ANNUAL REPORT
2023

solutions by stc

Embracing Innovation

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

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

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

Contents

Theme of the Year

solutions by stc built capabilities through landmark acquisitions, forged transformative partnerships, and delivered groundbreaking achievements in 2023, expanding the boundaries of possibility and setting new standards for the ICT industry in the Kingdom of Saudi Arabia and the Region.

Embracing innovation, we drove transformational change across our business and for our customers, expanding our workforce, embracing sustainability, and playing critical roles in high profile projects for enterprises of all sizes and government bodies, including strategic initiatives tied to Vision 2030.

Our partnerships in emerging technologies, including AI, data and analytics security, expanded our technological frontiers while reinforcing our market dominance, creating a differentiated value proposition and service offering that supported our robust financial growth this year and positioned solutions by stc for sustainable value creation for years to come.

At a Glance

Key Operational Highlights

#1
IT services provider

22.7%
IT services market share in the Kingdom of Saudi Arabia

100%
Stake acquired in ccc with an enterprise value of **SAR 450 million**

132%
Growth of solutions by stc's stock price from initial IPO price

Robust Financial Performance

Revenue
11,040
SAR million
↑25.4% YoY

EBITDA
1,669
SAR million
↑19.9% YoY

Net Profit
1,192
SAR million
↑13.2% YoY

Earnings Per Share (EPS)
10.02

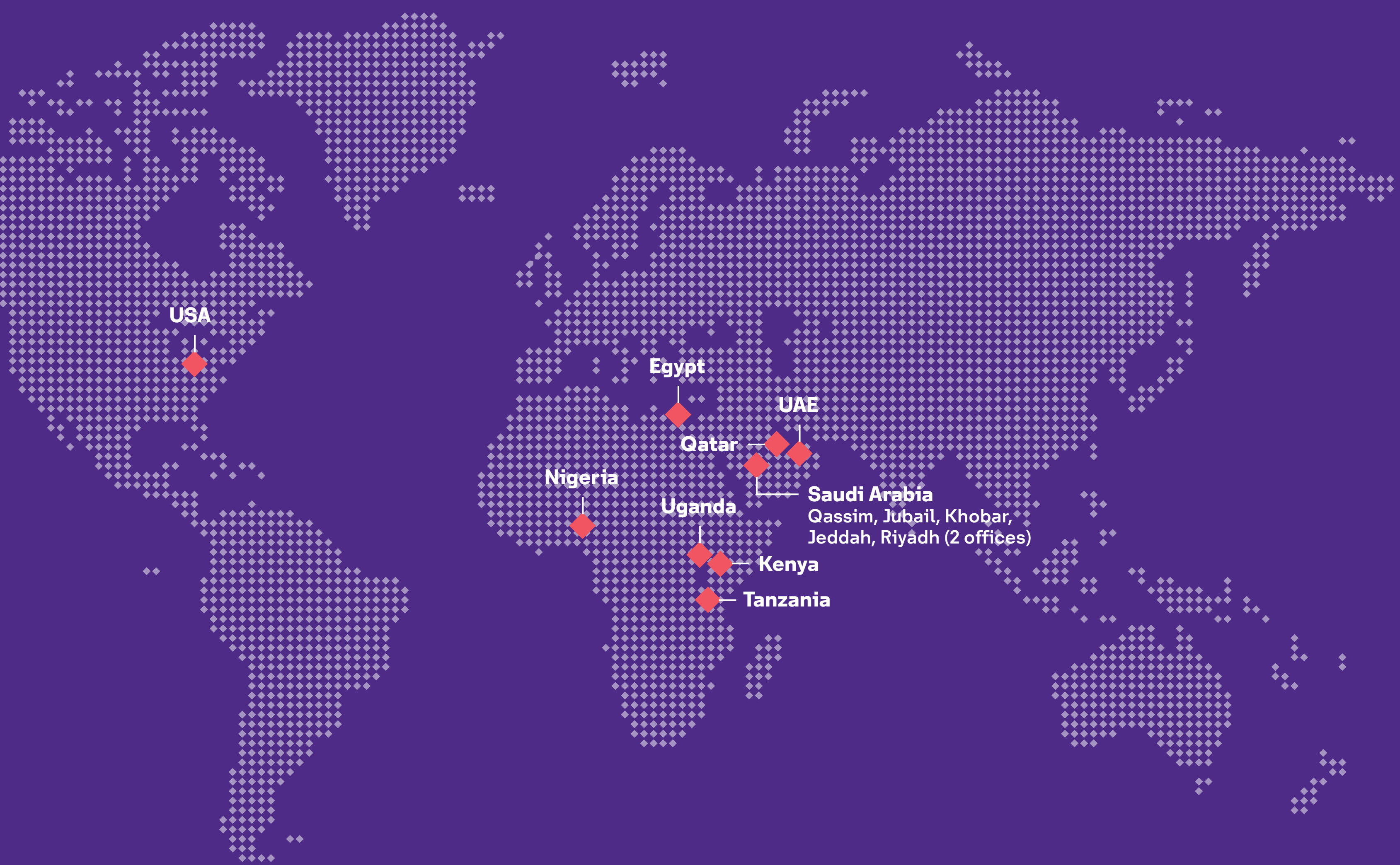
Payout Ratio
60%

ESG Highlights

200%
increase in training hours per employee

Launched Quality Monitoring and Control System (AQMCS), for real-time air quality analysis

Expanding Geographic Reach



Delivering Value to our Customers

Received multiple customer service and customer experience awards

Best Quality in Customer Experience

Best Diversity and Inclusion Program

Strength of our Partnerships

170+ Partner base of technology innovators

70% Procurement spending on local suppliers

462 Local suppliers engaged

Our Talented Team

1,777
Workforce

67%
Saudization

19%
Female staff

100,300+
Hours of training provided

4,330
Online courses completed by staff

1,791
Staff accessed training*

*Employees have the opportunity to participate in multiple training programs.

Awards

People

HRSE Future Workplace Awards

- **Best Employee Wellbeing Strategy in KSA 2023**
- **Best Employee Engagement Programme in KSA 2023**
- **Best Recruitment and Onboarding Strategy in KSA 2023**
- **HR's Rising Star of the Year in the Middle East 2023**
- **Best Employee Engagement Programme in the Middle East 2023**

Technology

- **PMI:** Project Excellence Award
- **PMI:** Female Leader of the Year
- **IPMA:** Global Project Excellence Award - Gold winner (IT / Telecommunications)
- **IPMA:** Global Project Excellence Award - Silver winner (Change Management / Product Development / Marketing)
- **IPMA:** Global Project Excellence Award - Bronze winner (Construction / Engineering / Infrastructure)
- **IPMA:** Agile Leader of the Year

Finance

- **Capital Markets & ESG Finance Saudi Arabia Award** for M&A Deal of the Year
- **MEIRA:** 2023 Best Annual Report - Digital Category – Third place mid-cap companies

Internal Audit

- **Institute of Internal Auditors:** achieved a high score of 4.5/5 maturity level placing us within the top internal audit functions globally against the Internal Audit Ambition Model

Corporate Governance

- **Ethical Boardroom Award:** 2023 Best Corporate Governance Award in the Middle East region (IT services)

GCC GOV Awards

Best Leadership Development of the Year in the Private Sector 2023

Certifications

- **Risk management – Guideline :** ISO-31000
- **Privacy information management system:** ISO 27701
- **Information security management system:** ISO 27001
- **Governance of Organizations:** ISO 37000
- **Compliance Management System:** ISO 37301
- **Quality Management System:** ISO 9001
- **Environmental Management System:** ISO 14001
- **Cloud Security Management System:** ISO 27017
- **Cloud Security Alliance STAR Certification:** CSA Star
- **Business Continuity Management:** ISO 22301
- **Security and Resilience - Guidelines for Incident Management:** ISO 22320

Key Awards from Partners

Xfusion
- Strategic Partner of the Year

Dell
- Partner of the Year 2022 (A)
- Storage Partner of the Year 2022 (A)

Fortinet
- Partner of the Year 2023

Juniper
- Partner of the Year 2022 (A)

Palo Alto
- Partner of the Year 2022 (A)

Vmware
- Transformation Partner of the Year 2023

Cloudera
- Partner of the Year for Middle East, Africa, and Turkey 2023

Symantec
- Best Contribution Award 2023

Infoblox
- Partner with Outstanding Foresight and Fantastic Vision – Prodigious Partner

Broadcom - Symantec
- Best Contribution Award (2022)

Genesis
- Partner of the Year 2023

Cisco
- **Global WW Award Winner for Service Provider Partner of the Year**
- **EMEA Award Service Provider of the Year**
- **MEA Theatre Partner of the Year**
- **MEA Award Service Provider of the Year**

HUAWEI

Excellent Global Sales Partner (Huawei Middle East & Central Asia Partner Summit 2023)

Customer Excellence Award (Huawei Partner Connect 2023, Huawei Digital Power)

About the Report

solutions by stc's Annual Report for 2023 covers the performance of the Company during the year ended 31 December 2023. We aim to provide a balanced view of the Company's performance by communicating material information in a concise but comprehensive manner.

