



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

**INTERIM CONDENSED CONSOLIDATED  
FINANCIAL STATEMENTS  
FOR THE THREE AND SIX MONTHS PERIODS ENDED  
30 JUNE 2024  
(UNAUDITED)**

**Second Quarter  
2024**

**Saudi Telecom Company**  
**A Saudi Joint Stock Company**  
**INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS(UNAUDITED)**  
**FOR THE THREE AND SIX MONTHS PERIODS ENDED 30 JUNE 2024**

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**Ernst & Young Professional Services (Professional LLC)**  
**Paid-up capital (SR 5,500,000 – Five million five hundred thousand Saudi Riyal)**  
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**Independent auditor's review report on the interim condensed consolidated financial statements to the shareholders of Saudi Telecom Company (A Saudi Joint Stock Company)**

**Introduction:**

We have reviewed the accompanying interim condensed consolidated statement of financial position of Saudi Telecom Company - a Saudi Joint Stock Company ("the Company") and its subsidiaries (collectively referred to as "the Group") as at 30 June 2024, and the related interim condensed consolidated statements of profit or loss and comprehensive income for the three-month and six-month periods ended 30 June 2024, and the related interim condensed consolidated statements of changes in equity and cash flows for the six-month period then ended, and explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard 34, "Interim Financial Reporting" ("IAS 34") as endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

**Scope of Review:**

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" as endorsed in the Kingdom of Saudi Arabia. A review of interim financial statements consists of making inquiries, primarily to persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

**Conclusion:**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34 as endorsed in the Kingdom of Saudi Arabia.

For Ernst & Young  
Professional Services

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



Riyadh: 24 Muharram 1446H  
(30 July 2024)

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

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

**AS AT 30 JUNE 2024**

(All amounts in thousands Saudi Riyals unless otherwise stated)

	Note	30 June 2024 (Unaudited)	31 December 2023 (Audited)
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property and equipment	5	47,077,913	48,101,333
Investment properties	6	889,307	801,735
Intangible assets and goodwill	7,22	18,287,677	17,282,076
Right of use assets	8	3,881,948	3,802,290
Investments in associates and joint ventures	23	4,844,453	4,525,149
Contract assets and costs		1,449,848	1,444,868
Financial assets and others	10	13,868,922	12,501,194
<b>TOTAL NON-CURRENT ASSETS</b>		<b>90,300,068</b>	<b>88,458,645</b>
<b>CURRENT ASSETS</b>			
Inventories		1,489,941	1,904,971
Contract assets and costs		8,307,147	7,481,936
Trade receivables	11	23,089,165	21,401,271
Financial assets and others	10	10,435,590	12,246,019
Short term murabahas		8,774,523	14,767,349
Cash and cash equivalents		17,625,659	13,371,320
		69,722,025	71,172,866
Assets held for sale	9	17,093	51,259
<b>TOTAL CURRENT ASSETS</b>		<b>69,739,118</b>	<b>71,224,125</b>
<b>TOTAL ASSETS</b>		<b>160,039,186</b>	<b>159,682,770</b>
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY</b>			
Share capital	18	50,000,000	50,000,000
Treasury shares		(517,305)	(612,528)
Other reserves		1,830,019	2,125,192
Retained earnings		25,088,471	27,472,281
<b>Equity attributable to the equity holders of the Parent Company</b>		<b>76,401,185</b>	<b>78,984,945</b>
Non-controlling interests		2,546,102	2,530,221
<b>TOTAL EQUITY</b>		<b>78,947,287</b>	<b>81,515,166</b>
<b>LIABILITIES</b>			
<b>NON-CURRENT LIABILITIES</b>			
Long term borrowings		18,964,266	13,641,768
End of service benefits provision	13	5,232,406	5,258,413
Lease liabilities	14	3,161,555	3,251,538
Contract liabilities		1,140,286	1,110,722
Provisions		772,844	690,677
Financial liabilities and others	15	6,102,221	6,143,696
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>35,373,578</b>	<b>30,096,814</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables		19,379,931	22,153,518
Contract liabilities		4,292,066	4,581,371
Provisions		2,409,907	2,221,748
Zakat and income tax	17	2,345,462	2,632,768
Short term borrowings		4,886,606	8,315,728
Lease liabilities	14	952,578	947,703
Financial liabilities and others	15	11,451,771	7,217,954
<b>TOTAL CURRENT LIABILITIES</b>		<b>45,718,321</b>	<b>48,070,790</b>
<b>TOTAL LIABILITIES</b>		<b>81,091,899</b>	<b>78,167,604</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>160,039,186</b>	<b>159,682,770</b>

  
**Group Chief Financial Officer**

  
**Delegated Group Chief Executive Officer**

  
**Authorized Board Member**

The accompanying notes from 1 to 26 form an integral part of these interim condensed consolidated financial statements.

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

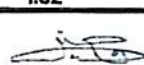
**INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS (UNAUDITED)**  
**FOR THE THREE AND SIX MONTHS PERIODS ENDED 30 JUNE 2024**

(All amounts in thousands Saudi Riyals unless otherwise stated)

	Note	For the three months period ended 30 June		For the six months period ended 30 June	
		2024	2023	2024	2023
Revenues	4	19,154,916	18,326,978	38,254,940	36,506,299
Cost of revenues		(9,583,632)	(9,311,546)	(19,297,479)	(18,257,044)
<b>GROSS PROFIT</b>	4	<b>9,571,284</b>	<b>9,015,432</b>	<b>18,957,461</b>	<b>18,249,255</b>
<b>OPERATING EXPENSES</b>					
Selling and marketing		(1,517,116)	(1,567,272)	(2,749,306)	(2,865,100)
General and administration		(1,639,420)	(1,627,354)	(3,319,110)	(3,219,865)
Depreciation and amortization	5,7,8	(2,529,987)	(2,540,302)	(5,148,075)	(5,152,805)
<b>TOTAL OPERATING EXPENSES</b>		<b>(5,686,523)</b>	<b>(5,734,928)</b>	<b>(11,216,491)</b>	<b>(11,237,770)</b>
<b>OPERATING PROFIT</b>		<b>3,884,761</b>	<b>3,280,504</b>	<b>7,740,970</b>	<b>7,011,485</b>
<b>OTHER INCOME AND EXPENSES</b>					
Cost of early retirement program		(285,355)	(130,114)	(455,150)	(396,631)
Finance income		435,821	381,974	877,907	741,580
Finance cost		(505,102)	(247,665)	(920,042)	(486,016)
Net other income (expense)		81,457	(34,612)	(50,449)	(3,224)
Net share in results of investments in associates and joint ventures		74,878	40,010	17,992	53,154
Net other gains (losses)		7,827	87,974	60,243	(30,210)
<b>TOTAL OTHER (EXPENSES) INCOME</b>		<b>(190,474)</b>	<b>97,567</b>	<b>(469,499)</b>	<b>(121,347)</b>
<b>NET PROFIT BEFORE ZAKAT AND INCOME TAX</b>		<b>3,694,287</b>	<b>3,378,071</b>	<b>7,271,471</b>	<b>6,890,138</b>
Zakat and income tax	17	(307,424)	(330,835)	(553,720)	(708,059)
<b>NET PROFIT</b>		<b>3,386,863</b>	<b>3,047,236</b>	<b>6,717,751</b>	<b>6,182,079</b>
<b>Net profit attributable to:</b>					
Equity holders of the Parent Company		3,304,387	3,008,446	6,590,280	6,117,117
Non-controlling interests		82,476	38,790	127,471	64,962
		<b>3,386,863</b>	<b>3,047,236</b>	<b>6,717,751</b>	<b>6,182,079</b>
<b>Earnings per share attributable to equity holders of the Parent Company (in Saudi Riyals):</b>					
- Basic	18	0.66	0.61	1.32	1.23
- Diluted	18	0.66	0.60	1.32	1.22

