



Saudi Telecom Company
(A Saudi Joint Stock Company)

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

**Third Quarter
2024**

Saudi Telecom Company
A Saudi Joint Stock Company

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE AND NINE MONTHS PERIODS ENDED 30 SEPTEMBER 2024

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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 September 2024, and the related interim condensed consolidated statements of profit or loss and comprehensive income for the three-month and nine-month periods ended 30 September 2024, and the related interim condensed consolidated statements of changes in equity and cash flows for the nine-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: 9 Jumada Al-Ula 1446H
(11 November 2024)

Saudi Telecom Company
A Saudi Joint Stock Company

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 SEPTEMBER 2024

(All amounts in thousands Saudi Riyals unless otherwise stated)

	Note	30 September 2024 (Unaudited)	31 December 2023 (Audited)
ASSETS			
NON-CURRENT ASSETS			
Property and equipment	5	40,111,426	48,701,341
Investment properties	6	940,813	801,735
Intangible assets and goodwill	7,22	13,867,658	17,001,371
Right of use assets	8	1,191,518	3,893,838
Investments in associates and joint ventures	23	4,868,265	4,525,149
Contract assets and costs		1,360,663	1,444,868
Financial assets and others	10	14,721,487	12,501,194
TOTAL NON-CURRENT ASSETS		77,061,830	88,869,496
CURRENT ASSETS			
Inventories		1,310,268	1,904,971
Contract assets and costs		8,104,010	7,481,936
Trade receivables	11	22,972,084	21,401,271
Financial assets and others	10	10,927,005	12,246,019
Short term murabahas		6,436,544	14,767,349
Cash and cash equivalents		18,005,543	13,371,320
Assets held for sale	9	17,035,105	51,259
TOTAL CURRENT ASSETS		84,790,559	71,224,125
TOTAL ASSETS		161,852,389	160,093,621
EQUITY AND LIABILITIES			
EQUITY			
Share capital	18	50,000,000	50,000,000
Treasury shares		(517,351)	(612,528)
Other reserves		2,070,674	2,125,192
Retained earnings		27,736,529	27,472,281
Reserves of a disposal group held for sale	9.1	(7,083)	-
Equity attributable to the equity holders of the Parent Company		79,282,769	78,984,945
Non-controlling interests		2,660,930	2,530,221
TOTAL EQUITY		81,943,699	81,515,166
LIABILITIES			
NON-CURRENT LIABILITIES			
Long term borrowings		15,098,447	13,641,768
End of service benefits provision	13	5,448,487	5,258,413
Lease liabilities	14	1,475,522	3,327,526
Contract liabilities		1,176,418	1,110,722
Provisions		521,170	684,330
Financial liabilities and others	15	6,654,410	6,484,906
TOTAL NON-CURRENT LIABILITIES		30,374,454	30,507,665
CURRENT LIABILITIES			
Trade and other payables		17,673,521	21,823,200
Contract liabilities		4,073,402	4,581,371
Provisions		979,108	2,221,748
Zakat and income tax	17	2,449,872	2,632,768
Short term borrowings		227,722	8,315,728
Lease liabilities	14	536,825	947,703
Financial liabilities and others	15	10,533,906	7,548,272
Liabilities directly associated with assets classified as held for sale	9.1	13,059,880	-
TOTAL CURRENT LIABILITIES		49,534,236	48,070,790
TOTAL LIABILITIES		79,908,690	78,578,455
TOTAL EQUITY AND LIABILITIES		161,852,389	160,093,621


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 NINE MONTHS PERIODS ENDED 30 SEPTEMBER 2024

(All amounts in thousands Saudi Riyals unless otherwise stated)

	Note	For the three months period ended 30 September		For the nine months period ended 30 September	
		2024	2023	2024	2023
CONTINUING OPERATIONS:					
Revenues	4	18,642,570	18,034,386	56,627,367	54,489,206
Cost of revenues		(8,247,193)	(8,414,802)	(28,743,300)	(27,780,315)
GROSS PROFIT	4	10,395,377	9,619,584	27,884,067	26,708,891
OPERATING EXPENSES					
Selling and marketing		(1,937,401)	(1,639,589)	(4,665,370)	(4,487,184)
General and administration		(1,672,395)	(1,590,699)	(4,862,843)	(4,680,763)
Depreciation and amortization	5,7,8	(2,375,868)	(2,315,672)	(6,900,287)	(6,911,204)
TOTAL OPERATING EXPENSES		(5,985,664)	(5,545,960)	(16,428,500)	(16,079,151)
OPERATING PROFIT		4,409,713	4,073,624	11,455,567	10,629,740
OTHER INCOME AND EXPENSES					
Cost of early retirement program		(271,066)	(293,599)	(726,216)	(690,230)
Finance income		416,961	329,910	1,281,822	1,065,827
Finance costs		(276,017)	(238,226)	(943,910)	(700,194)
Net other income (expenses)		1,142	(59,104)	(49,239)	(62,802)
Net share in results of investments in associates and joint ventures		42,641	(7,548)	60,634	45,606
Net other gains		180,370	1,322,917	236,781	1,309,040
TOTAL OTHER INCOME (EXPENSES)		94,031	1,054,350	(140,128)	967,247
NET PROFIT BEFORE ZAKAT AND INCOME TAX		4,503,744	5,127,974	11,315,439	11,596,987
Zakat and income tax	17	(176,616)	(343,474)	(684,405)	(1,032,975)
NET PROFIT FROM CONTINUING OPERATIONS		4,327,128	4,784,500	10,631,034	10,564,012
DISCONTINUED OPERATIONS:					
NET PROFIT FROM DISCONTINUED OPERATIONS	9.1	385,307	191,130	799,152	593,697
NET PROFIT		4,712,435	4,975,630	11,430,186	11,157,709
<i>Net profit from continuing operations attributable to:</i>					
Equity holders of the Parent Company		4,257,518	4,712,890	10,433,953	10,427,440
Non-controlling interests		69,610	71,610	197,081	136,572
		4,327,128	4,784,500	10,631,034	10,564,012
<i>Net profit attributable to:</i>					
Equity holders of the Parent Company		4,642,825	4,904,020	11,233,105	11,021,137
Non-controlling interests		69,610	71,610	197,081	136,572
		4,712,435	4,975,630	11,430,186	11,157,709
Earnings per share from net profit from continuing operations attributable to equity holders of the Parent Company (in Saudi Riyals):					
- Basic	18	0.85	0.95	2.09	2.09
- Diluted	18	0.85	0.94	2.09	2.09
Earnings per share from net profit attributable to equity holders of the Parent Company (in Saudi Riyals):					
- Basic	18	0.93	0.98	2.25	2.21
- Diluted	18	0.93	0.98	2.25	2.20


