



Saudi Telecom Company
(A Saudi Joint Stock Company)

**INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS PERIODS ENDED
30 SEPTEMBER 2021
(Unaudited)**

**THIRD QUARTER
2021**

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

**INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE AND NINE MONTHS PERIODS ENDED 30 SEPTEMBER 2021**

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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 2021, and the related interim condensed consolidated statements of profit or loss and comprehensive income, for the three and nine months periods ended 30 September 2021, and the related interim condensed statements of cash flows and changes in equity for the nine months period then ended, and a summary of significant accounting policies and other 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") 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" 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 endorsed in the Kingdom of Saudi Arabia.

Ernst & Young & Co.
Public Accountants

Saad M. Al-Khathlan
Certified Public Accountant
License No. (509)

Riyadh: 21 Rabi' al Awwal 1443H
(27 October 2021G)



Saudi Telecom Company
(A Saudi Joint Stock Company)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2021

(All amounts in Saudi Riyals thousands unless otherwise stated)

		30 September 2021	31 December 2020
	Notes	(Unaudited)	(Audited)
ASSETS			
NON-CURRENT ASSETS			
Property and equipment	5	46,124,685	47,847,623
Investment properties	6	62,913	36,980
Intangible assets and goodwill	7	10,093,849	10,466,408
Right of use assets	8	2,704,723	2,892,814
Investments in associates and joint ventures		6,713,615	6,704,947
Contract costs		530,319	637,470
Contract assets		572,165	457,657
Financial assets and others	9	7,580,420	7,069,285
TOTAL NON-CURRENT ASSETS		74,382,689	76,113,184
CURRENT ASSETS			
Inventories		684,175	1,008,645
Contract assets		5,765,001	6,059,440
Trade and other receivables	11,12	26,151,248	16,084,416
Financial assets and others	9	2,458,446	3,268,280
Short term murabahas		429,771	10,433,849
Cash and cash equivalents	20-2	14,048,875	9,004,286
TOTAL CURRENT ASSETS		49,537,516	45,858,916
TOTAL ASSETS		123,920,205	121,972,100
EQUITY AND LIABILITIES			
EQUITY			
Issued capital		20,000,000	20,000,000
Statutory reserves		10,000,000	10,000,000
Treasury shares	17,21	(286,563)	(300,000)
Other reserves	20	572,608	(3,262,245)
Retained earnings		38,217,387	37,508,027
Equity attributable to the equity holders of the Parent Company		68,503,432	63,945,782
Non-controlling interests	20	1,972,144	1,321,233
TOTAL EQUITY		70,475,576	65,267,015
LIABILITIES			
NON-CURRENT LIABILITIES			
Long term borrowings		9,103,027	8,637,605
End of service benefit provision	13	5,420,607	5,239,313
Lease liabilities	14	2,224,601	2,237,853
Provisions		708,035	725,625
Contract liabilities		771,915	771,915
Financial liabilities and others	15	5,751,195	6,201,591
TOTAL NON-CURRENT LIABILITIES		23,979,380	23,813,902
CURRENT LIABILITIES			
Trade and other payables		17,309,324	20,296,791
Provisions		3,690,438	4,158,923
Contract liabilities		2,356,196	1,901,237
Zakat and income tax	16	1,567,484	1,903,791
Lease liabilities	14	806,959	742,185
Short term borrowings		94,199	318,485
Financial liabilities and others	15	3,640,649	3,569,771
TOTAL CURRENT LIABILITIES		29,465,249	32,891,183
TOTAL LIABILITIES		53,444,629	56,705,085
TOTAL EQUITY AND LIABILITIES		123,920,205	121,972,100


Chief Financial Officer


Chief Executive Officer


Authorized Board Member

The accompanying notes from 1 to 24 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 2021

(All amounts in Saudi Riyals thousands unless otherwise stated)

	Notes	For the three months period ended 30 September		For the nine months period ended 30 September	
		2021	2020	2021	2020
Revenues	4	15,735,352	14,881,429	47,329,619	43,736,514
Cost of revenues		(7,366,469)	(5,910,474)	(22,051,437)	(18,228,686)
GROSS PROFIT		8,368,883	8,970,955	25,278,182	25,507,828
OPERATING EXPENSES					
Selling and marketing		(1,465,537)	(1,748,754)	(4,335,625)	(4,746,717)
General and administration		(1,297,788)	(1,434,123)	(3,869,292)	(4,301,603)
Depreciation and amortisation	5,7,8	(2,413,847)	(2,328,483)	(7,149,661)	(6,933,712)
TOTAL OPERATING EXPENSES		(5,177,172)	(5,511,360)	(15,354,578)	(15,982,032)
OPERATING PROFIT		3,191,711	3,459,595	9,923,604	9,525,796
OTHER EXPENSES, NET					
Cost of early retirement program		(110,565)	(200,193)	(272,207)	(500,193)
Finance income		85,539	86,103	278,207	322,199
Finance cost		(152,625)	(146,639)	(444,437)	(477,853)
Net other expenses		(66,080)	(33,174)	(120,484)	(57,890)
Net share in results of investments in associates and joint ventures		21,100	26,204	82,264	14,265
Net other gains (losses)		194,620	(70,295)	163,906	491,240
TOTAL OTHER EXPENSES, NET		(28,011)	(337,994)	(312,751)	(208,232)
NET PROFIT BEFORE ZAKAT AND INCOME TAX		3,163,700	3,121,601	9,610,853	9,317,564
Zakat and income tax	16	(195,650)	(287,159)	(770,571)	(752,893)
NET PROFIT		2,968,050	2,834,442	8,840,282	8,564,671
Net profit attributable to:					
Equity holders of the Parent Company		2,924,390	2,765,537	8,697,693	8,402,497
Non-controlling interests		43,660	68,905	142,589	162,174
		2,968,050	2,834,442	8,840,282	8,564,671
Earnings per share, based on net profit attributable to equity holders of the Parent Company (in Saudi Riyals):					
- Basic	17	1.46	1.38	4.35	4.20
- Diluted	17	1.46	1.38	4.35	4.20