  
**Group Chief Financial Officer**

  
**Delegated Group Chief Executive Officer**

  
**Authorized Board Member**

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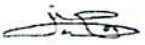
**INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)**  
**FOR THE THREE AND SIX MONTHS PERIODS ENDED 30 JUNE 2024**

(All amounts in thousands Saudi Riyals unless otherwise stated)

	Note	For the three months period ended 30 June		For the six months period ended 30 June	
		2024	2023	2024	2023
<b>NET PROFIT</b>		<b>3,386,863</b>	<b>3,047,236</b>	<b>6,717,751</b>	<b>6,182,079</b>
<b>OTHER COMPREHENSIVE INCOME:</b>					
<i>Items that will not be reclassified subsequently to consolidated statement of profit or loss:</i>					
Remeasurement of end of service benefit provision	13	(169,068)	(108,288)	107,939	(51,185)
Changes in fair value for hedging instruments and equity investments through other comprehensive income		(28,318)	-	126,969	-
Net share of other comprehensive (loss) income of associates and joint ventures		-	(19,091)	107	(21,275)
<b>Total items that will not be reclassified subsequently to consolidated statement of profit or loss</b>		<b>(197,386)</b>	<b>(127,379)</b>	<b>235,015</b>	<b>(72,460)</b>
<i>Items that may be reclassified subsequently to consolidated statement of profit or loss:</i>					
Foreign currency translation differences		(37,017)	19,451	(430,807)	(58,906)
Net share of other comprehensive income (loss) of associates and joint ventures		1,116	(37,319)	484	(33,867)
<b>Total items that may be reclassified subsequently to consolidated statement of profit or loss</b>		<b>(35,901)</b>	<b>(17,868)</b>	<b>(430,323)</b>	<b>(92,773)</b>
<b>TOTAL OTHER COMPREHENSIVE LOSS</b>		<b>(233,287)</b>	<b>(145,247)</b>	<b>(195,308)</b>	<b>(165,233)</b>
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>3,153,576</b>	<b>2,901,989</b>	<b>6,522,443</b>	<b>6,016,846</b>
<i>Total comprehensive income attributable to:</i>					
Equity holders of the Parent Company		3,069,686	2,862,251	6,440,085	5,975,513
Non-controlling interests		83,890	39,738	82,358	41,333
		<b>3,153,576</b>	<b>2,901,989</b>	<b>6,522,443</b>	<b>6,016,846</b>

  
**Group Chief Financial Officer**

  
**Delegated Group Chief Executive Officer**

  
**Authorized Board Member**

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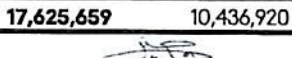
**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)**  
**FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2024**

(All amounts in thousands Saudi Riyals unless otherwise stated)

	Note	For the six months period ended 30 June	
		2024	2023
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net profit before zakat and income tax		7,271,471	6,890,138
<b>Adjustments for:</b>			
Depreciation and amortization	5,7,8	5,148,075	5,152,805
Impairment loss and amortization of contract assets and costs		192,786	206,436
Impairment loss on trade receivables		245,848	124,342
(Reversal) of allowance for slow moving inventories		(25,508)	7,614
Finance income		(877,907)	(741,580)
Finance costs		920,042	486,016
Provision for end of service benefit and other provisions and expenses		495,709	278,427
Net share in results of investments in associates and joint ventures		(17,992)	(53,154)
Share- based payment expenses		53,100	58,680
Net other (gains) losses		(60,243)	30,210
<b>Changes in:</b>			
Trade receivables		(1,889,198)	(2,466,753)
Contract assets and costs, inventory and others		(741,448)	(2,132,517)
Trade payables and others		(2,132,737)	(2,362,284)
Contract liabilities and others		189,073	779,036
<b>Cash generated from operations</b>		<b>8,771,071</b>	<b>6,257,416</b>
Less: Zakat and income tax paid	17	(806,101)	(829,238)
Less: Provision for end of service benefit paid		(305,468)	(313,173)
<b>Net cash generated from operating activities</b>		<b>7,659,502</b>	<b>5,115,005</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property and equipment	5	(3,058,747)	(2,813,492)
Purchase of intangible assets	7	(1,097,278)	(610,039)
Additions to investment properties		(61,572)	(101,710)
Proceeds from sale of property and equipment		75,516	15,371
Subsidiaries acquisition of a new subsidiaries	22	(730,168)	(206,617)
Subsidiaries acquisition of a new associates	23	(297,861)	-
Proceeds from finance income		948,877	670,693
Proceeds and payments related to financial assets and liabilities and others, net		6,350,933	(4,725,649)
<b>Net cash generated from (used in) investing activities</b>		<b>2,129,700</b>	<b>(7,771,443)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Dividends paid to the equity holders of the Parent Company		(5,716,460)	(3,961,248)
Dividends paid to non-controlling interests		(332,944)	(264,645)
Payment of lease liabilities		(893,152)	(538,963)
Repayment of borrowings		(2,359,873)	(39,456)
Proceeds from borrowings		4,167,240	332,486
Transactions with non-controlling interests		177,000	-
Finance costs paid		(521,347)	(223,263)
<b>Net cash used in financing activities</b>		<b>(5,479,536)</b>	<b>(4,695,089)</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>4,309,666</b>	<b>(7,351,527)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD</b>		<b>13,371,320</b>	<b>17,794,393</b>
Net foreign exchange difference		(55,327)	(5,946)
<b>CASH AND CASH EQUIVALENTS AT END OF THE PERIOD</b>		<b>17,625,659</b>	<b>10,436,920</b>

  
**Group Chief Financial Officer**

  
**Delegated Group Chief Executive Officer**

  
**Authorized Board Member**

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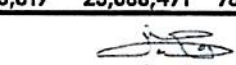
**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)**  
**FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2024**

(All amounts in thousands Saudi Riyals unless otherwise stated)

