solutions by stc adopted widespread measures to minimize disruptions and safeguard operations. This included prioritizing urgent client requirements and ensuring the delivery of critical projects within the agreed parameters.

A number of the initiatives that were implemented to support customers during the COVID-19 pandemic have been retained.

➤ **SAP Technology Lab**

A platform for tests, demos, training and development was built within solutions. Providing access to both clients and technical teams, it has improved the Company's professional offering and ensures a better customer experience.

➤ **Secure Virtual Private Network (VPN)**

New infrastructure was built to provide secure remote access for Riyadh and Jeddah DCs. All cloud, digital operations, ODM (Operations Duty Manager) and cloud managed services were onboarded to the VPN to allow secure remote access to the required cloud and digital services. The infrastructure continues to aid in providing smooth and fast responses to support requests while increasing operational efficiency and allowing greater access control.

➤ **Shift management and alerting**

The PagerDuty platform was installed to enable all cloud and digital teams to provide alerts and use shift management tools around the clock. It also provides an escalation feature that ensures acknowledgment of all customer tickets and requests by relevant teams. The platform aids in connecting the on-call team with appropriate technical cadre to ensure 24-hour support. The PagerDuty platform also offers increased security, with the ability to avoid breaches while improving service availability and working toward the end goal of greater customer satisfaction.

➤ **HW Receive Validation**

The Company was able to transfer the task of hardware validation from a physical process to a remote validation process with the support and alignment of the on-site data center team. The process has been standardized to enable enhanced delivery, pro-activeness, early defect detection and operational efficiency.

➤ **Responsiveness to current and emerging customer needs**

To support the Company's future growth trajectory, it is imperative to monitor shifting trends in the ICT landscape, identify the immediate and emerging needs of customers and gearing the Company to continue delivering cutting-edge solutions that are cost-effective while meeting the highest performance standards.

In line with solutions by stc's 2020-2025 LEAP Strategy; expansion of the Company's product portfolio and market reach is grounded in innovation, market research, continuous improvement, and future-focused alignment with customer needs.

solutions by stc carries out continuous, in-depth market research that allows the Company to identify current and emerging customer needs. Utilizing a variety of criteria used to assess, understand and align with needs and expectations, the Company's research enables identification of new markets and sales channels; opportunities for growing the customer-base; openings for cross-selling; gaps for improvement of offering; and space for off-shelf products and bundling of digital and connectivity business lines.

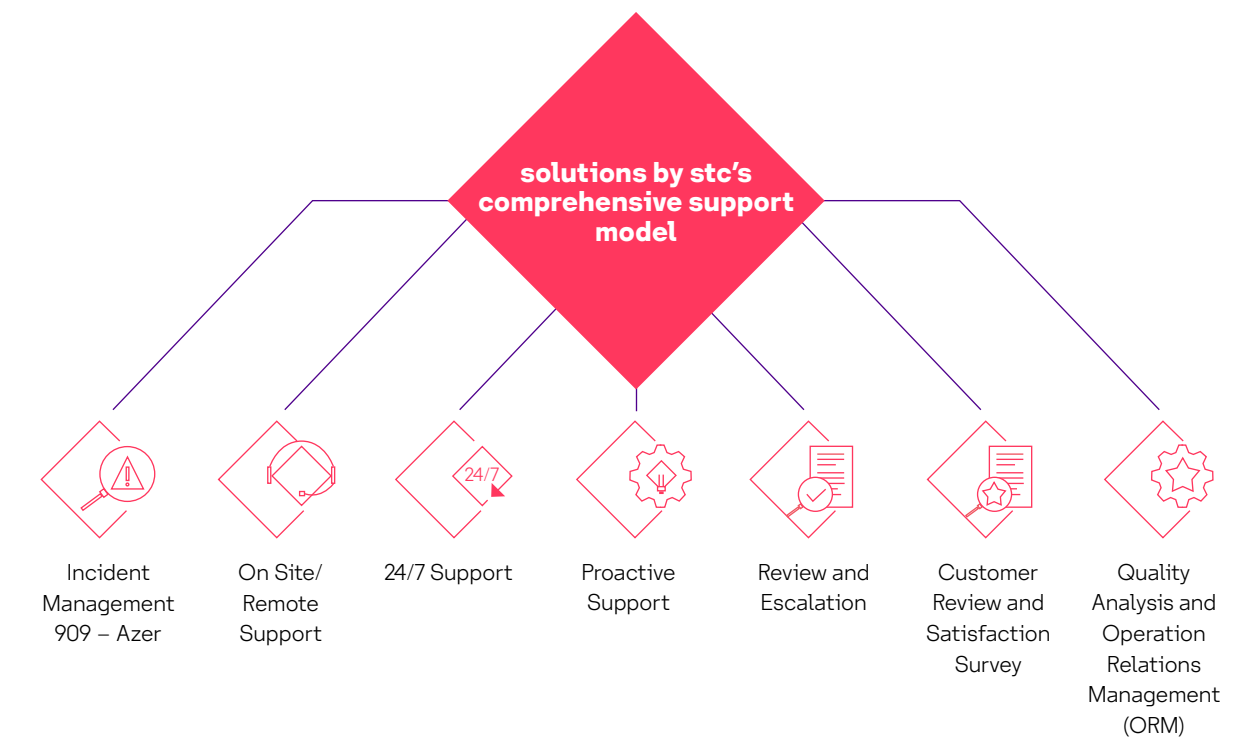
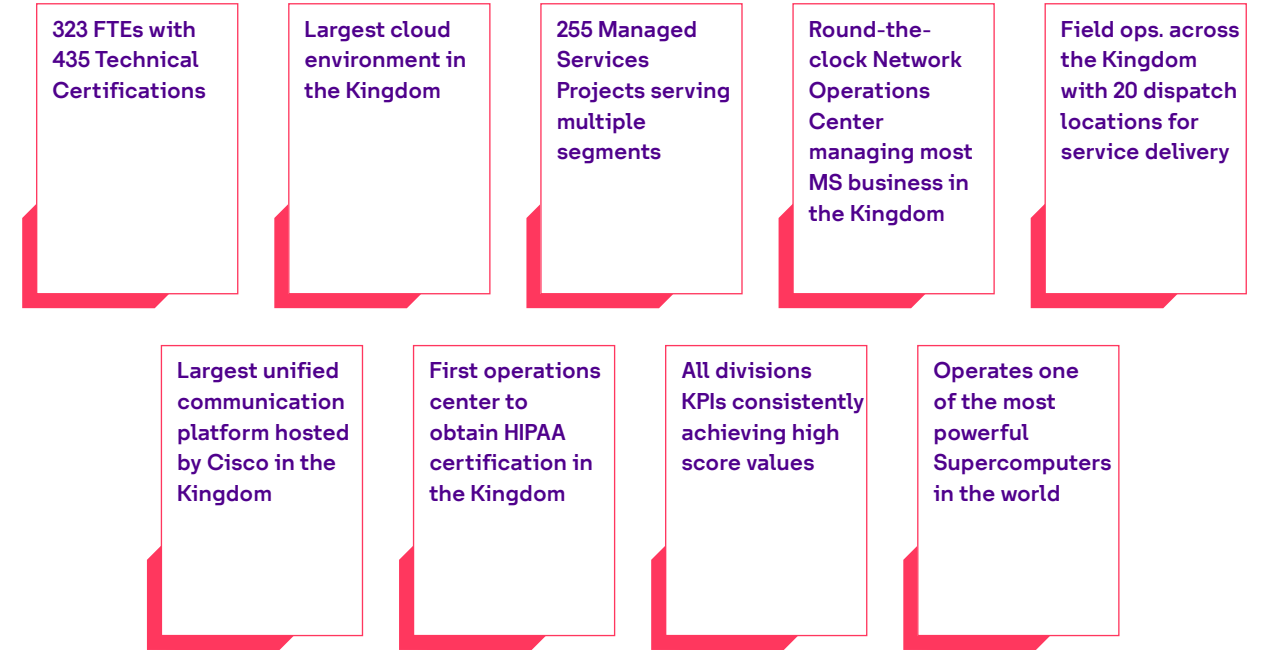
As the forerunner in the Kingdom's ICT market, solutions by stc maintains a presence across the Kingdom, covering a wide spectrum of customer needs and offering comprehensive solutions comprising of an extensive range of products and services; in addition to cross-selling across business lines. In 2022, the Company won 1,297 opportunities across its business lines.

➤ **Service Level Agreements (SLAs)**

In order to deliver customer service that exceeds expectations, the Company utilizes a per-product Service level Agreement (SLA) that is customized based on the domain and nature of each product. The SLA monitors performance based on metrics and ensures expectations and obligations are fulfilled. SLA performance results also provide valuable insight into gaps in the market and customer needs that need to be addressed. They become the basis for upgrading products, introducing new features, as well as adopting strict internal KPIs.

➤ **Reliable and secure systems and processes**

Maintaining robust and secure systems is vital for protecting customer data and ensuring their concerns are addressed in an efficient manner. By showcasing reliability and consistently delivering high standards, solutions by stc has become the recognized partner for Operations and Managed Services (MS); in both local and international markets, and won the trust of its customers across the Kingdom.





International Standards

14 International Standards Certificates obtained

| | | |
|--|--|---|
| ISO 27001 Information Security Management System | Cloud Security Alliance STAR Certification | ISO 45001 Occupational Health and Safety Management Systems |
| ISO 9001 Quality Management System | EFQM Committed to Excellence | ISO 37301 Compliance Management System |
| ISO 14001 Environmental Management System | Payment Card Industry Data Security Standard | ISO 41001 Facility Management Services |
| ISO 27017 Cloud Security Management System | ISO 27018 Identifiable Information Security in Marketplace | Dammam7 Data Center – Uptime institute certified gold |
| HIPPA compliant | ISO 31000 Risk Management Certification | |

Service availability and technology disruption

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 deliver and optimize its services to customers. This could result in a significant slowdown in their operational and management efficiencies, results of operations, and financial position. Necessary safeguards have been put in place, and are in compliance with KSA laws and regulations to mitigate risk of technology disruption and minimize impact.

Service Availability is a Key Performance Indicator utilized to measure the quality of ICT service delivered to customers. Therefore, the Company measures performance against several metrics for reliability and responsiveness of operations and maintenance of managed services.

Data Security, a high priority domain

Data security is a domain that is of high priority to the Company in terms of interests of its stakeholders and protection extended to the same. The Company's approach to data security and data classification are aligned with cybersecurity and privacy requirements stipulated by KSA regulators. solutions by stc has adopted a multi-layered operating model in which all data stakeholders (owners, custodians, the cybersecurity team, the data privacy team, etc.) work together with a clear R&R to ensure data security.

Solutions by stc also works to ensure data security processes are applied across the Company and transferred, where applicable, to its partners (vendors and/or customers). This assurance follows a risk-based model to guarantee Company resources are channelled into supporting business priorities.

Data Privacy Office

The Company formally established a data privacy office in order to further reinforce data privacy. The office maintains an independent reporting line and an internal cybersecurity strategy that are directly aligned with the Company strategy.

The aim of the data privacy office is to oversee and govern data privacy related actions and processes. A governance model was created which includes necessary policies, frameworks, processes, and procedures.

It also follows an operational model detailing relevant stakeholders who are to operate the governance model; along with their roles and responsibilities: beginning with Senior Management, through to key departments and concluding at operational level. Such models describe and record methods of collecting, processing and consenting to the use of Personally Identifiable Information (PII). It further details methods of sharing such information with third parties and what risk assessments are conducted on third parties along with internal processes.

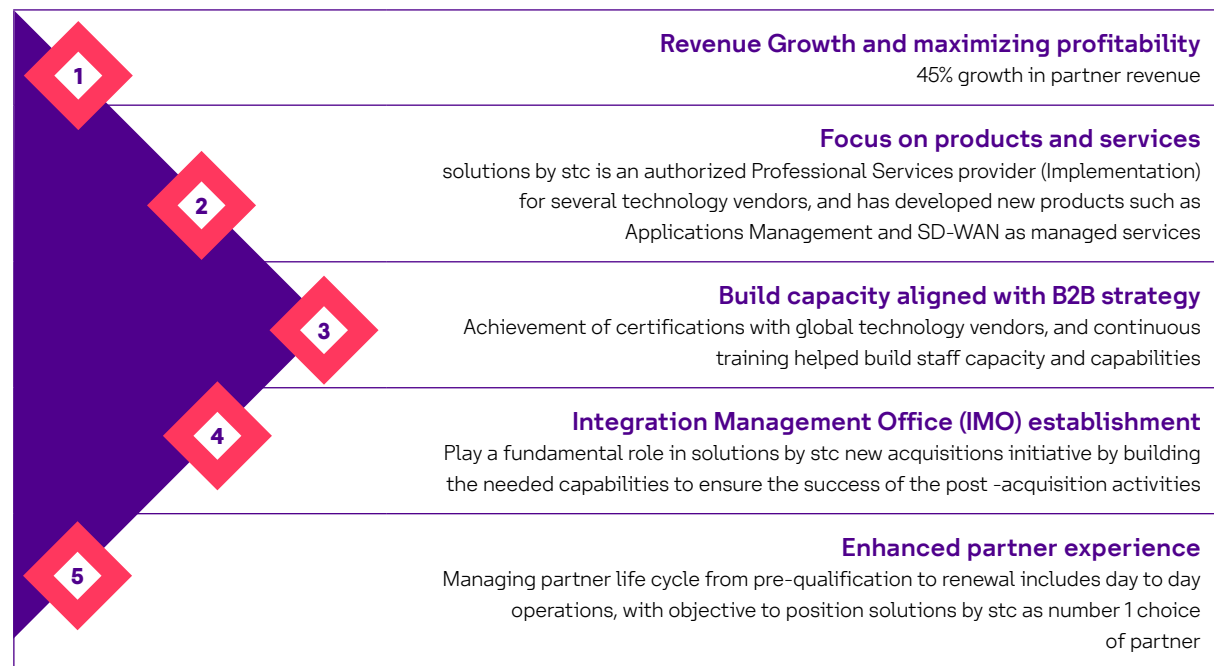
SLAs for Service Availability

| | 2022 | % | 2021 | % |
|---|---------|------|---------|-------|
| Incidents resolved within product resolution KPIs | 107,877 | 100% | 121,309 | 99.9% |
| Total incidents | 107,877 | | 121,314 | |
| Service requests fulfilled within product fulfilment KPIs | 11,677 | 100% | 11,260 | 99.9% |
| Total fulfilled requests | 11,677 | | 11,263 | |

Partners

solutions by stc is dedicated to developing and sustaining an active network of strategic partners. Maintaining strong relationships with suppliers, including global ICT vendors, ensures delivery of high-quality infrastructure and services to customers, and consistent value to stakeholders across the supply chain. As per the Company's 2020-2025 LEAP Strategy; maintaining a strong partner ecosystem plays a key role in the Company's plans for growth, expansion, and business sustainability.

solutions by stc's focus for partnership and synergy development is centered around the key domains of Engagement Enhancement; Revenue Enhancement; Capability Enhancement; and Increasing Market Reach. These come together to form solutions by stc's partnership strategy, which charts a course for the Company's expansion in the SME market; with strengthened capacity, focused revenue and product/service growth, and better positioning as a premier partner of choice for global and local ICT players.



Delivering world-leading ICT services

solutions by stc's network of partners comprises over 170 global and local technology innovators. The Company serves as a value-added delivery partner of tech products from leading global technology providers, to state institutions, large enterprises, and SMEs. solutions by stc has achieved the highest level of partnership with a number of global ICT giants, in recognition of the Company's successful delivery of world-leading ICT services in the Kingdom, and contribution to their expansion and revenue growth.

Highest level of partnership achieved with global ICT giants

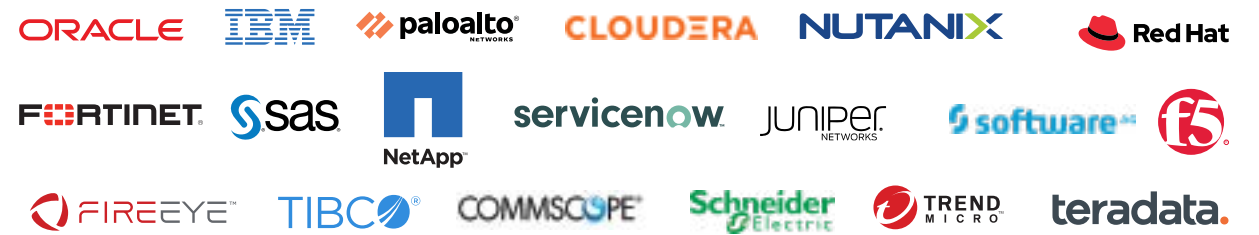


Robust partner and supplier ecosystem

OEM Tire 1 | 7 key partners



OEM Tire 2 | 19 partners



Tire 3 | 100+ partners

Having access to a broad spectrum of high-quality global products and services, the Company is able to construct comprehensive technological solutions for its customers. At the same time, a Partner Ranking Process is used to continuously measure and evaluate the performance of the Company's partners on a regular basis. The process evaluates partners according to; revenue, transaction volume, profitability, partner investment and incentives, status of the partner, alignment with Company objectives, and level of communication and trust. In addition, solutions by stc carries out

bi-monthly business plan reviews to gain a comprehensive perspective of partnership status and engagement.

In 2022, total purchases from top ten suppliers amounted to SAR 2.02 billion. The Company's top four suppliers for the year ended 31 December 2022 were:

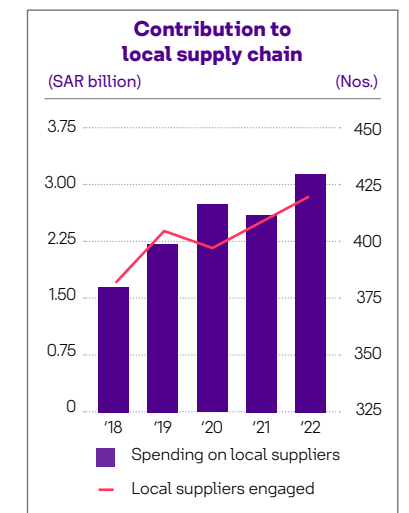
- ◆ Microsoft
- ◆ Cisco
- ◆ Dell EMC
- ◆ Huawei

From the perspective of revenue enhancement; strong engagement and maintenance of the highest

partnership level with suppliers enabled solutions by stc was to leverage rebates amounting to SAR 274 million (2.86%) during the year. Reflecting a rebate growth of 1% from the previous year.

Committed to local development

While the Company leverages its position to engage leading global ICT partners, solutions by stc retains a strong commitment to development of the local value-chain and partner ecosystem. As such, procurement spending to local suppliers totaled SAR 3.17 billion and amounted to 69.67% of total procurement spending.




| | 2018 | 2019 | 2020 | 2021 | 2022 |
|---|------|------|------|------|-------|
| Total purchases from top 10 suppliers (SAR billion) | 1.55 | 1.47 | 1.97 | 2.07 | 2.02 |
| Total procurement spending (SAR billion) | 2.90 | 3.64 | 4.30 | 4.20 | 4.55 |
| Spending on local suppliers (SAR billion) | 1.67 | 2.24 | 2.78 | 2.63 | 3.17 |
| Local suppliers engaged (Nos.) | 383 | 405 | 397 | 408 | 419 |
| Percentage of total procurement spending on local suppliers (%) | 57.7 | 61.6 | 64.6 | 62.8 | 69.67 |


The Company screens suppliers to ensure they are aligned with business needs while being competent, capable, and reliable. In addition to continuous internal review, the General Authority for SMEs "Monshaat" is engaged in the screening of suppliers, allowing the Company to move towards the goals outlined in Vision 2030, and reinforcing a commitment to grow alongside the Kingdom's SME sector.