Chief Financial Officer


Chief Executive Officer


Authorized Board Member

The accompanying notes from 1 to 24 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 2021**

(All amounts in Saudi Riyals thousands unless otherwise stated)

	Notes	For the three months period ended 30 September		For the nine months period ended 30 September	
		2021	2020	2021	2020
NET PROFIT		<u>2,968,050</u>	<u>2,834,442</u>	<u>8,840,282</u>	<u>8,564,671</u>
OTHER COMPREHENSIVE INCOME (OTHER COMPREHENSIVE LOSS):					
<i>Item that will not be reclassified subsequently to consolidated statement of profit or loss:</i>					
Re-measurement of end of service benefit provision	13	<u>82,255</u>	<u>97,092</u>	<u>250,985</u>	<u>(306,803)</u>
<i>Items that may be reclassified subsequently to consolidated statement of profit or loss:</i>					
Foreign currency translation differences		<u>(6,924)</u>	<u>10,029</u>	<u>23,061</u>	<u>(32,764)</u>
Fair value changes from cash flow hedges		<u>-</u>	<u>-</u>	<u>-</u>	<u>1,820</u>
Net share of other comprehensive (loss) income of associates and joint ventures		<u>(68,103)</u>	<u>44,123</u>	<u>(60,992)</u>	<u>(21,381)</u>
<i>Total items that may be reclassified subsequently to consolidated statement of profit or loss</i>		<u>(75,027)</u>	<u>54,152</u>	<u>(37,931)</u>	<u>(52,325)</u>
TOTAL OTHER COMPREHENSIVE INCOME (OTHER COMPREHENSIVE LOSS)		<u>7,228</u>	<u>151,244</u>	<u>213,054</u>	<u>(359,128)</u>
TOTAL COMPREHENSIVE INCOME		<u>2,975,278</u>	<u>2,985,686</u>	<u>9,053,336</u>	<u>8,205,543</u>
<i>Total comprehensive income attributable to:</i>					
Equity holders of the Parent Company		<u>2,934,581</u>	<u>2,911,760</u>	<u>8,900,254</u>	<u>8,064,096</u>
Non-controlling interests		<u>40,697</u>	<u>73,926</u>	<u>153,082</u>	<u>141,447</u>
		<u>2,975,278</u>	<u>2,985,686</u>	<u>9,053,336</u>	<u>8,205,543</u>


Chief Financial Officer


Chief Executive Officer


Authorized Board Member

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Saudi Telecom Company
(A Saudi Joint Stock Company)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2021

(All amounts in Saudi Riyals thousands unless otherwise stated)

	Notes	For the nine months period ended 30 September	
		2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES			
Net profit before zakat and income tax		9,610,853	9,317,564
Adjustments:			
Depreciation and amortisation	5,7,8	7,149,661	6,933,712
Impairment loss and amortisation of contract costs and contract assets		398,774	489,044
Impairment loss on trade receivables		619,066	972,274
Allowance for slow moving inventories		52,692	1,408
Finance income		(278,207)	(322,199)
Finance costs		444,437	477,853
Provision for end of service benefit and other provisions		1,116,373	375,114
Net share in results of investments in associates and joint ventures		(82,264)	(14,265)
Share- based payment expenses	21	19,138	3,080
Net other gains		(163,906)	(491,240)
Changes in:			
Trade receivables and others		(10,685,939)	(8,075,628)
Inventories		271,702	767,686
Contract costs		(212,048)	(138,773)
Contract assets		86,181	12,930
Other assets		589,101	346,227
Trade payables and others		(3,063,279)	(564,889)
Contract liabilities		454,963	158,133
Provisions and other liabilities		(1,057,836)	(1,155,107)
Cash generated from operations		5,269,462	9,092,924
Less: Zakat and income tax paid	16	(1,169,474)	(750,449)
Less: Provision for end of service benefit paid		(318,490)	(597,629)
Net cash generated from operating activities		3,781,498	7,744,846
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property and equipment	5	(3,428,165)	(5,326,657)
Additions to intangible assets	7	(929,096)	(1,031,079)
Proceeds from sale of property and equipment		6,307	13,715
Proceeds from sale of an associate		-	760,862
Proceeds from the initial public offering of a stake in a subsidiary	20-1	3,560,295	-
Proceeds from finance income		237,669	390,917
Proceeds related to financial assets, net		9,812,752	1,454,842
Net cash generated from (used in) investing activities		9,259,762	(3,737,400)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid to the equity holders of the Parent Company		(7,963,320)	(5,972,094)
Dividends paid to non-controlling interests		(184,172)	(98,942)
Purchase of treasury shares		-	(173,773)
Repayment of lease liabilities		(733,676)	(628,209)
Repayment of borrowings		(653,504)	(295,817)
Proceed from borrowings		948,549	20,000
Transactions with non-controlling interests	20-2	750,000	-
Finance costs paid		(167,992)	(216,855)
Net cash used in financing activities		(8,004,115)	(7,365,690)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		5,037,145	(3,358,244)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD		9,004,286	8,031,010
Net foreign exchange difference		7,444	(7,419)
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	20-2	14,048,875	4,665,347