		<b>Total equity attributable to the equity holders of the Parent Company</b>					<b>Non-</b>			
<b>Note</b>	<b>Share capital</b>	<b>Statutory reserve</b>	<b>Treasury shares</b>	<b>Other reserves</b>	<b>Retained earnings</b>	<b>Total</b>	<b>controlling interests</b>	<b>Total equity</b>		
	<b>Balance as at 1 January 2023</b>	50,000,000	11,217,054	(703,838)	2,032,239	10,954,070	73,499,525	2,526,067	76,025,592	
	Net profit	-	-	-	-	6,117,117	6,117,117	64,962	6,182,079	
	Other comprehensive loss	-	-	-	(141,604)	-	(141,604)	(23,629)	(165,233)	
	Total comprehensive income	-	-	-	(141,604)	6,117,117	5,975,513	41,333	6,016,846	
	Dividends to the equity holders of the Parent Company	24	-	-	-	(3,987,515)	(3,987,515)	-	(3,987,515)	
	Dividends to non-controlling interests		-	-	-	-	-	(295,082)	(295,082)	
	Share-based payment transactions		-	-	91,310	(32,253)	-	59,057	306	59,363
	Transactions with non-controlling interests		-	-	-	(26,928)	-	(26,928)	-	(26,928)
	Share of other reserves of a joint venture		-	-	-	(3,503)	(19,091)	(22,594)	-	(22,594)
	<b>Balance as at 30 June 2023</b>	50,000,000	11,217,054	(612,528)	1,827,951	13,064,581	75,497,058	2,272,624	77,769,682	
	<b>Balance as at 1 January 2024</b>	50,000,000	-	(612,528)	2,125,192	27,472,281	78,984,945	2,530,221	81,515,166	
	Net profit	-	-	-	-	6,590,280	6,590,280	127,471	6,717,751	
	Other comprehensive loss	-	-	-	(150,195)	-	(150,195)	(45,113)	(195,308)	
	Total comprehensive income	-	-	-	(150,195)	6,590,280	6,440,085	82,358	6,522,443	
	Dividends to the equity holders of the Parent Company	24	-	-	-	(8,974,090)	(8,974,090)	-	(8,974,090)	
	Dividends to non-controlling interests		-	-	-	-	-	(347,730)	(347,730)	
	Share-based payment transactions		-	-	95,223	(46,722)	-	48,501	255	48,756
	Transactions with non-controlling interests		-	-	-	(96,854)	-	(96,854)	280,998	184,144
	Share of other reserves of a joint venture		-	-	-	(1,402)	-	(1,402)	-	(1,402)
	<b>Balance as at 30 June 2024</b>	50,000,000	-	(517,305)	1,830,019	25,088,471	76,401,185	2,546,102	78,947,287	

  
**Group Chief Financial Officer**

  
**Delegated Group Chief Executive Officer**

  
**Authorized Board Member**

The accompanying notes from 1 to 26 form an integral part of these interim condensed consolidated financial statements.



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

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)  
FOR THE THREE AND SIX MONTHS PERIODS ENDED 30 JUNE 2024**

(All amounts in thousands Saudi Riyals unless otherwise stated)

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**1- GENERAL INFORMATION**

**A) ESTABLISHMENT OF THE COMPANY**

Saudi Telecom Company ("stc" or the "Company") was established as a Saudi Joint Stock Company pursuant to Royal Decree No. M/35 dated 24 Dhul Hijja 1418H (corresponding to 21 April 1998) that authorized the transfer of the telegraph and telephone division of the Ministry of Post, Telegraph and Telephone ("MoPTT") with its various components and technical and administrative facilities to the Company, and in accordance with the Council of Ministers' Resolution No. 213 dated 23 Dhul Hijja 1418H (corresponding to 20 April 1998) that approved the Company's by-laws ("By-laws"). The Company was wholly owned by the Government of the Kingdom of Saudi Arabia (the "Government"). The Government sold 30% of its shares pursuant to the Council of Ministers Resolution No. 171 dated 2 Rajab 1423H (corresponding to 9 September 2002). The Public Investment Fund ("PIF") is the ultimate controlling party of the Company through its ownership of 64% after the sale of 6% of the Company's shares through a secondary offering during the year 2021.

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

**B) GROUP ACTIVITIES**

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

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

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

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

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**  
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(All amounts in thousands Saudi Riyals unless otherwise stated)

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**2- BASIS OF PREPARATION**

These interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" that is endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization for Chartered and Professional Accountants ("SOCPA") ("IAS 34").

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual consolidated financial statements in accordance with International Financial Reporting Standards and other standards and pronouncements that are endorsed by the Saudi Organization for Chartered and Professional Accountants. Therefore, these interim condensed consolidated financial statements should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2023.

**3- THE GROUP'S ACCOUNTING POLICIES**

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2023.

There are amendments to the standards that come into effect as of 1 January 2024, but they do not have any material impact on the Group interim condensed consolidated financial statements.

New amendments
Amendments to IAS 7 and IFRS 7: Supplier Finance Arrangements.
Amendments to IFRS 16: Lease Liability in a Sale and Leaseback.
Amendments to IAS 1: Classification of Liabilities as Current or Non-current.
Amendments to IAS 1: Non-current Liabilities with Covenants.

**4- SEGMENT INFORMATION**

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

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

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

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**4- SEGMENT INFORMATION (CONTINUED)**

The following is an analysis of the Group's revenues and results based on segments:

	For the three months period ended 30 June		For the six months period ended 30 June	
	2024	2023	2024	2023
<b>Revenues <sup>(1)</sup></b>				
stc	12,461,060	12,447,950	24,793,575	24,636,944
Saudi Telecom Channels Company ("Channels")	3,847,293	3,769,908	7,999,093	7,535,487
Arabian Internet and Communications Services Company ("Solutions")	2,771,470	2,701,289	5,580,117	5,377,561
Kuwait Telecommunications Company ("stc Kuwait")	1,080,292	1,069,310	2,145,308	2,130,320
Telecommunications Towers Company ("TAWAL")	947,314	797,408	1,878,704	1,536,699
stc Bahrain BSC (c) ("stc Bahrain")	474,510	477,741	965,793	951,160
stc Bank	303,667	244,860	603,705	468,503
Gulf Digital Media Model Company Ltd ("Intigral")	156,372	130,911	332,813	288,321
Advanced Technology and Cybersecurity Company ("sirar")	129,430	148,486	249,927	249,161
Public Telecommunications Company ("Specialized")	86,639	79,625	159,914	139,843
Other operating segments <sup>(2)</sup>	576,857	228,034	1,087,288	373,293
Eliminations / adjustments	(3,679,988)	(3,768,544)	(7,541,297)	(7,180,993)
<b>Total revenues</b>	<b>19,154,916</b>	<b>18,326,978</b>	<b>38,254,940</b>	<b>36,506,299</b>
Cost of operations (excluding depreciation and amortization)	(12,740,168)	(12,506,172)	(25,365,895)	(24,342,009)
Depreciation and amortization	(2,529,987)	(2,540,302)	(5,148,075)	(5,152,805)
Cost of early retirement program	(285,355)	(130,114)	(455,150)	(396,631)
Finance income	435,821	381,974	877,907	741,580
Finance cost	(505,102)	(247,665)	(920,042)	(486,016)
Net other income (expenses)	81,457	(34,612)	(50,449)	(3,224)
Net share in results of investments in associates and joint ventures	74,878	40,010	17,992	53,154
Net other gains (losses)	7,827	87,974	60,243	(30,210)
Zakat and income tax	(307,424)	(330,835)	(553,720)	(708,059)
<b>Net profit</b>	<b>3,386,863</b>	<b>3,047,236</b>	<b>6,717,751</b>	<b>6,182,079</b>
<b>Net profit attributable to:</b>				
Equity holders of the Parent Company	3,304,387	3,008,446	6,590,280	6,117,117
Non-controlling interests	82,476	38,790	127,471	64,962
	<b>3,386,863</b>	<b>3,047,236</b>	<b>6,717,751</b>	<b>6,182,079</b>