Key achievements in 2022


MoU signed with **Huawei** to jointly develop the future Smart City and address Government and Enterprises markets' digital transformation needs with cutting-edge technologies.




solutions by stc named technology service enabler for Green Lake and Aruba as a service by **HP Enterprise**. Expansion of Managed Services products portfolio as a result of partnership.



MoU signed with **Dell EMC** for greater collaboration in the Physical Cybersecurity and Go-To Market Strategy, aligned with Vision 2030.




Preferred partner for **Microsoft** Azure services. 35% market share of Microsoft's business in the Kingdom. 12% YoY business growth.




New specialized partnerships in the horizontal market: Cybersecurity; AI, storage and backup, and analytics; OT technology; Smart cities and IoT; and Network collaboration solutions.

Engaging with new vertical market partners for the following sectors: Education; Financial services, Banking, and Insurance; Healthcare; and Managed Services.

Awards and recognition




- Cloud Partner of the year 2022




- Fellow Traveler 2022 Award
- Enterprise Networking Partner of the year 2022
- The Partner of the year 2022
- Excellent Global Sales Partner Award 2022




- Strategic Partner of the year 2022




- Enterprise Partner of the year 2022




- Highest Sales Revenue Award on Perm of the year 2022



- Telecom Partner of the year 2022



- Partner of the year 2022
- Excellence in Storage Sales Award 2022




- Partner of the year 2022




- Enterprise Partner of the year 2022
- Tiering Up Partner of the year 2022



- Partner of the year 2022



- Sovereign Cloud Provider in the Kingdom of Saudi Arabia 2022 & Cloud Verified Status 2022
- Partner of the year 2022



- MESA Rising Star of the year 2022

International Project Management Awards

- Silver Award in the Communications and Information Technology category

International Project Management Awards

- Bronze Award in the Change Management and Product Development category

International Project Management Awards

- Bronze Award in the Mega Projects category

Complaints handling and grievance redress

solutions by stc has a comprehensive whistle-blowing policy covering issues that may involve alleged fraud, unethical behavior, misconduct, or corruption. The whistle-blowing policy and processes 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.

The journey of sustainability undertaken by solutions by stc stems from an acknowledged necessity to foster sustainable expansion of businesses, generate value for all stakeholders, and yield lasting profits for investors. The organization is entering a fresh stage, aiming to enhance standardization and systematization, while aligning more closely with the Global Goals, national policies and frameworks, and widely-accepted ESG standards. The vision for this journey is for solutions by stc to emerge as a prominent ESG leader in the region by the year 2030.

A Commitment to sustainability

Lead the IT services industry towards a sustainable future by embedding ESG considerations into every aspect of our business, creating long-term value for all stakeholders and contribute to a better world for future generations.

► **Chief Executive Officer's commitment to sustainability**

solutions by stc is a conscientious organisation that recognises the value of heeding Environmental, Social and Governance matters that impact the business and enable growth. In 2022, the Company has embarked on a transformative sustainability journey to create long-term value for all stakeholders.

As part of this journey, solutions by stc has identified material ESG areas to focus on such as; energy consumption, investment in human capital, transparency, and corporate ethics, while driving a culture of Sustainability within the organisation. Further, the Company has concrete plans in place and efforts underway to identify, measure, and mitigate ESG risks and challenges, while leveraging opportunities.

As a preliminary step, solutions by stc carried out a detailed ESG baselining assessment and engaged with all stakeholder groups to understand key ESG issues and stakeholder concerns. Material issues were identified and assessed for importance to the business and to key stakeholders such as investors, customers, suppliers, and employees. Building on this foundation, the Company planned

new sustainability initiatives. Implementation of some programmes has commenced, and other initiatives have been planned for 2023 and beyond. As a core component of solutions by stc's sustainability journey, the Company has undertaken several culture-building initiatives, including establishment of a high-level Sustainability Committee, creation of ESG/Sustainability Champions within all Business Units, and organising monthly ESG awareness sessions for employees, among others.

These efforts will go a long way in enabling the Company to deepen its long-term positive impact, while generating sustainable value for stakeholders, on the path to becoming a Regional ESG leader by 2030.

Eng Omer Alnomany
Chief Executive Officer (CEO)



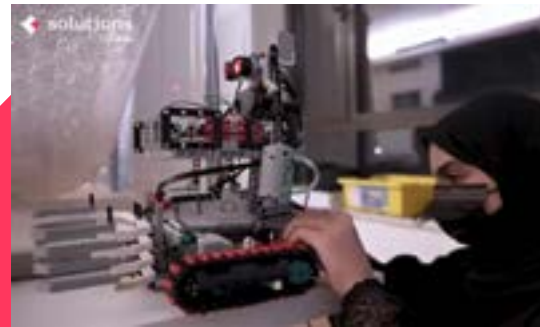
► **Our contribution to the community**

In line with Vision 2030's goal of strengthening the non-profit sector and promoting volunteerism as a means of driving development, solutions by stc is wholeheartedly dedicated to bolstering social sustainability and fostering community involvement in Saudi Arabia.

During 2022, solutions by stc has undertaken numerous corporate social responsibility initiatives to further the cause of social contribution and non-profit organizations spanning across the regions in which the Company operates.

Inspiring the Saudi youth to shine

As a catalyst for digital transformation in Saudi Arabia, stc has contributed to the implementation of Vision 2030. One of our initiatives involved sponsoring the Saudi national team in the World Robot Olympiad (WRO), which was hosted by the Saudi Wireless Sports & Robot Federation. This effort aimed to motivate and empower Saudi students to participate in global competitions, ultimately increasing the number of wireless sports practitioners in the country.



Empowering our team to lead change

solutions by stc collaborated with Mohammed Bin Salman Foundation (Misk) to support and empower the not-for-profit (NPO) sector and contribute to maximizing their impact on the community; by building, developing and sustaining the capabilities of the non-profit youth organizations through a dedicated volunteering program that leverages solutions expertise in technology.



Welcoming fresh and innovative content

solutions by stc has sponsored Thmanyah, the most popular Saudi-based podcast platform and documentary producer in the region. This sponsorship opened new opportunities for Thmanyah's Saudi youth-led team to gain millions of viewers and attracted a new generation of audience with its innovative and fresh content. Through this sponsorship, solutions have contributed towards enriching the Arabic content, supporting local talent, and fostering promising opportunities in Saudi Arabia.



➤ **Approach**

Overall, commitment to sustainability is crucial for the health of our planet and the well-being of future generations. It requires a collective effort from individuals, businesses, and organizations to create a sustainable future. By adopting sustainable practices and promoting sustainability, we can protect the planet and ensure a brighter future for all.

To stay committed to sustainability at solutions by stc we have introduced practices that involves the Leadership as well as the people of this organization.

➤ **Systematising Sustainability**

As a first step toward reinforcing management commitment to the Company's sustainability efforts, and to enable fast and effective decision-making during the sustainability journey, solutions by stc has established a high-level Sustainability Committee. The Committee is chaired by the CEO, and includes heads of key business units. A charter that empowers the committee and delineates responsibilities has also been drafted. The Sustainability Committee will play a pivotal role in solutions by stc's sustainability journey, helping to guide, prioritise, and validate sustainability efforts while ensuring business alignment and long-term impact.

Further, a holistic Sustainability Policy has been drafted to give high-level direction to solutions by stc's Sustainability Journey. The policy sets out a clear way forward by defining plans for program implementation and social investment, while outlining clear roles and responsibilities including authority for approvals.

➤ **Social Investment and Volunteerism**

Along with the Kingdom's focus on digital transformation, Saudi Arabia's Vision 2030 also endeavours to empower the non-profit sector and drive volunteerism as social responsibility channels for change and development.

In supporting this National vision, solutions by stc recognizes the catalyzing effect that concerted social investment can have in effecting positive change. The Company is committed to supporting worthwhile social initiatives and purpose-driven business and entrepreneurship projects, as part of efforts to mainstream and systematize sustainability aspects with the core business. Extending the Company's digital solutions to the non-profit sector through volunteerism initiatives is another key element of aligning Sustainable Development with solutions by stc's core business.

In this regard, solutions by stc has entered into a long-term partnership with Misk Foundation, a non-profit focused on empowering youth in the Kingdom, to support and enable emerging charities. solutions by stc is committed to share expertise and resources that will empower social initiatives. In the first phase of engagement, over 100 individuals have already registered to contribute their time and skills to these social efforts. Further volunteering efforts are planned in alignment with solutions by stc's overarching Sustainability Themes, and the UN SDGs.

➤ **Themes and Stakeholders**

| | | |
|---|---|---|
| Stewarding the environment <ul style="list-style-type: none"> Protecting environment Enriching energy market <ul style="list-style-type: none"> Achieve Net zero emissions Reduce Energy Consumption | Investing in Human Capital <ul style="list-style-type: none"> Human Capital development Equal opportunities Enhancing wellbeing <ul style="list-style-type: none"> Drive and achieve increase in representation of women employees Ensure high levels of Employee Motivation & Satisfaction | Leading with accountability <ul style="list-style-type: none"> Sustainable and ethical business <ul style="list-style-type: none"> Drive Global best practices in Corporate Governance |
| Enhancing experiences <ul style="list-style-type: none"> Infrastructure development <ul style="list-style-type: none"> Enhance Customer Experience and Client Satisfaction | Empowering society <ul style="list-style-type: none"> Enabling social investment. Business' focus on society (Citizenship) | Building a culture of sustainability <ul style="list-style-type: none"> Accelerate partnerships and internal/external sustainability culture |

➤ **Engaging with stakeholders**

Recognizing the pivotal role they play, solutions by stc will endeavor to actively engage its stakeholders, understand and respond to their needs, and manage relationships to enable mutual benefit and success.

Internal stakeholders

| | | | |
|--------------------|-------------------|--------------------------|----------------------------|
| | | | |
| Board of Directors | Senior Management | Sustainability Committee | Employees (Business units) |

External stakeholders







| | | | | | |
|-----------|-----------|---------------------------|-------------|------------------------|-----------|
| | | | | | |
| Investors | Customers | Government and regulators | Communities | Charities/ non-profits | Suppliers |

Stakeholders were analysed to measure their influencing power and potential impact on the business, including assessment of how their input creates value for solutions by stc, by driving business improvement and contributing to strategy development.

► **Alignment with Global Goals (UN SDGs)**

Material topics reflect the needs and expectations of the Company’s stakeholders, and are in alignment with the Global Goals (UN SDGs) and Saudi Vision 2030.

Identification of these material topics serves as a lens to focus sustainability efforts and a yardstick to measure the Company’s sustainability performance in years to come.

| Focus areas aligning to UN SDGs | Material topics | Relevance to solutions (scale of 1 to 5) |
|--|--|--|
| Stewarding the environment  | Energy and climate change | ██████████ |
| | Water management | ██████████ |
| | Reducing electronic waste | ██████████ |
| | Opportunity in clean technology | ██████████ |
| Investing in Human Capital  | Talent incubation: retention and development | ██████████ |
| | Employee engagement, wellbeing, and experience | ██████████ |
| | Inclusion and diversity | ██████████ |
| | Health & Safety | ██████████ |
| Leading with accountability  | Economic performance | ██████████ |
| | Corporate governance | ██████████ |
| | Business ethics and transparency | ██████████ |
| | Supply chain/responsible procurement | ██████████ |
| Enhancing experiences  | Digital innovation and transformation | ██████████ |
| | Data privacy and cybersecurity | ██████████ |
| | Client satisfaction and collaboration | ██████████ |
| Empowering society  | Social investment for community development | ██████████ |
| | Digital inclusion | ██████████ |
| Building a culture of sustainability  | Accelerate partnerships | ██████████ |
| | Inculcate sustainability culture | ██████████ |

► **Next steps in Our Sustainability Journey**

Successful progression of solutions by stc’s sustainability journey hinges on awareness, empowerment, and engagement of key stakeholders. As such, the Company has planned a number of initiatives in 2023 and beyond, centered around building a culture of sustainability. These initiatives will be implemented alongside continuous strategic engagement with key stakeholder groups, establishing a feedback loop that would inform and influence the Company’s sustainability efforts. As part of systematising efforts, solutions by stc will also be establishing KPIs aligned with material topics for monitoring and reporting the Company’s sustainability performance.

| Implementation | | | Disclosure |
|---|---|---|--|
| Build Sustainability Task-force/champions | Sustainability Awareness and Culture Building | Monitor, Manage and improve Sustainability performance | Disclosures, Reporting and Communication |
| Design, Develop and roll out Initiatives | Institutionalize KPIs and metrics | The implementation phase will encompass these 5 core components in 2023 followed by preparation for the reporting phase (2024). | |
| Continuous improvement | | | |

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 Aoudah Al Aoudah | 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-Seif | 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 – solutions by stc

Chairs the following committees at solutions by stc:

- Executive Committee
- Investment Committee

Chairman of the Board of Directors

- specialized by stc

Chairman of the Board

- iot2

Vice Chairman of the Board

- Saudi Cloud Computing Company (SCCC)

Group 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
- ◆ Senior Executive Program, Strategy, Innovation and Digital Transformation, Harvard Business School, USA (2017 - 2018)

Experience

More than 18 years of experience in the Information and Communication Technology industry.



Mr Haithem Mohammed AlFaraj
Deputy Chairman of the Board – solutions by stc

Member of the Executive Committee
– solutions by stc

Chairman of the Board of Directors
– sirar by stc

Member of the Board of Directors
– Telecommunication Tower Co. Ltd (TAWAL)

Group Chief Technology Officer
– stc

Previous Positions

- ◆ **Member of the Board of Directors**
– specialized by stc
- ◆ **Vice President of Operations**
– stc
- ◆ **Held a number of positions at Etihad Etisalat Company (Mobily) including:**
 - Chief IT Operations Officer
 - Vice President of Data Hosting and Managed Services
 - Vice President of IT Operations
 - Director of the Data Center
 - Manager of Systems Administration
- ◆ **Systems Analyst**
– Saudi Arabian Oil Company (Aramco)
- ◆ **Project Engineer**
– Lucent Technologies

Qualifications

Bachelor's degree in Applied Computer Engineering, King Fahad University of Petroleum and Minerals (KFUPM), KSA

Experience

More than 22 years of experience in the following industries:

- ◆ Information and Communication Technology
- ◆ Petroleum



Mr Emad Aoudah Al Aoudah
Member of the Board – solutions by stc

Member of the Executive Committee
– solutions by stc

Member of the Board of Directors and Executive Committee Member
– Arab Satellite Communications Organization (Arabsat)

Group Chief Shared Services Officer
– stc

Previous Positions

- ◆ **Held the following positions at stc:**
 - Vice President for Regulatory and Corporate Affairs
 - Vice President for Strategy and Projects (Acting)
- ◆ **Chairman of the Board**
– channels by stc
- ◆ **Chairman of the Board**
– stc Gulf Investment Holding
- ◆ **Member of the Board**
– Bravo Company
- ◆ **Member of the Board**
– Aqalat Real Estate Company
- ◆ **Member of the Board** – stc specialized
- ◆ **CEO**
– National Unified Procurement Company for Medical Supplies (NUPCO)
- ◆ **General Manager Group Digital Publishing & Group Chief Information Officer**
– Saudi Research and marketing group
- ◆ **General Manager**
– Saudi Information Technology Company (SITE)
- ◆ **Public Sector Marketing and Sales Country Manager**
– Oracle
- ◆ **Program Manager**
– Saudi Central Bank (SAMA)

Qualifications

Bachelor's degree in Information Systems, King Saud University, KSA

Experience

More than 31 years of experience in multiple industries such as:

- ◆ Information and Communication Technology
- ◆ Finance
- ◆ Health
- ◆ Publishing
- ◆ Real Estate



Mr Omar Abdulaziz AlShabibi
Member of the Board – solutions by stc

Member of the Audit Committee
– solutions by stc

Member of the Nomination and Remuneration Committee
– solutions by stc

Member of the Board of Directors
– stc Gulf Investment Holding

Member of the Board of Directors
– Telecom Commercial Investment Company Limited

Member of the Board of Directors
– channels by stc

Member of the Audit and Risk Committee
– channels by stc

Vice President of Financial Reporting and Control sector
– stc

Previous Positions

- ◆ **Member of the Board of Directors**
– stc Pay
- ◆ **Head of Audit Committee**
– stc Pay
- ◆ **Member of the Board of Directors**
– Sapphire Company Ltd.
- ◆ **General Manager of Financial Reporting**
– stc
- ◆ **General Manager of Accounting**
– stc

Qualifications

Bachelor's degree in Accountancy, King Saud University, KSA

Experience

More than 24 years of experience in multiple industries such as:

- ◆ Information and Communication Technology
- ◆ Finance



Mr Mathad Faisal AlAjmi
Member of the Board – solutions by stc

Member of the Audit Committee
– solutions by stc

Member of the Board and Member of the Audit Committee
– Intigral

Group Chief Legal and Risk Officer and General Counsel
– stc

Previous Positions

- ◆ **Board Member and Audit Committee Member**
– Saudi Iron & Steel Co. (Hadeed)
- ◆ **Held the following positions at Saudi Basic Industries Corp (SABIC):**
– General Manager and Chief Counsel
– Director of International Trade
– Senior Counsel and Manager of International Trade
– Lawyer
- ◆ **Member of International Trade Committee**
– Gulf Petrochemicals and Chemicals Association (GPCA)
- ◆ **Foreign Legal Consultant (Part-time)**
– King & Spalding (USA)
- ◆ **Foreign Legal Consultant**
– Freshfields (Germany)
- ◆ **Vice President and General Counsel of Legal Affairs**
– stc

Qualifications

- ◆ Master of Laws in International Intellectual Property Law, Illinois Institute of Technology, USA
- ◆ Master of Business Administration, Georgetown University Business School, Washington DC, USA

Experience

More than 22 years of experience in multiple industries such as:

- ◆ Petrochemical
- ◆ Legal
- ◆ Non-profit
- ◆ Information and Communication Technology
- ◆ Risk and Quality Governance
- ◆ International Trade



Mr Mohammed Abdullah AlAbbadi
Member of the Board – solutions by stc

Member of the following committees at solutions by stc:
– Executive Committee
– Nomination and Remuneration Committee

Chairman of the Board
– center3 by stc

Member of the Board of Directors
–Forus

Member of the Board of Directors
–Cura

Member of the Board of Directors
–ITW | Global Leaders' Forum

Member of the Board of Directors
– Saudi Volunteer Organization (Takatuf)

Member of the Board of Directors
– specialized by stc

Group Chief Carrier and Wholesale Officer
– stc

Previous Positions

- ◆ **Member of the Board of Directors**
– stc Pay
- ◆ **Held the following positions at stc:**
– Vice President of Strategy Execution and Corporate Affairs
– Vice President of Strategic Projects and Corporate Performance
- ◆ **Chairman**
– Aqalat Company Limited (Aqalat)
- ◆ **Held the following positions at Cisco Saudi Arabia Limited:**
– Managing Director
– Deputy General Manager
– Operations Director (Public Sector)
– Regional Manager of the Local Government, Education, Military and Defense Sectors
– Channels Account Manager
– Marketing Manager

Qualifications

- ◆ Bachelor's degree in Systems Engineering, KFUPM, KSA, 1999
- ◆ Senior Executive Leadership Program, Harvard Business School, USA, 2018
- ◆ Master of Business Administration, IE University, Spain

Experience

- More than 24 years of experience in multiple industries such as:
- ◆ Telecommunication
 - ◆ Information Technology
 - ◆ Financial Industry / Fintech
 - ◆ Real Estate
 - ◆ Telehealth



Mr Mohammad Abdullah Alaseeri
Member of the Board – solutions by stc

Member of the Executive Committee
– solutions by stc

Strategies and Digital Transformation Advisor
– to HE the Vice Minister of Municipal and Rural Affairs and Housing

Previous Positions

- ◆ **General Manager**
– Research and Consulting at Traveler Security Center
- ◆ **Held the following positions at the Ministry of Education:**
– Policy, Technology, and Strategy Advisor
– General Manager of the Strategy Management Office
- ◆ **Held the following positions at the National Information Center:**
– Director of Business Development
– Policy, Technology and Strategy Advisor
– Director of Identity Program
– Solutions Architect (National Identity Project)
– Deputy Director for Research, Development, and Technical Studies
– Technical Director (Machine Readable Passport Project)
– Design Engineer

Qualifications

Master's degree in Computer Engineering, Syracuse University, USA.