Chief Financial Officer


Chief Executive Officer


Authorized Board Member

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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 2021

(All amounts in Saudi Riyals thousands unless otherwise stated)

Total equity attributable to the equity holders of the Parent Company								
Notes	Issued capital	Statutory reserves	Treasury shares	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity
Balance as at 1 January 2020	20,000,000	10,000,000	-	(2,745,608)	34,508,202	61,762,594	1,292,452	63,055,046
Net profit	-	-	-	-	8,402,497	8,402,497	162,174	8,564,671
Other comprehensive loss	-	-	-	(338,401)	-	(338,401)	(20,727)	(359,128)
Total comprehensive income	-	-	-	(338,401)	8,402,497	8,064,096	141,447	8,205,543
Dividends to the equity holders of the Parent Company	-	-	-	-	(5,998,033)	(5,998,033)	-	(5,998,033)
Dividends to non-controlling interests	-	-	-	-	-	-	(144,327)	(144,327)
Share-based payment transactions	-	-	-	3,080	-	3,080	-	3,080
Purchase of treasury shares	-	-	(173,773)	-	-	(173,773)	-	(173,773)
Share of changes in other reserves	-	-	-	5,739	-	5,739	-	5,739
Balance as at 30 September 2020	20,000,000	10,000,000	(173,773)	(3,075,190)	36,912,666	63,663,703	1,289,572	64,953,275
Balance as at 1 January 2021	20,000,000	10,000,000	(300,000)	(3,262,245)	37,508,027	63,945,782	1,321,233	65,267,015
Net profit	-	-	-	-	8,697,693	8,697,693	142,589	8,840,282
Other comprehensive income	-	-	-	202,561	-	202,561	10,493	213,054
Total comprehensive income	-	-	-	202,561	8,697,693	8,900,254	153,082	9,053,336
Dividends to the equity holders of the Parent Company	22	-	-	-	(7,988,333)	(7,988,333)	-	(7,988,333)
Dividends to non-controlling interests	-	-	-	-	-	-	(181,425)	(181,425)
Share-based payment transactions	21	-	13,437	6,398	-	19,835	-	19,835
Transactions with non-controlling interests	20	-	-	3,631,042	-	3,631,042	679,254	4,310,296
Share of changes in other reserves	-	-	-	(5,148)	-	(5,148)	-	(5,148)
Balance as at 30 September 2021	20,000,000	10,000,000	(286,563)	572,608	38,217,387	68,503,432	1,972,144	70,475,576


Chief Financial Officer


Chief Executive Officer


Authorized Board Member

The accompanying notes from 1 to 24 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 2021**

(All amounts in Saudi Riyals thousands unless otherwise stated)

1- GENERAL INFORMATION

A) ESTABLISHMENT OF THE COMPANY

Saudi Telecom Company (the "Company") was established as a Saudi Joint Stock Company pursuant to Royal Decree No. M/35 dated 24 Dhul Hijja 1418H (corresponding to 21 April 1998) that authorised 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"). Pursuant to the Council of Ministers Resolution No. 171 dated 2 Rajab 1423H (corresponding to 9 September 2002), the Government sold 30% of its shares. The ultimate controlling party of the Company is the Government through the Public Investment Fund (PIF), which owns 70% of the total shares of the Company.

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 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 (the "Kingdom").

B) GROUP ACTIVITIES

The main activities of the Company and its subsidiaries (the "Group") comprise the provision and introduction 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 the telecom 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, and cloud services, etc.).
- 6) Provide information-based systems and technologies to customers including providing telecommunication means for the transfer of internet services.
- 7) Wholesale and retail trade, import, export, purchase, own, lease, manufacture, promote, sell, develop, design, setup and maintain of devices, equipment, components and executing contracting works that are related to different telecom networks including fixed, moving and private networks. In addition, computer programs and the other intellectual properties.
- 8) Real estate investment and the resulting activities, such as selling, buying, leasing, managing, developing and maintenance.
- 9) Acquire loans and own fixed and movable assets for intended use.
- 10) Provide financial and managerial support and other services to subsidiaries.
- 11) Provide development, training, assets 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) Providing 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 merged 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 2021 (CONTINUED)**

(All amounts in Saudi Riyals thousands 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 issued by the Saudi Organization for Chartered and Professional Accountants ("SOCPA").