Pages 14 to 25 from the Overview chapter provides a comprehensive look at our business and offerings; the context in which we operate; Our Journey; Year in Review; Investment Case; details of our stakeholders and how we engage with them; and the shareholders' information.

The Leadership Review on pages 28 to 31 forms the statements from the Chairman and the CEO.

Pages 34 to 45 from the Strategic Review provides a description of our business model to create value for our stakeholders; progress against our strategic framework for resilient growth; Case Studies; an exploration of our material risks and the Company's response; and a Review of the Market.

The Financial Review on pages 48 to 53 forms the statement from the CFO and key financial highlights.

The Operating Review on pages 56 to 71 outlines solutions by stc's performance during the year under review, measured against a number of standardized indicators and metrics.

The Governance Report on pages 92 to 131 forms the Report of the Board of Directors.

Reporting Scope and Boundary

The Report covers the operations of solutions by stc, duly identified as the "Company", "solutions by stc", or "Organization". Key financial aspects and non-financial aspects are discussed in the context of the Company. The solutions by stc Annual Report 2023 covers the 12-month period from 1 January 2023 to 31 December 2023.

Reporting Frameworks

solutions by stc's Annual Report 2023 draws from the following reporting concepts, principles, and guides:

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

Compliance

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

Queries

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

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Address: PO Box 50
Post Code: 11372
Phone: +966 115 251 111
Fax: +966 114 601 110
Email: IR@solutions.com.sa

01

Overview

About solutions by stc

We are the leading ICT services provider and digital transformation enabler at the forefront of digitalization in the Kingdom and the region, supporting Vision 2030's aspirations. In a rapidly evolving digital environment, our services play a pivotal role in empowering both the public and private sectors to embrace and thrive in the new digital era.

Showcasing our commitment as a trusted partner, we deliver value through technology to our clients by addressing their business challenges in a holistic and comprehensive "one stop shop" approach across the entire IT value chain.

solutions by stc has a wide and diversified portfolio of offerings covering the end-to-end ICT value chain encompassing core ICT services, IT managed and operational services, and digital services. The Company's unparalleled capabilities that span the entire ICT value chain are perfectly positioned to be the partner of choice for the B2B sector.

As a frontrunner in the ICT industry within the Kingdom, solutions by stc has embarked on an ambitious growth strategy intended to reinforce its position as the leading ICT services provider in the Kingdom and to diversify the portfolio of offerings. The Company's growth strategy focuses on strengthening core capabilities in competitive growth areas, enriching next-gen offerings, expanding geographic reach, and accelerating efforts to improve efficiencies across the board with a dedicated focus on innovation and sustainability. As a major player in the ICT ecosystem and value chain, solutions by stc's successes contribute to the Kingdom's development and the success of our stakeholders.

Following a successful IPO in 2021, solutions by stc stock achieved a phenomenal performance even during a market downturn, doubling the value of its initial IPO price by the end of 2022. As a result, solutions by stc achieved a market capitalization of more than SAR 41 billion (more than USD 11 billion) by the end of 2023. Following a strategy for stable growth with strong profitability, the Company is well poised to continue creating value for its investors, partners, and other stakeholders.

Vision

To create a digital ecosystem enabling our customers to achieve sustainable growth, regionally and globally.

Mission

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

Values

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

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

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

What We Do

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

solutions by stc's communication and internet services address high-end connectivity needs of organizations within cities and remote locations by providing dedicated, secure, and high-quality business internet and satellite services through the wholesale purchase of communication capacity from telecommunication providers.

IT managed and operational services
Managed services include end-to-end management of business networks and systems with the capability to deliver customized managed services projects to serve the individual needs of customers, which help them grow and improve their businesses.

We create value by increasing efficiency, providing better services, improving operations, and monitoring and resolving problems by managing the components of our customers' technical infrastructure such as networks, servers, storage, devices, and applications.

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

Digital Solutions
Cloud services includes the full spectrum of data center and cloud services as well as multi cloud professional and managed services for all the hyperscalers helping clients to optimally manage their cloud investments.

Digital services consist of digital transformation services; providing digital solutions to connect, monitor, and analyze machine/device data for informed and effective decisions, and redesigning how businesses are conducted to enhance customer experience – these include but are not limited to application services.

Cyber security integration provides security services covering all stages of the IT value chain, including planning, design, implementation, and project management of technical solutions that cater to the specific security needs of enterprises.

Digital is in our DNA

25+
years of experience in IT

170+
partners in our ecosystem

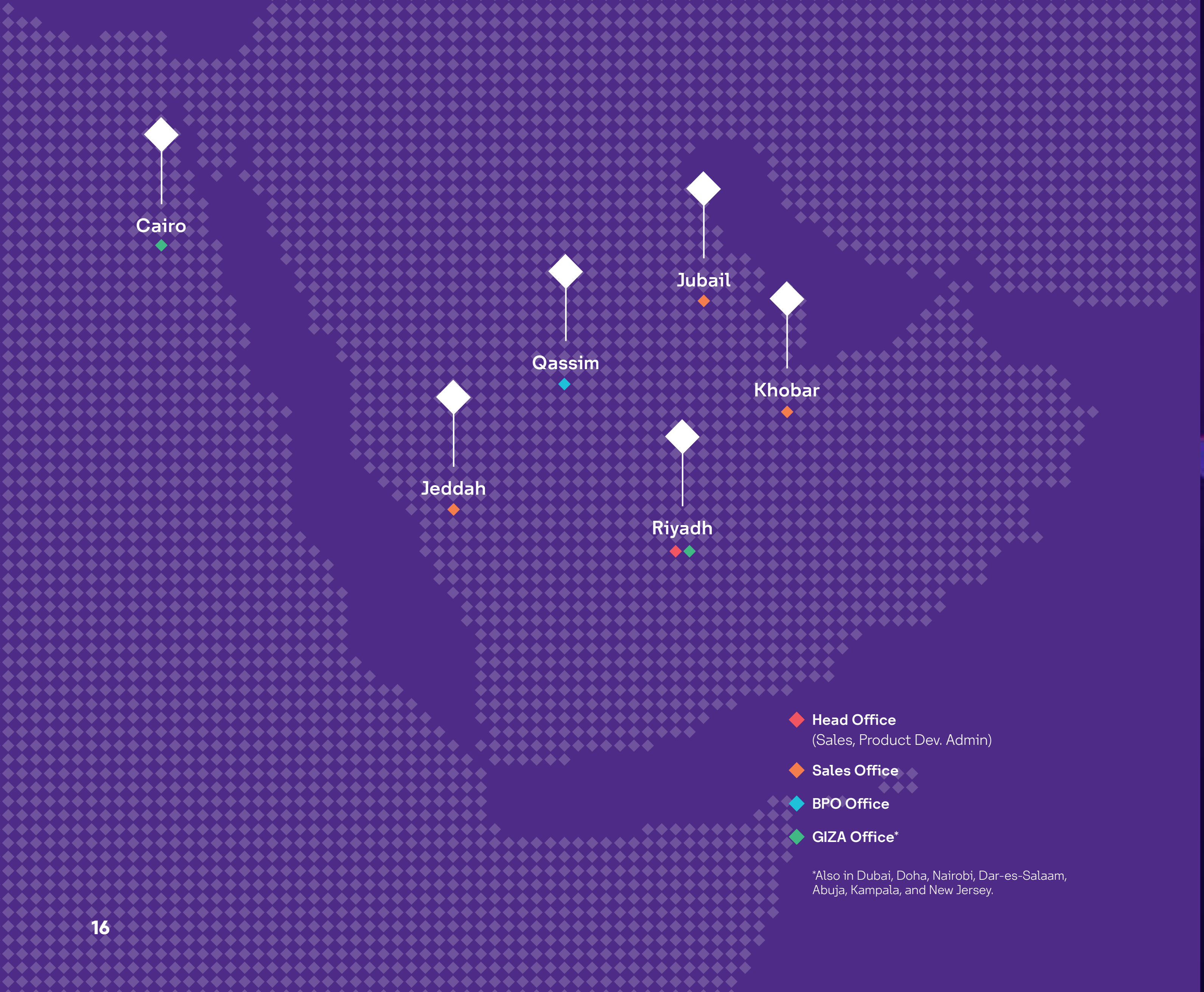
1,770+
qualified employees

35
cities bearing our resource-mobilization capability

Where We Operate

Presence across the Kingdom to serve the needs of our customers.