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 COMPREHENSIVE INCOME (UNAUDITED)
FOR THE THREE AND NINE MONTHS PERIODS ENDED 30 SEPTEMBER 2024

(All amounts in thousands Saudi Riyals unless otherwise stated)

	Note	For the three months period ended 30 September		For the nine months period ended 30 September	
		2024	2023	2024	2023
NET PROFIT		4,712,435	4,975,630	11,430,186	11,157,709
OTHER COMPREHENSIVE INCOME:					
<i>Items that will not be reclassified subsequently to consolidated statement of profit or loss:</i>					
Remeasurement of end of service benefits provision	13	(227,466)	237,347	(119,527)	186,162
Changes in fair value for hedging instruments and equity investments through other comprehensive income		250,575	12,882	377,544	12,882
Net share of other comprehensive income (loss) of associates and joint ventures		-	-	107	(21,275)
Total items that will not be reclassified subsequently to consolidated statement of profit or loss		23,109	250,229	258,124	177,769
<i>Items that may be reclassified subsequently to consolidated statement of profit or loss:</i>					
Foreign currency translation differences		104,024	(100,496)	(91,865)	(159,402)
Net gain (loss) on hedge of a net investment		137,406	-	(97,512)	-
Net loss on cash flow hedges		(66,908)	-	(66,908)	-
Net share of other comprehensive (loss) income of associates and joint ventures		(426)	(7,456)	58	(41,323)
Total items that may be reclassified subsequently to consolidated statement of profit or loss		174,096	(107,952)	(256,227)	(200,725)
TOTAL OTHER COMPREHENSIVE INCOME (LOSS)		197,205	142,277	1,897	(22,956)
TOTAL COMPREHENSIVE INCOME		4,909,640	5,117,907	11,432,083	11,134,753
Total comprehensive income attributable to:					
Equity holders of the Parent Company		4,837,042	5,051,982	11,277,127	11,027,495
Non-controlling interests		72,598	65,925	154,956	107,258
		4,909,640	5,117,907	11,432,083	11,134,753
Total comprehensive income attributable to Equity holders of the Parent Company					
Continuing operations		4,375,768	4,947,493	10,418,027	10,519,514
Discontinued operations	9.1	461,274	104,489	859,100	507,981
		4,837,042	5,051,982	11,277,127	11,027,495


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 CASH FLOWS (UNAUDITED)
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2024

(All amounts in thousands Saudi Riyals unless otherwise stated)

	Note	For the nine months period ended 30 September	
		2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES			
Net profit from continuing operations before zakat and income tax		11,315,439	11,596,987
Net profit from discontinued operations before zakat and income tax	9.1	850,598	622,730
Adjustments for:			
Depreciation and amortization	5,7,8	7,647,676	7,766,800
Impairment loss and amortization of contract assets and costs		283,298	319,088
Impairment loss on trade receivables		923,259	380,867
(Reversal) of allowance for slow moving inventories		(30,856)	(7,006)
Finance income		(1,299,092)	(1,082,073)
Finance costs		1,363,921	790,509
Provision for end of service benefits and other provisions and expenses		729,142	453,650
Net share in results of investments in associates and joint ventures		(60,634)	(45,606)
Share- based payment expenses		86,994	91,686
Net other gains		(222,860)	(1,285,861)
Changes in :			
Trade receivables		(3,030,571)	(4,300,885)
Contract assets and costs, inventories and others		(414,787)	(1,668,972)
Trade payables and others		(2,574,490)	(1,816,216)
Contract liabilities and others		(2,344,526)	(498,035)
Cash generated from operations		13,222,511	11,317,663
Less: Zakat and income tax paid	17	(868,380)	(829,752)
Less: Provision for end of service benefits paid		(459,379)	(500,891)
Net cash generated from operating activities		11,894,752	9,987,020
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property and equipment	5	(4,970,593)	(4,761,277)
Purchase of intangible assets	7	(2,170,429)	(1,285,826)
Additions to investment properties		(95,260)	(186,917)
Proceeds from sale of property and equipment and land held for sale		138,433	1,406,212
Subsidiaries acquisition of new subsidiaries	22	(733,855)	(5,135,485)
Subsidiaries acquisition of new associates	23	(297,861)	-
Dividends from associates		2,900	27,490
Proceeds from finance income		1,281,445	1,188,928
Proceeds and payments related to financial assets and liabilities and others, net		8,064,145	(11,622,154)
Net cash generated from (used in) investing activities		1,218,925	(20,369,029)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid to the equity holders of the Parent Company		(7,707,094)	(5,994,780)
Dividends paid to non-controlling interests		(342,958)	(273,704)
Payment of lease liabilities		(1,293,737)	(856,864)
Repayment of borrowings		(2,379,090)	(88,070)
Proceeds from borrowings		4,264,390	11,808,952
Transactions with non-controlling interests		220,278	204,000
Finance costs paid		(628,448)	(251,726)
Net cash (used in) generated from financing activities		(7,866,659)	4,547,808
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		5,247,018	(5,834,201)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD		13,371,320	17,794,393
Net foreign exchange difference		(47,136)	(9,301)
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD		18,571,202	11,950,891
CASH AND CASH EQUIVALENTS IN THE STATEMENT OF FINANCIAL POSITION			
		18,005,543	11,950,891
CASH AND CASH EQUIVALENTS INCLUDED IN ASSETS HELD FOR SALE	9.1	565,659	-
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD		18,571,202	11,950,891