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 should be read in conjunction with the Group's annual consolidated financial statements as at 31 December 2020.

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 2020.

There are no new standards or interpretations with application date effective on 1 January 2021. There are amendments to the standards that come into effect at 1 January 2021, but they do not have any material impact on the Group interim condensed consolidated financial statements.

Saudi Telecom Company
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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE AND NINE MONTHS PERIODS ENDED 30 SEPTEMBER 2021 (CONTINUED)

(All amounts in Saudi Riyals thousands unless otherwise stated)

4- SEGMENT INFORMATION

The Group is engaged mainly in providing telecommunication services and related products. Majority of the Group's revenues, income and assets relate to its operations within the Kingdom (Saudi Telecom Company and Channels by stc). 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 revenue and therefore all other operating segments are combined and disclosed as "Other segments".

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

	For the three months period ended 30 September		For the nine months period ended 30 September	
	2021	2020	2021	2020
Revenues ⁽¹⁾				
Saudi Telecom Company	11,469,191	11,041,838	33,951,070	31,657,940
Channels by stc	4,745,069	3,706,499	15,002,705	12,967,902
Other operating segments ⁽²⁾	4,424,548	4,215,331	12,835,412	11,604,833
Eliminations / adjustments	(4,903,456)	(4,082,239)	(14,459,568)	(12,494,161)
Total revenues	15,735,352	14,881,429	47,329,619	43,736,514
Cost of operations (excluding depreciation and amortisation)	(10,129,794)	(9,093,351)	(30,256,354)	(27,277,006)
Depreciation and amortisation	(2,413,847)	(2,328,483)	(7,149,661)	(6,933,712)
Cost of early retirement	(110,565)	(200,193)	(272,207)	(500,193)
Finance income	85,539	86,103	278,207	322,199
Finance cost	(152,625)	(146,639)	(444,437)	(477,853)
Net other expenses	(66,080)	(33,174)	(120,484)	(57,890)
Net share in results of investments in associates and joint ventures	21,100	26,204	82,264	14,265
Net other gains (losses)	194,620	(70,295)	163,906	491,240
Zakat and income tax	(195,650)	(287,159)	(770,571)	(752,893)
Net profit	2,968,050	2,834,442	8,840,282	8,564,671
Net profit attributable to:				
Equity holders of the Parent Company	2,924,390	2,765,537	8,697,693	8,402,497
Non-controlling interests	43,660	68,905	142,589	162,174
	2,968,050	2,834,442	8,840,282	8,564,671

Following is the gross profit analysis on a segment basis:

	For the three months period ended 30 September		For the nine months Period ended 30 September	
	2021	2020	2021	2020
Saudi Telecom Company	6,586,346	7,049,492	20,093,228	20,001,595
Channels by stc	345,964	342,178	1,122,092	998,974
Other operating segments ⁽²⁾	1,809,868	1,702,729	5,202,318	4,813,372
Eliminations / adjustments	(373,295)	(123,444)	(1,139,456)	(306,113)
Gross profit	8,368,883	8,970,955	25,278,182	25,507,828

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 2021 (CONTINUED)

(All amounts in Saudi Riyals thousands unless otherwise stated)

4- SEGMENT INFORMATION (Continued)

Information about geographical segmentation:

Following is the geographical segmentation of revenues:

	For the three months period ended 30 September		For the nine months period ended 30 September	
	2021	2020	2021	2020
Kingdom of Saudi Arabia	14,487,186	13,619,331	43,702,372	40,278,094
Others ^(*)	1,248,166	1,262,098	3,627,247	3,458,420
	15,735,352	14,881,429	47,329,619	43,736,514

(*) Includes State of Kuwait and Kingdom of Bahrain

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

	30 September 2021	31 December 2020
Assets		
Saudi Telecom Company	129,568,893	129,915,566
Channels by stc	7,391,688	5,527,646
Other operating segments ⁽²⁾	40,846,177	37,788,535
Eliminations / adjustments	(53,886,553)	(51,259,647)
Total assets	123,920,205	121,972,100
Liabilities		
Saudi Telecom Company	48,488,460	52,654,060
Channels by stc	5,935,528	3,943,509
Other operating segments ⁽²⁾	25,032,923	24,302,252
Eliminations / adjustments	(26,012,282)	(24,194,736)
Total liabilities	53,444,629	56,705,085

- (1) Segment revenue reported above represents revenue generated from external and internal customers. There were SR 4,903 million and SR 14,460 million of inter-segment sales and adjustments (between the Group's Companies) for the three and nine months periods ended 30 September 2021, respectively (for the three and nine months periods ended 30 September 2020: SR 4,082 million and SR 12,494 million, respectively) which were eliminated at consolidation.
- (2) Other operating segments include: Arabian Internet and Communications Services Company "solutions by stc", Telecommunications Towers Company "TAWAL", stc Bank (previously "Saudi Digital Payments Company or stc pay"), Kuwait Telecom Company "stc Kuwait", stc Bahrain, Public Telecommunications Company "specialized by stc", Advanced Technology and Cybersecurity Company "sirar by stc", Aqalat, Gulf Digital Media Model Company, stc Gulf Investment Holding and stc GCC Cable Systems Company (See note 20).