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**4- SEGMENT INFORMATION (CONTINUED)**

Following is the gross profit analysis on a segment basis:

	For the three months period ended 30 June		For the six months period ended 30 June	
	2024	2023	2024	2023
stc	7,497,624	7,334,346	14,677,498	14,750,711
Saudi Telecom Channels Company ("Channels")	755,536	716,952	1,579,234	1,484,547
Arabian Internet and Communications Services Company ("Solutions")	743,458	780,753	1,411,337	1,428,251
Kuwait Telecommunications Company ("stc Kuwait")	504,439	505,223	1,029,142	1,021,143
Telecommunications Towers Company ("TAWAL")	758,174	630,709	1,509,833	1,215,540
stc Bahrain BSC (c) ("stc Bahrain")	225,944	219,750	453,474	424,872
stc Bank	70,183	(4,519)	123,566	42,604
Gulf Digital Media Model Company Ltd ("Intigral")	95,412	68,962	220,119	183,966
Advanced Technology and Cybersecurity Company ("sirar")	40,875	38,901	87,670	77,401
Public Telecommunications Company ("Specialized")	46,652	42,057	84,927	77,845
Other operating segments <sup>(2)</sup>	140,678	69,759	349,886	116,357
Eliminations / adjustments	(1,307,691)	(1,387,461)	(2,569,225)	(2,573,982)
<b>Gross profit</b>	<b>9,571,284</b>	<b>9,015,432</b>	<b>18,957,461</b>	<b>18,249,255</b>

**Information about geographical segmentation:**

Following is the geographical segmentation of revenues:

	For the three months period ended 30 June		For the six months period ended 30 June	
	2024	2023	2024	2023
Kingdom of Saudi Arabia	16,820,752	16,132,953	33,594,459	32,259,537
Outside the Kingdom of Saudi Arabia	2,334,164	2,194,025	4,660,481	4,246,762
	<b>19,154,916</b>	<b>18,326,978</b>	<b>38,254,940</b>	<b>36,506,299</b>

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**4- SEGMENT INFORMATION (CONTINUED)**

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

	<b>30 June 2024</b>	31 December 2023
<b>Assets</b>		
stc	<b>146,022,277</b>	151,346,881
Saudi Telecom Channels Company ("Channels")	<b>12,615,813</b>	11,148,734
Arabian Internet and Communications Services Company ("Solutions")	<b>10,229,910</b>	11,516,244
Kuwait Telecommunications Company ("stc Kuwait")	<b>5,331,354</b>	5,462,864
Telecommunications Towers Company ("TAWAL")	<b>18,650,772</b>	18,490,654
stc Bahrain BSC (c) ("stc Bahrain")	<b>6,208,865</b>	5,629,610
stc Bank	<b>5,022,876</b>	5,028,908
Gulf Digital Media Model Company Ltd ("Intigral")	<b>1,016,272</b>	958,351
Advanced Technology and Cybersecurity Company ("sirar")	<b>630,985</b>	598,762
Public Telecommunications Company ("Specialized")	<b>753,318</b>	780,705
Other operating segments <sup>(2)</sup>	<b>24,746,885</b>	23,213,588
Eliminations / adjustments	<b>(71,190,141)</b>	(74,492,531)
<b>Total assets</b>	<b>160,039,186</b>	159,682,770
<b>Liabilities</b>		
stc	<b>55,213,435</b>	58,068,759
Saudi Telecom Channels Company ("Channels")	<b>11,259,510</b>	9,789,528
Arabian Internet and Communications Services Company ("Solutions")	<b>6,969,095</b>	8,163,690
Kuwait Telecommunications Company ("stc Kuwait")	<b>2,569,454</b>	2,486,943
Telecommunications Towers Company ("TAWAL")	<b>14,141,984</b>	14,341,336
stc Bahrain BSC (c) ("stc Bahrain")	<b>4,636,965</b>	4,112,396
stc Bank	<b>4,539,904</b>	4,116,537
Gulf Digital Media Model Company Ltd ("Intigral")	<b>939,062</b>	920,837
Advanced Technology and Cybersecurity Company ("sirar")	<b>349,314</b>	338,872
Public Telecommunications Company ("Specialized")	<b>714,268</b>	746,836
Other operating segments <sup>(2)</sup>	<b>16,569,257</b>	17,591,430
Eliminations / adjustments	<b>(36,810,349)</b>	(42,509,560)
<b>Total liabilities</b>	<b>81,091,899</b>	78,167,604

- (1) Segment revenue reported above represents revenue generated from external and internal customers. There were SR 3,680 million and SR 7,541 million of inter-segment sales and adjustments (between the Group's Companies) for the three and six months periods ended 30 June 2024, respectively (for the three and six months periods ended 30 June 2023: SR 3,769 million and SR 7,181 million, respectively) which were eliminated at consolidation.
- (2) Other operating segments include the following subsidiaries: Aqalat Limited ("Aqalat"), Smart Zone Real Estate, stc Gulf Investment Holding ("stc Gulf"), stc GCC Cable Systems W.L.L., Sendouk Al-Abatakar for Investment, Digital Centers for Data and Telecommunications ("Center 3"), Internet of Things Information Technology ("IoT<sup>2</sup>"), and General Cloud Computing Company for Information Technology ("SCCC"), stc Asia Holding, stc Turkey Limited Holding, Green Bridge Investment ("GBI"), Green Bridge Management ("GBM"), and Digital Infrastructure for Investment Company.

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**5- PROPERTY AND EQUIPMENT**

During the six months period ended 30 June 2024, the Group acquired property and equipment with total cost of SR 2,711 million, including non-cash additions with an amount of SR 612 million (30 June 2023: SR 2,708 million, including non-cash additions with an amount of SR 441 million).

During the six months period ended 30 June 2024, the Group disposed of property and equipment with a net book value of SR 91 million (30 June 2023: SR 62 million) resulting in a loss on sale of property and equipment for the six months period ended 30 June 2024 with an amount of SR 15 million (for the six months periods ended 30 June 2023: SR 54 million).