Experience

- More than 36 years of experience in multiple industries such as:
- ◆ Information and Communication Technology
 - ◆ Education
 - ◆ Real Estate



Mr Abdullatif Ali Al-Seif
Member of the Board – solutions by stc

Chairman of the Audit Committee
– solutions by stc

Managing Director and CEO
– Sabeen Investment Company

Member of the Board of Directors
– Arabian Cement Company (ACC)

Member of the Board of Directors
– Wisayah Global Investment Company

Member of the Board of Directors
– Al Rajhi Bank

Board Member
– Alnahdi Medical Company

Member of the Board of Directors
– SALIC

Member of the Board of Directors
– Albilad Tourism Fund

Previous Positions

- ◆ **CEO and Board Member**
– Raidah Investment Company (RIC)
- ◆ **Investment Advisor**
– Public Pension Agency
- ◆ **Vice President and Chief Investment Officer**
– King Abdullah Humanitarian Foundation
- ◆ **Director of Portfolio Management**
– Mohammed I Alsubeaei & Sons Investment Company (MASIC)
- ◆ **Held the following positions at Saudi Aramco:**
– Head of Portfolio Management, Investment Management Division
– Financial Analyst, Credit and Collection Division
– Financial Analyst, Investment Management Division
- ◆ **Member of the Board of Directors**
– HSBC Saudi Arabia
- ◆ **Portfolio Manager**
– KAUST Investment Management Company
- ◆ **Member of the Board of Directors**
– National Petrochemical Company (Petrochem)
- ◆ **Vice Chairman**
– Riva Investment
- ◆ **Board Member**
– Alothaim Investment Company

Qualifications

Master of Business Administration (Majoring in Finance), Boston University, USA

Experience

More than 21 years of experience in multiple industries and sectors such as:

- ◆ Finance
- ◆ Petroleum
- ◆ Materials
- ◆ Humanitarian
- ◆ Government and Public sectors
- ◆ Petrochemical
- ◆ Information and Communication Technology



Mr Fahad Suleiman Alamoud
Member of the Board – solutions by stc

Chairman of the Nomination and Remuneration Committee
– solutions by stc

CEO
– Saudi Company for Visa and Travel Solutions (TASHIR)

Member of the Board of Directors
– Saudi Visa & Travel Solution Limited (Bangladesh)

Member of the Board of Directors
– The Saudi International Company for Completion and Follow-up of Visa Procedures and Approvals for Embassies (Kuwait)

Member of the Board of Directors
– Saudi Company for Visa Solution (Qatar)

Previous Positions

- ◆ **Chief Executive Officer**
– Sehati for Information Technology Services
- ◆ **Delivery and Operations Executive Director**
– Saudi Technology and Security Comprehensive Control Company (Tahakom)
- ◆ **ICT General Manager**
– The Ministry of Transport
- ◆ **Held the following positions at the Ministry of Foreign Affairs:**
– Deputy ICT GM
– Director of E-Services
– Quality Control Manager
– E-Government Projects Manager
– Development Team Leader
– Senior Systems Analyst and Programmer

Qualifications

Bachelor's degree in Information Systems, the College of Computer Science, King Saud University, KSA.

Experience

More than 24 years of experience in multiple industries and sectors such as:

- ◆ Government and public sectors
- ◆ Information and Communication Technology
- ◆ Traffic solutions and transportation industry
- ◆ Healthcare industry
- ◆ Visa, Travel and Tourism industry

► **Committee Members from outside the Board of Directors**

Mr Motaz Ali Alangari

| Current Positions | Previous Positions | Qualifications | Experience |
|---|--|--|--|
| <ul style="list-style-type: none"> Investment Committee Member at solutions by stc Board Member at Saudi Cloud Computing Company Board Member at PIF's Smart Accommodation for Residential Complexes Company Group Chief Investment Officer – stc | <ul style="list-style-type: none"> Head of Investment Banking at Banque Saudi Fransi Executive Director – Morgan Stanley | <ul style="list-style-type: none"> Bachelor's degree in Business, Cornell University, USA | <ul style="list-style-type: none"> More than 16 years of experience in the Investment and Corporate Banking industry. |

Mr Atef Helmy

| Current Positions | Previous Positions | Qualifications | Experience |
|--|---|--|---|
| <ul style="list-style-type: none"> Member of the Investment Committee of solutions by stc Chairman of Prime Business Consulting Board Member of National Bank of Egypt Founding Member and President of the General Assembly, Arab Digital Economy Federation Founding Member of Egypt Fintech Association Honorary Member of American Chamber of Commerce Member, Board of Trustees, British University in Egypt Board Member of Trustees, Beit El Zakat (Egypt House of Alms and Charity) Board Member of Al Mohandes Insurance Board Member of Al Hayat Insurance | <ul style="list-style-type: none"> Former Egyptian Minister of ICT Managing Director of NCR UAE Managing Director of Oracle Egypt Chairman of Orange Egypt Chairman of Chamber of ICT Served in the Egyptian Military Force in the field of communications and information technology Senior Advisor at Orange MEA Ambassador of Orange to Smart Africa Board Member of SAMENA | <ul style="list-style-type: none"> Diploma in Computer Science Bachelor's degree in Communication and Electrical Engineering, the Military Technical College, Egypt Master's Degree in Information Technology | <ul style="list-style-type: none"> More than 40 years of experience in business and in communications and information technology |

Mr Abdullah Alanizi

| Current Positions | Previous Positions | Qualifications | Experience |
|---|---|--|---|
| <ul style="list-style-type: none"> Audit Committee Member – solutions by stc Group Chief Internal Audit Officer – stc Group | <p>Held the following positions at stc:</p> <ul style="list-style-type: none"> General Manager of Network and Information Systems Audit General Manager of Investment and Operational Audit | <ul style="list-style-type: none"> Bachelor's degree in Information Systems, College of Computer and Information Sciences, King Saud University, Saudi Arabia Executive Masters of Business Administration, King Fahd University of Petroleum & Minerals, KSA. Obtained several professional certificates: CIA, CISA, CFE, CRMA | <ul style="list-style-type: none"> 26 years of experience in multiple domains such as: Audit Committee and Internal Audit Governance and Risk Management Information Technology |

Mr Fahad Alghamdi

| Current Positions | Previous Positions | Qualifications | Experience |
|--|---|--|---|
| <ul style="list-style-type: none"> Nomination and Remuneration Committee Member – solutions by stc Audit Committee Member – Saudi Investment Bank Audit Committee Member – Alahli Capital Audit Committee Member – NADEC Audit Committee Member – SEERA Group Nomination and Remuneration Committee Member – AQALAT by stc HR Business Partner VP – stc | <p>Held the following positions at stc:</p> <ul style="list-style-type: none"> General Manager, stc Business Units ExCom Member at specialized by stc General Manager, HR Planning and Organizational Development Director, Workforce Planning Manager, Customer Relationship Management – HR Shared Services HR specialist, Rewards and Performance Management <p>Held the following positions at Samba Financial Group:</p> <ul style="list-style-type: none"> Account Manager of Corporate Services Unit Group Customer Services Unit, Key Account | <ul style="list-style-type: none"> Bachelor's degree in Marketing, King Fahd University of Petroleum and Minerals, KSA. | <ul style="list-style-type: none"> More than 21 years of HR experience in industries such as: ICT (information and Communication Technology) Finance |

Executive Management



Mr Omer Abdullah Alnomany
Chief Executive Officer

| Previous Position | Qualifications | Experience |
|---|--|------------|
| Vice President of Information Technology at stc | Bachelor's degree in Computer Engineering, King Saud University, KSA, 1994 Senior Executive Leadership Program, Harvard University, USA, 2020 | 29 years |



Mr Abdulrahman Hamad Alrubaia
Chief Financial Officer

| Previous Position | Qualifications | Experience |
|--|---|------------|
| Vice President of the Finance Sector at solutions by stc | Bachelor's degree in Accountancy, King Saud University, KSA, 2003 | 19 years |



Mr Saleh Abdullah Alzahrani
Chief Technology Officer

| Previous Position | Qualifications | Experience |
|--|--|------------|
| Vice President of solutions delivery at solutions by stc | Bachelor's degree in Computer Engineering, King Saud University, KSA, 1994 | 29 years |



Mr Muataz Abdullah Aldharrab
Chief Strategy Officer

| Previous Position | Qualifications | Experience |
|--|--|------------|
| Vice President of Corporate Planning and Performance | Master of Business Administration, Prince Sultan University, KSA, 2014 | 16 years |



Mr Thamir Mohammed Alhammad
Chief Business Outsourcing officer

| Previous Position | Qualifications | Experience |
|--|--|------------|
| Vice President of Telecom Services at solutions by stc | Master of Business Administration, Imperial College London, UK, 2017 | 22 years |



Mr Saleh Tariq Algoony
Chief People and Corporate Services Officer

| Previous Position | Qualifications | Experience |
|---|---|------------|
| Vice President of Business Excellence at solutions by stc | Bachelor's degree in Computer Science, King Fahad University of Petroleum and Minerals (KFUPM), KSA, 2010 | 14 years |



Mr Rajeh Saad AlBogamy
Chief Audit Officer

| Previous Position | Qualifications | Experience |
|--|--|------------|
| General Manager, Business and Technology Audit at solutions by stc | Master of Project Management, The George Washington University School of Business, USA, 2011 | 21 years |



Mr Ahmed Naji Bajnaid
Chief Governance Officer

| Previous Position | Qualifications | Experience |
|---|--|------------|
| Vice President of Operations and Managed Services at solutions by stc | Master of Business Administration , King Abdulaziz University, KSA, 2022 | 20 years |



Mr Hatem Abdulhalim Elkady
Chief Partnerships and Synergies Officer

| Previous Position | Qualifications | Experience |
|---|--|------------|
| Advisor, Strategic Partnerships at solutions by stc | Master's degree in Computer Science, Cairo University, Egypt, 1993 | 31 years |



Mr Yousef Abdulrahman AlMarshad
Chief Commercial Officer

| Previous Position | Qualifications | Experience |
|---|--|------------|
| General Manager, Government Sales at solutions by stc | Master of Project Management/Information Technology, Marymount University, USA, 2011 | 14 years |

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

| Member name | Names of companies in which a Board member is a member of their current Board or a manager | Inside/ Outside the Kingdom | Legal entity | Names of companies in which a Board member is a member of their previous Board or a manager | Inside/ Outside the Kingdom | Legal entity |
|------------------------------------|--|-----------------------------|-----------------------------------|---|-----------------------------|--|
| Mr Riyadh Saeed Muawad | specialized by stc | Inside | Limited Liability Company | Kuwait Telecom Company (stc Kuwait) | Outside | Listed Joint Stock Company |
| | stc | Inside | Listed Joint Stock Company (LJSC) | Cisco | Inside | Limited Liability Company |
| | Saudi Cloud Computing Company (SCCC) | Inside | Limited Liability Company | CA Technologies | Outside | Listed Joint Stock Company (USA) |
| | iot2 | Inside | Limited Liability Company | 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. Ltd. (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 Aoudah Al Aouda | stc | Inside | Listed Joint Stock Company | channels by stc | Inside | Limited Liability Company |
| | Arabian Satellite Communications Organization (Arabsat) | Inside | Limited Liability Company | Aqalat | Inside | Limited Liability Company |
| | | | | stc specialized | 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 |
| | | | | stc Gulf Investment Holding | Inside | Limited Liability Company |
| | | | Bravo Company | Inside | Limited Liability Company | |
| 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 | Sapphire Company Ltd. | Inside | Limited Liability Company |
| | channels by stc | Inside | Limited Liability Company | | | |
| | stc | Inside | Listed Joint Stock Company | | | |

| Member name | Names of companies in which a Board member is a member of their current Board or a manager | Inside/ Outside the Kingdom | Legal entity | Names of companies in which a Board member is a member of their previous Board or a manager | Inside/ Outside the Kingdom | Legal entity |
|--------------------------------------|--|-----------------------------|------------------------------|---|-----------------------------|------------------------------|
| Mr Mathad Faisal Alajmi | stc | Inside | Listed Joint Stock Company | Saudi Iron and Steel Company (Hadeed) | Inside | A Closed Joint Stock Company |
| | Integral | 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 | Int. Law firm |
| Mr Mohammed Abdullah AlAbbadi | stc | Inside | Listed Joint Stock Company | stc Pay | Inside | A Closed Joint Stock Company |
| | Saudi Volunteer Organization (Takatuf) | Inside | Non-profit Organisation | Aqalat | Inside | Limited Liability Company |
| | Specialized by stc | Inside | Limited Liability Company | Cisco | Inside | Limited Liability Company |
| | Forus | Inside | A Closed Joint Stock Company | | | |
| | Cura | Outside | Limited Liability Company | | | |
| | Center3 | Inside | Limited Liability Company | | | |
| | ITW Global Leaders' Forum | Outside | 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 |
| Mr Abdulatif Ali Al-seif | Sabeen Investment Company | Inside | A Closed Joint Stock Company | King Abdullah Humanitarian Foundation | Inside | Non-profit Organisation |
| | Arabian Cement Company (ACC) | Inside | Listed Joint Stock Company | Raidah Investment Company | Inside | A Closed Joint Stock Company |
| | | | | HSBC | Inside | A Closed Joint Stock Company |
| | Wisayah Global Investment Company | Inside | Limited Liability Company | Riva Investment Company | Inside | Limited Liability Company |
| | Al Rajhi Bank | Inside | Listed Joint Stock Company | National Petrochemical Company (Petrochem) | Inside | Listed Joint Stock Company |
| | Alnahdi Medical Company | Inside | A Closed Joint Stock Company | Alothaim Investment Company | Inside | A Closed Joint Stock Company |
| | SALIC | Inside | A Closed Joint Stock Company | Saudi Aramco | Inside | Listed Joint Stock Company |
| | AlBilad Tourism Fund | Inside | Real Estate Fund | Mohammed I Alsubaei & Sons Investment Company (MASIC) | Inside | A Closed Joint Stock Company |
| | | | | KAUST Investment Management Company | Inside | A Closed Joint Stock Company |
| | | | | | | |

| Member name | Names of companies in which a Board member is a member of their current Board or a manager | Inside/ Outside the Kingdom | Legal entity | Names of companies in which a Board member is a member of their previous Board or a manager | Inside/ Outside the Kingdom | Legal entity |
|----------------------------------|--|-----------------------------|---------------------------|---|-----------------------------|---------------------------|
| Mr Fahad Suleiman Alamoud | Saudi Visa and Travel Solutions (TASHIR) | Inside | Limited Liability Company | Sehati | Inside | Limited Liability Company |
| | Saudi Visa and Travel Solution Limited (Bangladesh) | Inside | Limited Liability Company | Saudi Technology and Security Comprehensive Control Comp (Tahakom) | Inside | Limited Liability Company |
| | The Saudi International Company for Completion and Follow-up of Visa Procedures and Approvals for Embassies (Kuwait) | Inside | Limited Liability Company | Ministry of Transport Ministry of Foreign Affairs | Inside | Government |
| | Saudi Company for Visa solution (Qatar) | Inside | Limited Liability Company | | | |

Board of Directors meetings and the attendance record of each meeting held during the year ending 31 December 2022:

| Name | Meetings | | | | | |
|------------------------|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
| | 1st meeting (11 Jan 2022) | 2nd meeting (15 Feb 2022) | 3rd meeting (28 Mar 2022) | 4th meeting (25 May 2022) | 5th meeting (02 Oct 2022) | 6th meeting (06 Dec 2022) |
| 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 Al-seif | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| 9 Mr Mohammad Alaseeri | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |

General Assembly Meetings held during the fiscal year ending 31 December 2022 and attendance of Board Members

| Name | Meetings | |
|------------------------|---------------------------|---------------------------|
| | 1st meeting (02 Mar 2022) | 2nd meeting (29 May 2022) |
| 1 Mr Riyadh Muawad | ✓ | ✓ |
| 2 Mr Haithem AlFaraj | ✓ | ✓ |
| 3 Mr Emad Al Aouda | ✓ | ✓ |
| 4 Mr Mohammed AlAbbadi | ✗ | ✗ |
| 5 Mr Mathad Alajmi | ✓ | ✓ |
| 6 Mr Omar Alshabibi | ✓ | ✓ |
| 7 Mr Fahad Alamoud | ✓ | ✓ |
| 8 Mr Abdulatif Al-seif | ✓ | ✓ |
| 9 Mr Mohammad Alaseeri | ✓ | ✓ |

► Procedures taken by the Board to inform its Members, especially the non-Executives, of shareholders' suggestions and remarks on the Company and its performance

The main objective of the Investor Relations (IR) 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. The IR Department is responsible for all communications with investors and shareholders, and periodically reports to the Board, providing an update about shareholder activities and remarks.

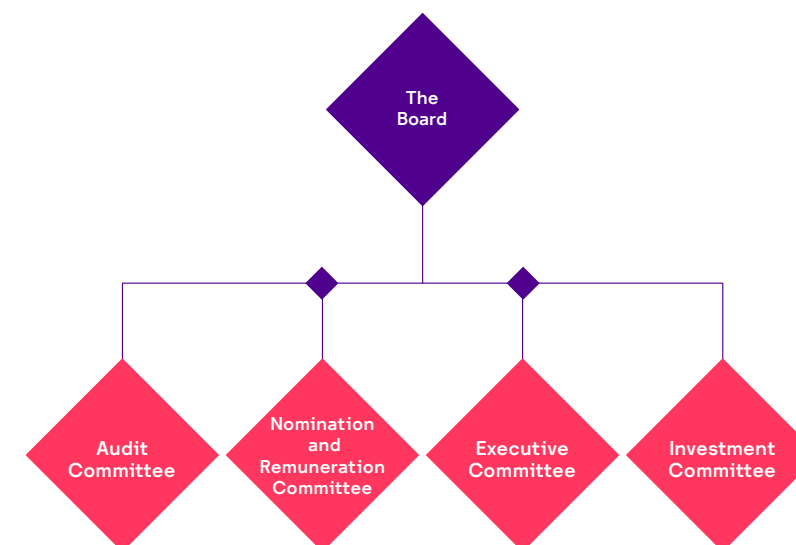
Stakeholders' views are of paramount importance to the Company and shareholder feedback is always considered and incorporated into departmental strategies for long-term value creation. We ensure that we provide our investors with

the maximum information possible by providing access to various disclosures through the Investor Relations section of the website, and through quarterly disclosures, and annual reports.

During the year ending 31 December 2022, 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, the Executive Committee, and the Investment 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 four 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

propose 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 review on corporate governance reports, compliance 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 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 (4) members and held five (5) meetings during the year 2022, as shown in the following table:

| Name | Nature of Membership | Meetings | | | | |
|------------------------|----------------------|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
| | | 1st Meeting (19 Jan 2022) | 2nd Meeting (15 Feb 2022) | 3rd Meeting (19 Apr 2022) | 4th Meeting (01 Aug 2022) | 5th Meeting (26 Oct 2022) |
| 1 Mr Abdulatif Al-seif | 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. 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 make recommendations concerning changes that can be made.