5- PROPERTY AND EQUIPMENT

During the nine months period ended 30 September 2021, the Group acquired property and equipment with total cost of SR 3,573 million, including non-cash additions with an amount of SR 145 million (30 September 2020: SR 5,440 million, including non-cash additions with an amount of SR 113 million)

During the nine months period ended 30 September 2021, the Group disposed of property and equipment with a net book value of SR 62 million (30 September 2020: SR 100 million) resulting in a loss on sale of property and equipment for the three and nine months periods ended 30 September 2021 with an amount of SR 30 million and SR 56 million, respectively (for the three and nine months periods ended 30 September 2020 with an amount of SR 77 million and SR 86 million, respectively).

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5- PROPERTY AND EQUIPMENT (Continued)

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	
	2021	2020	2021	2020
Cost of revenues	1,413,090	1,273,275	4,119,904	3,810,316
Selling and marketing expenses	3,522	1,602	6,752	4,898
General and administration expenses	286,603	283,990	874,441	858,141
	1,703,215	1,558,867	5,001,097	4,673,355

6- INVESTMENT PROPERTIES

During the fourth quarter of 2020, the Group transferred a land with a book value of SR 37 million from property and equipment to investment properties for the purpose of real estate development and investment.

During the nine months period ended 30 September 2021, the Group added projects in progress amounting to SR 26 million (30 September 2020: nil).

The fair value of the land amounted to SR 244 million as at 30 September 2021, which was valued by Esnad Real Estate appraisal Company License No. (784/18/323) appointed as an independent, professionally qualified valuer accredited by the Saudi Authority for Accredited Valuers (Taqeem). The fair value measurement is classified within level 3 based on valuation techniques applied (residual approach).

7- INTANGIBLE ASSETS AND GOODWILL

During the nine months period ended 30 September 2021, the net additions in intangible assets amounted to SR 1,044 million, including non-cash additions with an amount of SR 115 million (30 September 2020: SR 1,243 million, including non-cash additions with an amount of SR 212 million).

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

	For the three months period ended 30 September		For the nine months Period ended 30 September	
	2021	2020	2021	2020
Cost of revenues	122,774	164,221	400,885	501,872
Selling and marketing expenses	906	700	2,471	1,786
General and administration expenses	363,500	357,262	1,100,401	1,053,160
	487,180	522,183	1,503,757	1,556,818

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8- RIGHT OF USE ASSETS

During the nine months period ended 30 September 2021, the net additions in right of use assets amounted to SR 802 million (30 September 2020: SR 856 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	
	2021	2020	2021	2020
Cost of revenues	172,591	194,036	497,424	552,728
Selling and marketing expenses	5,195	3,012	11,788	6,812
General and administration expenses	45,666	50,385	135,595	143,999
	223,452	247,433	644,807	703,539

9- FINANCIAL ASSETS AND OTHERS

9-1 Financial assets

	30 September 2021	31 December 2020
Financial assets measured at FVTPL	1,538,779	1,119,413
<i>Financial assets at amortised cost:</i>		
Sukuk	5,309,070	5,371,446
Loans to employees	364,118	411,665
Others	134,308	167,498
	5,807,496	5,950,609
	7,346,275	7,070,022
Current	149,660	180,397
Non-current	7,196,615	6,889,625
	7,346,275	7,070,022

9-2 Other assets

	30 September 2021	31 December 2020
Advances	2,009,944	2,366,620
Prepaid expenses	174,964	498,020
Deferred expenses	183,001	128,578
Others	324,682	274,325
	2,692,591	3,267,543
Current	2,308,786	3,087,883
Non-current	383,805	179,660
	2,692,591	3,267,543

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10- FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

The Group has assessed that fair values of the financial instruments comprising of trade and other receivables, short-term murabahas, cash and cash equivalents, and trade and other payables approximate their carrying values significantly due to the short maturities of these financial instruments.

The fair value of financial assets and liabilities is recognised as the amount for which the instrument can be exchanged in an existing transaction between willing parties, other than a forced sale or liquidation.

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:

- a- Level "1" inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date;
- b- 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
- c- Level "3" inputs are unobservable inputs either directly or indirectly.

The following table shows the fair values of the Group's financial assets and liabilities that were measured at fair value:

Financial instruments categories		Fair value as at		
		Fair value measurement hierarchy	30 September 2021	31 December 2020
Financial assets				
At fair value through profit or loss:				
stc Ventures Fund and STV LP Fund	Level 3	1,538,779	1,119,413	
Financial liabilities				
At fair value through profit or loss:				
Derivative liabilities	Level 2	1,370	9,882	

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 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, marketability and liquidity discounts and control premiums.

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10- FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (Continued)

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

	<u>30 September 2021</u>	<u>31 December 2020</u>
Net assets value as at beginning of the period	1,119,413	1,550,869
Contributions paid to the funds during the period	375,020	375,700
Distributions received from the funds during the period	(136,214)	(723,767)
Net unrealised gain (loss) recognised in the interim condensed consolidated statement of profit or loss ^(*)	180,560	(83,389)
Net assets value as at ending of the period	<u>1,538,779</u>	<u>1,119,413</u>

(*) The net unrealized gain (loss) recognised was included within net other gains (losses) item in the interim condensed consolidated statement of profit or loss.