The following table shows the breakdown of depreciation expense if allocated to operating costs items:

	For the three months period ended 30 June		For the six months period ended 30 June	
	2024	2023	2024	2023
Cost of revenues	<b>1,361,100</b>	1,496,111	<b>2,776,363</b>	2,837,965
Selling and marketing expenses	<b>1,931</b>	1,976	<b>4,012</b>	4,044
General and administration expenses	<b>277,688</b>	192,851	<b>558,487</b>	548,529
	<b>1,640,719</b>	1,690,938	<b>3,338,862</b>	3,390,538

**6- INVESTMENT PROPERTIES**

	30 June 2024	31 December 2023
Land	<b>348,647</b>	348,647
Work in-progress	<b>540,660</b>	453,088
	<b>889,307</b>	801,735

The fair value of lands as at 31 December 2023 amounting to SR 1,626 million valued by RAWAJ Real Estate Valuation license no. 1210000062 and First Valuator license no. 1210000221 appointed as an independent, professionally qualified valuers accredited by the Saudi Authority for Accredited Valuers (Taqeem). The fair value measurement is classified within level 3 based on valuation techniques applied (residual value method, comparables method, and discounted cash flow method).

**7- INTANGIBLE ASSETS AND GOODWILL**

During the six months period ended 30 June 2024, the net additions in intangible assets amounted to SR 1,642 million, including non-cash additions with an amount of SR 535 million (30 June 2023: SR 1,212 million cash additions, including non-cash additions with an amount of SR 602 million).

During the six months period ended 30 June 2024, a provisional goodwill total of SR 714 million resulted from Group's subsidiaries' acquisitions (Note 22).

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**7- INTANGIBLE ASSETS AND GOODWILL (CONTINUED)**

The following table shows the breakdown of amortization expense if allocated to operating costs items:

	For the three months period ended 30 June		For the six months period ended 30 June	
	2024	2023	2024	2023
Cost of revenues	179,872	165,367	343,017	350,632
Selling and marketing expenses	18,279	8,665	21,483	17,322
General and administration expenses	491,888	438,141	974,412	884,718
	<b>690,039</b>	<b>612,173</b>	<b>1,338,912</b>	<b>1,252,672</b>

**8- RIGHT OF USE ASSETS**

During the six months period ended 30 June 2024, the net additions in right of use assets amounted to SR 627 million (30 June 2023: SR 349 million) all of which are non-cash additions.

The following table shows the breakdown of depreciation expense if allocated to operating costs items:

	For the three months period ended 30 June		For the six months period ended 30 June	
	2024	2023	2024	2023
Cost of revenues	136,065	183,590	348,264	396,142
Selling and marketing expenses	481	-	4,121	511
General and administration expenses	62,683	53,601	117,916	112,942
	<b>199,229</b>	<b>237,191</b>	<b>470,301</b>	<b>509,595</b>

**9- ASSETS HELD FOR SALE**

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

	30 June 2024	31 December 2023
Lands at carrying amount	17,093	21,259
Telecom towers at fair value less costs to sell	-	30,000
	<b>17,093</b>	<b>51,259</b>

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**10- FINANCIAL ASSETS AND OTHERS**

**10-1 Financial assets**

	<b>30 June 2024</b>	31 December 2023
<b>Financial assets measured at FVTOCI:</b>		
Listed equity investments	<b>4,495,161</b>	4,130,284
<b>Financial assets measured at FVTPL:</b>		
Cash collateral against purchase of a listed equity investment	<b>4,288,712</b>	4,468,557
Investment funds and unlisted equity investments	<b>3,450,566</b>	3,532,376
	<b>7,739,278</b>	8,000,933
<b>Financial assets at amortized cost:</b>		
Sukuk	<b>5,122,437</b>	5,313,050
Customers' trust accounts of stc Bank (Note 15.1)	<b>2,821,194</b>	2,532,874
Loans to employees	<b>408,427</b>	410,679
Investment accounts of stc Bank	-	500,000
Others	<b>1,523,651</b>	1,532,209
	<b>9,875,709</b>	10,288,812
<b>Financial derivatives:</b>		
Forward contract	<b>234,135</b>	-
Cross currency swap	<b>102,064</b>	-
Option	-	662,073
	<b>336,199</b>	662,073
	<b>22,446,347</b>	23,082,102
Current	<b>8,774,938</b>	10,767,322
Non-current	<b>13,671,409</b>	12,314,780
	<b>22,446,347</b>	23,082,102



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**10- FINANCIAL ASSETS AND OTHERS (CONTINUED)**

**10-2 Other assets**

	30 June 2024	31 December 2023
Advances	591,125	612,612
Prepaid expenses	496,750	421,598
Deferred expenses	319,911	317,376
Others	450,379	313,525
	<b>1,858,165</b>	1,665,111
Current	1,660,652	1,478,697
Non-current	197,513	186,414
	<b>1,858,165</b>	1,665,111

**11- TRADE RECEIVABLES**

	30 June 2024	31 December 2023
Trade receivables	25,765,715	23,786,025
Less: allowance for impairment loss	(2,676,550)	(2,384,754)
	<b>23,089,165</b>	21,401,271

**12- RELATED PARTY TRANSACTIONS**

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

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

	For the three months period ended 30 June		For the six months period ended 30 June	
	2024	2023	2024	2023
<b>Services provided</b>				
Associates	132,161	92,399	256,682	179,474
Joint ventures	1,572	1,685	2,896	3,564
	<b>133,733</b>	94,084	<b>259,578</b>	183,038
<b>Services received</b>				
Associates	31,892	6,450	50,342	23,190
Joint ventures	800	17,373	1,557	112,027
	<b>32,692</b>	23,823	<b>51,899</b>	135,217

The following balances are outstanding with related parties:

	Amounts due from related parties		Amounts due to related parties	
	30 June 2024	31 December 2023	30 June 2024	31 December 2023
Associates	359,706	320,247	71,289	28,011
Joint ventures	3,011	2,414	2,309	5,960
	<b>362,717</b>	322,661	<b>73,598</b>	33,971

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

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

The sale and purchase transactions are carried out by the relevant parties in accordance with the normal terms of trade. The outstanding balances are unguaranteed, without commission and no guarantees have been provided or received in relation to the balances due or from the related parties.

In addition, the Group has an investment in sukuk issued by a joint venture entity (BGSM) amounting to MR 1,508 million (equivalent to SR 1,383 million) with a book value of SR 1,200 million as of 30 June 2024 (31 December 2023: SR 1,230 million).

**12-2 Trade transactions and related parties' balances (government and government related entities)**

Revenues from transactions with government and government related entities for the three and six months periods ended 30 June 2024 amounted to SR 3,179 million and SR 6,174 million, respectively (for the three and six months periods ended 30 June 2023 amounted to SR 3,222 million and SR 6,430 million, respectively) and expenses related to transactions with government and government related entities for the three and six months periods ended 30 June 2024 (including government charges) amounted to SR 1,470 million and SR 3,180 million, respectively (for the three and six months periods ended 30 June 2023 amounted to SR 1,472 million and SR 3,001 million, respectively).