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 CHANGES IN EQUITY (UNAUDITED)
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2024**

(All amounts in thousands Saudi Riyals unless otherwise stated)

Note	Total equity attributable to the equity holders of the Parent Company						Total	Non-controlling interests	Total equity
	Share capital	Statutory reserve	Treasury shares	Other reserves	Retained earnings	Reserves of a disposal group held for sale			
Balance as at 1 January 2023	50,000,000	11,217,054	(703,838)	2,032,239	10,954,070	-	73,499,525	2,526,067	76,025,592
Net profit	-	-	-	-	11,021,137	-	11,021,137	136,572	11,157,709
Other comprehensive income (loss)	-	-	-	6,358	-	-	6,358	(29,314)	(22,956)
Total comprehensive income	-	-	-	6,358	11,021,137	-	11,027,495	107,258	11,134,753
Dividends to the equity holders of the Parent Company	24	-	-	-	(5,981,331)	-	(5,981,331)	-	(5,981,331)
Dividends to non-controlling interests		-	-	-	-	-	-	(295,082)	(295,082)
Transfer from statutory reserves	19	-	(11,217,054)	-	11,217,054	-	-	-	-
Share-based payment transactions		-	-	91,310	(3,143)	-	88,167	306	88,473
Transactions with non-controlling interests		-	-	-	225,501	-	225,501	204,000	429,501
Net share of other reserves of a joint venture		-	-	-	(1,406)	(19,091)	(20,497)	-	(20,497)
Balance as at 30 September 2023	50,000,000	-	(612,528)	2,259,549	27,191,839	-	78,838,860	2,542,549	81,381,409
Balance as at 1 January 2024	50,000,000	-	(612,528)	2,126,192	27,472,281	-	78,984,945	2,530,221	81,515,166
Net profit	-	-	-	-	11,233,105	-	11,233,105	197,081	11,430,186
Other comprehensive income (loss)	-	-	-	44,022	-	-	44,022	(42,125)	1,897
Total comprehensive income	-	-	-	44,022	11,233,105	-	11,277,127	154,956	11,432,083
Discontinued operations	9.1	-	-	-	7,083	(7,083)	-	-	-
Dividends to the equity holders of the Parent Company	24	-	-	-	(10,968,857)	-	(10,968,857)	-	(10,968,857)
Dividends to non-controlling interests		-	-	-	-	-	-	(347,730)	(347,730)
Share-based payment transactions		-	-	95,177	(9,454)	-	85,723	255	85,978
Transactions with non-controlling interests		-	-	-	(96,854)	-	(96,854)	323,228	226,374
Net share of other reserves of a joint venture		-	-	-	685	-	685	-	685
Balance as at 30 September 2024	50,000,000	-	(517,351)	2,070,674	27,736,529	(7,083)	79,282,769	2,660,930	81,943,699



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 NINE MONTHS PERIODS ENDED 30 SEPTEMBER 2024

(All amounts in thousands Saudi Riyals unless otherwise stated)

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)
FOR THE THREE AND NINE MONTHS PERIODS ENDED 30 SEPTEMBER 2024 (CONTINUED)

(All amounts in thousands Saudi Riyals unless otherwise stated)

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.

Saudi Telecom Company
A Saudi Joint Stock Company

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE AND NINE MONTHS PERIODS ENDED 30 SEPTEMBER 2024 (CONTINUED)

(All amounts in thousands Saudi Riyals unless otherwise stated)

4- SEGMENT INFORMATION (CONTINUED)

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

	For the three months period ended 30 September		For the nine months period ended 30 September	
	2024	2023	2024	2023
Revenues ⁽¹⁾				
stc	12,442,331	12,384,575	37,235,907	37,021,519
Saudi Telecom Channels Company ("Channels")	3,583,000	3,215,501	11,582,093	10,750,988
Arabian Internet and Communications Services Company ("Solutions")	2,753,159	2,794,638	8,333,276	8,172,199
Kuwait Telecommunications Company ("stc Kuwait")	1,070,109	1,030,420	3,215,417	3,160,740
stc Bahrain BSC (c) ("stc Bahrain")	478,347	481,924	1,444,140	1,433,084
stc Bank	320,197	299,864	923,903	768,367
Gulf Digital Media Model Company Ltd ("Intigral")	159,535	176,779	492,349	465,100
Advanced Technology and Cybersecurity Company ("sirar")	160,370	170,433	410,297	419,594
Public Telecommunications Company ("Specialized")	95,584	90,357	255,498	230,200
Other operating segments ⁽²⁾	615,732	443,151	1,703,017	816,444
Eliminations / adjustments	(3,035,794)	(3,053,256)	(8,968,530)	(8,749,029)
Total revenues	18,642,570	18,034,386	56,627,367	54,489,206
Cost of operations (excluding depreciation and amortization) ⁽³⁾	(11,856,989)	(11,645,090)	(38,271,513)	(36,948,262)
Depreciation and amortization	(2,375,868)	(2,315,672)	(6,900,287)	(6,911,204)
Cost of early retirement program	(271,066)	(293,599)	(726,216)	(690,230)
Finance income	416,961	329,910	1,281,822	1,065,827
Finance costs	(276,017)	(238,226)	(943,910)	(700,194)
Net other income (expenses)	1,142	(59,104)	(49,239)	(62,802)
Net share in results of investments in associates and joint ventures	42,641	(7,548)	60,634	45,606
Net other gains	180,370	1,322,917	236,781	1,309,040
Zakat and income tax	(176,616)	(343,474)	(684,405)	(1,032,975)
Net profit from continuing operations	4,327,128	4,784,500	10,631,034	10,564,012