Sales and services delivery offices covering the 5 major cities in the Kingdom.



Our Journey

Over the years, solutions by stc has been on a journey of steady and profitable growth to establish itself as a market leader and innovative force in the Kingdom of Saudi Arabia. From an early entry into the field of system integration, to timely moves to cloud and digital services, and cyber security, solutions by stc has continually made strategic and forward-looking moves that reinforces our proposition, supports our customers, and creates value for our shareholders and stakeholders.

1995
AwalNet acquired ISP license.

2002
Merger of 3 largest ISPs in Saudi Arabia – Naseej, AwalNet, and Alamiah.net.

2007
أول نت AwalNet

stc acquires AwalNet.

2009
solutions won first SI project and saw revenues rise to over SAR 300 million.

2011
solutions entered into cloud service play.

2014
Rebranded as stc solutions with over 800 employees and a presence in all major Saudi cities.

2017
Entered cyber security space and started building digital capabilities.

2019
Rebranded as solutions by stc.

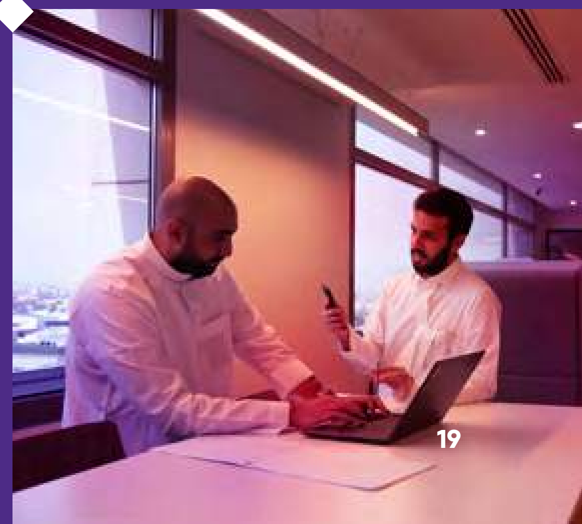
solutions by stc

2021
تداول Tadawul

Successful IPO of solutions by stc on Tadawul.

2022
solutions by stc acquired Giza Systems, with presence across the MEA region.

Giza Systems



2023
Acquisition of the Contact Center Company (ccc).

Acquisition of Devoteam Middle East stake.

Partnership with Nile.

Year in Review

The 2023 year was a testament to our commitment to innovation, driving sustainable growth and shaping the future of technology. As we reflect on our journey, we celebrate the bold steps taken in enabling the digital transformation and the relentless pursuit of excellence that defines solutions by stc.

1 January

Strategic partnership with MISK Foundation

We signed an MOU with MISK Foundation to empower non-profit organizations and increase volunteering opportunities.

Recognition from MISK Community

We were recognized by MISK Community for our efforts in enhancing the technical capabilities of non-profit organizations.

2 February

Winner of 5 global awards for digital transformation projects in the Kingdom

We were honored with 5 awards for our contribution to creating an impact and reflecting solutions by stc's ability to compete on a global scale.

Leading the Kingdom's digital story at 'LEAP 23'

We showcased a wide range of services and products, and marked the signing of landmark agreements and partnerships with a view to accelerate Saudi Arabia's digital transformation journey.

Exclusive partnership and reseller agreement with SingleStore

We established a partnership with SingleStore to expand our footprint to customers across a variety of sectors in the region, including banking, telecommunications, energy, and healthcare.

Sponsoring 'Cyber Security Challenges and Solutions 2023'

We supported the forum, which served as a hub for researchers, educators, and industry experts, to share their views, findings, and experiences in the critical area of cyber security.

3 March

Launch of Push-To-Talk (PTT) marketing campaign

We showcased how our innovative communication service can assist corporate customers by enabling their teams to stay connected regardless of their location.

4 April

Acquisition of the Contact Center Company (ccc)

We completed our 100% acquisition of the Contact Center Company (ccc), with an enterprise value of SAR 450 million, marking a key milestone in our growth strategy to expand our business process outsourcing offering and deliver end-to-end services to our customers.

5 May

Partnership with Nile Partner to deliver secure network as a service

We forged a new partnership to provide cutting-edge network solutions to accelerate digital transformation for customers in Saudi Arabia, Kuwait, Bahrain, Oman, and Egypt.

6 June

Acquisition of Devoteam Middle East stake

We signed a binding offer with Devoteam SAS (France) and ORTLL Investment Limited to acquire 40% of Devoteam Middle East, which will complement our current offerings, enable the delivery of digital consultancy and transformation services, and provide access to a global network of capabilities and expertise.

7 July

Financing of SAR 233 million to Giza Arabia

We provided financing to Giza Arabia, in line with our strategy to grow, expand, and develop our subsidiaries' business in the region.

8 August

Investment in Nile's next generation access service for enterprise networks

We executed a strategic investment in next-generation enterprise networking provider, Nile, to drive secure connectivity solutions delivered entirely as a service.

9 September

Partnership with Samsung to drive digital transformation in the Kingdom

We signed an MoU with Samsung to enhance collaboration in the information and technology sector to provide secure, fast, and reliable communications in order to meet the requirements of the growing Saudi market.

10 October

Managed services agreement for Saudi Falcon Club's digital transformation

We entered into this partnership to provide our expertise and services that will enable the club to develop its processes and operating systems using international best practices.

Platinum sponsorship of the 10th eGovernment Forum in Kuwait

We sponsored and participated in the forum to drive innovation in the Kuwaiti market and support the Kuwaiti Government throughout its digital transformation journey, in line with Kuwait Vision 2035.

11 November

Digital transformation agreements at World Health Summit

We continued to drive digital transformation across diverse sectors, by signing 3 key agreements to empower healthcare digital transformation at this global industry event.

Publication of first Annual Sustainability Report

We released our first Annual Sustainability Report for the year 2022, in line with our commitment to transparency and corporate sustainability.

Launching Intrapreneurship program

We continued to foster a culture of innovation through exceptional initiatives and programs with the announcement of the launch of our new Intrapreneurship program, as a key component of our innovation strategy.

12 December

Compliance program completion from GAC

We obtained a Certificate of Completion for the General Authority for Competition (GAC) Compliance Program, in appreciation of our commitment to fulfilling its requirements.

Recognition from Council of Saudi Chamber

We were recognized by the Council of Saudi Chamber during techXpand as one of the leading ICT listed companies on the Saudi Stock Market.

COPC certification for customer experience

We obtained the COPC certification in the field of customer experience, which reflects our keenness to provide the best service to our customers in the field of business outsourcing.

Digital transformation agreement with Ministry of Water, Environment, and Agriculture

We signed an MoU with the Ministry of Water, Environment, and Agriculture during the Digital Government Forum to enhance its digital transformation and develop its digital services.

Investment Case

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

Key Strengths

Market Leadership

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

Strong Partnership Ecosystem

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

Diverse Customer Base

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

Customer-centric Culture

The Company's 360° CX Framework and customer-centricity culture ensures customer experience is foremost through policies and practice and operationalized across all business units and functions.

Phenomenal Growth

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

Expert Team

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

Strategic M&A and Partnerships

solutions by stc's strategic focus on M&A and partnerships is built on 3 pillars with the aim to scale, widen the offering, and remain the industry leader by strengthening existing portfolios and sectors of activity, expanding into new segments and new geographies and forming partnerships to enter disruptive technologies.

The Key Sectors We Serve

- Government
- Education
- Real Estate
- Financial Services
- Manufacturing
- Retail
- Oil and Gas
- Transportation
- Telecommunications
- Healthcare

and more

Stakeholder Engagement

Determining solutions by stc's stakeholders and having a continuous and effective engagement with them is imperative for us to understand and address their needs and expectations, including capturing the topics they deem material. Our main internal and external stakeholders are shown in the figure below:

External Stakeholders

- Investors and Shareholders
- Regulators
- KSA Government and the Kingdom's National Programs
- Suppliers and Partners
- Customers
- Local Community (NGOs, academia, etc.)