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,

and evaluating the performance of Board members and the members of its committees. 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 four (4) meetings during the year 2022, as shown in the following table:

| Name | Nature of Membership | Meetings | | | |
|------------------------|----------------------|---------------------------|--------------------------|---------------------------|---------------------------|
| | | 1st Meeting (15 Feb 2022) | 2nd Meeting (8 Jun 2022) | 3rd Meeting (20 Nov 2022) | 4th Meeting (29 Dec 2022) |
| 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. 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 (5) members and held three (3) meetings during the year 2022, as shown in the following table:

| Name | Nature of Membership | Meetings | | |
|------------------------|----------------------|---------------------------|---------------------------|---------------------------|
| | | 1st Meeting (19 May 2022) | 2nd Meeting (02 Oct 2022) | 3rd Meeting (06 Dec 2022) |
| 1 Mr Riyadh Muawad | Chairman | ✓ | ✓ | ✗ |
| 2 Mr Haithem Alfaraj | Member | ✓ | ✓ | ✓ |
| 3 Mr Mohammed Alaseeri | Member | ✓ | ✓ | ✓ |
| 4 Mr Emad Al Aouda | Member | ✓ | ✓ | ✓ |
| 5 Mr Mohammed AlAbbadi | Member | ✓ | ✓ | ✓ |

Investment Committee

The Investment Committee consists of four (4) members appointed pursuant to a Board resolution dated 04 July 2022.

The Committee shall carry out all the assigned mandates, submit its recommendations to the Board, and shall maintain channels of direct communication with the Board. The Committee's mandates shall be as per the relevant laws and regulations as follows:

- ◆ Approving, endorsing and reviewing the investment opportunities, mergers, acquisitions, joint ventures, or liquidation all in accordance with the Company's existing delegation of authority matrices.

- ◆ Study the Company's assets information, develop an investment strategy along with directives and related policies and submit the same to the Board for approval.
- ◆ Review performance assessment and work progress on a regular basis for the plans approved by the Boards of Directors of subsidiaries and provide the relevant recommendations to the Board.
- ◆ Approving and endorsing the financing structure (to provide funds for business activities, making purchases or investing etc.) for investment transactions and relevant policies, and submitting same to the Board for approval.

- ◆ Directly supervising the Company's domestic and overseas investments.
- ◆ Ensuring the integrity of the investment process including any enhancement, setting relevant controls for protecting Company's interests and fully supervising the stages of acquisition/merger related to any investment opportunity.
- ◆ Provide recommendations to the Board regarding the exit from or liquidation of a current investment.
- ◆ Reviewing the integration and synergy performance reports for subsidiaries.

The Committee is composed of four (4) members and held four (4) meetings during the year 2022, as shown in the following table:

| Name | Nature of Membership | Meetings | | | |
|---------------------|----------------------|-----------------------------|-----------------------------|------------------------------|-----------------------------|
| | | 1st Meeting (2 Aug 2022) | 2nd Meeting (5 Oct 2022) | 3rd Meeting (17 Nov 2022) | 4th Meeting (1 Dec 2022) |
| 1 Mr Riyadh Muawad | Chairman | ✓ | ✓ | ✓ | ✓ |
| 2 Mr Fahad Alamoud | Member | ✓ | ✓ | ✓ | ✓ |
| 3 Mr Motaz Alangari | Member | ✓ | ✓ | ✓ | ✓ |
| 4 Mr Atef Helmy | Member | ✓ | ✓ | ✓ | ✓ |

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

Board and Committee members' remuneration

- 1.1 The remuneration of the Board Members shall be a fixed amount, in addition to an allowance given for attending meetings.

- 1.2 The Board may determine a remuneration for Members/ Member of the Board for their membership in the Board's Standing Committees.
- 1.3 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 specified goals for the Board of Directors that must be achieved during the fiscal year.

- 14 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.
- 15 The remuneration shall be based on the number of meetings that the Member attends.
- 16 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 If 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 | | | | | Grand Total | Expenses Allowances | | | | |
|--------------------------------------|---------------------|--|--|------------------|--|--|------------------------|---------------------------|------------------------|----------------------------|---------------------------|-------------|---------------------|----------------|------------------|------------------------|------------------|
| | Specific amount | Allowance for attending Board meetings | Total Allowance for attending committee meetings | In-kind benefits | Remunerations for technical, managerial, and consultative work | Remunerations of the Chairman, Managing Director or Secretary, if a member | Total | Percentage of the profits | Periodic remunerations | Short-term incentive plans | Long-term incentive plans | | | Granted shares | Total | End of Service Rewards | |
| First: Independent Members | | | | | | | | | | | | | | | | | |
| Mr Fahad Alamuod | 300,000 | 30,000 | | | | | | | | | | | | | 330,000 | | 330,000 |
| Mr Abdullatif Al-Seif | 300,000 | 30,000 | | | | | | | | | | | | | 330,000 | | 330,000 |
| Mr Mohammed Aseeri | 300,000 | 30,000 | | | | | | | | | | | | | 330,000 | | 330,000 |
| Total | 900,000 | 90,000 | | | | | | | | | | | | | 990,000 | | 990,000 |
| Second: Non-Executive Members | | | | | | | | | | | | | | | | | |
| Mr Riyadh Muawad | 375,000 | 30,000 | | | | | | | | | | | | | 405,000 | | 405,000 |
| Mr Haithem Alfaraj | 300,000 | 30,000 | | | | | | | | | | | | | 330,000 | | 330,000 |
| Mr Emad Al Aouda | 300,000 | 30,000 | | | | | | | | | | | | | 330,000 | | 330,000 |
| Mr Mohammed AlAbbadi | 300,000 | 25,000 | | | | | | | | | | | | | 325,000 | | 325,000 |
| Mr Mathid Alajmi | 300,000 | 30,000 | | | | | | | | | | | | | 330,000 | | 330,000 |
| Mr Omar Alshabibi | 300,000 | 30,000 | | | | | | | | | | | | | 330,000 | | 330,000 |
| Total | 1,875,000 | 175,000 | | | | | | | | | | | | | 2,050,000 | | 2,050,000 |
| Total | 2,775,000 | 265,000 | | | | | | | | | | | | | 3,040,000 | | 3,040,000 |

Committee Members' remuneration

| Senior Executives | Fixed remuneration (except attending sessions) | Allowances for attending sessions | Total (SAR) |
|--|--|-----------------------------------|----------------|
| Audit Committee | | | |
| Mr Abdullah Alanizi | 100,000 | 25,000 | 125,000 |
| Mr Mathid Alajmi | 100,000 | 25,000 | 125,000 |
| Mr Omar Alshabibi | 100,000 | 25,000 | 125,000 |
| Mr Abdullatif Al-Seif | 100,000 | 25,000 | 125,000 |
| Total | 400,000 | 100,000 | 500,000 |
| Nomination and Remuneration Committee | | | |
| Mr Fahad Alghamdi | 60,000 | 20,000 | 80,000 |
| Mr Mohammed AlAbbadi | | 20,000 | 20,000 |
| Mr Fahad Alamuod | | 20,000 | 20,000 |
| Mr Omar Alshabibi | | 20,000 | 20,000 |
| Total | 60,000 | 80,000 | 140,000 |
| Executive Committee | | | |
| Mr Riyadh Muawad | | 10,000 | 10,000 |
| Mr Haithem Alfaraj | | 15,000 | 15,000 |
| Mr Mohammed Alaseeri | | 15,000 | 15,000 |
| Mr Emad Al Aouda | | 15,000 | 15,000 |
| Mr Mohammed AlAbbadi | | 15,000 | 15,000 |
| Total | | 70,000 | 70,000 |
| Investment Committee | | | |
| Mr Riyadh Muawad | | 20,000 | 20,000 |
| Mr Fahad Alamoud | | 20,000 | 20,000 |
| Mr Motaz Alangari | 29,589 | 20,000 | 49,589 |
| Mr Atef Helmy | 29,589 | 20,000 | 49,589 |
| Total | 59,178 | 80,000 | 139,178 |

Senior Executives' remuneration

- The annual remuneration for the Chief Executive Officer shall be determined upon his/her achievement of the financial and strategic goals and other goals according to the Company's policies.
- 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.
- 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.
- 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 2022

| Senior Executives | Fixed remunerations | | | | Variable remunerations | | | | | End of Service Rewards | Total remuneration for executives in the Board | Grand Total |
|-------------------|---------------------|--------------|------------------|-------|------------------------|--------------|----------------------------|---------------------------|-------|------------------------|--|-------------|
| | Salaries | Allowances | In Kind Benefits | Total | Periodic remunerations | Profits | Short-term incentive plans | Long-term incentive plans | Total | | | |
| | SAR | SAR | SAR | SAR | SAR | SAR | SAR | SAR | SAR | SAR | SAR | SAR |
| Total | 11,292,981.36 | 1,233,866.14 | 12,526,847.50 | - | 0 | 9,607,544.58 | 198,610.40 | 9,806,154.98 | 0 | 0 | 22,333,002.48 | |

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 justification thereof.

| Article Number | Article text | Implementation status | Justification |
|----------------|---|-----------------------|--|
| Article 70 | Composition of the Risk Management Committee | 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 | Competencies of the Risk Management Committee | 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 | Meetings of the Risk Management Committee | 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 | Employee incentives 3) Establishing social organizations for the benefit of the Company's employees. | Not Implemented | This is an optional article. |
| Article 87 | Social responsibility | Not Implemented | This is an optional article. |
| Article 95 | Formation of a Corporate Governance Committee | 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 2022, 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.

➤ **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 2022, 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.

➤ **Information on risks facing the Company (operational, financial or market related) and the policy of managing and monitoring these risks.**

➤ **Transforming risks into Opportunities**

The following section explores risks faced by solutions by stc, and steps taken to manage, mitigate, and transform risks into opportunities. Risks analyzed in the section constitute a summary of material risks that are considered pertinent for disclosure, and go hand-in-hand with the Company's ongoing Risk Management processes, including the function of the Board and mandated Committees.

In 2022, the Company's existing risk appetite statement was updated and expanded to better capture the context, and ensure a more robust management of risks. This is in line with solutions by stc's plans for growth as per its ambitious five-year LEAP strategy. The Company also achieved ISO 31000 Risk Management Certification, which reiterates solutions by stc's commitment to continual enhancement of our Risk Management practices. Further, as part of a long-term sustainability journey, the Company identified material ESG areas to focus on, which lays the foundation for the Company's efforts to identify, measure, and mitigate ESG risks and challenges.

| The risks we face | The aspect 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 through organic and inorganic growth.</p> <p>In addition, the Company is continuously expanding its partnership ecosystem to bring complementary offerings to the market to strengthen product portfolio offerings.</p> <p>solutions by stc has embarked on bundling/cross-selling initiatives to improve customer stickiness and protect itself from competitive threats.</p> |
| Global Economic Risks | <p>Increase in inflation rate and interest rate globally impacting purchasing power and government spendings to invest in digital transformation offerings.</p> <p>Supply chain disruption causing a challenge to obtain materials for hardware-based offerings.</p> | <p>solutions by stc is providing a wide range of offerings targeting value maximization and better selling propositions to meet client needs in a flexible manner.</p> <p>solutions by stc has secured alternative hardware suppliers ensuring that the global supply chain crisis does not impact its projects nor its customers.</p> <p>Additionally, with the value it creates for partners, the Company has nurtured stronger partnerships and lasting relationships with vendors.</p> |
| Evolving regulatory landscape | The Risk of new laws and regulations (national and international) with a potential result in business disruption, legal and financial implications | The Company actively monitors regulations and plans to participate in public consultations to discuss the regulations, and ensure its products adhere to them. |
| Cybersecurity and Data Privacy | Growing sophistication and variety of cyberattacks creating a challenge that may impact business opportunities. | <p>solutions by stc is actively monitoring potential cyber threats through a robust established policies, framework, and well qualified resources and use of sophisticated and advanced cyber defense technologies.</p> <p>Effective collaboration and partnership with best of industry entities and leveraging internal and external resources for optimum cyber resilience and defense mechanisms.</p> |

➤ 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 |
| Giza Systems | SAR 18,050,580 (USD 4,813,488) | 88.19% | Giza Systems a leading systems integrator in the MEA region, designs and deploys industry-specific technology solutions for asset-intensive industries such as the telecoms, utilities, oil and gas, hospitality and real estate among other market sectors. Help clients streamline their operations and businesses through our portfolio of solutions, managed services, and consultancy practice. | <ul style="list-style-type: none"> ◆ Egypt ◆ Kingdom of Saudi Arabia ◆ United Arab Emirates ◆ Qatar ◆ Kenya ◆ Tanzania ◆ Uganda ◆ Nigeria | Egypt |

➤ Information on loans and statement of total indebtedness of the Company and its affiliates

List of loans received and paid during the year ended 31 December 2022, are as follows:

| | Amount of principal debt | Loan Term | Amounts paid during the year | Remaining amount |
|---|--------------------------|-----------|------------------------------|------------------|
| 1. solutions by stc (Saudi National Bank) | 500,000,000 | 5 years | – | 500,000,000 |
| 2. Subsidiaries (International Banks) | 3,125,386 | 3 years | – | 3,125,386 |

➤ 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

| | 2022 | 2021 |
|----------------------------|--------------|-------------|
| Ratio (of paid-up capital) | 50% | 33% |
| Total amount (SAR) | 595 million* | 400 million |

*Subject to the approval of the General Assembly

Description of any interest, contractual securities or rights issue of the Board members, Senior Executives and their relatives on the shares or debt instruments of the Company or its affiliates:

There were no Debt instruments, interest contractual securities or subscription rights of the Board members, Senior Executives and their relatives on the shares or debt instruments of the Company or its affiliates

Senior Executives and Their Relatives on shares or debt instruments of the Company

| Names of the persons of interest | Beginning of the year | | End of the year | | Net change | Change Ratio |
|------------------------------------|-----------------------|---|------------------|---|------------|--------------|
| | Number of Shares | | Number of Shares | | | |
| 1. Mr Omer Abdullah Alnomany | - | - | 817 | - | 817 | - |
| 2. Mr Muataz Abdullah Aldharrab | - | - | 1 | - | 1 | - |
| 3. Mr Saleh Tareg ALGroony | 150 | - | 150 | - | - | - |
| 4. Mr Yousef Abdulrahman Almarshad | 11 | - | 11 | - | - | - |
| 5. Mr Rajeh Saad AlBogamy | - | - | 125 | - | 125 | - |

Company ownership

| Shareholder's 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 | 94,800,000 | 79% | 94,800,000 | 79% | - | - |
| solutions by stc Treasury shares | 1,200,000 | 1% | 1,032,933 | 0.86% | (167,067) | -0.14% |
| Public | 24,000,000 | 20% | 24,167,067 | 20.14% | 167,067 | 0.1% |

Requests of the Company's shareholders registry

| Number of the Company's requests of shareholders registry | Request date | request reasons |
|---|-------------------|--------------------------|
| (1) | 2 January 2022 | Internal Management Use |
| (2) | 2 February 2022 | Internal Management Use |
| (3) | 1 March 2022 | General Assembly Meeting |
| (4) | 3 April 2022 | Internal Management Use |
| (5) | 6 April 2022 | Internal Management Use |
| (6) | 28 April 2022 | Internal Management Use |
| (7) | 29 May 2022 | General Assembly Meeting |
| (8) | 3 July 2022 | Internal Management Use |
| (9) | 2 August 2022 | Internal Management Use |
| (10) | 1 September 2022 | Internal Management Use |
| (11) | 20 September 2022 | Internal Management Use |
| (12) | 3 October 2022 | Internal Management Use |
| (13) | 2 November 2022 | Internal Management Use |
| (14) | 5 December 2022 | Internal Management Use |

Transactions between the Company and any related party

| Name of related party | Type of related party | Contract/ Agreement | Duration | Value (SAR '000) |
|-----------------------|-----------------------|---|-----------|------------------|
| 1. stc | Parent Company | Oracle software licenses renewal. | 36 months | 195,000 |
| 2. stc | Parent Company | Establishing and developing the internet and communications networks for stc based on the scope of work between the two parties, includes the following: <ul style="list-style-type: none"> ◆ Expansion of internal internet network. ◆ Expansion of internet services projects, that serves the business units of stc, in order to meet the requirements of the growing business sectors with regard to the corporate, individual, and other operators sectors. | 24 months | 298,085 |
| 3. stc | Parent Company | Supply and install servers and data storage centers, in addition to providing software licenses, providing managed service for design and implementation for a number of services owned by stc. | 36 months | 372,921 |
| 4. stc | Parent Company | Bulk SMS service (normal and gold) through the Short Message Service Center (SMSC). | 12 months | 138,000 |

In addition to the above, stc and its subsidiaries are engaged in establishing, managing, operating and maintaining fixed and mobile telecommunication networks, systems and infrastructure, provide integrated communication and information technology solutions which include, among other things, (telecom, IT services, managed services, and cloud services), real estate investment such as selling, buying, leasing, managing, developing and maintenance, providing financial and managerial support and other services to subsidiaries, providing development, training, asset management, providing digital banking services, providing cybersecurity services, and construction, maintenance and repair of telecommunication and radar stations and towers, in addition to other business as mentioned in activities of stc through joint contracts and agreements, which are considered businesses and services within stc Group.

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

During 2022 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 | 2022 | | Brief description |
|-------------------|-------------------|---|----------------------|
| | Paid Amount (SAR) | Outstanding amount until the end of the annual financial period | |
| Zakat | 63,430,468.28 | No pending amount payable to ZATCA | Paid during the year |
| Taxes | 449,277.50 | No pending amounts payable to ETA | Paid during the year |
| GOSI | 177,810,687.83 | | Paid during the year |
| Labor office fees | 34,991,336.85 | | 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 |
|---|----------------|------------------|---------------------------------------|--|
| 1,032,933 | 250,796,132.40 | 29 December 2022 | Employee long-term incentives program | Employee long-term incentives program |

Note: Treasury shares maintenance date is date at which solutions by stc vested part of its own shares at a cost of SAR. 242.8 per share for cash consideration of SAR 250,796,132.40.

solutions by stc's Board of Directors and General Assembly approved the purchase of 1,200,000 shares that involved solutions 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 and conditions that contribute towards attracting and retaining talents in addition to nurturing a healthy culture.

Solutions by stc utilized 167,067 shares from treasury shares in 2022 as celebratory grant to active employees on 29/12/2022 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:

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

➤ **solutions by stc management clarifications during the year 2022**

- a. There were no debt instruments issued by the Company.
- b. There were no debt instruments issued by the Company to its subsidiaries.
- c. The Company did not issue or grant any debt instruments convertible to shares, contractual-based securities, option rights, subscription right notes, or similar rights.
- d. The Company did not issue any bonds, and therefore the Company did not redeem, buy, or cancel any recoverable debt instruments.
- e. There is no arrangement or agreement under which one of the shareholders of the Company waived any rights in profits.
- f. 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.
- g. 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.

- h. 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 (I) of the Corporate Governance Regulations.
- i. 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.
- j. 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.
- k. There were no differences from the standards approved by the Saudi Organization for Certified Public Accountants (SOCPA), which are the IFRS Standards.

- l. There were no comments received by the shareholders regarding the Company and its performance.
- m. The External Auditor's Report doesn't contain any reservations on the relevant annual financial statements.
- n. There were no arrangements or recommendations by the Board to change the Company's External Auditor.
- o. There was no recommendation to appoint an Internal Auditor for the Company, as it already has an Internal Audit Division.
- p. There were no contradictions 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.
- q. There were no debt instruments for the Company, and no interests, contractual documents, or subscription rights owned by Board Directors, or their relatives in its shares or any of its subsidiaries.
- r. No instance of sanctions, penalties, preventive measures, or precautionary restrictions were imposed on the Company during the year.