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4- SEGMENT INFORMATION (CONTINUED)

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

	For the three months period ended 30 September		For the nine months period ended 30 September	
	2024	2023	2024	2023
stc	8,979,235	8,067,600	23,656,733	22,818,311
Saudi Telecom Channels Company ("Channels")	802,142	720,944	2,381,376	2,205,491
Arabian Internet and Communications Services Company ("Solutions")	775,060	836,947	2,186,396	2,265,198
Kuwait Telecommunications Company ("stc Kuwait")	493,592	509,643	1,522,734	1,530,786
stc Bahrain BSC (c) ("stc Bahrain")	242,012	222,147	695,487	647,019
stc Bank	90,805	68,267	214,371	110,871
Gulf Digital Media Model Company Ltd ("Intigral")	112,975	146,495	333,094	330,461
Advanced Technology and Cybersecurity Company ("sifar")	46,251	43,237	133,921	120,638
Public Telecommunications Company ("Specialized")	44,994	52,640	129,921	130,485
Other operating segments ⁽²⁾	204,754	199,929	554,641	316,286
Eliminations / adjustments	(1,396,443)	(1,248,265)	(3,924,607)	(3,766,655)
Gross profit from continuing operations	10,395,377	9,619,584	27,884,067	26,708,891

Information about geographical segmentation:

Following is the geographical segmentation of revenues from continuing operations:

	For the three months period ended 30 September		For the nine months period ended 30 September	
	2024	2023	2024	2023
Kingdom of Saudi Arabia	16,397,031	15,968,914	49,918,547	48,206,528
Outside the Kingdom of Saudi Arabia	2,245,539	2,065,472	6,708,820	6,282,678
	18,642,570	18,034,386	56,627,367	54,489,206

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4- SEGMENT INFORMATION (CONTINUED)

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

	30 September 2024	31 December 2023
Assets		
stc	145,410,388	151,346,881
Saudi Telecom Channels Company ("Channels")	12,177,980	11,148,734
Arabian Internet and Communications Services Company ("Solutions")	10,982,164	11,516,244
Kuwait Telecommunications Company ("stc Kuwait")	5,431,983	5,462,864
stc Bahrain BSC (c) ("stc Bahrain")	5,180,425	5,629,610
Telecommunications Towers Company ("TAWAL") ⁽⁴⁾	-	18,901,505
stc Bank	4,563,546	5,028,908
Gulf Digital Media Model Company Ltd ("Intigral")	932,384	958,351
Advanced Technology and Cybersecurity Company ("sirar")	736,565	598,762
Public Telecommunications Company ("Specialized")	693,311	780,705
Other operating segments ⁽²⁾	27,422,790	23,213,588
Assets held for sale- Discontinued operations ⁽⁴⁾	25,750,152	-
Eliminations / adjustments	(77,429,299)	(74,492,531)
Total assets	161,852,389	160,093,621
Liabilities		
stc	53,096,959	58,068,759
Saudi Telecom Channels Company ("Channels")	11,003,270	9,789,528
Arabian Internet and Communications Services Company ("Solutions")	7,281,478	8,163,690
Kuwait Telecommunications Company ("stc Kuwait")	2,558,575	2,486,943
stc Bahrain BSC (c) ("stc Bahrain")	3,575,691	4,112,396
Telecommunications Towers Company ("TAWAL") ⁽⁴⁾	-	14,752,187
stc Bank	4,196,507	4,116,537
Gulf Digital Media Model Company Ltd ("Intigral")	847,873	920,837
Advanced Technology and Cybersecurity Company ("sirar")	456,396	338,872
Public Telecommunications Company ("Specialized")	642,243	746,836
Other operating segments ⁽²⁾	18,523,378	17,591,430
Liabilities directly associated with assets classified as held for sale - Discontinued operations ⁽⁴⁾	20,782,203	-
Eliminations / adjustments	(43,055,883)	(42,509,560)
Total liabilities	79,908,690	78,578,455

- (1) Segment revenue reported above represents revenue generated from external and internal customers. There were SR 3,036 million and SR 8,969 million of inter-segment sales and adjustments (between the Group's Companies) for the three and nine months periods ended 30 September 2024, respectively (for the three and nine months periods ended 30 September 2023: SR 3,053 million and SR 8,749 million, respectively) which were eliminated at consolidation, except for certain inter-segment transactions related to the discontinued operations which are expected to continue post the sale of the assets held for sales to enable the Group reflect how transactions between continuing and discontinued operations will be reflected going forward (note 9-1).
- (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 ("IoT²"), and General Cloud Computing Company for Information Technology ("SCCC"), stc Asia Holding, stc Turkey Limited Holding (under liquidation), Green Bridge Investment ("GBI"), Green Bridge Management ("GBM"), and Telecom Commercial Investment Company Limited ("TCIC").
- (3) Cost of revenues for the three and nine months periods ended 30 September 2024 includes a non-recurring item that represents a reversal of a withholding tax provision amounting to SR 1.500 million (For the three and nine months periods ended 30 September 2023: a reversal of government fees provision amounting to SR 641 million).
- (4) Includes Telecommunications Towers Company ("TAWAL") and Digital Infrastructure for Investment Company (Note 9).

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5- PROPERTY AND EQUIPMENT

During the nine months period ended 30 September 2024, the Group acquired property and equipment with total cost of SR 4,743 million, including non-cash additions with an amount of SR 491 million (30 September 2023: SR 5,285 million, including non-cash additions with an amount of SR 381 million).