Internal Stakeholders

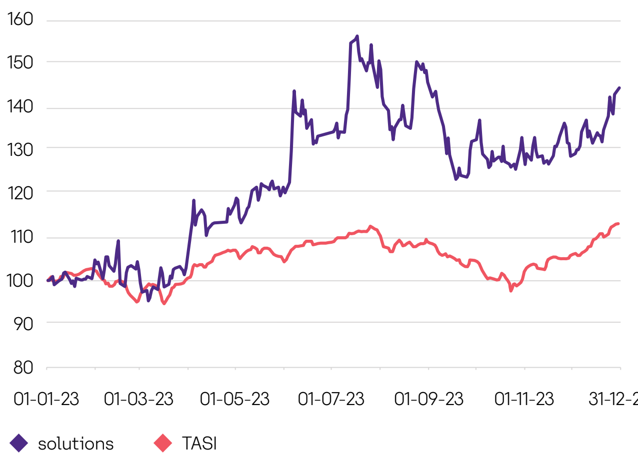
- Employees
- Senior Leadership and the Board of Directors

Shareholders' Information

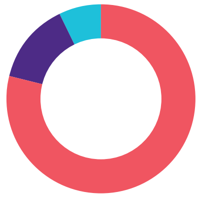
Share Information

Listing date:	30 September 2021
Exchange:	Saudi Stock Exchange (Tadawul)
Symbol:	7202
ISIN:	SA15CIBJGH12
Number of shares issued:	120,000,000
Closing price as of 31 December 2023:	SAR 349.80
Market cap as of 31 December 2023:	SAR 41,976,000,000
Market cap as of 31 December 2022:	SAR 29,136,000,000 (SAR 242.80 closing price)
Foreign ownership limit:	49.00%
Free float:	20.15%

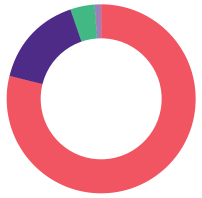
Share Price Performance vs. Benchmark Equity Indices



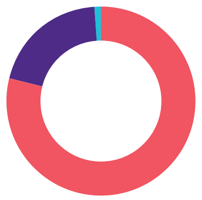
Share Ownership Structure



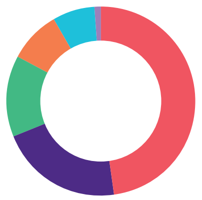
Shareholding by Type



Major Shareholders



Shareholding by Geography
(under Institutions)



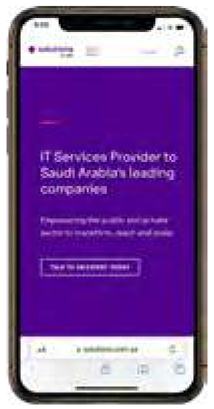
Investor Relations Calendar 2023

Conferences

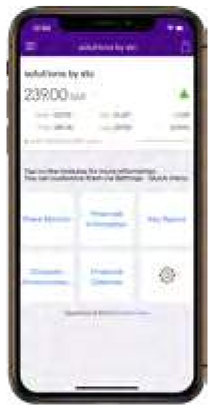
Date	Host	Location
12-13 February	Saudi Exchange	KSA
1-2 March	Goldman Sachs	Virtual
6-7 March	EFG Hermes	UAE
7-8 November	Bank of America	KSA
21 November	Morgan Stanley	KSA
22 November	J.P. Morgan	Virtual

Earnings call

Date	Form	Host
27 February	Earnings call FY22	HSBC
16 May	Earnings call Q1	Riyad Capital
9 August	Earnings call Q2	Bank of America
6 November	Earnings call Q3	SNB Capital



solutions by stc website



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interactions with investors

18
analysts covering the stock

Included in MSCI and FTSE emerging market indices

Analysts

- Akseer Research
- AlJazira Capital
- Al Rajhi Capital
- Arqaam Capital
- Bank of America
- Citi Group
- Goldman Sachs
- HSBC
- J.P. Morgan
- Morgan Stanley
- Riyad Capital
- Saudi Fransi Capital
- SICO Capital
- SNB Capital
- Ubhar Capital
- United Securities
- WOOD & Company
- Yaqeen Capital

02

Leadership Review

Chairman's Statement

"The appetite for innovation in the Kingdom of Saudi Arabia has never been greater and through our new business relationships in 2023, we have been instrumental in fulfilling existing needs and providing futureproof solutions for the next, neverending disruptions."

Riyadh Muawad
Chairman of the Board

New Era of Growth!

solutions by stc maintained its status as a crucial element of Saudi Arabia's digital landscape in 2023, while also increasing its reach and broadening its scope to bring new companies into the fold. Through bold ambition and strategic acquisition, we entered a new phase of expansion, our primary goal in a year which will be remembered as a highly significant period in our history.

As we continued our journey of sustainable growth and widespread diversification, we increased our standing as a leading end-to-end solutions provider, offering our clients all the advantages of a single point of contact for their vast and varied needs. In partnering with some of the most pre-eminent global technology pioneers, we have the capabilities to adapt our services to new clients and achieve our ultimate goal of unrivalled customer satisfaction.

By absorbing established, successful, and profitable innovators, solutions by stc has undoubtedly reached new audiences, however, we have not simply relied on their existing expertise, we have driven them to new levels of service excellence.

Decades of Innovation

For more than 25 years, we have provided innovative, integrated technology to enterprises and Saudi society alike. We have long understood that it is the most rapidly-evolving industry in global commerce and businesses and those which fail to evolve with it will struggle, regardless of their history and previous successes. It is for this reason that our "one stop shop" plays a pivotal role in such a broad spectrum of sectors, from healthcare, education, and retail to communications, maintenance, and government departments.

Extending our Reach

In addition, our purchase of Giza Systems expands our geographic footprint further with a presence in the Kingdom of Saudi Arabia, Egypt, and Kenya, driving growth in the design and deployment of technology solutions in industries such as telecommunications, utilities, oil and gas, and transportation.

Furthermore, our 40% acquisition of Devoteam Middle East also broadens our consultancy capabilities, and the full acquisition of Contact Center Company, creating ccc by stc, will solidify and extend our services to other regional markets.

Fulfilling Technology Demands

The appetite for innovation in the Kingdom of Saudi Arabia has never been greater and through our new business relationships in 2023, we have been instrumental in fulfilling existing needs and providing future-proof solutions for the next, never-ending disruptions. Increasing our network with industry giants such as Microsoft, Dell, Oracle, Cisco, and Samsung – to name but a few – reflects both our commitment to the digital transformation of the Kingdom of Saudi Arabia and the confidence of our global partners that we can achieve it.

Our purchase of Giza Systems expands our geographic footprint further with a presence in the Kingdom of Saudi Arabia, Egypt and Kenya.

In a year of substantial financial success, sustainable strategic investment, and far-reaching territorial gains, solutions by stc also made significant contributions to regional megaprojects including NEOM, Misk City, and the Red Sea Development Company, once again reinforcing our position as a comprehensive and flexible partner.

Our constant efforts to push the boundaries of new technology and explore their applications remain a core focus of our alliances. In joining forces with the region's leading Artificial Intelligence developers, we will provide the most advanced AI solutions to our clients as well as reap the rewards for our own internal processes.

Community Commitment

Sustainability and social responsibility will continue to be a core element of our operations. We have continuously not only aimed to be environmentally aware in our own operations, but we have also ensured that we contribute positively to the communities in which we operate. Technology plays an integral role in promoting a circular economy, helping us to influence the regional population as a whole.

Investment in our people also remains a top priority as we continue to foster a culture of innovation and excellence, ensuring that our teams are equipped with the skills and knowledge to lead the industry.

Vision 2030

With Saudi Vision 2030 at the forefront of our strategic operations, 2023 was an outstanding year in terms of driving innovation and contributing to a knowledge- and technology-based economy. In addition, we provided a number of innovative solutions directly to Government entities, including the National Center for Government Resources, the Saudi Data and AI Authority, the Ministry of Environment, and MOI – Public Security. It is a great privilege to not only serve the Government in our role as a service provider but also to be acknowledged as a trusted and pioneering supplier.

Looking Ahead

We will continue to assess and analyze new opportunities for expansion and ensure that we remain the most advanced and diversified technology company in the Kingdom of Saudi Arabia. As we build upon a remarkable year of new ventures and new partners, our network will grow and our services will expand to reach an unparalleled level of excellence and expertise.

Acknowledgements

In conclusion, I would like to thank our valued shareholders for their role in the success of solutions by stc. Our strategic expansion continues to deliver exceptional results and not only maintains our market leadership but also strengthens our position as the most prodigious and productive provider of digital transformation in the Kingdom of Saudi Arabia.

40%
acquisition of Devoteam Middle East

devoteam

Chief Executive Officer's Message

"Our alliances reached far and wide in 2023, from San Francisco-based SingleStore, providing the region with premier database and real-time data analytics services, to Nile, the enterprise network technology transforming the digital realm in Kuwait, Bahrain, Oman, and Egypt."

Eng. Omer Alnomany
Chief Executive Officer

Partnerships for Sustainable Growth

solutions by stc delivered an outstanding year of financial and operational achievements in 2023, driven by the successes across our business portfolio and the addition of new partners. With a 25.4% growth in revenue, we have cemented our position as market leaders and reinforced our sustainable growth trajectory for the future.

Our numerous, targeted acquisitions have added dynamic new dimensions to our business units, with Core ICT Services, IT Managed and Operational Services, and Digital Services all outperforming the results of 2022.