➤ **The Board of Directors' declarations includes the following:**

- a. Records of accounts have been properly and precisely prepared.
- b. Internal control system is built on a sound basis and is effectively implemented.
- c. There were no significant doubts concerning the Company's ability to continue carrying out its activity.

➤ **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 the Government for support extended to the Company in its progress and growth trajectory.

The Board also expresses gratitude to solutions by stc's clients and shareholders for their trust, and to the Company's employees for their commitment and dedication, which have contributed to the solutions by stc's successes.

The Board confirms its commitment to innovation and excellence in developing services that exceed expectations of clients, realize shareholders' aspirations, achieve the Kingdom's development objectives, and sustain the leadership position of solutions by stc 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

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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 2022, and the consolidated statement of profit or loss consolidated statement of 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 2022, 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 the International Code of Ethics for Professional Accountants (including International Independence Standards) that is endorsed in the Kingdom of Saudi Arabia that is relevant to our audit of the consolidated financial statements, and we have fulfilled our other ethical responsibilities in accordance with this Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current 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, run on 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>➤ Acquisitions of two subsidiaries</p> <p>During the financial year ended 31 December 2022, the Group completed two acquisitions amounted to SR 465.6 million of a controlling interest in Giza Systems Company and Giza Arabia which resulted in goodwill of SR 193.4 million and intangible assets of SR 159.5 million.</p> <p>We considered this as a key audit matter due to the significant impact on consolidated balance sheet of the Group and its result which is subject to management judgments and estimates in relation to the allocation of the purchase price to the assets and liabilities acquired. This exercise also require management to determine the fair value of the assets and liabilities acquired and to identify intangible assets and goodwill resulted from this acquisition. The management used an external valuator to determine the fair value.</p> <p>Please refer to Notes 1 and 5 for the related disclosure.</p> | <p>Our audit procedures included, among others, the following:</p> <ul style="list-style-type: none"> ◆ Inspected the sales and purchase agreements and the circulars issued to the shareholders in relation to these acquisitions to obtain an understanding of the transactions and the key terms. ◆ Assessed whether the appropriate accounting treatment has been applied to these transactions. ◆ Obtained copy of the third-party valuation report related to the acquisition. ◆ Assessed the competence and experience of the valuator. ◆ Engaged our internal specialists to assess the valuation methodologies used by management and the external valuation expert in the fair valuation of acquired assets and liabilities. ◆ Assessed the adequacy of the relevant disclosures in the consolidated financial statements. |
| <p>➤ Revenue recognition</p> <p>The Group's revenue mainly comprises of; Core ICT Services, IT Managed and Operational Services, and Digital Services totaling SR 8.8 billion for the year ended 31 December 2022. 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 judgments 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 6 and 37 for the related disclosures.</p> | <p>Our audit procedures included, among others, the following:</p> <ul style="list-style-type: none"> ◆ Involved our IT specialists in testing the design, implementation, and operating effectiveness of IT controls associated to revenue cycle. ◆ Evaluated the Group's accounting policy, as it specifically relates to revenue recognition for compliance with IFRS 15. ◆ 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"> – Evaluated management assessment related to identify performance obligation in line with the terms and conditions of contracts with customers; – Tested the transaction price to the underlying contracts, on sample basis, as executed with customers; – Evaluated management assessment to allocate transaction price that is allocated to identified performance obligation; and – Evaluated management assessment of revenue recognition timing, whether is "at a point in time" or "over period of time". ◆ 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. ◆ Assessed the adequacy of the relevant disclosures 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)

| Key audit matter | How our audit addressed the key audit matter |
|--|--|
| <p>Allowance for expected credit losses of accounts receivable</p> <p>As at 31 December 2022, the Group's accounts receivable balance amounted to SR 4.6 billion, against which an impairment allowance of SR 287 million is maintained.</p> <p>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.</p> <p>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 judgment 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.</p> <p>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.</p> <p>Refer to Notes 3 and 4 for the accounting and critical judgments policies relating to allowance for impairment of accounts receivable and Note 14 for the related disclosures.</p> | <p>Our audit procedures performed included, among others, the following:</p> <ul style="list-style-type: none"> ◆ 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 macroeconomic 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 2022 Annual Report

Other information consists of the information included in the Group's 2022 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 2022 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 2022 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' 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



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)

professional skepticism throughout the audit. We also:

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current 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

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

Riyadh: 7 Sha'ban 1444H
27 February 2023

Consolidated Statement of Profit or Loss

(All amounts in Saudi Riyals unless otherwise stated)

For the year ended 31 December 2022

| | Notes | 2022 | 2021 |
|---|-------|-----------------|-----------------|
| Revenue, net | 6 | 8,805,090,852 | 7,208,336,844 |
| Cost of revenue | | (6,793,844,744) | (5,500,370,118) |
| GROSS PROFIT | | 2,011,246,108 | 1,707,966,726 |
| General and administration expenses | 7 | (604,946,114) | (462,101,019) |
| Selling and distribution expenses | 8 | (246,068,817) | (346,761,533) |
| OPERATING PROFIT | | 1,160,231,177 | 899,104,174 |
| Other (expenses)/income, net | 9 | (27,767,508) | 2,103,563 |
| Finance income, net | 10 | 37,896,412 | 2,817,446 |
| Share of profit of associate | 18 | 1,138,884 | - |
| PROFIT BEFORE ZAKAT AND INCOME TAX | | 1,171,498,965 | 904,025,183 |
| Zakat and tax charge | 11 | (117,785,768) | (71,106,574) |
| NET PROFIT | | 1,053,713,197 | 832,918,609 |
| NET PROFIT ATTRIBUTABLE TO | | | |
| Equity holders of the Parent Company | | 1,052,869,093 | 832,918,609 |
| Non-controlling interests | | 844,104 | - |
| | | 1,053,713,197 | 832,918,609 |
| Earnings per share attributable to Equity holders of the Parent Company: | | | |
| Basic | 34 | 8.86 | 6.96 |
| Diluted | 34 | 8.77 | 6.94 |

Chief Financial Officer

Chief Executive Officer

Authorized Board Member

The accompanying notes 1 to 43 form an integral part of these consolidated financial statements

Consolidated Statement of Comprehensive Income

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(All amounts in Saudi Riyals unless otherwise stated)

For the year ended 31 December 2022

| Notes | 2022 | 2021 |
|-------|--|-------------|
| | NET PROFIT | |
| | 1,053,713,197 | 832,918,609 |
| | OTHER COMPREHENSIVE (LOSS)/INCOME | |
| | Item that will not be reclassified subsequently to consolidated profit or loss: | |
| | Remeasurement of end of service indemnities 27 | 85,644,949 |
| | (4,225,664) | |
| | Total items that may not be reclassified subsequently to consolidated statement of profit or loss | 85,644,949 |
| | Item that may be reclassified subsequently to consolidated profit or loss: | |
| | Foreign currency translation differences | - |
| | (82,087,270) | |
| | Total items that may be reclassified subsequently to consolidated statement of profit or loss | - |
| | TOTAL OTHER COMPREHENSIVE (LOSS)/INCOME | 85,644,949 |
| | (86,312,934) | |
| | TOTAL COMPREHENSIVE INCOME | 918,563,558 |
| | 967,400,263 | |
| | TOTAL COMPREHENSIVE INCOME/(LOSS) ATTRIBUTABLE TO: | |
| | Equity holders of the Parent Company | 918,563,558 |
| | 970,325,518 | |
| | Non-controlling interests | - |
| | (2,925,255) | |
| | TOTAL COMPREHENSIVE INCOME/(LOSS) ATTRIBUTABLE TO: | 918,563,558 |
| | 967,400,263 | |

Chief Financial Officer

Chief Executive Officer

Authorized Board Member

The accompanying notes 1 to 43 form an integral part of these consolidated financial statements

Consolidated Statement of Financial Position

(All amounts in Saudi Riyals unless otherwise stated)

As at 31 December 2022

| Notes | 2022 | 2021 |
|-------|--|---------------|
| | ASSETS | |
| | CURRENT ASSETS | |
| | Cash and cash equivalents 12 | 1,607,556,524 |
| | 543,975,536 | |
| | Short term murabahas 13 | - |
| | 2,700,800,000 | |
| | Accounts receivable 14 & 37 | 3,020,557,307 |
| | 4,344,695,974 | |
| | Prepayments and other assets 15 & 37 | 287,976,272 |
| | 194,779,896 | |
| | Contract assets 16 & 37 | 1,256,218,688 |
| | 1,276,580,067 | |
| | Inventories 17 | 273,986,156 |
| | 322,436,948 | |
| | TOTAL CURRENT ASSETS | 6,446,294,947 |
| | 9,383,268,421 | |
| | NON-CURRENT ASSETS | |
| | Other non-current assets 18 | 23,128,803 |
| | 12,376,566 | |
| | Intangible assets and goodwill 19 | 98,209,814 |
| | 372,667,927 | |
| | Property and equipment 20 | 550,611,682 |
| | 473,053,143 | |
| | Right of use assets 21 | 54,502,773 |
| | 40,970,157 | |
| | TOTAL NON-CURRENT ASSETS | 726,453,072 |
| | 899,067,793 | |
| | TOTAL ASSETS | 7,172,748,019 |
| | 10,282,336,214 | |
| | LIABILITIES AND EQUITY | |
| | LIABILITIES | |
| | CURRENT LIABILITIES | |
| | Accounts payable and accruals 22 & 37 | 1,931,349,611 |
| | 2,572,574,644 | |
| | Deferred revenue 23 & 37 | 2,276,522,431 |
| | 3,265,700,868 | |
| | Contract liabilities 24 & 37 | 354,116,804 |
| | 487,784,622 | |
| | Zakat and income tax payable 11 | 72,269,437 |
| | 135,882,233 | |
| | Bank overdraft and short term borrowing 25 | - |
| | 194,387,595 | |
| | TOTAL CURRENT LIABILITIES | 4,634,258,283 |
| | 6,656,329,962 | |
| | NON-CURRENT LIABILITIES | |
| | Lease liabilities 26 | 31,335,206 |
| | 15,845,573 | |
| | End of service indemnities 27 | 236,586,315 |
| | 260,822,151 | |
| | Long term borrowing 25 | - |
| | 502,014,450 | |
| | Provision for tax 11 | - |
| | 24,265,187 | |
| | TOTAL NON-CURRENT LIABILITIES | 267,921,521 |
| | 802,947,361 | |
| | TOTAL LIABILITIES | 4,902,179,804 |
| | 7,459,277,323 | |
| | EQUITY | |
| | Share capital 28 | 1,200,000,000 |
| | 1,200,000,000 | |
| | Statutory reserve 29 | 203,471,411 |
| | 308,758,320 | |
| | Other reserves 30 | 88,434,032 |
| | 9,138,046 | |
| | Treasury shares 31 | (181,200,000) |
| | (155,972,883) | |
| | Retained earnings | 959,862,772 |
| | 1,432,244,956 | |
| | EQUITY ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENT COMPANY | 2,270,568,215 |
| | 2,794,168,439 | |
| | Non-controlling interests 33 | - |
| | 28,890,452 | |
| | TOTAL EQUITY | 2,270,568,215 |
| | 2,823,058,891 | |
| | TOTAL LIABILITIES AND EQUITY | 7,172,748,019 |
| | 10,282,336,214 | |

Chief Financial Officer

Chief Executive Officer

Authorized Board Member

The accompanying notes 1 to 43 form an integral part of these consolidated financial statements

Consolidated Statement of Changes in Equity

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(All amounts in Saudi Riyals unless otherwise stated)

For the year ended 31 December 2022

| | Total equity attributable to the equity holders of the Parent Company | | | | | | | Total |
|--|---|--------------------|------------------|----------------------|----------------------|----------------------|--------------------------|----------------------|
| | Share capital | Statutory reserve | Other reserves | Retained earning | Treasury shares | Total | Non controlling interest | |
| Balance as at 1 January 2022 | 1,200,000,000 | 203,471,411 | 88,434,032 | 959,862,772 | (181,200,000) | 2,270,568,215 | - | 2,270,568,215 |
| Net Profit | - | - | - | 1,052,869,093 | - | 1,052,869,093 | 844,104 | 1,053,713,197 |
| Other comprehensive loss | - | - | (82,543,575) | - | - | (82,543,575) | (3,769,359) | (86,312,934) |
| Total comprehensive income | - | - | (82,543,575) | 1,052,869,093 | - | 970,325,518 | (2,925,255) | 967,400,263 |
| Acquisition of non-controlling interests | - | - | - | - | - | - | 31,815,707 | 31,815,707 |
| Transfer to statutory reserve (note 29) | - | 105,286,909 | - | (105,286,909) | - | - | - | - |
| Share-based payments (note 30) | - | - | 3,247,589 | - | 25,227,117 | 28,474,706 | - | 28,474,706 |
| Dividends (note 32) | - | - | - | (475,200,000) | - | (475,200,000) | - | (475,200,000) |
| Balance as at 31 December 2022 | 1,200,000,000 | 308,758,320 | 9,138,046 | 1,432,244,956 | (155,972,883) | 2,794,168,439 | 28,890,452 | 2,823,058,891 |
| Balance as at 1 January 2021 | 1,200,000,000 | 120,179,550 | (6,851,269) | 610,236,024 | - | 1,923,564,305 | - | 1,923,564,305 |
| Net Profit | - | - | - | 832,918,609 | - | 832,918,609 | - | 832,918,609 |
| Other comprehensive income | - | - | 85,644,949 | - | - | 85,644,949 | - | 85,644,949 |
| Total comprehensive income | - | - | 85,644,949 | 832,918,609 | - | 918,563,558 | - | 918,563,558 |
| Transfer to statutory reserve (note 29) | - | 83,291,861 | - | (83,291,861) | - | - | - | - |
| Share-based payments (note 30) | - | - | 9,640,352 | - | - | 9,640,352 | - | 9,640,352 |
| Treasury Shares (note 31) | - | - | - | - | (181,200,000) | (181,200,000) | - | (181,200,000) |
| Dividends | - | - | - | (400,000,000) | - | (400,000,000) | - | (400,000,000) |
| Balance as at 31 December 2021 | 1,200,000,000 | 203,471,411 | 88,434,032 | 959,862,772 | (181,200,000) | 2,270,568,215 | - | 2,270,568,215 |

Chief Financial Officer

Chief Executive Officer

Authorized Board Member

The accompanying notes 1 to 43 form an integral part of these consolidated financial statements

Consolidated Statement of Cash Flows

(All amounts in Saudi Riyals unless otherwise stated)

For the year ended 31 December

| | Notes | 2022 | 2021 |
|---|-----------|------------------------|----------------------|
| OPERATING ACTIVITIES | | | |
| Profit before zakat and income tax | | 1,171,498,965 | 904,025,183 |
| Adjustments for: | | | |
| Depreciation, impairment and amortization – property and equipment and intangible assets | | 214,167,272 | 191,116,049 |
| (Reversal)/allowance of bad debt of accounts receivable and contract assets | | (297,741) | 150,859,346 |
| End of service indemnities expense | | 68,033,605 | 60,124,352 |
| Depreciation – right-of-use assets | 21 | 17,915,894 | 17,429,938 |
| (Reversal of provision)/provision against lease contracts, advances to supplier & other receivables | | (708,503) | 12,120,951 |
| Share-based payment expense | | 28,474,707 | 9,640,352 |
| Provision for slow moving and obsolete inventories | 17 | 2,313,310 | 7,054,771 |
| (Reversal of provision)/provision for future contract losses | | (4,877,606) | 3,988,030 |
| Finance charges | | 16,059,507 | 1,072,276 |
| Gain on disposal of property and equipment | | - | (162,142) |
| Finance income | 10 | (53,955,919) | (3,889,722) |
| | | 1,458,623,491 | 1,353,379,384 |
| Changes in operating assets and liabilities: | | | |
| Accounts receivable | | (948,435,137) | (367,665,197) |
| Prepayments and other assets | | 191,834,946 | (142,593,233) |
| Contract assets | | 96,537,069 | 248,342,778 |
| Inventories | | 50,367,247 | (168,671,773) |
| Accounts payable and accruals | | 422,215,135 | (35,743,731) |
| Deferred revenue | | 863,142,179 | 571,536,599 |
| Contract liabilities | | 56,673,180 | 18,081,516 |
| Cash flows generated from operating activities | | 2,190,958,110 | 1,476,666,343 |
| Zakat and income taxes paid | 11 | (65,171,343) | (51,978,119) |
| End of service indemnities paid | 27 | (55,743,454) | (32,669,849) |
| Finance charges paid | | (15,635,241) | - |
| Finance income received | | 36,841,741 | 3,265,255 |
| NET CASH GENERATED FROM OPERATING ACTIVITIES | | 2,091,249,813 | 1,395,283,630 |
| INVESTING ACTIVITIES | | | |
| Proceeds from disposal of property and equipment | | - | 191,787 |
| Payment for acquisition of subsidiary, net of cash acquired | 1 | (371,829,411) | - |
| Placement of short term murabahas | 13 | (2,700,800,000) | - |
| Purchase of property and equipment and intangible assets | | (133,895,416) | (154,949,278) |
| Contract costs | | 15,250,004 | (16,487,138) |
| NET CASH USED IN INVESTING ACTIVITIES | | (3,191,274,823) | (171,244,629) |
| FINANCING ACTIVITIES | | | |
| Lease liabilities payment | | (21,799,502) | (28,756,121) |
| Dividends paid to company's shareholders | 32 | (475,200,000) | (400,000,000) |
| Proceeds from long term loan | | 497,363,613 | - |
| Bank overdraft and short term borrowing | | 56,520,109 | - |
| Treasury shares | | - | (181,200,000) |
| NET CASH GENERATED/(USED) IN FINANCING ACTIVITIES | | 56,884,220 | (609,956,121) |
| NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS | | (1,043,140,790) | 614,082,880 |
| Cash and cash equivalents at the beginning of the year | 12 | 1,607,556,524 | 993,473,644 |
| Net foreign exchange difference | | (20,440,198) | - |
| CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR | 12 | 543,975,536 | 1,607,556,524 |
| Significant non-cash items: | | | |
| Refer to note 1 for non-cash items related to the acquisition | | | |

Chief Financial Officer

Chief Executive Officer

Authorized Board Member

The accompanying notes 1 to 43 form an integral part of these consolidated financial statements



Notes to the Consolidated Financial Statements

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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 Closed 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 28).

The Company is 79% owned by Saudi Telecom Company ("STC") (31 December 2021: 79%). The parent of STC is Public Investment Fund ("PIF") which owns 64% (31 December 2021: 64%) of its ordinary shares and is based in Saudi Arabia.

The main activities of the Company and its subsidiaries (collectively referred to as the "Group") comprise the followings,

- ◆ Engaged in the extension, installation, managing and monitoring of computer networks, wiring and communications.
- ◆ Repair and maintenance of engines, systems, and fixed and portable data storage devices.
- ◆ Road repair, maintenance and supplies.
- ◆ Security devices installation and maintenance.
- ◆ Wholesale and retail of security devices, cybersecurity and systems analysis.
- ◆ Design and programming of special software and applications development.
- ◆ Senior Management advisory services.
- ◆ Environmental activities including advisory, testing, and measuring environmental indicators and operating air laboratories, installation, repair, maintenance and environmental monitoring and control operation of continuous and discontinuous systems including the import and wholesale of environmental monitoring and control systems.
- ◆ Carrying out all kinds of manufacturing and assembling works in addition to operating and maintenance works; engineering consultations; designing computer systems and accessories; Xerox machines; graphic machines; automatic control devices; wire and wireless communication devices as well as spare parts, equipment and supplies required for operating and maintaining the aforementioned devices, machines and equipment.
- ◆ Selling and marketing computer software and electronic hardware; electronic devices; spare parts; supplies and necessary accessories of all types as well as leasing and maintaining such devices for the benefit of the Company or operating the said devices for the benefit of third parties.
- ◆ Conducting amendment and development operations on the computer software and hardware units and providing integrated solutions.
- ◆ Designing, supplying, installing and maintaining security systems in various facilities, alarm systems, automatic firefighting systems, circuit breaker systems and communication devices that enable remote desktop connection or that connect computers networks.