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

There are no transfers between levels of the fair value hierarchy during the nine months period ended 30 September 2021.

11- TRADE AND OTHER RECEIVABLES

	<u>30 September 2021</u>	<u>31 December 2020</u>
Trade receivables	27,898,859	17,660,288
Less: allowance for impairment loss	(2,674,681)	(2,859,566)
	<u>25,224,178</u>	<u>14,800,722</u>
Non trade receivables	927,070	1,283,694
	<u>26,151,248</u>	<u>16,084,416</u>

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:

	<u>For the three months period ended 30 September</u>		<u>For the nine months period ended 30 September</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
<i>Telecommunication services provided</i>	<u>70,530</u>	<u>88,954</u>	<u>251,924</u>	<u>220,200</u>
<i>Telecommunication services received</i>	<u>33,262</u>	<u>805</u>	<u>85,490</u>	<u>44,794</u>

The following balances are outstanding with related parties:

	<u>Amounts due from related parties</u>		<u>Amounts due to related parties</u>	
	<u>30 September 2021</u>	<u>31 December 2020</u>	<u>30 September 2021</u>	<u>31 December 2020</u>
Associates	373,516	354,554	60,187	63,820
Joint ventures	10,961	47,249	151,460	157,830
	<u>384,477</u>	<u>401,803</u>	<u>211,647</u>	<u>221,650</u>

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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.

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 2021 amounted to SR 3,169 million and SR 8,794 million, respectively (for the three and nine months periods ended 30 September 2020 amounted to SR 2,530 million and SR 6,675 million, respectively). Expenses related to transactions with government and government related entities for the three and nine months periods ended 30 September 2021 (including government charges) amounted to SR 1,784 million and SR 4,562 million, respectively (for the three and nine months periods ended 30 September 2020 amounted to SR 1,264 million and SR 3,723 million, respectively).

As at 30 September 2021, debit balances with government entities amounted to SR 23,440 million (31 December 2020: SR 13,889 million) and as at 30 September 2021, credit balances with government entities amounted to SR 1,065 million (31 December 2020: SR 1,058 million).

As at 30 September 2021, debit balances with government related entities amounted to SR 1,793 million (31 December 2020: SR 912 million). And as at 30 September 2021, credit balances with government related entities amounted to SR 274 million (31 December 2020: SR 345 million).

Receivable aging from government entities is as follows:

	<u>30 September 2021</u>	<u>31 December 2020</u>
Less than a year	12,812,422	10,275,707
More than one year to two years	8,982,946	3,153,841
More than two years	1,644,896	459,707
	<u>23,440,264</u>	<u>13,889,255</u>

13- END OF SERVICE BENEFIT PROVISION

Calculation of end of service benefit provision was done using the most recent actuarial valuation as at 30 September 2021. During the period, the actuarial assumptions relating to the discount rate and salary increase rate have been updated, resulting in recording of net actuarial gain included in the interim condensed consolidated statement of comprehensive income for the three and nine months periods ended 30 September 2021 amounting to SR 82 million and SR 251 million, respectively (net actuarial gain included in the interim condensed consolidated statement of comprehensive income for the three months period ended 30 September 2020 amounting to SR 97 million and net actuarial losses included in the interim condensed consolidated statement of comprehensive income for the nine months period ended 30 September 2020 amounting to SR 307 million).

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14- LEASE LIABILITIES

	<u>30 September 2021</u>	<u>31 December 2020</u>
Current	806,959	742,185
Non-current	2,224,601	2,237,853
	<u>3,031,560</u>	<u>2,980,038</u>

The interest expense on lease liabilities for the three and nine months periods ended 30 September 2021 amounted to SR 24 million and SR 69 million, respectively, were included in finance costs (for the three and nine months periods ended 30 September 2020 amounted to SR 24 million and SR 77 million, respectively).

15- FINANCIAL LIABILITIES AND OTHERS

15-1 Financial liabilities

	<u>30 September 2021</u>	<u>31 December 2020</u>
Dividends payable	2,199,063	2,151,116
Financial liabilities related to frequency spectrum licenses	2,000,977	2,276,505
Others	83,989	61,957
	<u>4,284,029</u>	<u>4,489,578</u>
Current	2,290,309	2,208,687
Non-current	1,993,720	2,280,891
	<u>4,284,029</u>	<u>4,489,578</u>

15-2 Other liabilities

	<u>30 September 2021</u>	<u>31 December 2020</u>
Deferred income	3,784,278	3,814,889
Government charges	1,159,734	1,085,873
Statutory dues and others	163,803	381,022
	<u>5,107,815</u>	<u>5,281,784</u>
Current	1,350,340	1,361,084
Non-current	3,757,475	3,920,700
	<u>5,107,815</u>	<u>5,281,784</u>

16- ZAKAT AND INCOME TAX

The Group submitted all zakat returns for all years up to 2020, 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 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 final zakat assessments for all years up to 2011 and the years ended as at 31 December 2014 and 2018.