A substantial proportion of solutions by stc's revenue was generated from government projects in the ongoing implementation of Vision 2030 initiatives. However, there was also a significant increase in the private sector, which increased by 48% over 2022 to reach SAR 2.4 billion, reflecting the Company's focus on SMEs and their ever-increasing contribution to the national economy.

As our ambitious growth strategy continues to gather momentum, solutions by stc has broken new territorial boundaries and diversified into crucial services which have become increasingly vital to regional businesses. Technology is not only the key to success in the future, but also the lifeline to surviving and thriving in business today.

As well as providing opportunities to expand our range of expertise to a greater number of customers, our partnerships and acquisitions in 2023 also created a synergy in sharing knowledge and pooling resources, resulting in more holistic and cost-effective products and services.

Projects and Partners

We have a passion as pioneers and an instinct for innovation which aligns perfectly with the goals of our subsidiaries and partners. Our crucial advances in the development and deployment of artificial intelligence and big data secured 2 groundbreaking AI projects with Aramco and the Saudi Data and AI Authority. While these are milestones for the Company in their own right, in delivering our Aramco project, we also implemented the Kingdom of Saudi Arabia's first NVIDIA SuperPOD supercomputer infrastructure, designed to solve the world's most challenging AI problems. We are more than making progress, we are making history.

48%

Revenue reached SAR 2.4 billion (Private Sector)

We implemented the Kingdom of Saudi Arabia's first NVIDIA SuperPOD supercomputer infrastructure, designed to solve the world's most challenging AI problems.

A key focus in 2023 centered on exciting new and emerging technologies which, while already established to some extent, have enormous potential to revolutionize personal and professional lives. With an emphasis on cyber security, data management, and the Internet of Things, we have worked with many of our new partners to explore further applications for businesses across the region, to reach new markets, and expand their customer base.

Our alliances reached far and wide in 2023, from San Francisco-based SingleStore, providing the region with premier database and real-time data analytics services, to Nile, the enterprise network technology transforming the digital realm in Kuwait, Bahrain, Oman, and Egypt.

Through our new partnership with Genesys to supply digital solutions and products using cloud technology, we were recognized during LEAP 2023 as providing the Best Digital Customer Experience by delivering "Empathy through Innovation". We also rank among the top brands globally in terms of the volume handled on social media and chat channels via the Genesys platform.

Unified and Focused

In a year of such momentous expansion, solutions by stc now has a total workforce of 1,777, a 3% increase from 2022. It is an enormous credit to our employees that they have adjusted and integrated so seamlessly, with a shared vision of achievement, and a desire to communicate, collaborate, and cooperate for a common goal. Our Human Resources teams have extended our unique environment to new colleagues and new departments, ensuring that they all benefit from the extraordinary programs of welfare, progress, and development which are paramount to our Company culture.

Those achievements were duly recognized by HRSE Future Workplace Awards as Best Employee Engagement Program in KSA 2023, Best Recruitment and Onboarding Strategy in KSA 2023, and Best Leadership Development of the Year in the Private Sector 2023. I am also truly proud to inform you that we won Best Leadership Development of the Year in the Private Sector at the GCC Government Awards.

With our progressive Intrapreneurship program, diversity and inclusion initiatives, work-life balance, and wellbeing commitments, solutions by stc is pioneering not only in its technological advances but also in its commitment to the people who are at the heart of the Company.

In terms of our Environmental, Social and Governance commitments, we are dedicated to sustainability and contributing to the world around us through our GROW philosophy. In our efforts to create a greener planet, our ultimate goal is to achieve net-zero emissions through the most advanced clean technology, enabling us to lead the market in eco-friendly processes and practices.

In our role as a provider of innovation and an employer of choice for our colleagues and co-workers, we ensure that relationship building and digital empowerment are pivotal to their satisfaction and efficiency at work. In addition, as an ethical, transparent, and diligent Company, we are wholly committed to a robust governance framework which enables us to develop and progress with utmost integrity. Not only are we working towards minimizing our own impact on the environment, but we are also widening our brief to drive a change in culture through responsible procurement throughout our supply chain.

The Journey Ahead

As we look to the future, our commitment to cutting-edge technology and its region-wide application remains our top priority. In bringing the latest innovation across a wider geographic footprint, we will bring more essential services to our customers and create greater value for public and private sectors, SMEs, and family businesses. While we are the leading digital solutions provider in the Kingdom of Saudi Arabia, the products and services our partners and subsidiaries provide are in use at every level, delivering a more time-effective and cost-efficient way of working.

We will continue on our journey of sustainable expansion and identify potential relationships which would benefit solutions by stc and the wider region.

Acknowledgments

In conclusion, I would like to thank the Board of Directors and Management for their vision and expertise. My great appreciation also goes to the numerous outstanding teams at solutions by stc, who have made 2023 another year of remarkable successes through their immense collective efforts. I would also like to thank our partners for their invaluable contributions and, of course, our customers, whose satisfaction and loyalty are the mainstays of our progress.

03

Strategic Review

Business Model

Inputs

- Financial
- Intellectual
- Manufactured
- Social and Relationships
- Human
- Natural

Operations

End-to-end, Integrated ICT Services and Solutions Provider

Outputs

- Core ICT Services
- IT Managed and Operational Services
- Digital Solutions

Outcomes

- Enabling Environment
- Digital Transformation
- Scale and Growth

Value Created

Industry

10 Sectors engaged

Community / Nation

67%
Saudization

19%
Female workforce

462
Local suppliers

SAR billion
3.36
Local procurement spending

People

1,777
Employees

100,300+
Training hours

Partners

170+
World-class partners

Shareholders

SAR
10.02
Earnings per share

13%
Growth in net profits

Strategy

Crafting the Future: solutions by stc's Strategic Evolution

During a pivotal period of growth and expansion, our LEAP strategy provided the focus and guidance needed to effectively navigate market changes and technological advances to create a foundation for further growth and sustainable success. As we emerge from a successful 2023, we are excited to introduce our refreshed strategy, LEAP 2.0, a testament to our commitment to growth, innovation, and excellence.

As we commence our journey in 2024, solutions by stc's LEAP 2.0 strategic aspirations refreshingly compound on our past success, positioning us for an accelerated growth in the future. The rationale for our strategy is deeply rooted in the dynamic nature of the technology sector and the unique transformative momentum of the Saudi market, particularly considering the aspirations and programs under Vision 2030.

The technology sector is characterized by rapid innovation and disruption. Emerging technologies such as AI, data and analytics, and cloud computing are not just buzzwords but are reshaping industries. Our response with LEAP 2.0 is to harness these technologies, optimize our service delivery, and ensure that our solutions are not only relevant for today but also revolutionary for tomorrow. The expansion into new business models and the emphasis on a scalable innovation program underlines our commitment to being at the forefront of technological evolution.

As we embrace LEAP 2.0 aspirations, we are not just navigating the future; we are actively shaping it. Our strategy is a reflection of our aspiration to be at the forefront of the IT industry, contributing to the Kingdom of Saudi Arabia's's vision, and driving forward with innovation, excellence, and an unwavering commitment to our customers and community. In this journey, we see ourselves as partners in progress, contributing to a brighter, more technologically empowered future for the Kingdom and beyond.

Vision 2030 provides a transformative blueprint for the Kingdom, with economic diversification and technological advancement at its core. It aims to reduce the Kingdom of Saudi Arabia's dependence on oil, diversify its economy, and further develop public service sectors. As a leader in the IT sector, we are committed to supporting this vision through full alignment of our refreshed strategy and our focus on innovation, customer engagement, and sustainability.

Overall, LEAP 2.0 is more than a strategy; it is our commitment to leadership, excellence, agility, and partnership by leading with innovative services, empowering through growth and diversification, achieving excellence in customer engagement, and promoting efficiencies and sustainability.

"In the dynamic landscape of IT and Digital domain in the Kingdom and the region, our strategic vision extends beyond leadership. Committed to sustainability, we are dedicated to pioneering innovations and achieving excellence in services, enabling our clients in addressing their business challenges to thrive in the digital era. By linking our growth with their success, we aspire to be a partner of choice in the digital advancement of our esteemed clients."

Muataz Abdullah Aldharrab
Chief Strategy Officer

Pillar **L**

Lead through Service Excellence

By continually enhancing our services and capabilities, we are not just keeping pace with technological advancements; we are setting new benchmarks for excellence in the industry.

Our first pillar, "Lead through Service Excellence," is about enhancing the core of our business. We are committed to optimizing and expanding our capabilities in IT professional services, revamping our managed services, and enriching network based services. The multi-cloud services opportunity remains a significant focus, reflecting our dedication to leading the market in providing comprehensive, high quality IT solutions.