- ◆ Designing, supplying, installing and maintaining the Optical Ground Wire (OPGW) grids, electricity transmission lines, power transformation stations, generators and auxiliary plants.
- ◆ Supplying, installing and maintaining educational laboratories (electric – electronic – mechanical).
- ◆ Designing engineering and scientific systems for computers and providing engineering consultations.
- ◆ Implementing integrated projects within the scope of the abovementioned activities.
- ◆ Undertaking marketing and trading activities within the purpose of the Company.
- ◆ Designing, supplying, installing, operating, establishing and maintaining the grids, stations and booster pumping stations for potable water, wastewater as well as gas and fuel grids.
- ◆ Carrying out all the electromechanical and electronic works in addition to providing communication networks. Conducting exporting activities.
- ◆ The Company may have an interest or participate in any manner with companies and other entities practicing similar activities or that may assist the Company in achieving its purpose in Egypt or abroad. The Company may also merge into the said entities, purchase them or affiliate them thereto according to the provisions of law and its executive regulations.

Acquisition during the year

On 7 Rabi Al Awwal 1444 H, (Corresponding to 3 October 2022, the Company acquired 88.19% and 34% of the equity interest in Giza Systems Company ("Giza Systems")

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Notes to the Consolidated Financial Statements

(All amounts in Saudi Riyals unless otherwise stated)

31 December 2022

and Giza Arabia Systems Company LLC respectively (together referred as "Giza Group") for SR 466 million. Giza Systems further owns multiple subsidiaries which are located in different countries. Giza Group's subsidiaries along with its shareholding in those subsidiaries are as follows:

| Name of subsidiary | Country of incorporation | Effective shareholding |
|--------------------------------|--------------------------|------------------------|
| Giza Systems Distribution | Egypt | 100% |
| Giza Arabia System Company (*) | KSA | 66% |
| sVAS Integrated Solutions | Egypt | 100% |
| Giza Systems Egypt | Egypt | 100% |
| Giza Free Zone | USA | 100% |
| Giza Systems DMCC | UAE | 100% |
| ARIA Technologies | Egypt | 60% |
| Giza Systems Gulf | Qatar | 97% |
| Egyptian Engineering Co. | Egypt | 100% |
| Giza Systems Kenya | Kenya | 100% |
| Giza Systems Uganda | Uganda | 100% |
| Giza Systems Tanzania | Tanzania | 100% |
| Giza Systems Nigeria | Nigeria | 100% |
| Giza System – USA | USA | 100% |
| Jafeer Technologies | Egypt | 82% |
| Avidbeam Egypt | Egypt | 99% |
| Avidbeam Netherlands | The Netherlands | 51% |

(*) The Company owns 34% direct interest in Giza Arabia System Company which makes total effective shareholding of 92.21% in the subsidiary.

The Company has concluded this acquisition as a business under IFRS 3 – "Business Combinations" and accordingly accounted for the transaction using the acquisition method as per IFRS 3 with the Company being the acquirer and Giza Group being the acquiree.

Non-controlling interests which result from both the Company's partial ownership of Giza Group, as well as Giza's partial ownership of a number of its subsidiaries, were measured at their proportionate share of recognized net assets amounting to SR 38 million.

The Company engaged an independent valuator in order to determine the fair values of the assets and liabilities of Giza Group as part of the purchase price allocation. The fair values of the identifiable assets and liabilities are as follows:

| Financial statement line items | On acquisition date |
|--|----------------------|
| Asset acquired | |
| Accounts receivable | 376,205,623 |
| Intangible assets arising from acquisition (Note 19) | 159,540,375 |
| Contract assets | 117,147,510 |
| Cash and cash equivalents | 93,821,130 |
| Inventories | 101,346,818 |
| Prepayments and other assets | 87,773,430 |
| Property and equipment | 21,506,684 |
| Total asset | 957,341,570 |
| Liabilities assumed | |
| Accounts payable and accruals | (330,138,503) |
| Deferred revenue | (126,304,789) |
| Banks overdraft | (119,698,227) |
| Contract liabilities | (77,158,681) |
| Total liabilities | (653,300,200) |
| Net identifiable assets acquired | 304,041,370 |
| Non-controlling interests | (31,815,707) |
| Goodwill (Note 19) | 193,424,878 |
| Purchase consideration | 465,650,541 |

Intangible assets arising from acquisition

Goodwill recognized as part of business combination is required to be allocated to relevant cash-generating units CGU(s) for the purpose of impairment testing. The Company has completed purchase price allocation exercise, below are the intangibles assets recognized along with the valuation techniques used for measuring the relevant fair values:



(All amounts in Saudi Riyals unless otherwise stated)

31 December 2022

| Intangible | Amount recognized on acquisition | Valuation approach |
|------------------------|----------------------------------|---|
| Customer relationships | 72,004,125 | Multiperiod excess earnings method (MEEM) |
| Backlog | 48,367,500 | Multiperiod excess earnings method (MEEM) |
| Tradenname/Trademarks | 35,190,000 | Relief from royalty |
| Technology | 3,978,750 | Relief from royalty |
| Total | 159,540,375 | |

Acquisition and transaction costs of SR 15 million were expensed in the consolidated statement of profit or loss.

2. Basis of Preparation

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 judgments described in Note 4

3. Significant Accounting Policies

The significant accounting policies applied by the Group in the preparation of consolidated financial statements. The applied accounting policies this year are consistent with the prior year except the policy of the classification software reselling

agreements – principal versus agent. See below the accounting policy of software reseller and Note (4) – paragraph related to principal versus agent.

Basis of measurement and functional currency

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

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

The financial statements are prepared under the going concern basis.

Basis of consolidation

These consolidated financial statements include the assets, liabilities and the results of operations of the Company and its subsidiaries listed in Note 5.

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 ability to use its power over the investee to affect its returns.

The Group reassesses 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

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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 derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in consolidated statement of profit or loss. Any investment retained is recognised at fair value.

Business combination and Goodwill

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

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

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

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

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

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

If goodwill is not allocated to designated cash-generating units because of an incomplete initial calculation, the initial impairment loss will not be tested unless impairment indicators are available to enable the Group to distribute the carrying amount of the goodwill to the cash-generating units or the group of cash-generating units expected to benefit from business combination. Where goodwill is allocated to the cash-generating unit and part of the operations of that unit are disposed of, goodwill associated with the discontinued operation will be included in the carrying amount when determining the gain or loss on disposal of the operation. The goodwill in such circumstances is measured on the basis of the value of a similar disposed operation and the remaining portion of the cash-generating unit.

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

Non-controlling interests that are present ownership interests and entitle their holders to a

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

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

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

If the initial accounting for the business combination is not completed by the end of the reporting period which constitutes the period in which the combination occurred, the Group presents the

items whose value calculation has not been completed in a temporary manner in the consolidated financial statements. During the measurement period, which is not more than one year from the acquisition date, the temporary value recognized on the acquisition date is retroactively adjusted to reflect the information obtained about the facts and circumstances that existed at the date of acquisition and if it is determined that this will affect the measurement of amounts recognized as of that date.

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

Foreign currencies

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

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

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

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

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

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Foreign currency risk management

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

| | Closing rate on 31 December 2022 | Average rate from acquisition date to reporting date |
|-----------|--|--|
| EGP to SR | 0.1520 | 0.1621 |

Investment in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies. Factors to determine significant influence include holding directly or indirectly voting power of the investee, representation on the Board of Directors or equivalent governing body of the investee, participation in policy-making processes including dividends or other distributions, material transactions between the entity and the investee, interchange of managerial personnel or provision of essential technical information.

The investment in associates are accounted for in the consolidated financial statements of the Group using the equity method of accounting. The investment in associates in the consolidated statement of financial position are initially recognized at cost and adjusted thereafter to recognize the Group's share of the profit and loss and other comprehensive

income of the associate adjusted for any impairment in the value of the net investment. In addition, when there has been a change recognized directly in the equity of the associate, the Group recognizes its share of any changes, when applicable, in the consolidated statement of changes in equity. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses.

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

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

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

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

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

The requirements of IFRSs approved in Kingdom are applied to determine whether it is necessary to recognize any impairment loss with respect to the Group's investment in an associate. The carrying amount of the investment in an associate is tested for impairment in accordance with the policy.

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

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

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

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, software and installation are bundled into a single performance obligation as the goods and services

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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, 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.

Software reselling

Revenue from software reselling is recorded at a point of time at which the revenue is recognized. All third-party software sold to customers are accounted for as an agent where the net of selling price, except for arrangements where either:

- ◆ The software is sold as part of the integration to develop a client specific integrated solution or a structure where other solution elements are combined. The integration involves deployment of a skilled team who support clients on-ground in determining the client's business requirements, solution design and perform the implementation.
- ◆ The software was subject to a customization by the Group beyond the selection and deployment of a software or multiple software as per standard specification.

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 include manpower service, 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 based on input method, 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 of time based on time elapsed 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

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time Application services and Value added services: Over a period of time based on time elapsed.

Cybersecurity services

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

In case of projects, hardware, 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:

- ◆ Predefined 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 fulfill 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.

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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 amortised cost; or
- ◆ Financial assets measured at fair value

Gains or losses of assets measured at fair value will be recognised 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 recognised 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 recognises three classifications to subsequently measure its debt instruments:

◆ Amortised 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 amortised cost. A gain or loss on an investment in debt instruments subsequently measured at amortised cost, and not part of a hedging relationship, is recognised in the consolidated statement of profit or loss when the asset is derecognised 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 recognised in the consolidated 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 profit or loss.

Derecognition

A financial asset or a part of a financial asset is derecognised 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

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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 macroeconomic 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 amortised cost using the EIR method.

The category of financial liability at FVPL has two subcategories:

- ◆ 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 recognised 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 amortised cost using the EIR method. Gains and losses are recognised in consolidated statement of profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised 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 amortisation 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 recognised initially at their fair value and subsequently measured at amortised cost using the EIR method.

Financial guarantee contracts

Financial guarantee contracts are recognised 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 recognised as part of the cost of the investment.

Derecognition

A financial liability is derecognised 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

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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 recognised 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 recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

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 reassessing 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 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

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of sales and selling and 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.

Taxes

Foreign income tax:

As part of the process of preparing consolidated financial statements, the Group estimates income tax in each of the jurisdictions it operates. This process involves estimating current tax expense and temporary differences between carrying amounts of assets and liabilities for financial reporting purposes and the related tax bases. Temporary differences result in deferred tax assets and liabilities, which are included in the consolidated statement of financial position. Deferred tax assets and liabilities are carried at nominal value.

The Group assesses periodically the likelihood whether deferred tax assets will be recovered from future taxable income, to the extent these deferred tax assets are recorded. Deferred tax assets are recognised for unused tax losses to the extent that it probable that the taxable profit will be available against which the losses can be utilised. Significant Management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely

timing and the level of future taxable profits, together with future tax planning strategies.

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company and its subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax:

Deferred tax is provided for using the balance sheet method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates and tax law enacted or substantively enacted at the reporting date. Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets and current tax liabilities and the deferred taxes relate to the same taxable entity and the same tax authority. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is

no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Value Added Tax ("VAT")

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

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

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

Dividends

The Company's dividends policy is approved by the General Assembly and the Company recognizes a liability to pay a dividend when the distribution is authorized. 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.

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

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estimated future cash outflows using yields on high-quality government 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.

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.

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 remeasurement in OCI.

The actuarial valuation process takes into consideration the provisions of the Saudi Arabian Labour Laws and any other countries applicable laws as well as according to 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 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.

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.

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

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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.

Further, the Company has completed purchase price allocation exercise, below are the intangibles assets recognized along with the estimated useful life (Note 1):

| Intangible | Estimated useful life |
|------------------------|-----------------------|
| Customer relationships | 7 years |
| Backlog | 4 years |
| Tradename/ Trademarks | 10 years |
| Technology | 5 years |

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 recognised 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 |
| Buildings | 50 years |
| Leasehold improvements | Lower of the lease period or 3 to 5 years |
| Motor vehicles | 4 to 5 years |
| Supercomputers | 7 years |

An item of property and equipment and any significant part initially recognised is derecognised 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 derecognised. 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.

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Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortized but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired. Goodwill is carried at cost less accumulated impairment losses. For the purpose of impairment testing, goodwill is allocated to cash-generating units or groups of cash-generating units that are expected to benefit from the acquisition in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes.

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 recognises 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 remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, 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 recognised 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 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 recognised 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 remeasured 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 stand-alone 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

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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 fulfill 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, interpretations and amendments adopted by the Group

New IFRS Standards, issued and adopted

Amendments to IFRS that were applied by the Group on 1 January 2022 and had no material impact are as follows:

Amendments and interpretations
Amendments to IAS 37: Onerous Contracts – Cost of Fulfilling a Contract.

Amendments to IFRS 3: Reference to Conceptual Framework.

Amendments to IAS 16: Property, Plant, and Equipment: Proceeds before Intended Use.

Amendments to IFRS 1: First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter.

Amendments to IFRS 9: Financial Instruments – Fees in the "10%" test for derecognition of financial liabilities.

Other amendments of relevant IFRS'S issued but not yet effective

The standards and amendments that are issued, but not yet effective, as of 31 December 2022 are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective. These standards are not expected to have a material impact on the Group at their effective dates.

Amendments and interpretations
IFRS 17: Insurance Contracts

Amendments to IAS 1: Classification of Liabilities as Current and Non-current

Amendments to IAS 8: Definition of Accounting Estimates

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Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting Policies
Amendments to IAS 12: Deferred Tax related to Assets and Liabilities arising from a Single Transaction

➤ 4. Significant accounting estimates, assumptions and judgments

The preparation of the Group's consolidated financial statements requires Management to make judgments, 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 judgments 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.

➤ 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.

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➤ Principal versus agent

Significant judgment is required in determining whether the Group is acting as principal, reporting revenue on gross basis, or acting as an agent, reporting revenue on net basis. The Group exercises professional judgment when performing this assessment, taking into consideration the details of the contractual terms, the nature of the products and services as defined by IFRS 15 on revenue from contracts with customers.

During the year 2022, IFRS Interpretations Committee "IFRIC" issued further clarification on the application of IFRS 15 principal versus agent guidance for reselling software license. Accordingly, the Management reassessed its accounting policy related to these contracts, which resulted in the reclassification of some contracts as an agent that were previously considered as principal. Consequently, those contracts are recognized on a retrospective net basis to align with interpretation, see note No (41).

➤ 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 judgment 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 recognised.

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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 recognised may increase or decrease from period to period.

5. Subsidiaries

The following is the detail of the subsidiaries directly owned by the Company and included in these consolidated financial statements:

| Subsidiaries | Country of incorporation | Ownership percentage | |
|---|--------------------------|----------------------|------|
| | | 2022 | 2021 |
| Saudi Telecom Company Solution for Information Technology (Owned by One Person) (a) | Egypt | 100% | 100% |
| Sanad AlTeqany For Commercial Services Company (Owned by One Person) (b) | Saudi Arabia | 100% | 100% |
| Giza Systems Company (c) | Egypt | 88.19% | - |

- 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 1,000 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.
- c. Giza System company (S.A.E) was established on 19 Rebi AL Awwal 1409H, (corresponding to 29 October 1988) in pursuance of the Law No. 159 of 1981, and its executive regulation and Law No. 95 of 1992 in Egypt with a fully paid capital of EGP 90 million. The subsidiary has 9 million shares with a nominal value of EGP 10 per share. The principal activities of the subsidiary are selling and marketing computer software and electronic hardware, conducting amendment and development operations on the computer software and hardware units and providing integrated solutions, designing engineering and scientific systems for computers and providing engineering consultations, supplying, installing and maintaining educational laboratories (electric-electronic -mechanical) and implementing integrated projects within the scope of the abovementioned activities (Note 1).

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6. Revenue, Net

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

| | 2022 | 2021 |
|---|---------------|---------------|
| Core ICT Services | 4,771,566,871 | 3,670,235,022 |
| IT Managed and Operational Services | 2,329,678,714 | 1,951,797,292 |
| Digital Services | 1,703,845,267 | 1,586,304,530 |
| | 8,805,090,852 | 7,208,336,844 |
| Type of customers | | |
| Sell through STC and sell to direct customers (STC is not the end customer) | 6,042,990,558 | 5,160,361,311 |
| Sell to STC & its subsidiaries (STC & its subsidiaries are the end customers) | 2,762,100,294 | 2,047,975,533 |
| | 8,805,090,852 | 7,208,336,844 |
| Timing of revenue recognition | | |
| Goods or services transferred to customers: | | |
| - over time | 7,990,576,179 | 6,841,651,334 |
| - at a point in time | 814,514,673 | 366,685,510 |
| | 8,805,090,852 | 7,208,336,844 |
| Principal vs Agent | | |
| Revenue as principal | 7,864,837,471 | 6,576,304,295 |
| Revenue as agent | 940,253,381 | 632,032,549 |
| | 8,805,090,852 | 7,208,336,844 |

7. General and administration expenses

| | 2022 | 2021 |
|--------------------------------------|-------------|-------------|
| Employee related costs | 293,784,879 | 229,232,024 |
| Professional services | 110,742,221 | 65,548,829 |
| Depreciation and amortization | 67,216,021 | 62,100,080 |
| IT expenses | 61,067,141 | 54,434,158 |
| Hospitality and corporate gatherings | 19,660,622 | 17,195,240 |
| Office expenses | 17,328,697 | 10,802,429 |
| Rent expenses | 9,646,134 | 9,693,157 |
| Business travel expenses | 7,423,054 | 2,144,002 |
| Utilities expenses | 1,322,619 | 1,760,452 |
| Other | 16,754,726 | 9,190,648 |
| | 604,946,114 | 462,101,019 |

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8. Selling and distribution expenses

| | 2022 | 2021 |
|---|-------------|-------------|
| Employees related costs | 193,816,829 | 164,829,224 |
| Impairment (reversal)/charge of accounts receivable and contract assets (notes 14 & 16) | (297,741) | 150,859,346 |
| Selling and marketing expenses | 42,677,711 | 24,427,125 |
| IT expenses | 4,250,311 | 4,008,419 |
| Depreciation and amortization | 3,735,125 | 2,132,477 |
| Business travel expenses | 1,886,582 | 504,942 |
| | 246,068,817 | 346,761,533 |

9. Other (expense)/income, net

| | 2022 | 2021 |
|---|--------------|-----------|
| Foreign exchange loss | (27,134,167) | (127,434) |
| Impairment on investment in associate (note 18) | (341,356) | - |
| Write-off of liabilities | - | 2,614,237 |
| Impairment loss on property and equipment (note 20) | - | (621,965) |
| Other | (291,985) | 238,725 |
| | (27,767,508) | 2,103,563 |

10. Finance income, net

| | 2022 | 2021 |
|---|--------------|-------------|
| Income from murabaha time deposits | 53,955,919 | 3,889,722 |
| Finance charges on loans and overdraft | (15,026,585) | - |
| Finance charges on leases liabilities (note 26) | (1,032,922) | (1,072,276) |
| | 37,896,412 | 2,817,446 |

11. Zakat and income taxes

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. Zakat assessment for the year 2021 has not been received from ZATCA. The Company's zakat provision for the year ended 2022 amounted to SR 105.2 million (2021: SR 71.1 million), and is charged to the consolidated statement of profit or loss.