As at 30 June 2024, accounts receivable from government entities totalled SR 18,331 million (31 December 2023: SR 17,129 million) and at 30 June 2024 accounts payable due to government entities totalled SR 2,212 million (31 December 2023: SR 1,503 million). Among the balances with government entities, the Group invested SR 3,902 million in the Sukuk issued by the Ministry of Finance during the first quarter of 2019. During 2024, Tranche I amounting to SR 1,762 million has matured and additional investment was made amounting to SR 1,600 million with duration of 10 years.

The total balance of accounts receivable with government related entities as at 30 June 2024 was SR 1,060 million (31 December 2023: SR 1,526 million). Total balance of accounts payable with government related entities as at 30 June 2024 was SR 5,010 million (31 December 2023: SR 1,884 million).

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

Government entities are defined as ministries, commissions and other entities of the Government. On the other hand, Government related entities are defined as PIF and its subsidiaries, associates and joint ventures.

Receivable aging from government entities is as follows:

	<b>30 June 2024</b>	31 December 2023
Less than a year	<b>10,419,156</b>	10,323,282
More than one year to two years	<b>4,739,177</b>	4,243,442
More than two years	<b>3,173,102</b>	2,562,511
	<b>18,331,435</b>	17,129,235

**12-3 Loans to related parties**

	<b>30 June 2024</b>	31 December 2023
Loans to senior executives	<b>16,933</b>	10,765

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

**12-4 Benefits, remuneration and compensation of board members and senior executives**

The remuneration and compensation of board members and senior executives:

	For the three months period ended 30 June		For the six months period ended 30 June	
	2024	2023	2024	2023
Short-term benefits and remuneration	<b>106,598</b>	109,980	<b>427,729</b>	416,854
End of service benefits	<b>136,720</b>	113,067	<b>275,894</b>	228,694
Share-based payments	<b>23,133</b>	32,500	<b>53,648</b>	58,680
Vacations and others	<b>35,308</b>	30,467	<b>64,291</b>	54,380
	<b>301,759</b>	286,014	<b>821,562</b>	758,608

**13- END OF SERVICE BENEFIT PROVISION**

Calculation of end of service benefit provision was performed using the most recent actuarial valuation as at 30 June 2024. Net actuarial (losses) gains included in the interim condensed consolidated statement of comprehensive income for the three and six months periods ended 30 June 2024 amounted to SR (169) million and SR 108 million, respectively (30 June 2023: net actuarial losses SR 108 million and SR 51 million, respectively) as a result of experience adjustments and update of actuarial assumptions relating mainly to salary increase.

**14- LEASE LIABILITIES**

	30 June 2024	31 December 2023
Current	<b>952,578</b>	947,703
Non-current	<b>3,161,555</b>	3,251,538
	<b>4,114,133</b>	4,199,241

The interest expense on lease liabilities for the three and six months periods ended 30 June 2024 amounted to SR 41 million and SR 80 million respectively which was included in finance cost (30 June 2023: SR 26 million and SR 56 million, respectively).

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**15- FINANCIAL LIABILITIES AND OTHERS**

**15-1 Financial liabilities**

	<b>30 June 2024</b>	31 December 2023
Dividends payable (Note 24)	<b>5,478,681</b>	2,246,738
Customers' deposits – stc Bank (Note 10.1)	<b>2,821,194</b>	2,532,874
Government charges	<b>2,238,484</b>	1,552,086
Financial liabilities related to frequency spectrum licenses	<b>1,595,441</b>	1,792,926
Financial derivatives - options	<b>54,626</b>	-
Financial derivatives - forward contract	-	262,998
Other financial liabilities	<b>878,490</b>	547,534
	<b>13,066,916</b>	8,935,156
Current	<b>10,838,022</b>	6,734,287
Non-current	<b>2,228,894</b>	2,200,869
	<b>13,066,916</b>	8,935,156

**15-2 Other liabilities**

	<b>30 June 2024</b>	31 December 2023
Deferred income	<b>3,843,034</b>	3,954,147
Others	<b>644,042</b>	472,347
	<b>4,487,076</b>	4,426,494
Current	<b>613,749</b>	483,667
Non-current	<b>3,873,327</b>	3,942,827
	<b>4,487,076</b>	4,426,494

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**16- FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS**

The Group uses valuation techniques appropriate to current circumstances that provide sufficient data to measure fair value. In addition, for the financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

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

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

Financial assets and liabilities measured at fair value:

**30 June 2024**

	Carrying amount	Fair value levels		
		Level 1	Level 2	Level 3
<b><u>Financial assets</u></b>				
Listed equity investments (Note 10.1)	4,495,161	4,495,161 <sup>(1)</sup>	-	-
Investment funds and unlisted equity investments (Note 10.1)	3,450,566	-	-	3,450,566 <sup>(6)</sup>
Cash collateral against purchase of a listed equity investment (Note 10.1)	4,288,712	-	4,288,712 <sup>(2)</sup>	-
Financial derivatives- forward (Note 10.1)	234,135	-	234,135 <sup>(4)</sup>	-
Financial derivatives-cross currency swap (Note 10.1)	102,064	-	102,064 <sup>(7)</sup>	-
<b><u>Financial liabilities</u></b>				
Put option to non-controlling interest shareholders	235,856	-	-	235,856 <sup>(5)</sup>
Financial derivatives - options contract (Note 15.1)	54,626	-	54,626 <sup>(3)</sup>	-

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

Financial assets and liabilities measured at fair value (continued):

31 December 2023	Carrying amount	Fair value levels		
		Level 1	Level 2	Level 3
<u>Financial assets</u>				
Listed equity investments (Note 10.1)	4,130,284	4,130,284 <sup>(1)</sup>	-	-
Investment funds and unlisted equity investments (Note 10.1)	3,532,376	-	-	3,532,376 <sup>(6)</sup>
Cash collateral against purchase of a listed equity investment (Note 10.1)	4,468,557	-	4,468,557 <sup>(2)</sup>	-
Financial derivatives- options (Note 10.1)	662,073	-	662,073 <sup>(3)</sup>	-
<u>Financial liabilities</u>				
Put option to non-controlling interest shareholders	243,000	-	-	243,000 <sup>(5)</sup>
Financial derivatives -forward contract (Note 15.1)	262,998	-	262,998 <sup>(4)</sup>	-