Pillar **E**

Empower Business Growth and Diversification

Our focus on diversification, particularly in embracing emerging technologies and innovative business models, reflects our commitment to being an agile and dynamic player in the market.

Under "Empower Business Growth and Diversification," we aim to seize new opportunities in the next-gen digital landscape. We're establishing a scalable innovation program and expanding our partner ecosystem to reinforce our market position. By venturing into new business models like PPP and revenue share models, we're setting the stage for unprecedented growth and diversification.

Pillar **A**

Achieve Excellence in Customer Engagements

In a rapidly evolving market, staying close to the customer and anticipating their evolving needs is of utmost importance. Our strategy is geared towards creating exceptional customer experiences and building mutually beneficial relationships.

The third pillar, "Achieve Excellence in Customer Engagements," focuses on our commitment to customer success. We're revamping customer experiences and focusing on high-potential verticals with industry-specific offerings. Our goal is to not only meet but exceed customer expectations, ensuring our solutions are as dynamic and forward-thinking as the sectors we serve.

Pillar **P**

Promoting Efficiencies and Sustainability

As we grow, maintaining operational efficiency and embracing sustainability ensures that our growth is robust, responsible, and aligned with the broader goals of economic and social development.

"Promoting Efficiencies and Sustainability" reflects our internal commitment. We are continuously optimizing our capabilities, investments, and resources. Adopting best-in-class sustainability practices ensures our growth is not only robust but also responsible.

Case Studies

Forging a Digital Transformation Powerhouse

Devoteam Strategic Investment

devoteam

solutions by stc's strategic investment in Devoteam Middle East is set to accelerate growth and drive digital transformation in the Kingdom of Saudi Arabia.

In an ambitious move to fortify its position as a leader in the ICT market and enhance its suite of offerings, solutions by stc acquired a strategic 40% stake in Devoteam Middle East. This partnership is designed to infuse solutions by stc's portfolio with world-class digital consulting and business transformation capabilities, extending its reach and impact across the Kingdom of Saudi Arabia and beyond.

With its distinguished reputation as the leading IT consulting firm in the region, Devoteam Middle East brings to the table a rich legacy of driving digital transformation. For over 2 decades, Devoteam has been instrumental in guiding organizations through their digital transitions with confidence and strategic foresight.

Operating out of regional headquarters in the Kingdom of Saudi Arabia, Devoteam's team of over 700 consultants provide comprehensive expertise and unique capabilities focused on pioneering cloud solutions and refining business processes. Its accolades include recognition from the IDC as the premier IT consulting firm by market share in the Kingdom of Saudi Arabia, a testament to its leadership and influence in shaping the digital landscape.

The collaboration between solutions by stc and Devoteam is a partnership aligned with the visionary objectives of Saudi Vision 2030, underscoring the companies' shared commitment to fostering digital innovation and localization within the Kingdom.

This synergy is poised to deliver cutting-edge digital services, underscoring a mutual dedication to empowering organizations to embrace digital transformation and pursue sustainable growth. It marks a significant milestone in both entities' journey towards accelerating digital transformation initiatives, signaling a future where digital empowerment is at the forefront of business strategies in the Kingdom of Saudi Arabia and beyond.

Revolutionizing Connectivity

Partnership with Nile

nile

solutions by stc's strategic partnership with Nile marks a new era of Network as a Service in the Kingdom of Saudi Arabia and across the MENA region.

Embarking on a transformative journey to redefine network connectivity across the Middle East, solutions by stc forged a strategic partnership with Nile, an innovator in Network as a Service (NaaS). This collaboration is set to deliver secure campus NaaS solutions to an expansive clientele across the Kingdom of Saudi Arabia, Kuwait, Bahrain, Oman, and Egypt, marking a pivotal shift towards advanced digital transformation, operational excellence, and total cost of ownership.

Combining solutions by stc's deep market acumen and Nile's avant-garde technological prowess, the alliance aims to catalyze digital transformation across various sectors, from education and transportation to retail, enterprise, and the public sector as well as megaprojects. It will transform the digital infrastructure landscape, providing secure, efficient, and innovative networking solutions that support the dynamic needs of businesses and public entities in the MENA region.

Leveraging Nile's pioneering NaaS solutions, characterized by a subscription-based model, automated lifecycle management, and built-in security features, deep automation driven by artificial intelligence and machine learning, the collaboration seeks to eliminate traditional operational complexities, guaranteeing performance, and ensuring a secure networking environment.

solutions by stc and Nile share a vision of driving innovation, enhancing customer value, and fostering growth within the region, aligned with Vision 2030's digital transformation goals. Together, they are focused on redefining what is possible in digital connectivity, positioning the Kingdom of Saudi Arabia as a global hub for technological innovation and digital excellence.

Redefining the BPO Landscape

Acquisition of Contact Center Company

ccc by stc

> solutions by stc's acquisition of ccc will deliver innovative solutions to the market that will catalyze greater efficiency, technological advancement, and digital empowerment for the Kingdom of Saudi Arabia.

In a visionary move to dominate the Business Process Outsourcing (BPO) landscape, solutions by stc strategically acquired the Contact Center Company (ccc), heralding a new chapter in its growth narrative and sectoral diversification. This acquisition underscores solutions by stc's commitment to enhancing its market stronghold in the BPO domain while strategically positioning itself to capitalize on the full potential of this dynamic sector.

By integrating ccc's unparalleled expertise in contact center operations, and customer experience management into its ecosystem, solutions by stc elevates its competitive edge, offering a spectrum of BPO solutions tailored to meet the surging market demand.

Established as a joint venture by stc, a digital and telco leader in the Middle East, ccc has emerged as a beacon of excellence in customer experience, setting benchmarks with its innovative approaches and customer-centric services across diverse industries.

With a formidable force of over 6,000 employees and a portfolio boasting 45+ esteemed clients, ccc's operational ethos is anchored in surpassing customer expectations and fostering business innovation. Notably, ccc's distinction as the first customer experience management entity in the Kingdom of Saudi Arabia to secure the COPC (OSP) standard certification epitomizes its relentless pursuit of global service excellence and operational integrity.

This strategic collaboration is a testament to solutions by stc's foresight in recognizing the symbiotic potential of merging its ICT prowess with ccc's BPO and customer experience specialization. This convergence is set to redefine the ICT and BPO service landscape, offering holistic, end-to-end digital transformation solutions that power enterprises and align with the ambitious objectives of Saudi Vision 2030.

> With a formidable force of over 6,000 employees and a portfolio boasting 45+ esteemed clients, ccc's operational ethos is anchored in surpassing customer expectations and fostering business innovation.

Risk Management

Enterprise Risk Management is fundamental in solutions by stc's sustainable success, ensuring that a strong culture of risk identification, mitigation, and management is embedded across the organization to minimize risks to the Company's strategic progress and performance.

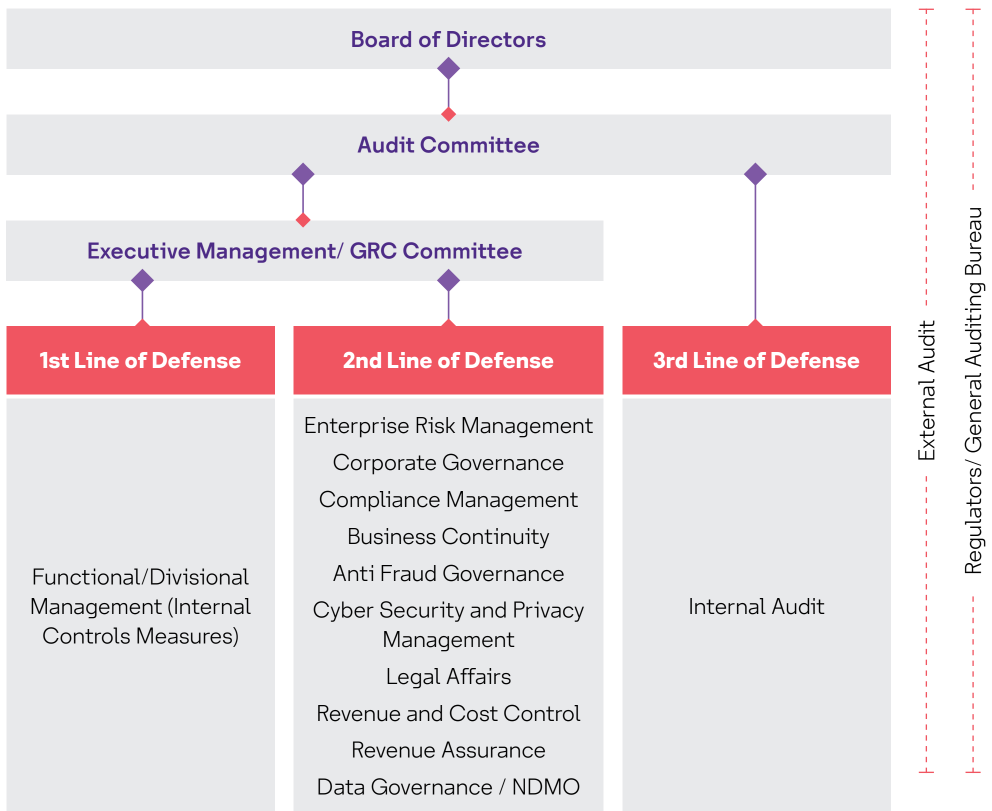
solutions by stc embeds risk management across every level of the organization to ensure that it is integrated with the decision-making process and supports the delivery of the Company's business strategy. By combining a robust risk governance framework with close collaboration and communication among the various business units, the business gains a deep understanding of internal and external risks and subsequently develops risk management approaches to safeguard the Company and ensure alignment with solutions by stc's overall strategic direction and objectives.