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| | 2022 | 2021 |
|--------------------------------|-------------|------------|
| Zakat payable (note 11.1) | 119,848,362 | 72,269,437 |
| Income tax payable (note 11.2) | 16,033,871 | - |
| | 135,882,233 | 72,269,437 |

11.1 The movement in zakat provision was as follows

| | 2022 | 2021 |
|------------------------------------|--------------------|-------------------|
| Balance as at 1 January | 72,269,437 | 53,140,982 |
| Acquisition of subsidiary (note 1) | 790,033 | - |
| Charge for the year | 111,471,459 | 71,106,574 |
| Paid during the year | (64,682,567) | (51,978,119) |
| Balance as at 31 December | 119,848,362 | 72,269,437 |

11.2 The movement in income tax provision from acquisition date to 31 December 2022 was as follows:

| | From Acquisition date to 31 December 2022 |
|---------------------------------------|---|
| Acquisition of subsidiary (note 1) | 11,356,632 |
| Charge for the period | 6,314,309 |
| Paid during the period | (488,776) |
| Foreign currency translation | (1,148,294) |
| Balance as at 31 December 2022 | 16,033,871 |

11.3 Non current tax provision represents taxes obligation that still subject to assessment by the foreign tax authority. Management reviewing the provision on a regular basis and adjusting as per the latest assessment.

12. Cash and cash equivalents

Cash and cash equivalents comprise of the following:

| | 2022 | 2021 |
|-------------------------------|-------------|---------------|
| Murabaha time deposits (12-1) | 414,500,000 | 1,583,500,000 |
| Bank balances | 129,252,923 | 24,039,191 |
| Cash in hand | 286,780 | 17,333 |
| Expected credit losses | (64,167) | - |
| | 543,975,536 | 1,607,556,524 |

12.1 Represent deposits placed with various banks and carry a profit rate of 4.3% to 5.2% (2021: 0.5% to 1.2%) per annum. The original maturity date for all these deposits are less than 90 days.

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➤ 13. Short-term Murabahas

These represent the Murabaha deposits placed with various banks and carry a profit rate of 3.1% to 5.4% per annum (2021: Nil). The maturity date for all these deposits are more than 90 days when placed.

| | 2022 | 2021 |
|----------------------|---------------|------|
| Short-term murabahas | 2,700,800,000 | – |

➤ 14. Accounts receivable

| | 2022 | 2021 |
|--|----------------------|----------------------|
| Gross accounts receivable (excluding Parent Company and its subsidiaries balances) | 2,046,783,479 | 922,538,872 |
| Less: allowance for expected credit losses | (233,399,974) | (210,737,776) |
| Net accounts receivable | 1,813,383,505 | 711,801,096 |
| Gross amounts due from Parent Company and its subsidiaries (note 37) | 2,584,501,266 | 2,388,079,460 |
| Less: allowance for expected credit losses | (53,188,797) | (79,323,249) |
| Net amounts due from related parties | 2,531,312,469 | 2,308,756,211 |
| Total accounts receivable | 4,344,695,974 | 3,020,557,307 |

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 13% (2021: 8%) 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.

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

| | 2022 | 2021 |
|----------------------------------|--------------------|--------------------|
| Balance as at 1 January | 210,737,776 | 74,796,541 |
| Acquisition of subsidiary | 22,483,253 | – |
| Net charge for the year | 4,459,495 | 135,941,235 |
| Currency translation | (4,280,550) | – |
| Balance as at 31 December | 233,399,974 | 210,737,776 |

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

| | 2022 | 2021 |
|--------------------------------------|-------------------|-------------------|
| Balance as at 1 January | 79,323,249 | 80,845,124 |
| Net reversal for the year | (26,110,442) | (1,521,875) |
| Currency translation | (24,010) | – |
| Balance as at 31 December (*) | 53,188,797 | 79,323,249 |

(*) Includes SR 34.8 million (2021: 39.7 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.

| | 2022 | 2021 |
|--|---------------|-------------|
| Age of unimpaired trade receivables | | |
| Non-governmental receivables | | |
| 0 to 3 months | 518,400,549 | 138,089,349 |
| 4 to 6 months | 108,584,674 | 43,293,197 |
| 7 to 12 months | 33,273,765 | 11,306,309 |
| Over 1 year | 10,276,636 | 251,215 |
| | 670,535,624 | 192,940,070 |
| Governmental receivables | | |
| Neither past due nor impaired | 391,865,750 | 244,612,753 |
| 0 to 3 months | 302,844,273 | 206,680,487 |
| 4 to 6 months | 118,583,853 | 31,615,944 |
| 7 to 12 months | 172,342,661 | 35,051,560 |
| Over 1 year | 157,211,344 | 900,282 |
| | 1,142,847,881 | 518,861,026 |
| | 1,813,383,505 | 711,801,096 |

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| | 2022 | 2021 |
|--|-------------|-------------|
| Age of unimpaired trade receivables | | |
| Non-governmental receivables | | |
| 0 to 3 months | 37,009,913 | 15,339,683 |
| 4 to 6 months | 16,062,926 | 17,877,068 |
| 7 to 12 months | 20,765,360 | 22,225,222 |
| Over 1 year | 60,398,279 | 53,951,986 |
| | 134,236,478 | 109,393,959 |
| Governmental receivables | | |
| 0 to 3 months | 4,953,901 | 26,239,565 |
| 4 to 6 months | 1,357,517 | 1,193,297 |
| 7 to 12 months | 9,680,234 | 23,609,628 |
| Over 1 year | 83,171,844 | 50,301,327 |
| | 99,163,496 | 101,343,817 |
| | 233,399,974 | 210,737,776 |

15. Prepayments and other assets

| | Note | 2022 | 2021 |
|----------------------------|------|-------------|-------------|
| Advances to suppliers, net | 15.1 | 25,897,093 | 204,958,795 |
| Prepaid expenses, net | 15.2 | 27,655,652 | 25,994,379 |
| Other receivables, net | 15.3 | 91,128,299 | 28,095,770 |
| Deposits, net | | 5,663,544 | 2,708,081 |
| Cost to fulfil contracts | | 44,435,308 | 26,219,247 |
| | | 194,779,896 | 287,976,272 |

15.1 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 10.1 million (2021: SR 10.8 million).

15.2 Prepaid expenses are presented net of provision for certain doubtful prepaid assets amounting to SR 22.6 million (2021: SR 22.6 million).

15.3 Other receivables include amounting of SR 8 million (2021: SR 8.5 million) due from related parties (note 31).

16. 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 1,088 million (2021: SR 1,200 million) and total revenue recognized relating to the contract assets during the year amounted to SR 1,132 million (2021: SR 954 million).

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| | 2022 | 2021 |
|---------------------------------|---------------|---------------|
| Gross contract assets (note 37) | 1,308,384,210 | 1,264,069,299 |
| Allowance for impairment | (31,804,143) | (7,850,611) |
| | 1,276,580,067 | 1,256,218,688 |

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

| | 2022 | 2021 |
|------------------------------------|-------------------|------------------|
| Balance as at 1 January | 7,850,611 | 5,957,205 |
| Acquisition of subsidiary (note 1) | 3,178,716 | - |
| Charge of impairment for the year | 21,353,206 | 1,893,406 |
| Currency translation | (578,390) | - |
| Balance as at 31 December | 31,804,143 | 7,850,611 |

17. Inventories

| | 2022 | 2021 |
|--|--------------|--------------|
| Materials and supplies | 400,682,608 | 349,123,113 |
| Less: allowance for slow moving and obsolete inventory | (78,245,660) | (75,136,957) |
| | 322,436,948 | 273,986,156 |

The Group has charged inventories amounting to SR 1,200 million (2021: SR 596 million) to consolidated statement of profit or loss.

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

| | 2022 | 2021 |
|----------------------------------|-------------------|-------------------|
| Balance as at 1 January | 75,136,957 | 68,082,186 |
| Acquisition of subsidiary | 1,001,926 | - |
| Net charge for the year | 2,313,310 | 7,054,771 |
| Currency translation | (206,533) | - |
| Balance as at 31 December | 78,245,660 | 75,136,957 |

18. Other non-current assets

| | Note | 2022 | 2021 |
|---------------------------|------|------------|------------|
| Contract costs | 18.1 | 7,878,799 | 23,128,803 |
| Investments in associates | 18.2 | 4,077,806 | - |
| Deferred tax assets | 18.3 | 419,961 | - |
| | | 12,376,566 | 23,128,803 |

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➤ **18.1** This represents the cost to fulfil a contract capitalized under IFRS 15 which will be subsequently amortized to consolidated profit or loss.

➤ **18.2** This represents the following investment in associate that has been accounted for under the equity method of accounting:

| Name of associate | Business activity | Ownership % | Carrying value at 31 December 2022 | Share of profit from acquisition date to 31 December 2022 |
|---|--|-------------|------------------------------------|---|
| Giza Systems Company for Electromechanical Contracting (GSEC) * | Operation, engineering consultancy and evaluation of systems, devices and electronic computers | 50.01% | 4,077,806 | 1,138,884 |
| Edu Apps ** | Digital services | 40% | - | - |

(*) The movement of investment in associate (GSEC) is as follows:

| | 2022 |
|--|------------------|
| Balance as at acquisition | 3,787,293 |
| Share of results from acquisition date to 31 December 2022 | 1,138,884 |
| Currency translation | (848,371) |
| Balance as at 31 December | 4,077,806 |

Summarized financial information of associate (GSEC)

The tables below provide summarized financial information of the material associates of the Group. The information disclosed reflects the amounts presented in the available financial statements of the relevant investee and not Group's share of those amounts.

| | 31 December 2022 |
|---|---------------------|
| Current assets | 64,044,569 |
| Non-current assets | 244,033 |
| Current liabilities | (56,115,830) |
| Non-current liabilities | (18,791) |
| Net assets | 8,153,981 |
| Reconciliation: | |
| Group's share in associate | 50.01% |
| Share in net assets of the associate | 4,077,806 |

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| | From acquisition date to 31 December 2022 |
|----------------------------|---|
| Revenue | 12,781,452 |
| Net income | 2,277,312 |
| Group's share in associate | 50.01% |
| Share in net income | 1,138,884 |

(**) Edu apps had carrying value of SAR 341,356, which has been impaired during the period.

➤ **18.3** This is deferred tax resulted from deductible temporary differences of tax.

➤ 19. Intangible assets and goodwill

| | Goodwill (Note 1) | Software | Others (Note 1) | Capital work-in-progress | Total |
|--|--------------------|--------------------|--------------------|--------------------------|--------------------|
| COST | | | | | |
| 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 1 January 2022 | - | 202,829,163 | - | 10,248,163 | 213,077,326 |
| Additions | | 15,374,167 | | 19,800,582 | 35,174,749 |
| Acquisition of subsidiary | 193,424,878 | - | 159,540,375 | - | 352,965,253 |
| Currency translation difference | (39,503,195) | - | (32,582,957) | - | (72,086,152) |
| Transfer | - | 24,912,617 | - | (24,912,617) | - |
| Disposal | - | (2,515,683) | - | - | (2,515,683) |
| As at 31 December 2022 | 153,921,683 | 240,600,264 | 126,957,418 | 5,136,128 | 526,615,493 |
| ACCUMULATED AMORTIZATION: | | | | | |
| As at 1 January 2021 | | 79,783,991 | | | 79,783,991 |
| Amortization | | 35,083,521 | | | 35,083,521 |
| As at 1 January 2022 | | 114,867,512 | | | 114,867,512 |
| Amortization | | 36,285,380 | 5,664,227 | | 41,949,607 |
| Disposal | | (2,515,683) | | | (2,515,683) |
| Currency translation difference | | | (353,870) | | (353,870) |
| As at 31 December 2022 | - | 148,637,209 | 5,310,357 | - | 153,947,566 |
| Net book value as at 31 December 2021 | | 87,961,651 | | 10,248,163 | 98,209,814 |
| Net book value as at 31 December 2022 | 153,921,683 | 91,963,055 | 121,647,061 | 5,136,128 | 372,667,927 |

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

| | Note | 2022 | 2021 |
|-------------------------------------|------|------------|------------|
| Cost of revenue | | 18,113,517 | 13,845,004 |
| Selling and distribution expenses | 8 | 3,476,782 | 1,835,624 |
| General and administration expenses | 7 | 20,359,308 | 19,402,893 |
| | | 41,949,607 | 35,083,521 |

20. Property and equipment

| Cost | Computer hardware | Furniture and office equipment | Land and building | Leasehold improvements | Motor vehicles | Super-computers | Capital work-in-progress* | Total |
|---|--------------------|--------------------------------|-------------------|------------------------|------------------|--------------------|---------------------------|----------------------|
| Balance as at 1 January 2022 | 362,680,635 | 88,548,514 | – | 113,118,430 | 1,688,077 | 339,979,013 | 13,632,940 | 919,647,609 |
| Additions | 29,286,891 | 3,200,550 | – | 2,444,351 | – | – | 42,327,914 | 77,259,706 |
| Acquisition of subsidiary | 15,132,698 | 9,675,601 | 18,607,124 | – | 2,739,405 | – | – | 46,154,828 |
| Currency translation differences | (3,181,117) | (398,567) | (3,396,545) | – | (128,549) | – | – | (7,104,778) |
| Transfer | 44,893,837 | 1,439,013 | – | 2,329,573 | – | – | (48,662,423) | – |
| Disposal | (884,760) | (63,162) | – | – | (13,135) | – | – | (961,057) |
| Balance as at 31 December 2022 | 447,928,184 | 102,401,949 | 15,210,579 | 117,892,354 | 4,285,798 | 339,979,013 | 7,298,431 | 1,034,996,308 |
| ACCUMULATED DEPRECIATION AND IMPAIRMENT: | | | | | | | | |
| Balance as at 1 January 2022 | 193,599,826 | 48,124,652 | – | 50,527,231 | 1,074,606 | 75,709,612 | – | 369,035,927 |
| Acquisition of subsidiary | 10,870,131 | 8,204,763 | 3,408,365 | – | 2,540,453 | – | – | 25,023,712 |
| Currency translation differences | (1,740,370) | (676,742) | (628,376) | (1,363) | (373,135) | – | – | (3,419,986) |
| Depreciation and impairment charge | 62,826,221 | 11,720,043 | 71,180 | 18,946,355 | 372,986 | 78,280,880 | – | 172,217,665 |
| Disposal | (868,304) | (32,714) | – | – | (13,135) | – | – | (914,153) |
| Balance as at 31 December 2022 | 264,687,504 | 67,340,002 | 2,851,169 | 69,472,223 | 3,601,775 | 153,990,492 | – | 561,943,165 |
| NET BOOK VALUE: | | | | | | | | |
| At 31 December 2022 | 183,240,680 | 35,061,947 | 12,359,410 | 48,420,131 | 684,023 | 185,988,521 | 7,298,431 | 473,053,143 |

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| Cost | Computer hardware | Furniture and office equipment | Leasehold improvements | Motor vehicles | Super-computers | Capital work-in-progress* | Total |
|---|--------------------|--------------------------------|------------------------|------------------|--------------------|---------------------------|--------------------|
| 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 |
| ACCUMULATED DEPRECIATION AND IMPAIRMENT: | | | | | | | |
| 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 |
| NET BOOK VALUE: | | | | | | | |
| At 31 December 2021 | 169,080,809 | 40,423,862 | 62,591,199 | 613,471 | 264,269,401 | 13,632,940 | 550,611,682 |

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

| | Note | 2022 | 2021 |
|---|------|-------------|-------------|
| Cost of revenue | | 142,772,817 | 129,600,773 |
| Selling and distribution expenses | 8 | 258,343 | 296,853 |
| General and administration expenses | 7 | 29,186,505 | 25,512,937 |
| Impairment loss on property and equipment | 9 | – | 621,965 |
| | | 172,217,665 | 156,032,528 |

21. Right-of-use assets

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

| | Land and buildings | Vehicles | Total |
|---|--------------------|-----------|-------------------|
| Balance as at 1 January 2021 | 71,818,593 | 114,118 | 71,932,711 |
| Depreciation charge for the year ended 31 December 2021 | (17,315,820) | (114,118) | (17,429,938) |
| Balance as at 31 December 2021 | 54,502,773 | – | 54,502,773 |
| Acquisition of subsidiary (note 1) | 3,105,414 | – | 3,105,414 |
| Additions | 2,028,845 | – | 2,028,845 |
| Currency translation differences | (750,981) | – | (750,981) |
| Depreciation charge for the year ended 31 December 2022 | (17,915,894) | – | (17,915,894) |
| Balance as at 31 December 2022 | 40,970,157 | – | 40,970,157 |

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Right of use assets are depreciated as follows:

| | |
|-----------------|----------|
| Leasehold lands | 15 years |
| Buildings | 4 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:

| | 2022 | 2021 |
|--|------------|------------|
| General and administration expenses (note 7) | 17,670,208 | 17,184,250 |
| Cost of revenue | 245,686 | 245,688 |
| | 17,915,894 | 17,429,938 |

The Group decided not to recognize the short-term and low-value leases as a right of use assets, and therefore lease payments associated with these contracts were recognized as expenses during the year in the consolidated statement of profit or loss of SR 2.7 million (2021: SR 1.7 million).

22. Accounts payable and accruals

| | Note | 2022 | 2021 |
|--------------------------------|------|---------------|---------------|
| Accrued project costs | | 545,184,412 | 723,274,789 |
| Accrued expenses | 22.1 | 729,421,163 | 608,250,608 |
| Trade payables | | 940,038,319 | 459,879,696 |
| Amounts due to related parties | 37 | 281,892,386 | 59,265,811 |
| Accrued connectivity charges | 37 | 48,278,901 | 51,422,467 |
| Lease liabilities | 26 | 27,759,463 | 29,256,240 |
| | | 2,572,574,644 | 1,931,349,611 |

22.1 Accrued expenses include an amount of SR 176 million (2021: SR 133 million) due to STC (note 37). Trade payables are normally settled within 90 days of the invoice dates.

23. 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 2,001 million (2021: SR 1,197 million) and total revenue recognized relating to the deferred revenue during the year amounted to SR 1,012 million (2021: SR 624 million).

24. Contract liabilities

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

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25. Borrowings

| | 2022 | 2021 |
|-----------------------------|-------------|------|
| Short-term loans | | |
| Bank overdrafts (note 25.1) | 178,967,393 | – |
| Other | 15,420,202 | – |
| Total | 194,387,595 | – |
| Long-term loans | | |
| Long-term loan (note 25.2) | 498,878,270 | – |
| Long-term loan (note 25.3) | 3,136,180 | – |
| Total | 502,014,450 | – |

25.1 This represents the unsecured overdraft obtained by Giza Group in USD and EGP currencies. The interest rate on USD currency is from 5.25% to 6.25% annually, while the interest rate on EGP currency is from 13.25% to 14.5% annually. These overdrafts have multiple date of borrowings and multiple date of settlement. These overdraft balances cannot be legally offset with the cash and cash equivalents.

25.2 During the year, the Group entered into a renewal with amendment of an Islamic Sharia compliant facilities arrangement with a local bank amounting to SR 1 billion. The facilities consist of a new facility with a limit of SR 500 million to finance the strategic growth of the Group and a facility with a limit of SR 500 million for multi-purpose (note 40). As at 31 December 2022, the facility amounting to SR 500 million was withdrawn, the principal is repayable in one instalment due in June 2027, and interest is payable based on semi-annual basis. The facility is secured against a promissory note signed by the Group.

25.3 This represents a secured loan in USD. The interest rate on this loan is 4.9% annually. The final settlement of this loan is on 25 June 2024.