During the nine months period ended 30 September 2024, the Group disposed of property and equipment with a net book value of SR 165 million (30 September 2023: SR 108 million) resulting in a loss on sale of property and equipment for the nine months period ended 30 September 2024 with an amount of SR 27 million (for the nine months periods ended 30 September 2023: SR 79 million).

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

	For the three months period ended 30 September		For the nine months period ended 30 September	
	2024	2023	2024	2023
Cost of revenues	1,260,162	1,243,973	3,729,410	3,793,408
Selling and marketing expenses	2,140	1,986	6,153	6,030
General and administration expenses	275,861	282,070	833,661	829,952
	1,538,163	1,528,029	4,569,224	4,629,390

6- INVESTMENT PROPERTIES

	30 September 2024	31 December 2023
Land	348,630	348,647
Work in-progress	592,183	453,088
	940,813	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).

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7- INTANGIBLE ASSETS AND GOODWILL

During the nine months period ended 30 September 2024, the net additions in intangible assets amounted to SR 2,781 million, including non-cash additions with an amount of SR 636 million (30 September 2023: SR 2,294 million net additions, including non-cash additions with an amount of SR 1,008 million).

During the nine months period ended 30 September 2024, a provisional goodwill total of SR 718 million resulted from Group's subsidiaries' acquisitions (Note 22).

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

	For the three months period ended 30 September		For the nine months period ended 30 September	
	2024	2023	2024	2023
Cost of revenues	174,950	194,053	501,377	531,680
Selling and marketing expenses	12,295	14,132	33,778	31,454
General and administration expenses	532,052	444,672	1,506,464	1,329,390
	719,297	652,857	2,041,619	1,892,524

8- RIGHT OF USE ASSETS

During the nine months period ended 30 September 2024, the net additions in right of use assets amounted to SR 1,072 million (30 September 2023: SR 819 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 September		For the nine months period ended 30 September	
	2024	2023	2024	2023
Cost of revenues	50,181	73,763	99,180	214,814
Selling and marketing expenses	1,125	4,183	5,246	4,694
General and administration expenses	67,102	56,840	185,018	169,782
	118,408	134,786	289,444	389,290

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9- DISCONTINUED OPERATIONS

9.1 Sale of equity interest in a subsidiary

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 (held on 24 July 2024), the approval of the Communications, Space and Technology Commission, as well as any applicable regulatory and commercial conditions.

As per the SPA, TAWAL's shares will be sold for a cash consideration estimated to be SR 8.7 billion, noting that the final cash consideration will be based on the final accounts of debt, cash, and working capital at completion of the transaction. Agreements also were signed to transfer the ownership of both TAWAL and Golden Lattice Investment Company ("GLIC") (owns and manages 8,069 telecommunications towers in the Kingdom of Saudi Arabia, and is owned by PIF and other shareholders) under a new entity through exchange of shares between the new entity, the owners of GLIC, and TAWAL. GLIC was valued at SR 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%. The SPA has also stipulated the transfer of ownership of Tawal International Holding A Limited and Tawal International DMCC from TAWAL to Digital Infrastructure for Investment Company.

On 24 July 2024, the General Assembly of stc approved the sale and purchase agreement between Saudi Telecom Company (stc) and Public Investment Fund (PIF). During the third quarter of 2024, restructuring of TAWAL as stipulated by the SPA resulted into the transferring of the ownership of Tawal International Holding A Limited and Tawal International DMCC from TAWAL to Digital Infrastructure for investment Company with no financial impact due to restructuring.

As a result, TAWAL and Digital Infrastructure for Investment Company have been classified as a disposal group held for sale and discontinued operations after meeting the criteria in IFRS 5 "Non-current assets held for sale and discontinued operations", and accordingly are not depreciated or amortised while they are classified as held for sale. When the Group applied IFRS 5 requirements for reporting discontinued operations, the Group has considered IFRS 10 "Consolidated Financial Statements" requirements for elimination of intragroup transactions but adjust to reflect how transactions between continuing or discontinued operations will be reflected in continuing operations going forward. This primarily entails a debit adjustment to the cost of revenues against a credit adjustment to the net profit from discontinued operations in the interim condensed consolidated statement of profit or loss that is reasonably expected to continue going forward for the three and nine months periods ended 30 September 2024 amounted to SR 790 million and SR 2,342 million, respectively (three and nine months periods ended 30 September 2023 amounted to SR 743 million and SR 2,159 million, respectively).

The Group expects that the sale will be qualified for recognition as a completed sale within one year from the date of classification.

The carrying amounts of assets and liabilities of a disposal group classified as held for sale as follows:

	As at 30 September 2024	
	Before considering intragroup eliminations and adjustments	Net after considering intragroup eliminations and adjustments
ASSETS HELD FOR SALE		
Property and equipment	8,789,497	7,938,195
Intangible assets and goodwill	4,522,094	4,522,094
Right of use assets	3,098,200	3,098,200
Trade receivables	2,380,942	580,903
Cash and cash equivalents	565,659	565,659
Other financial assets	5,471,426	6,570
Other assets	922,334	307,710
	25,750,152	17,019,331
Eliminations / adjustments	(8,730,821)	-
	17,019,331	17,019,331
LIABILITIES DIRECTLY ASSOCIATED WITH ASSETS CLASSIFIED AS HELD FOR SALE		
Borrowings	13,994,198	8,774,698
Lease liabilities	3,268,807	2,198,174
Trade and other payables	1,156,022	1,122,939
Other financial liabilities	669,914	424,726
Other liabilities	1,693,262	539,343
	20,782,203	13,059,880
Eliminations / adjustments	(7,722,323)	-
	13,059,880	13,059,880
EQUITY DIRECTLY ASSOCIATED WITH ASSETS CLASSIFIED AS HELD FOR SALE		
Reserve of disposal group classified as held for sale	(7,083)	(7,083)