The Company is committed to delivering a comprehensive and highly effective risk management program, applying best practices and leading standards. It takes a proactive approach to actively identify and manage risks and threats. It also seeks to automate elements of the risk management process and activate data driven, and technology-based methodologies to aid in decision making, while leveraging internal and external resources to meet stakeholder expectations to uphold the highest standards in risk management.

Risk Governance Framework

solutions by stc's Board of Directors has the ultimate responsibility of governance and oversight on all risk management activities across the Company and its subsidiaries, in accordance with its approved Enterprise Risk Management Policy.

Three Lines of Defense



Risk Management Highlights

solutions by stc seeks to continuously improve its risk management approach and capabilities. In 2023, there was increased emphasis on integrating enterprise risk management with strategic objectives and planning. There was also a focus on identifying and reporting emerging risks arising from world events and ensuring that the risk management function plays its vital and appropriate role in helping to achieve the Company's strategic objectives.

solutions by stc is committed to adopting best practices of enterprise risk management, which is highlighted by the renewal of its ISO-31000 certification this year, which included passing surveillance audits in addition to increasing its risk management program maturity.

Principal Risks

Principal Risks	Description	Mitigation and Response
Increasing Competition	The increasing footprint of international players and local players continuously striving to gain market share in the Kingdom. Additionally, the increased number of start-ups in the Saudi Arabian IT market will make the market more fragmented.	solutions by stc is focused on continuously building and enhancing its digital and IT offering, entering new business lines and expanding its portfolio to encompass customer needs across the IT value chain through organic and inorganic growth. In addition, the Company is continuously expanding its partnership ecosystem to bring complementary offerings to the market to strengthen its product portfolio. solutions by stc has embarked on bundling/cross-selling initiatives to improve customer stickiness and protect itself from competitive threats.
Challenging Economic Conditions	The rise in inflation and interest rates globally is impacting on the purchasing power and government spending to invest in digital transformation offerings.	solutions by stc provides a wide range of offerings targeting value maximization and better selling propositions to meet client needs in a flexible manner. Additionally, with the value it creates for partners, the Company has nurtured stronger partnerships and lasting relationships with vendors.
Evolving Regulations	The risk of new laws and regulations (national and international) with a potential result in business disruption, legal and financial implications.	The Company actively monitors regulations and plans to participate in public consultations to discuss the regulations and ensure its products adhere to them.
Cyber Security and Data Privacy	Growing sophistication and variety of cyber-attacks creating a challenge that may impact business opportunities.	solutions by stc is actively monitoring potential cyber threats through robust established policies, frameworks and well qualified resources, as well as the use of sophisticated and advanced cyber defense technologies. Effective collaboration and partnerships with leading industry entities and leveraging internal and external resources for optimum cyber resilience and defense mechanisms.

Market Overview

In the aftermath of economic challenges caused by the COVID-19 pandemic and the ongoing geopolitical crisis, the Kingdom's economy has remained resilient in 2023, with GDP growth expected to reach 4.4% in 2024.

While the global energy dynamics still influence the Kingdom's economy, non-oil sectors play an increasingly pivotal role in driving overall growth. Throughout the years, the government's concerted efforts have successfully attracted foreign investors, creating an environment conducive to technological innovation and economic diversification.

Saudi Arabia's diplomatic efforts to strengthen ties regionally and globally have yielded dividends in the form of cooperation on policies, regulations, and legislation related to digitization, which enhances the overall ecosystem for the emerging technologies. The coexistence of these key drivers, in addition to fiscal flexibility, positions the Kingdom for sustained digital economic growth.

Under Vision 2030, Saudi Arabia has taken substantial measures to transform itself into a digital economic hub, allocating ~USD 500 billion for the establishment of 285 smart cities across the Kingdom. This ambitious initiative necessitates the development of the digital economy and strategically prioritizes the advancement of its Information and Communications Technology (ICT) sector. The overarching objective is to undergo a comprehensive transformation, steering the Kingdom towards a more digitalized economy while consolidating its stature as the preeminent digital economy in both the GCC and the MENA region.

As per the International Data Corporation (IDC), B2B and B2C expenditures on ICT in Saudi Arabia are projected to reach USD 34.5 billion by 2023. Spendings on software, including cloud and IT services, are anticipated to grow at Compound Annual Growth Rates (CAGR) of 11.4% and 8.7%, respectively, throughout the period spanning from 2022 to 2026. The primary driver of this growth stems from digital transformation initiatives in various sectors such as government, telecommunications, and finance.

In 2023, Saudi Arabia ranked second in the Swiss-based International Institute for Management Development (IMD)'s Global Cybersecurity Index and ranked 17th overall in competitiveness. According to the International Telecommunication Union (ITU), the Kingdom currently has the largest cybersecurity industry in the MENA region, expected to grow at a CAGR of 17.98% to reach USD 9.8 billion by 2026.

During the year, the Economic Cities and Special Zones Authority announced the launch of a new Cloud Computing Special Economic Zone. Pioneering in the region, this special zone provides cloud service providers with the flexibility to establish data centers throughout the Kingdom and deliver a diverse range of cloud computing services from within the zone. The government is also actively expanding its data center presence, aiming to contribute an additional 1,300 MW by 2030, requiring a total investment of USD 18 billion.

Moving Forward

Saudi Arabia will remain a significant driving force behind the expected investment surge in digital transformation, projected to reach USD 76 billion across the Middle East, Turkey, and Africa by 2026.

The government will continue pursuing the comprehensive digital transformation of various sectors, attracting major technology players and foreign investors keen on contributing to the Kingdom's ICT infrastructure, software development, and tech innovation ecosystem. The manufacturing sector in particular will be emphasized through the Future Factories program, targeting the implementation of Industry 4.0 automated solutions in over 4,000 factories.

The availability of skilled workers will be paramount in the coming years, especially in critical segments such as AI, data science, and digital transformation management. The Kingdom's commitment to equipping the domestic workforce with the necessary knowledge, skills, and abilities for the future will be crucial in realizing its ambitious goals.

Under Vision 2030, Saudi Arabia has taken substantial measures to transform itself into a digital economic hub, allocating ~USD 500 billion for the establishment of 285 smart cities across the Kingdom. This ambitious initiative necessitates the development of the digital economy and strategically prioritizes the advancement of its Information and Communications Technology (ICT) sector.

04

Financial Review

Chief Financial Officer's Review

solutions by stc delivered an excellent financial performance in 2023, primarily driven by its strategic growth and diversification agenda, as regional and international businesses continue to embrace and expand their investment in innovation.

As the Kingdom's leading end-to-end digital transformation and technological solutions provider, the Company is perfectly positioned to play a pivotal role in the growing demand for IT evolution.

Robust Growth in all Segments

Posting a revenue of SAR 11,040, an increase of 25.4% compared to 2022 and a net profit of SAR 1,192, up by 13.2%, solutions by stc's substantial double-digit growth trend continued with EBIDTA at 19.9% and assets at 11.5%. Combining acceleration of revenue growth with investments in new capabilities and technologies positions Solutions for enhanced returns in the long run. Company profitability standards also were high with Return on Invested Capital (ROIC) and Return on Capital Employed (ROCE) registering good results.

Top line growth was driven by IT Managed and Operational Services, showing a 40.0% year-on-year increase, accounting for 29.5% of total revenue. Core ICT Services grew by 25.6% year-on-year, contributing 54.3% to total revenue, while Digital Services posted 4.7% growth, making up 16.2% of total revenue.