The decision of the First Appeal Committee for Income Tax Violations and Disputes was issued in support of the Group's position not to consider the adjusted net profit as a basis for zakat for the years 2008 and 2009 and the dues were also settled according to the appeal decision during the third quarter of 2021.

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16- ZAKAT AND INCOME TAX (Continued)

The Group submitted objections to the zakat assessments for the years from 2015 to 2017 amounting to SR 134 million, and these objections are still being considered by the General Secretariat of Tax Committees until the date of preparing these interim condensed consolidated financial statements. The Group believes that its zakat position will be in its favour and that it will not result in any material additional provisions.

17- EARNINGS PER SHARE

The following is the calculation of basic and diluted earnings per share:

	For the three months period ended 30 September		For the nine months period ended 30 September	
	2021	2020	2021	2020
<i>Net profit attributable to equity holders of the Parent Company</i>	2,924,390	2,765,537	8,697,693	8,402,497
Number of shares (in thousands):				
Weighted average number of ordinary shares for the purposes of calculating basic earnings per share	1,997,061	1,999,364	1,997,061	1,999,364
Weighted average number of treasury shares to be vested on long-term incentive plan	2,939	636	2,939	636
Weighted average number of ordinary shares for the purposes of calculating diluted earnings per share	2,000,000	2,000,000	2,000,000	2,000,000
Earnings per share attributable to equity holders of the Parent Company (in Saudi Riyals):				
- Basic	1.46	1.38	4.35	4.20
- Diluted	1.46	1.38	4.35	4.20

The following is the number of outstanding shares (in thousands) during the nine months period ended 30 September 2021:

The number of outstanding shares at beginning of the period	1,997,017
The number of treasury shares vested during the period	132
The number of outstanding shares at end of the period	1,997,149

The following is the number of treasury shares (in thousands) during the nine months period ended 30 September 2021:

The number of treasury shares at beginning of the period	2,983
The number of treasury shares vested during the period	(132)
The number of treasury shares at end of the period	2,851

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18- CAPITAL COMMITMENTS

One of the subsidiaries has an agreement to invest in a fund aimed to drive innovation in the communications and information technology sector in the Kingdom of Bahrain and other GCC Countries with an amount of SR 1,125 million (equivalent to USD 300 million) as at 30 September 2021 (31 December 2020: SR 1,125 million (equivalent to USD 300 million) (See note 20-3).

19- CONTINGENT ASSETS AND LIABILITIES

- (a) The Group has outstanding letters of guarantee on behalf the Parent and the subsidiaries as at 30 September 2021 amounting to SR 5,106 million (31 December 2020: SR 4,222 million).
- (b) The Group has outstanding letters of credit as at 30 September 2021 amounting to SR 857 million (31 December 2020: SR 977 million).
- (c) On 21 March 2016, the Company received a letter from a key customer requesting a refund for paid balances amounted to SR 742 million related to construction of a fibre optic network. Based on the independent legal opinions obtained, the management believes that the customer's claim have no merit and therefore this claim has no material impact on the financial results of the Group.
- (d) 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.
- (e) The Group received the appeal committee's 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 the rental of international operators' networks since the source of income does not occur inside the Kingdom, and therefore these services should not be subject to withholding tax. Based on the opinions of tax specialists in this matter and the nature of the technical dispute, the Group believes that this assessment will not result into additional provisions.
- (f) The Group received claims from the Communications and Information Technology Commission 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 for which the Group has objected within the statutory deadline. Based on the opinions of the specialized consultants in this matter and the nature of these sales, the Group sees the merits of its legal position.
- (g) In April 2017, Kuwait's Cassation Court invalidated a portion of the regulatory tariff decree levied on mobile telecommunication companies in Kuwait since 26 July 2011 by Kuwait's Ministry of Communications. Accordingly, stc Kuwait had filed a claim for the recovery of the excess amount paid from change in regulation date until date. On 30 June 2020, the Court of appeal of Kuwait has issued a verdict in favor of stc Kuwait obliging the appellant to pay amount of KD 18.3 million (equivalent to SR 225 million).

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20- SUBSIDIARIES

1. In September 2021, the Group completed the initial public offering "IPO" for 20% of its shareholding in its subsidiary – Solutions by stc with a total proceeds of SR 3,624 million before deducting total IPO's cost of SR 63.7 million.

As a result of this offering, the non-controlling interests increased by SR 428 million and shareholders' equity (other reserves) increased by SR 3,132 as at 30 September 2021.

2. In November 2020, the Group signed an agreement with Western Union "WU" to sell 15% of the Group's share in the Saudi Digital Payments Company (stc pay) (currently "stc Bank) for a total of SR 750 million (equivalent to USD 200 million).

During the second quarter of 2021, the Council of Ministers approved granting Saudi Digital Payments Company a digital banking services license to become a digital bank with a share capital of SR 2.5 billion. Accordingly, WU and the Group deposited an amount of SR 750 million and SR 802 million, respectively in a restricted account by the Saudi Central Bank (SAMA) until the final approval is obtained. Therefore, the cash and cash equivalent balances include an amount of SR 1,552 million, which represents cash balances restricted by the Saudi Central Bank (SAMA) as at 30 September 2021.