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9- DISCONTINUED OPERATION (CONTINUED)

9.1 Sale of equity interest in a subsidiary - continued

The total comprehensive income for the discontinued operations after considering intragroup eliminations and adjustments for the three and nine months periods ended 30 September as follows:

	For the three months period ended 30 September		For the nine months period ended 30 September	
	2024	2023	2024	2023
Revenues	175,062	101,305	501,715	222,242
Cost of sales and other operating expenses (*)	517,193	483,456	1,550,374	1,430,753
Depreciation and amortization	(123,732)	(298,323)	(747,389)	(855,596)
Finance costs and income, net	(171,848)	(88,903)	(463,561)	(177,641)
Other (expenses) income, net	(5,853)	4,070	9,459	2,972
Zakat and income tax	(5,515)	(10,475)	(51,446)	(29,033)
Net profit from discontinued operations	385,307	191,130	799,152	593,697
Other comprehensive income (loss) from discontinued operations	75,967	(86,641)	59,948	(85,716)
Total comprehensive income from discontinued operations	461,274	104,489	859,100	507,981

(*) Includes adjustments to reflect how transactions between continuing or discontinued operations will be reflected in continuing operations going forward.

The total comprehensive income for the discontinued operations at standalone basis before considering intragroup eliminations for the three and nine months periods ended 30 September as follows:

	For the three months period ended 30 September		For the nine months period ended 30 September	
	2024	2023	2024	2023
Revenues	964,842	844,119	2,843,546	2,380,817
Cost of sales and other operating expenses	(272,587)	(259,358)	(791,457)	(727,822)
Depreciation and amortization	(123,732)	(298,323)	(747,389)	(855,596)
Finance costs and income, net	(171,848)	(88,903)	(463,561)	(177,641)
Other (expenses) income, net	(5,853)	4,070	9,459	2,972
Zakat and income tax	(5,515)	(10,475)	(51,446)	(29,033)
Net profit from discontinued operations	385,307	191,130	799,152	593,697
Other comprehensive income (loss) from discontinued operations	75,967	(86,641)	59,948	(85,716)
Total comprehensive income from discontinued operations	461,274	104,489	859,100	507,981

Earnings per share (in Saudi Riyals):

- Basic and diluted	0.08	0.04	0.16	0.12
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The cash flow details for the discontinued operations for the nine months period ended 30 September as follows:

	For the nine months period ended 30 September	
	2024	2023
Net cash flow generated from operating activities	536,034	1,809,176
Net cash flow used in investing activities	(159,028)	(5,612,423)
Net cash flow (used in) generated from financing activities	(902,688)	4,264,691
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(525,682)	461,444

9.2 Lands classified as held for sale

Lands 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 September 2024	31 December 2023
Lands at carrying amount	15,774	21,259
Telecom towers at fair value less costs to sell	-	30,000
	15,774	51,259

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10- FINANCIAL ASSETS AND OTHERS

10-1 Financial assets

	30 September 2024	31 December 2023
Financial assets measured at FVTOCI:		
Listed equity investments	5,177,079	4,130,284
Financial assets measured at FVTPL:		
Cash collateral against purchase of a listed equity investment	4,449,431	4,468,557
Investment funds and unlisted equity investments	3,450,987	3,532,376
	7,900,418	8,000,933
Financial assets at amortized cost:		
Sukuk	5,298,095	5,313,050
Customers' trust accounts of stc Bank (Note 15.1)	2,473,893	2,532,874
Investment accounts of stc Bank	459,000	500,000
Loans to employees	432,510	410,679
Others	1,557,049	1,532,209
	10,220,547	10,288,812
Financial derivatives:		
Forward contract	759,543	-
Options	-	662,073
	759,543	662,073
	24,057,587	23,082,102
Current	9,562,263	10,767,322
Non-current	14,495,324	12,314,780
	24,057,587	23,082,102

10-2 Other assets

	30 September 2024	31 December 2023
Advances	411,696	612,612
Prepaid expenses	396,029	421,598
Deferred expenses	345,454	317,376
Others	437,726	313,525
	1,590,905	1,665,111
Current	1,364,742	1,478,697
Non-current	226,163	186,414
	1,590,905	1,665,111

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11- TRADE RECEIVABLES

	30 September 2024	31 December 2023
Trade receivables	26,268,636	23,786,025
Less: allowance for impairment loss	(3,296,552)	(2,384,754)
	22,972,084	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 follows:

	For the three months period ended 30 September		For the nine months period ended 30 September	
	2024	2023	2024	2023
Services provided				
Associates	135,856	96,240	392,538	275,714
Joint ventures	673	3,553	3,569	5,238
	136,529	99,793	396,107	280,952
Services received				
Associates	4,925	8,140	55,267	31,330
Joint ventures	613	1,504	2,170	113,531
	5,538	9,644	57,437	144,861

The following balances are outstanding with related parties:

	Amounts due from related parties		Amounts due to related parties	
	30 September 2024	31 December 2023	30 September 2024	31 December 2023
Associates	413,181	320,247	60,510	28,011
Joint ventures	2,955	2,414	2,780	5,960
	416,136	322,661	63,290	33,971

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 1,372 million as of 30 September 2024 (31 December 2023: SR 1,230 million).

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12- RELATED PARTY TRANSACTIONS (CONTINUED)

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 nine months periods ended 30 September 2024 amounted to SR 3,002 million and SR 9,176 million, respectively (for the three and nine months periods ended 30 September 2023 amounted to SR 3,212 million and SR 9,641 million, respectively) and expenses related to transactions with government and government related entities for the three and nine months periods ended 30 September 2024 (including government charges) amounted to SR 1,602 million and SR 4,782 million, respectively (for the three and nine months periods ended 30 September 2023 amounted to SR 960 million and SR 3,961 million, respectively).