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

1. Fair value of equity instruments at level 1 is based on quoted market price at the reporting date.
2. The fair value of cash collateral against purchase of a listed equity investment approximates its carrying amount largely due to the short-term maturity of this instrument.
3. The fair value of financial derivatives- options were estimated by using Black Sholes Model. The significant observable inputs are the volatility of share prices and interest rate.
4. The fair value of the financial derivatives -forward contract was estimated by subtracting the quoted market price at the reporting date from the agreed price multiplied with forward number of shares.
5. The fair value of the non-current liability resulting from the put option to non-controlling interest shareholders has been determined within level 3 utilizing discounted cash flow method.
6. The fair value of the Group's investment in the units of stc Ventures Fund and STV LP Fund (the "Funds") is obtained from the net asset value ("NAV") reports received from the Funds' managers. The Funds' managers deploy various techniques (such as recent round of finance, discounted cash flow models and multiples method) for the valuation of underlying financial instruments classified under level 3 of the respective Fund's fair value hierarchy. Significant unobservable inputs embedded in the models used by the Funds' managers include risk adjusted discount rates and lack of marketability discount.
7. During the six months period ended 30 June 2024, the Group entered into an Islamic Cross Currency Swap arrangement with a notional amount of EUR 1,470 million (USD 1,600 million) to mitigate the EUR forex risk whereby the Group receives USD and pays EURO. The Group accounted for this arrangement as derivative financial instruments measured at fair value through profit and loss. The fair value of financial derivatives-cross currency swap was estimated using appropriate valuation techniques based on the forward profit and currency rates in Bloomberg portal.

There were no transfers between levels of the fair value hierarchy during the six months period ended 30 June 2024.

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

The following is a reconciliation of the Group's investment in funds and unlisted equity investments, which are categorised within Level "3" of the fair value hierarchy:

	<b>30 June 2024</b>	31 December 2023
Net assets value as at beginning of the period /year	<b>3,532,376</b>	2,929,065
Contributions paid	<b>211,031</b>	572,808
Proceeds from investments liquidation	<b>(170,767)</b>	-
Net unrealised (losses) gains recognised in profit or loss (*)	<b>(122,074)</b>	30,503
Net assets value as at ending of the period /year	<b>3,450,566</b>	3,532,376

(\*) The net unrealized (losses) gains recognised were included within net other gains (losses) item in the statement of profit or loss.

Financial assets and liabilities measured at amortized cost:

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

**30 June 2024**

	<u>Carrying amount</u>	<u>Fair value levels</u>		
		Level 1	Level 2	Level 3
<b><u>Financial assets</u></b>				
Financial assets at amortized cost - Sukuk	<b>3,681,301</b>	-	<b>3,545,670</b>	-
<b><u>Financial liabilities</u></b>				
Borrowings – Sukuk	<b>4,677,645</b>	-	<b>4,448,062</b>	-

31 December 2023

	<u>Carrying amount</u>	<u>Fair value levels</u>		
		Level 1	Level 2	Level 3
<b><u>Financial assets</u></b>				
Financial assets at amortized cost - Sukuk	3,938,871	-	3,839,694	-
<b><u>Financial liabilities</u></b>				
Borrowings – Sukuk	4,676,733	-	4,473,771	-

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

There were no transfers between levels of the fair value hierarchy during six months periods ended 30 June 2024.

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**17- ZAKAT AND INCOME TAX**

The Group submitted all zakat returns until the end of 2023, with payment of zakat due based on those returns, and accordingly the Group received zakat certificates for those years. Effective from year 2009, the Group started the submission of a consolidated zakat return for the Company and its wholly owned subsidiaries whether directly or indirectly in accordance with the executive regulations for collecting zakat.

The Group received from Zakat, Tax, and Customs Authority ("ZATCA") the final zakat assessments up to 2011 and the years ended 31 December 2014 and 2018. The Group did not receive the zakat assessments of the years 2012 and 2013 in addition to the years from 2019 up to 2023.

The Group received the decision of the Tax Violations and Disputes Appeal Committee to end the dispute with the Authority over the zakat assessments for the years 2015 to 2017, and work is still ongoing with the Authority to pay the final amounts, and no significant additional provisions will result from that.

The not wholly owned subsidiaries submit their zakat declarations separately in which they have submitted all zakat returns until the end of 2023, and have paid the zakat dues based on those returns without receiving the zakat assessments.

**18- SHARE CAPITAL**

**Authorized, issued and fully paid capital comprises:**

5 billion fully paid ordinary shares at SR 10 each share

Number of outstanding shares "in thousands"

Number of treasury shares "in thousands"

	<b>30 June 2024</b>	<b>31 December 2023</b>
	<b>50,000,000</b>	50,000,000
	<b>4,986,917</b>	4,984,506
	<b>13,083</b>	15,494
	<b>5,000,000</b>	5,000,000



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**19- CAPITAL COMMITMENTS**

1. One of the Group's subsidiaries has an agreement to invest in a fund aiming to improve the telecommunication and information technology sector in the Kingdom of Bahrain and other GCC Countries with an amount of SR 644 million (equivalent to USD 172 million) as at 30 June 2024 (31 December 2023: SR 806 million (equivalent to USD 215 million)).
2. The Group has contractual commitments for the acquisition of property and equipment and intangible assets amounting to SR 6,534 million as at 30 June 2024 (31 December 2023: SR 5,814 million).
3. During 2022, the Company signed an agreement with STV LP Fund to allocate SR 1,125 million (equivalent to USD 300 million) additional investment in the fund out of which SR 417 million (equivalent to USD 111.2 million) was injected.

**20- CONTINGENT LIABILITIES**

1. The Group has outstanding letters of guarantee on behalf of the parent and its subsidiaries amounting to SR 5,731 million as at 30 June 2024 (31 December 2023 : SR 5,466 million).
2. The Group has outstanding letters of credit as at 30 June 2024 amounting to SR 1,402 million (31 December 2023: SR 1,634 million).
3. On 21 March 2016, the Company received a letter from a key customer requesting a refund for paid balances amounting to SR 742 million related to construction of a fiber optic network. Based on independent legal opinions obtained, the management believes that the customer's claim has no merit and therefore this claim has no material impact on the financial results of the Group.
4. The Group, in its ordinary course of business, is subject to proceedings, lawsuits and other claims. However, these matters are not expected to have any material impact on the Group's financial position or on the results of its operations as reflected in these interim condensed consolidated financial statements.
5. The Group received the Appeal Committee for Tax Violations and Disputes' decision with respect to the withholding tax assessment on international operators' networks rentals for the years from 2004 to 2015, rejecting its appeal with an amount of SR 1,500 million. The Group submitted a petition for reconsideration, as it believes that Saudi tax regulations do not impose withholding tax on international interconnection services since the source of income does not occur inside the Kingdom, and therefore these services should not be subject to withholding tax. During September 2022, the Group received the minutes of meeting of the Appeal Committee for Tax Violations and Disputes' regarding the petition for reconsideration which included the rejection of the petition by the Group. The Group submitted a petition for reconsideration based on new development on this matter. Based on the opinions of relevant consultants, the nature of the technical dispute, and new development on this matter, the Group believes that this assessment will not result into additional significant provisions.
6. The Group received claims from Communications, Space & Technology Commission ("CST") related to imposing government fees on devices sold in instalments for the period from 2018 until the end of the first quarter of 2021, totalling SR 782 million. The Group has objected to these claims within the statutory deadline and a Supreme Court ruling was issued in favour of the Group in regards to two of the claims amounting to SR 724 million. A final court ruling was issued by the Supreme Court in favour of CST in regards to the remaining claims amounting to SR 58 million as at 30 June 2024.