During the third quarter of 2021, the regulatory requirements were completed to conclude the agreement with WU. As a result of this transaction, the non-controlling interests increased by SR 251 million and shareholders' equity (other reserves) increased by SR 499 as at 30 September 2021.

3. During the second quarter of 2021, the Group established stc Gulf Cable Systems Company - a limited liability company in the Kingdom of Bahrain with a capital of SR 188.6 million (equivalent to BHD 18.9 million) wholly owned by the Group as part of the agreement to invest in a fund aimed to drive innovation in the communications and information technology sector in the Kingdom of Bahrain and other GCC Countries (See note 18). stc Gulf Cable Systems Company main activities include the sale and installation of telecommunications equipment and the construction of utilities projects.
4. During the third quarter of 2021, the Group has established the Innovation Fund Company - a limited liability company in the Kingdom of Saudi Arabia with a total capital of SR 56.2 million wholly owned by the Group, and its main activity includes administrative services and IT and telecommunication support.
5. During the third quarter of 2021, the Group has completed all legal and regulatory procedures of Sapphire liquidation without any financial impact on the Group's interim condensed consolidated statement of profit or loss for the period ended 30 September 2021.

21- EMPLOYEES LONG-TERM INCENTIVES PROGRAM

On 20 April 2020, the Extraordinary General Assembly voted to approve the purchase of a number of the Company's shares, with a maximum of 5.5 million shares, with an amount not to exceed SR 300 million to be allocated for the employees long-term incentives program (the Program). The shares to be purchased will not have the right to vote in the Company's shareholders general assemblies, and will not be entitled to any dividends while the shares still under the Company's possession.

The Program intends to attract, motivate and retain the executive employees responsible for the achievement of the Group's goals and strategy. The Program provides a share-based payment plan for eligible executives participating in the Program by granting them shares in the Company upon completing the duration of service and performance requirements and achieving the targets determined by the Group. Each employee is entitled to receive variable number of shares depending on their certain KPIs as identified by the Group. During the years 2020 and 2021.

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21- EMPLOYEES LONG-TERM INCENTIVES PROGRAM (Continued)

The group awarded the first and second tranches of the program as follows:

	<u>Tranche 1</u>	<u>Tranche 2</u>
Grant date	1 July 2020	1 July 2021
Total number of shares granted (*)	802 thousand shares	706 thousand shares
Average Fair value per share at grant date (**)	SR 94.40	SR 128.6
Vesting date	1 July 2021/2022/2023	1 July 2022/2023/2024
Settlement method	Equity	Equity

(*) The number of shares granted has been updated to reflect the number of shares actually granted to eligible executives participating in the program who met all the conditions of granting.

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

Total expenses related to the Program for the three and nine months periods ended 30 September 2021 amounted to SR 11.6 million and SR 19.1 million respectively (for the three and nine months periods ended 30 September 2020: SR 3.1 million and SR 3.1 million respectively), which were included as part of employees benefits expense in the interim condensed consolidated statement of profit or loss, with the corresponding amount recorded under other reserves within equity in accordance with the requirements of International Financial Reporting Standard (2): Share-based Payment.

On 1 July 2021, a total of 135 thousand shares have vested at fair value of SR 100.58 per share.

22- DIVIDENDS

On 9 Rabi Thani 1440H (corresponding to 16 December 2018) the Board of Directors have approved the Company's dividends policy for the next three years starting from the fourth quarter of 2018, which was approved by the General Assembly on 19 Sha'ban 1440H (corresponding to 24 April 2019). The objective of the dividends policy is based on maintaining a minimum level of dividend of SR 1 per share on quarterly basis. The Company will consider and pay additional dividend subject to the Board of Directors recommendation 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 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 legislations governing the sector at 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.

On April 26, 2021, the General Assembly approved, during its meeting, the recommendation of the Board of Directors to distribute additional cash dividends for the year 2020 at the rate of SR 1 per share.

In accordance with dividends policy, the Company distributed cash dividends to the shareholders of the Company for the first quarter of 2021 at a rate of SR 1 per share.

In addition, the Company distributed cash dividends to the shareholders of the Company for the second quarter of 2021 at a rate of SR 1 per share.

The Company will also distribute cash dividends to the shareholders of the Company for the third quarter of 2021 at a rate of SR 1 per share.

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**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE AND NINE MONTHS PERIODS ENDED 30 SEPTEMBER 2021 (CONTINUED)**

(All amounts in Saudi Riyals thousands unless otherwise stated)

22- DIVIDENDS (Continued)

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 (See note 21).

The Board of Directors, in their meeting held on 20 Safar 1443 AH (corresponding to 27 September 2021) have approved the Company's dividends policy for the next three years starting from the fourth quarter of 2021 at a rate of SR 1 per share, which will be presented in the General Assembly for approval.

23- IMPACT OF CORONAVIRUS (COVID-19) OUTBREAK

The Group's operations and financial results have not incurred significant impact from the virus outbreak, taking into consideration the lower impact of the pandemic over the operations and activities of companies operating in telecom sector.

24- APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

At its meeting held on 21 October 2021, the audit committee delegated by the Company's Board of Directors approved the interim condensed consolidated financial statements for the three and nine months periods ended 30 September 2021.