As at 30 September 2024, accounts receivable from government entities totalled SR 19,270 million (31 December 2023: SR 17,129 million) and at 30 September 2024 accounts payable due to government entities totalled SR 1,129 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 year 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 September 2024 was SR 1,108 million (31 December 2023: SR 1,526 million). Total balance of accounts payable with government related entities as at 30 September 2024 was SR 4,914 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:

	30 September 2024	31 December 2023
Less than a year	11,123,124	10,323,282
More than one year to two years	5,035,336	4,243,442
More than two years	3,111,599	2,562,511
	19,270,059	17,129,235

12-3 Loans to related parties

	30 September 2024	31 December 2023
Loans to senior executives	17,923	10,765

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

The benefits, remuneration and compensation of board members and senior executives:

	For the three months period ended 30 September		For the nine months period ended 30 September	
	2024	2023	2024	2023
Short-term benefits and remuneration	113,442	92,910	541,171	509,765
End of service benefits	137,450	99,436	413,343	328,130
Share-based payments	33,345	33,006	86,994	91,686
Vacations and others	22,932	24,692	87,222	79,072
	307,169	250,044	1,128,730	1,008,653

13- END OF SERVICE BENEFITS PROVISION

Calculation of end of service benefits provision was performed using the most recent actuarial valuation as at 30 September 2024. Net actuarial losses included in the interim condensed consolidated statement of comprehensive income for the three and nine months periods ended 30 September 2024 amounted to SR 227 million and SR 120 million, respectively (30 September 2023: net actuarial gains SR 237 million and SR 186 million, respectively) as a result of experience adjustments and update of actuarial assumptions relating mainly to salary increase and discount rate.

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14- LEASE LIABILITIES

	30 September 2024	31 December 2023
Current	536,825	947,703
Non-current	1,475,522	3,327,526
	2,012,347	4,275,229

The interest expense on lease liabilities for the three and nine months periods ended 30 September 2024 amounted to SR 19 million and SR 57 million respectively which was included in finance costs (30 September 2023: SR 9 million and SR 45 million, respectively).

15- FINANCIAL LIABILITIES AND OTHERS

15-1 Financial liabilities

	30 September 2024	31 December 2023
Dividends payable (Note 24)	5,464,230	2,246,738
Customers' deposits - stc Bank (Note 10.1)	2,473,893	2,532,874
Financial liabilities related to frequency spectrum licenses	1,932,881	2,123,244
Government charges	1,079,268	1,552,086
Financial derivatives - options	585,473	-
Financial derivatives - forward contract	-	262,998
Financial derivatives - Islamic cross currency profit rate swap	214,758	-
Other financial liabilities	890,703	547,534
	12,641,206	9,265,474
Current	9,853,805	7,064,605
Non-current	2,787,401	2,200,869
	12,641,206	9,265,474

15-2 Other liabilities

	30 September 2024	31 December 2023
Deferred income	3,817,239	3,954,147
Others	729,871	813,557
	4,547,110	4,767,704
Current	680,101	483,667
Non-current	3,867,009	4,284,037
	4,547,110	4,767,704

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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 September 2024

Financial assets

Listed equity investments (Note 10.1)	5,177,079	5,177,079 ⁽¹⁾	-	-
Cash collateral against purchase of a listed equity investment (Note 10.1)	4,449,431	-	4,449,431 ⁽²⁾	-
Investment funds and unlisted equity investments (Note 10.1)	3,450,987	-	-	3,450,987 ⁽⁶⁾
Financial derivatives- forward contract (Note 10.1)	759,543	-	759,543 ⁽⁴⁾	-

Financial liabilities

Financial derivatives - options (Note 15.1)	585,473	-	585,473 ⁽³⁾	-
Put option to non-controlling interest shareholders	235,856	-	-	235,856 ⁽⁵⁾
Financial derivatives- Islamic cross currency profit rate swap (Note 15.1)	214,758	-	214,758 ⁽⁷⁾	-

31 December 2023

Financial assets

Cash collateral against purchase of a listed equity investment (Note 10.1)	4,468,557	-	4,468,557 ⁽²⁾	-
Listed equity investments (Note 10.1)	4,130,284	4,130,284 ⁽¹⁾	-	-
Investment funds and unlisted equity investments (Note 10.1)	3,532,376	-	-	3,532,376 ⁽⁶⁾
Financial derivatives- options (Note 10.1)	662,073	-	662,073 ⁽³⁾	-

Financial liabilities

Financial derivatives -forward contract (Note 15.1)	262,998	-	262,998 ⁽⁴⁾	-
Put option to non-controlling interest shareholders	243,000	-	-	243,000 ⁽⁵⁾

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

There were no transfers between levels of the fair value hierarchy during the nine months periods ended 30 September 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:

	30 September 2024	31 December 2023
Net assets value as at beginning of the period /year	3,532,376	2,929,065
Contributions paid	268,905	572,808
Proceeds from investments liquidation	(189,774)	-
Net unrealised (losses) gains recognised in profit or loss (*)	(160,520)	30,503
Net assets value as at ending of the period /year	3,450,987	3,532,376

(*) The net unrealized (losses) gains recognised were included within net other gains 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 September 2024

Financial assets

Financial assets at amortized cost - Sukuk

Carrying amount	Fair value levels		
	Level 1	Level 2	Level 3
3,684,528	-	3,657,570	-
4,678,034	-	4,645,824	-

Financial liabilities

Borrowings – Sukuk

31 December 2023

Financial assets

Financial assets at amortized cost - Sukuk

Carrying amount	Fair value levels		
	Level 1	Level 2	Level 3
3,938,871	-	3,839,694	-
4,676,733	-	4,473,771	-

Financial liabilities

Borrowings – Sukuk

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

There were no transfers between levels of the fair value hierarchy during nine months periods ended 30 September 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 the final assessments for those years have been received.