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**21- SUBSIDIARIES**

During October 2022, the Company received a non-binding offer from the Public Investment Fund (PIF) (a related party: the ultimate controlling party- note 1-A) to acquire 51% of the shares of Telecommunications Towers Company (Tawal), while stc will maintain 49% of the shares of Tawal. Tawal was valued at SR 21,940 million (100% enterprise value on cash free and debt free basis). The offer did not represent any binding commitment on both parties and it was subject to completing the due diligence. On 21 April 2024, a sale and purchase agreement (the "SPA") was signed which contains certain conditions precedent, which must be satisfied prior to completion, including -but not limited to- obtaining the approval from the general assembly of stc (scheduled on 24 July 2024), the approval of the Communications, Space and Technology Commission, as well as any other regulatory and commercial conditions.

As per the SPA, TAWAL's shares will be sold for a cash consideration estimated to be SAR 8.7 billion, noting that the final cash consideration will be based on the final accounts of debt, cash, and working capital at completion of the transaction. Agreements also were signed to transfer the ownership of both TAWAL and Golden Lattice Investment Company ("GLIC") (owns and manages 8,069 telecommunications towers in the Kingdom of Saudi Arabia, and owned by PIF and other shareholders) under a new entity through exchange of shares between the new entity, the owners of GLIC, and TAWAL. GLIC was valued at SAR 3.03 billion (USD 807 million), representing 100% of Enterprise Value on a cash free and debt free basis.

As a result, the Company's ownership in the new entity will be 43.06%.

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**22- BUSINESS COMBINATIONS**

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

	<b>IoT<sup>2</sup> acquisition of Machines Talk (1)</b>	<b>Center 3 acquisition of CMC Investments I Limited (2)</b>	<b>One of stcs' subsidiaries acquisition of Logical Application for Business Solutions Company (3)</b>	<b>Total</b>
<b>ASSETS</b>				
Property and equipment	12,726	9,063	197	21,986
Intangible assets	17,250	29,012	-	46,262
Right of use assets	1,067	-	-	1,067
Trade receivables	56,726	9,336	8,373	74,435
Cash and cash equivalents	36,297	40,573	628	77,498
Inventories	18,522	1,307	-	19,829
Financial assets and others	6,249	3,907	3,299	13,455
<b>TOTAL ASSETS</b>	<b>148,837</b>	<b>93,198</b>	<b>12,497</b>	<b>254,532</b>
<b>LIABILITIES</b>				
Trade and other payables	20,827	39,265	5,730	65,822
Lease liabilities	1,130	-	-	1,130
Borrowings	14,404	59,879	-	74,283
Provisions	9,188	-	1,061	10,249
<b>TOTAL LIABILITIES</b>	<b>45,549</b>	<b>99,144</b>	<b>6,791</b>	<b>151,484</b>
Total acquired identifiable net assets (liabilities) at fair value	103,288	(5,946)	5,706	103,048
Non-controlling interest	-	-	(1,712)	(1,712)
Purchase consideration	564,638	227,606	23,515	815,759
Provisional goodwill arising on acquisition (Note 7)	461,350	233,552	19,521	714,423

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**22- BUSINESS COMBINATIONS (CONTINUED)**

1. During the first quarter of 2024, IoT<sup>2</sup> acquired a 100% equity shareholding of Machines Talk, a company registered in the Kingdom of Saudi Arabia, which specializes in Internet of Things solutions. The purpose of the acquisition is to expand in internet of things operations and related activities as part of its business strategy. From the date of acquisition, business combination of Machines Talk has contributed SR 51 million of revenue and SR 1.9 million of net profit. If the business combination had taken place at the beginning of the year, revenue would have been SR 53 million and net profit would have been SR 1.8 million.
2. During the second quarter of 2024, Center 3 acquired a 100% equity shareholding of CMC Investments I Limited (CMC Mauritius), a company registered in the Mauritius, which specializes in resell of data connectivity services and network solution and clouds services. The purpose of the acquisition is to expand in Middle East and Africa markets. From the date of acquisition, business combination of CMC Investments I Limited has contributed SR 18 million of revenue and SR 0.9 million of net profit. If the business combination had taken place at the beginning of the year, revenue would have been SR 35 million and net profit would have been SR 12 million.
3. During the second quarter of 2024, one of stcs' subsidiaries acquired a 70% equity shareholding of Logical Application for Business Solutions Company, a company registered in the Kingdom of Saudi Arabia, which specializes in providing system integration solution services including SAP's Business management applications, business profitability & growth analytics, enterprise mobility, database and technology related implementations. The purpose of the acquisition is to enhance the Group service offering. From the date of acquisition, business combination of Logical Application for Business Solutions Company has contributed SR 1.2 million of revenue and SR (0.8) million of net loss. If the business combination had taken place at the beginning of the year, revenue would have been SR 12 million and net loss would have been SR (1.9) million. Stcs' acquisition of Logical Application for Business Solutions Company includes contingent and deferred consideration of SAR 8.1 million.

Acquisitions related costs of SR 21.3 million is expensed to the interim condensed consolidated statement of profit or loss and classified under general and administration expenses.

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

On 1 February 2024, Solutions has completed the acquisition of 40% of Devoteam Middle East for cash consideration assuming 100% Enterprise Value of AED 726.3 million (equivalent to SR 741.7 million).

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**24- DIVIDENDS**

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

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

The dividends policy will remain subject to:

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

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

In line with this policy, the Company will also distribute cash dividends to the shareholders of the Company for the second quarter of 2024 at a rate of SR 0.40 per share.

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

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**25- COMPARATIVE FIGURES**

Certain figures have been reclassified as listed below to conform with the classification used for the three and six months periods ended 30 June 2024. These reclassifications listed below have no impact on previously reported net income, retained earnings or cash positions:

	<b>As previously reported</b>	<b>Amount of reclassification</b>	<b>Amounts after reclassification</b>
<b>Consolidated statement of financial position as 31 December 2023</b>			
Cash and cash equivalents	13,414,125	(42,805)	13,371,320
Financial assets and others (current)	12,203,214	42,805	12,246,019

**Interim condensed consolidated statement of profit or loss for the three months period ended 30 June 2023**

Cost of revenues	(9,193,666)	(117,880)	(9,311,546)
General and administration	(1,745,234)	117,880	(1,627,354)

**Interim condensed consolidated statement of profit or loss for the six months period ended 30 June 2023**

Cost of revenues	(18,018,482)	(238,562)	(18,257,044)
General and administration	(3,458,427)	238,562	(3,219,865)

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

The Audit Committee (delegated by the Board of Directors) approved the interim condensed consolidated financial statements for the three and six months periods ended 30 June 2024 on 17 Muharram 1446 H (corresponding to 23 July 2024).