26. Leases

As a lessee

| | 2022 | 2021 |
|---|--------------|--------------|
| Balance as at 1 January | 60,591,446 | 88,275,291 |
| Additions to lease liabilities, net | 2,028,845 | – |
| Acquisition from subsidiary (note 1) | 2,635,219 | – |
| Finance cost (note 10) | 1,032,922 | 1,072,276 |
| Payments | (21,799,502) | (28,756,121) |
| Forex translation | (883,894) | – |
| Total discounted lease liabilities as at 31 December | 43,605,036 | 60,591,446 |

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Following is the maturity analysis of undiscounted cash flows relating to leases payments as at 31 December 2022.

► Maturity analysis of lease undiscounted cash flows

| | 2022 | 2021 |
|---|-------------------|-------------------|
| Less than 1 year | 31,858,344 | 29,443,672 |
| More than 1 year | 16,907,607 | 33,417,569 |
| Total undiscounted lease liabilities as at 31 December | 48,765,951 | 62,861,241 |

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

| | 2022 | 2021 |
|---|-------------------|-------------------|
| Current portion (included in accounts payable and accruals – note 22) | 27,759,463 | 29,256,240 |
| Non-current portion | 15,845,573 | 31,335,206 |
| Total | 43,605,036 | 60,591,446 |

► 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 19, 20 and 21 are as follows:

| | 2022 | 2021 |
|----------------------------|-------------|-------------|
| Property and equipment | 250,133,056 | 346,074,097 |
| Intangible assets | 143,016 | 188,178 |
| Land - Right-of-use assets | 3,009,654 | 3,255,340 |
| | 253,285,726 | 349,517,615 |

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

| | 2022 | 2021 |
|--------------------|--------------------|--------------------|
| Less than one year | 152,455,017 | 132,569,580 |
| More than one year | 268,513,898 | 450,736,572 |
| Total | 420,968,915 | 583,306,152 |

► 27. End of service indemnities

| | 2022 | 2021 |
|----------------------------------|-------------|-------------|
| Defined benefit obligation (DBO) | 260,822,151 | 236,586,315 |

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. Subsidiaries located outside the Kingdom calculate end of service indemnities in accordance with applicable laws in those countries.

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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 government 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:

| | 2022 | 2021 |
|--|--------------------|--------------------|
| Balance as at 1 January | 236,586,315 | 294,776,761 |
| Acquisition from subsidiary (note 1) | 15,057,969 | – |
| Amount recognized in the consolidated statement of profit or loss | | |
| Current service costs | 55,701,993 | 55,072,652 |
| Finance cost | 8,269,447 | 5,051,700 |
| Total employee benefits expense recognized in profit or loss | 63,971,440 | 60,124,352 |
| Actuarial loss/(gain) recognized in the other comprehensive income | 4,225,664 | (85,644,949) |
| Forex translation | (3,275,783) | – |
| Payments | (55,743,454) | (32,669,849) |
| Balance as at 31 December | 260,822,151 | 236,586,315 |

► 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 for significant entities were as follows:

| | 2022 | 2021 |
|------------------------|----------------|--------------|
| Attrition rates | 15% to 46% | 15% to 46% |
| Salary escalation rate | 1.25% to 4.5% | 1.6% to 4.5% |
| Discount rate | 4.6% to 4.7% | 2.1% |
| Retirement age | 60 to 65 years | 65 years |

(All amounts in Saudi Riyals unless otherwise stated)

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› 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.

| 2022 | Change in assumption | Base value | DBO | |
|------------------------|----------------------|-------------|------------------------|------------------------|
| | | | Increase in assumption | Decrease in assumption |
| Discount rate | 1% | 260,822,151 | 249,066,406 | 273,796,360 |
| Salary escalation rate | 1% | 260,822,151 | 273,778,613 | 248,862,123 |

| 2021 | Change in assumption | Base value | Impact on defined benefit obligation | |
|------------------------|----------------------|-------------|--------------------------------------|------------------------|
| | | | Increase in assumption | Decrease in assumption |
| 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 1,940 million (2021: SR 1,718 million).

› 28. 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 June 28, 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.

| | 2022 | 2021 |
|---|---------------|---------------|
| Authorized, issued and fully paid capital comprises: | | |
| 120 million fully paid ordinary shares at SR 10 each | 1,200,000,000 | 1,200,000,000 |

The following are the number of outstanding shares during the year:

| | 2022 | 2021 |
|---|--------------------|--------------------|
| Outstanding shares as at 1 January | 118,800,000 | 120,000,000 |
| Treasury shares purchased during the year | – | (1,200,000) |
| Outstanding shares re-issued | 167,067 | – |
| The number of outstanding shares as at 31 December | 118,967,067 | 118,800,000 |

(All amounts in Saudi Riyals unless otherwise stated)

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› 29. 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.

› 30. Other reserves

| | Foreign currency translation reserve | Re-measurement of end of service indemnities | Share based payment reserve | Total |
|--|--------------------------------------|--|-----------------------------|-------------------|
| Balance as at 1 January 2021 | – | (7,067,285) | 216,016 | (6,851,269) |
| Re-measurement of the end of service benefit provision (note 27) | – | 85,644,949 | – | 85,644,949 |
| Share-based payment transactions (note 30.1) | – | – | 9,640,352 | 9,640,352 |
| Balance as at 31 December 2021 | – | 78,577,664 | 9,856,368 | 88,434,032 |
| Re-measurement of the end of service benefit provision (note 27) | – | (4,225,664) | – | (4,225,664) |
| Share-based payment transactions (note 30.1) | – | – | 3,247,589 | 3,247,589 |
| Foreign currency translations | (78,317,911) | – | – | (78,317,911) |
| Balance as at 31 December 2022 | (78,317,911) | 74,352,000 | 13,103,957 | 9,138,046 |

› 30.1 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.

(All amounts in Saudi Riyals unless otherwise stated)

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During the year ended 2022, the Group has recorded SR 28.5 million (2021: SR 9.6 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. As at 31 December 2021, the shares granted by the Group are as follows:

| | 2021 Tranche 1 | 2021 Tranche 2 | 2021 Tranche 3 |
|--|----------------------------------|----------------------------------|----------------------------------|
| First cycle: | | | |
| Grant date | 8 June 22 | 8 June 22 | 8 June 22 |
| Total number of shares granted | 682 | 1,136 | 2,726 |
| Average fair value per share at grant date (*) | 224 | 224 | 224 |
| Vesting date | 31 May 2022 | 31 May 2023 | 31 May 2024 |
| Total number of shares actually vested | 817 | To be determined at vesting date | To be determined at vesting date |
| Second cycle: | | | |
| Grant date | 8 June 22 | 8 June 22 | 8 June 22 |
| Total number of shares granted | 6,437 | 10,729 | 25,749 |
| Average Fair value per share at grant date (*) | 224 | 224 | 224 |
| Vesting date | 31 May 2023 | 31 May 2024 | 31 May 2025 |
| Total number of shares actually vested | To be determined at vesting date | To be determined at vesting date | To be determined at vesting date |

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

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

| | 2022 | 2021 |
|--------------------------------|---------------|-----------------|
| At the beginning of the year | 167,375 | - |
| Shares granted during the year | 47,459 | 184,250 |
| Shares vested during the year | (167,067) | - |
| At the end of the year | 47,767 | (16,875) |

➤ 31. 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 30).

(All amounts in Saudi Riyals unless otherwise stated)

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The following is the movement in number of treasury shares during the year:

| | 2022 | 2021 |
|---|------------------|------------------|
| Outstanding shares as at 1 January | 1,200,000 | - |
| Treasury shares purchased during the year | - | 1,200,000 |
| Treasury shares re-issued | (167,067) | - |
| Treasury shares as at 31 December | 1,032,933 | 1,200,000 |

➤ 32. Dividends distribution

The General Assembly in its extraordinary general meeting held on 28 Shawwal 1443H (corresponding to 29 May 2022) approved to distribute dividends of SR 4 per share, totaling to SR 475.2 million (2021: SR 3.33 per share, totaling to SR 400 million), the dividends were paid.

➤ 33. Non-controlling interest

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

| Name of Subsidiary | Proportion of ownership and voting rights acquired by non-controlling interests | | Non-controlling share of profit (loss) for the year ended 31 December | | Non-controlling interests as of 31 December | |
|---------------------|---|------|---|------|---|------|
| | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 |
| Giza System Company | 11.81% | - | 844,104 | - | 28,890,452 | - |

Set out below is summarized financial information for Giza Group located in Egypt that has significant non-controlling interests to the Company. The amounts disclosed are before inter-company eliminations.

| Summarized balance sheet | Giza Systems 2022 |
|---|---------------------|
| Current assets | 1,088,475,325 |
| Current liabilities | (919,098,397) |
| Current net assets | 169,376,928 |
| Non-current assets | 26,147,450 |
| Non-current liabilities | (41,119,002) |
| Non-current net liabilities | (14,971,552) |
| Equity | 154,405,376 |
| Accumulated non-controlling interest | 25,209,112 |

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34. Earnings per share

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

| | 2022 | 2021 |
|---|---------------|-------------|
| Net profit attributable to equity holders of the Parent Company | 1,052,869,093 | 832,918,610 |
| Weighted average number of shares for basic earnings per share | 118,839,691 | 119,690,959 |
| Weighted average number of ordinary shares repurchased | 1,160,309 | 309,041 |
| Weighted average number of shares for diluted earnings per share | 120,000,000 | 120,000,000 |
| Basic earnings per share attributable to equity holders of the Parent Company | 8.86 | 6.96 |
| Diluted earnings per share attributable to equity holders of the Parent Company | 8.77 | 6.94 |

35. 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:

| 2022 Financial assets | Category of financial assets | Carrying amount | Fair value level |
|--|------------------------------|-----------------|------------------|
| Cash and cash equivalents and short-term murabahas | Amortized Cost | 3,244,775,536 | N/A |
| Accounts receivable, contract assets and other receivables | Amortized Cost | 6,036,460,799 | N/A |
| Financial liabilities | | | |
| Accounts payable and accruals | Amortized Cost | 2,588,420,217 | N/A |

| 2021 Financial assets | Category of financial assets | Carrying amount | Fair value level |
|--|------------------------------|-----------------|------------------|
| 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 |
| Financial liabilities | | | |
| Accounts payable and accruals | Amortized Cost | 1,962,684,817 | N/A |

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

36. Financial risk and capital management**Market risk**

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk. Financial instruments affected by market risk include loans and borrowings, deposits, debt and equity.

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Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Company's presentation/functional currency is Saudi Arabian Riyal ("SAR"). Foreign currency risk arises from net investments in foreign operations. The risk is defined as the risk of fluctuation in spot exchange rates between the functional currency of the net investments and the Company's presentation currency i.e. SAR. This will cause the amount of the net investment to vary. Such a risk may have a significant impact on the Group's consolidated financial statements.

This translation risk does not give rise to a cash flow exposure. Its impact arises only from the translation of the net investment into the Group's presentation currency. This procedure is required in preparing the Group's consolidated financial statements as per the applicable IFRS.

Foreign currency sensitivity

The following tables demonstrate the sensitivity to a reasonably possible change in EGP exchange rate, with all other variables held constant. The impact on the Group's profit before tax is due to changes in the fair value of monetary assets and liabilities including non-designated foreign currency derivatives and embedded derivatives. The impact on the Group's pre-tax equity is due to changes in the fair value of forward exchange contracts designated as cash flow hedges and net investment hedges. The Group's exposure to foreign currency changes for all other currencies is not material.

| | Change in EGP to SAR conversion rate | Impact on net income Increase/(decrease) | Impact on equity Increase/(decrease) |
|------------------|--------------------------------------|--|--------------------------------------|
| 31 December 2022 | +15% | 1,112,559 | 11,977,729 |
| | -15% | (1,112,559) | (11,977,729) |

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates.

Interest rate sensitivity

Based on the borrowings outstanding at 31 December 2022, if interest rates had been 1% higher or lower during the year and all other variables were held constant, the Group's net profit and equity would have decreased or increased by SR 2.6 million (2021: N/A). This impact is primarily attributable to the Group's exposure to interest rates on its variable rate borrowings.

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 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.

(All amounts in Saudi Riyals unless otherwise stated)

31 December 2022

| 2022 | Profit rate | Within one year | More than one year | Total |
|---|----------------|-----------------|--------------------|---------------|
| Accounts payable and accruals | NA | 2,544,815,181 | – | 2,544,815,181 |
| Lease liabilities relating to right of use assets | 149% to 3.25% | 31,858,344 | 16,907,607 | 48,765,951 |
| Bank overdraft and borrowings | Multiple rates | 194,387,595 | 502,014,450 | 696,402,045 |

| 2021 | Profit rate | Within one year | More than one year | Total |
|---|---------------|-----------------|--------------------|---------------|
| Accounts payable and accruals | NA | 1,902,093,371 | – | 1,902,093,371 |
| Lease liabilities relating to right of use assets | 149% to 3.25% | 29,443,672 | 33,417,569 | 62,861,241 |

➤ 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 2022:

(All amounts in Saudi Riyals unless otherwise stated)

31 December 2022

| 31 December 2022 | Gross carrying amount | Weighted average loss rate | Loss allowance |
|------------------|-----------------------|----------------------------|----------------|
| Unbilled | 316,933,034 | 7.07% | 22,411,014 |
| 0-90 days | 734,374,776 | 5.62% | 41,301,949 |
| 91-180 days | 154,259,720 | 10.78% | 16,621,970 |
| 181 - 270 Days | 55,703,947 | 25.48% | 14,190,986 |
| 271 - 365 Days | 25,388,301 | 41.15% | 10,447,149 |
| More than 1 year | 81,461,762 | 61.67% | 50,241,223 |
| | 1,368,121,540 | | 155,214,291 |

| 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 | | 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.

➤ 37. 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 related parties:

(All amounts in Saudi Riyals unless otherwise stated)

31 December 2022

| | 2022 | 2021 |
|--|--------------------|--------------------|
| Sales of goods and services (STC) (a) | 6,315,462,200 | 5,592,988,589 |
| Sales of goods and services (STC subsidiaries) (a) | 205,832,666 | 218,819,787 |
| Purchases (STC) | 358,978,331 | 384,351,535 |
| Purchases (STC subsidiaries) | 68,950,494 | 55,519,002 |
| Long-term incentive expense charged by the Parent Company | 865,749 | 645,975 |

- (a) Sales of goods and services to Parent Company and its subsidiaries include an amount of SR 3.8 billion (2021: SR 3.8 billion) for which Parent Company is not the end customer.
- (b) Revenue related to direct transactions with government and government related entities for the year-ended 31 December 2022 is SR 1.5 billion (2021: SR 1.2 billion).

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

| | Note | 2022 | 2021 |
|--|------|-----------------|-----------------|
| Accounts receivable: gross from STC | 14 | 2,441,802,766 | 2,261,304,752 |
| Accounts receivable: gross from STC Subsidiaries | 14 | 142,698,500 | 126,774,708 |
| Contract assets STC | | 627,911,603 | 794,252,428 |
| Contract assets STC Subsidiaries | | 64,170,153 | 52,669,375 |
| Other assets: receivable from STC | 15 | 8,047,038 | 8,516,330 |
| Deferred revenue STC | | (2,648,834,208) | (2,026,478,823) |
| Deferred revenue STC Subsidiaries | | (40,259,968) | (48,863,483) |
| Amounts due to STC | 22 | (223,566,139) | (36,781,932) |
| Amounts due to STC Subsidiaries | | (58,326,247) | (22,483,879) |
| Accrued connectivity charges STC | 22 | (48,278,901) | (51,422,467) |
| Contract liabilities STC | | (333,027,385) | (342,275,899) |
| Contract liabilities STC Subsidiaries | | (889,560) | (39,673) |
| Accrued expenses STC | 22 | (175,667,329) | (132,994,447) |

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 | Neither past due nor impaired | Past due but not impaired | | | |
|------|---------------|-------------------------------|---------------------------|--------------|---------------|--------------|
| | | | 0 - 3 months | 4 - 6 months | 7 - 12 months | Over 1 years |
| 2022 | 2,531,312,469 | 1,553,304,712 | 689,211,321 | 162,823,263 | 115,743,478 | 10,229,695 |
| 2021 | 2,308,756,211 | 1,703,356,671 | 506,744,301 | 71,570,695 | 27,084,544 | - |

(All amounts in Saudi Riyals unless otherwise stated)

31 December 2022

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

| | 2022 | 2021 |
|--------------------------------------|------------|------------|
| Employment benefits and remuneration | 43,830,343 | 48,381,548 |
| Share based payments | 123,367 | - |
| | 43,953,710 | 48,381,548 |

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

| | 2022 | 2021 |
|---|------------|-----------|
| End of service indemnities and annual leave | 13,401,495 | 8,025,952 |

38. 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 2022 (2021: Nil), therefore reconciliation of segments revenue to total revenue is not relevant.

(All amounts in Saudi Riyals unless otherwise stated)

31 December 2022

| | 2022 | 2021 |
|--------------------------------------|----------------------|----------------------|
| Core ICT services | 4,771,566,871 | 3,670,235,022 |
| IT Managed and operational services | 2,329,678,714 | 1,951,797,292 |
| Digital services | 1,703,845,267 | 1,586,304,530 |
| Total revenue | 8,805,090,852 | 7,208,336,844 |
| Total cost of revenue | (6,793,844,744) | (5,500,370,118) |
| Total operating expenses | (851,014,931) | (808,862,552) |
| Total non-operating income | 11,267,788 | 4,921,009 |
| Zakat and income tax | (117,785,768) | (71,106,574) |
| Net profit | 1,053,713,197 | 832,918,609 |
| NET PROFIT ATTRIBUTABLE TO | | |
| Equity holders of the Parent Company | 1,052,869,093 | 832,918,609 |
| Non-controlling interests | 844,104 | - |
| Total net profit | 1,053,713,197 | 832,918,609 |

➤ 39. Capital commitments

The Group had no capital commitments at the reporting date

➤ 40. Contingent liabilities

| | 2022 | 2021 |
|---------------------------------|-------------|-------------|
| Letters of guarantee and credit | 394,673,180 | 271,433,635 |

The above letters of guarantee and credit were issued under a borrowing facility of SR 501 million (2021: 500 million).

➤ 41. Comparatives

Certain comparative figures have been reclassified to conform with the classification used for the year ended 31 December 2022. The Group has updated the accounting treatment related to some software reselling agreements, which resulted in considering these contracts as an agent and showing them in net. The reclassification has no impact on previously disclosed net income, financial position or cash flow:

| | 31 December 2021 as previously reported | Reclassification | 31 December 2021 as reclassified |
|---------------------|---|------------------|-------------------------------------|
| Revenue, net | 7,815,797,402 | 607,460,558 | 7,208,336,844 |
| Cost of revenue | (6,107,830,676) | (607,460,558) | (5,500,370,118) |
| Gross profit | 1,707,963,726 | | 1,707,966,726 |

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➤ 42. Events after the reporting date

➤ **42.1** The Company announces the signing of a sale and purchase agreement (SPA) on 18 Jumada al-Alkhirah 1444 (corresponding to 11 January 2023) to acquire 100% of Contact Center Company (CCC), for a full cash consideration for the entire acquisition amount. The acquisition will be based on 100% Enterprise Value amounting to SR 450 million. It was agreed that the acquisition consideration will be based on the agreed terms of the SPA in relation to debt, cash, and working capital. The Company intends to fund the acquisition from its own resources.

➤ **42.2** The Board of Directors recommended in its meeting held on 24 Rajab 1444H (corresponding to 15 February 2023) to distribute dividends of SR 5 per share, totaling to SR 594.9 million.

➤ **42.3** No other events have arisen subsequent to 31 December 2022 and before the issuance of the consolidated financial statements that could have a significant effect on the consolidated financial statements as at 31 December 2022.

➤ 43. Approval of financial statements

These consolidated financial statements for the year ended 31 December 2022 was approved on the Company's Board of Directors meeting held on 24 Rajab 1444H (corresponding to 15 February 2023).

➤ Corporate Information

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