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

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"

	30 September 2024	31 December 2023
	50,000,000	50,000,000
	4,986,916	4,984,506
	13,084	15,494
	5,000,000	5,000,000

19- STATUTORY RESERVE

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

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20- 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 635 million (equivalent to USD 170 million) as at 30 September 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 6,036 million as at 30 September 2024 (31 December 2023: SR 5,814 million). Includes contractual commitments of discontinued operations amounted to SR 538 million as at 30 September 2024 (30 September 2023: SR 318 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 486 million (equivalent to USD 130 million) was injected.

21- CONTINGENT LIABILITIES

1. The Group has outstanding letters of guarantee on behalf of the parent and its subsidiaries amounting to SR 5,472 million as at 30 September 2024 (31 December 2023: SR 5,466 million).
2. The Group has outstanding letters of credit as at 30 September 2024 amounting to SR 1,641 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' interconnection cost 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 cost since the source of income does not occur inside the Kingdom, and therefore these services should not be subject to withholding tax. During September 2022, the Group received the minutes of meeting of the Appeal Committee for Tax Violations and Disputes' regarding the petition for reconsideration which included the rejection of the petition by the Group. The Group submitted a petition for reconsideration based on new development on this matter. During the third quarter 2024, the Group received additional withholding tax assessment on international operators' interconnection cost for the years from 2016 to 2022 amounting to SR 889 million. ZATCA has indicated that this assessment will be borne by the Government according to Council of Ministers resolution number (832) dated 23 Ramadhan 1445 H (corresponding to 2 April 2024) stipulating that the Government will bear withholding tax on telecom companies for international operators' interconnection cost for periods prior to Minister of finance resolution number (484) dated 15 Rabi' al Thani 1444 H (corresponding to 9 November 2022). Based on that, the Group received a notification letter from ZATCA confirming finalizing the treatment of withholding tax on international operators' interconnection cost whereby the Government bears withholding tax on behalf of telecom companies for the years 2004 up to 2022.
6. The Group received claims from Communications, Space & Technology Commission ("CST") related to imposing government fees on devices sold in instalments for the period from 2018 until the end of the first quarter of 2021, totalling 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 September 2024.

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22- BUSINESS COMBINATIONS

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

	IoT ² acquisition of Machines Talk (1)	Center 3 acquisition of CMC Investments I Limited (2)	One of Solutions' subsidiaries acquisition of Logical Application for Business Solutions (3)	Total
ASSETS				
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
TOTAL ASSETS	148,837	93,198	12,497	254,532
LIABILITIES				
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
TOTAL LIABILITIES	45,549	99,144	6,791	151,484
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	568,326	227,606	23,515	819,447
Provisional goodwill arising from acquisition (Note 7)	465,038	233,552	19,521	718,111

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22- BUSINESS COMBINATIONS (CONTINUED)

1. During the first quarter of 2024, IoT² 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 80 million of revenue and SR 3.4 million of net profit. If the business combination had taken place at the beginning of the year, revenue would have been SR 82 million and net profit would have been SR 3.2 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 72 million of revenue and SR 2 million of net profit. If the business combination had taken place at the beginning of the year, revenue would have been SR 161 million and net loss would have been SR 13 million.
3. During the second quarter of 2024, one of Solutions' 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 expand the Group service offering. From the date of acquisition, business combination of Logical Application for Business Solutions Company has contributed SR 4.7 million of revenue and SR 3.7 million of net loss. If the business combination had taken place at the beginning of the year, revenue would have been SR 15.6 million and net loss would have been SR 4.7 million. Solutions' acquisition of Logical Application for Business Solutions Company includes contingent and deferred consideration of SR 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).

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 and second quarter of 2024 at a rate of SR 0.40 per share for each quarter. On 25 April 2024, General Assembly approved the board of directors' recommendation to distribute additional cash dividends for the year 2023 at the rate of SR 1 per share.

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

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

The Group has dividends policy based on maintaining a minimum dividend of SR 0.55 per share per quarter for the next three years starting from the dividends distribution of the 4th quarter of 2024 until the 3rd quarter of 2027. Further, the Company may consider paying special dividends after the assessment of the Company's financial position, future outlook, strategic investments and capital expenditure requirements subject to the General Assembly's recommendation.

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

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

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25- COMPARATIVE FIGURES

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

	As previously reported	Amount of reclassification	Amount after reclassification
Consolidated statement of financial position as at 31 December 2023			
Cash and cash equivalents	13,414,125	(42,805)	13,371,320
Financial assets and others - Current	12,203,214	42,805	12,246,019
Trade and other payables	22,153,518	(330,318)	21,823,200
Financial liabilities and others - Current	7,217,954	330,318	7,548,272
Interim condensed consolidated statement of profit or loss for the three months period ended 30 September 2023			
Cost of revenues	(8,298,494)	(116,308)	(8,414,802)
General and administration	(1,707,007)	116,308	(1,590,699)
Interim condensed consolidated statement of profit or loss for the nine months period ended 30 September 2023			
Cost of revenues	(27,425,445)	(354,870)	(27,780,315)
General and administration	(5,035,633)	354,870	(4,680,763)

2. During the nine months period ended 30 September 2024, the purchase price allocation of net assets reports resulted from TAWAL's (discontinued operation) acquisition of three towers companies from United Group (In Bulgaria, Croatia and Slovenia) was completed which resulted into reduction of provisional goodwill which was recorded in 2023 and adjustments to comparative numbers of assets and liabilities as follows:

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

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

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 nine months periods ended 30 September 2024 on 3 November 2024 (corresponding to 1 Jumada al-Ula 1446 H).