Revenue (SAR)
11,040
(25.4% YoY increase)

EBITDA margin (%)
15.1%
(-4.4% YoY decrease)

Free cash flow
1,150
(-27.9% YoY decrease)

Gross profit
2,598
(29.2% YoY increase)

Net profit
1,192
(13.2% YoY increase)

Net debt/(cash)
(2,728)
(7.0% YoY increase)

Gross profit margin (%)
23.5%
(3.0% YoY increase)

Net profit margin (%)
10.8%
(-9.5% YoY decrease)

ROIC
31.7%
(3.5% YoY increase)

EBITDA
1,669
(19.9% YoY increase)

Capex
112 Mn.
(-16% YoY decrease)

ROAE
38.6%
(-6.4% YoY decrease)

Added Value through a Diverse Portfolio

solutions by stc set new ownership and partnership milestones in 2023, with its steadfast mission of expansion. In April, the Company completed its acquisition of 100% of ccc, with an enterprise value of SAR 450 million, creating a market-leading business process outsourcing subsidiary with unrivalled experience in customer service.

Two months later, solutions by stc agreed to a 40% ownership stake in Devoteam Middle East, the leading IT consulting company and transformation provider in the region, based on an enterprise value of SAR 741.7 million.

In addition, the Company invested in a global funding round for Nile, the US-based next-generation enterprise networking provider, which raised USD 175 million. Nile is a recognized industry leader in driving secure connectivity solutions, delivered entirely as a service.

Following its seamless integration and transition, Core solutions' business generated SAR 8.92 billion revenue in FY 2023, which accounted for 81% of total revenue. A seemingly modest growth of 6% year-on-year reflects certain solutions by stc projects being transferred to its subsidiaries, which combined with solid organic growth by these subsidiaries to contribute to the strong performances of Giza and ccc. As a result, Giza showed FY 2023 revenue of SAR 1.50 billion, which amounted to 14% of total revenue. Other businesses (including ccc and Sanad) contributed SAR 624 million in revenue during the year, which made up 6% of total revenue in FY 2023.

Increasing a Private Sector Presence

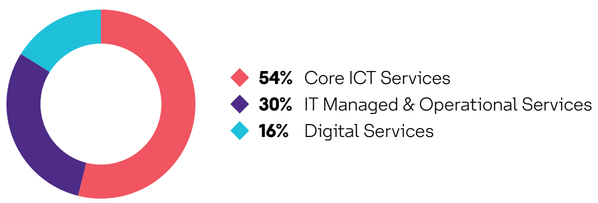
Having exceeded all of its financial KPIs, solutions by stc capitalized on its strong growth, efficient business model and LEAP strategy. The Company maintained a robust balance sheet, providing significant financial flexibility and generated substantial free cash flow of SAR 1,150, increasing its existing market share while adding a significant presence in others.

The trend towards diversification resulted in a surge in revenue from the private sector of 48% to SAR 2.4 billion, which accounted for 21% of total revenue in 2023. However, the Government continues to play a significant role, accounting for 44%, much of which comes from ongoing projects for Saudi Vision 2030.

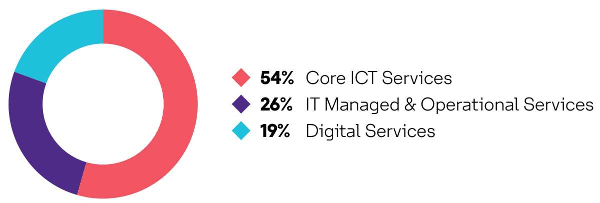
Business with the parent company, stc, remained stable, as sales consistently reached 35% in 2023. This reflected the standing of stc as one of the region's leading technology players, with large-scale investment in technology services, resulting in a strong, mutually beneficial business relationship with solutions.

The increasing revenue from the Business to Business (B2B) sector is a reflection of the broader spectrum of quality services solutions by stc continues to provide and emphasizes the Company's focus on small and medium enterprises, recognizing its growing significance and contribution to the national economy. With more cost-effective solutions, the Company is in a position to supply greater value products to small companies and start-ups which have traditionally been underserved.

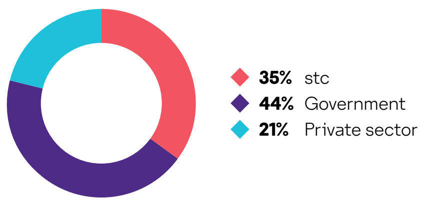
FY 2023 Revenue Composition by Segment



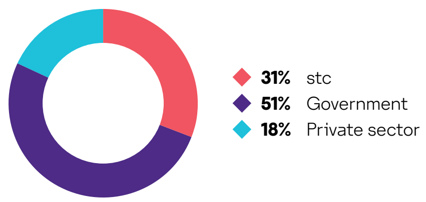
FY 2022 Revenue Composition by Segment



FY 2023 Revenue Composition by Type



FY 2022 Revenue Composition by Type



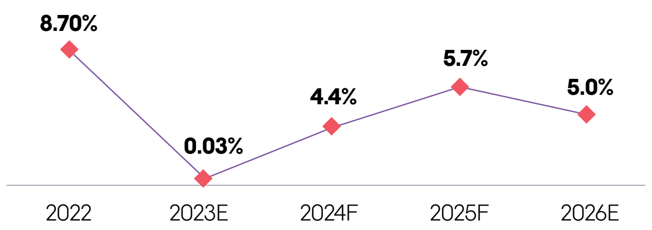
Chief Financial Officer's Review continued

Essential Services for Saudi Vision 2030

The rapidly-evolving pace of digital technology and its essential application in all aspects of business ensures that the ITC sector will continue to grow at a steady pace. solutions by stc's aggressive mergers and acquisitions strategy provides the opportunities and resources to grow with that demand, diversifying its products and services into new geographic and economic markets. With unrivalled reach, scalability, and synergies in the Saudi ICT market, solutions by stc has a strong project pipeline with more than 500 projects signed in 2023.

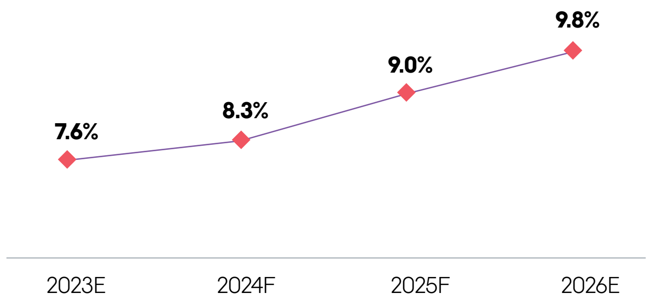
As the Kingdom of Saudi Arabia's leading digital transformation and technological solutions provider, the Company is in a prime position to contribute to Saudi Vision 2030 through its own actions while also enabling other local businesses to become more independent and profitable. Technical literacy has become the mainstay of all modern businesses and the Company's solutions will enable those enterprises to succeed, creating a more diverse, knowledge-driven economy.

Real GDP Growth (%)



Source: MoF | E - Estimated
F - Forecasted

KSA IT Growth (%)



Source: IDC | E - Estimated
F - Forecasted

Future Leadership and Progress

As solutions by stc continues on its trajectory of expansion and diversification, the focus for next year is to grow top and bottom lines by maintaining its strong position in the core business, while venturing into new operating models and technologies.

Furthermore, synergy through growth will play a leading role as the Company forms strategic alliances in the coming years, exploring new ventures and revenue avenues to add to its ever-expanding portfolio, providing even more valuable services to its clients and more value to its shareholders.

Financial Highlights

Net profit (SAR)
1,192 Mn.
(2022: 1,053 Mn.)

Gross profit
2,598 Mn.
(2022: 2,011 Mn.)

EBITDA
1,669 Mn.
(2022: 1,392 Mn.)

Total assets
11,516 Mn.
(2022: 10,325 Mn.)

Shareholders' equity
3,324 Mn.
(2022: 2,810 Mn.)

Capital Markets & ESG Finance Saudi Arabia Award for M&A Deal of the Year

Income Statement (5-year summary)

	2023 (SAR 000)	2022 (SAR 000)	2021 (SAR 000)	2020 (SAR 000)	2019 (SAR 000)
Revenue (net)	11,040,493	8,805,091	7,208,337	6,891,419	5,257,296
Cost of revenue	(8,442,875)	(6,793,845)	(5,500,370)	(5,469,447)	(4,410,052)
Gross profit	**2,597,618**	**2,011,246**	**1,707,967**	**1,421,972**	**847,245**
Total operating expenses	(1,210,729)	(851,015)	(808,863)	(664,965)	(499,216)
Operating profit	1,386,889	1,160,231	899,104	757,007	348,028
Other income (and expenses)	17,837	11,268	4,921	(3,234)	86,730
Zakat	(209,581)	(117,786)	(71,107)	(51,978)	(40,933)
Net profit	**1,192,148**	**1,052,869**	**832,919**	**701,796**	**393,825**
Gross profit margin	23.5%	22.8%	23.7%	20.6%	16.1%
Net profit margin	10.8%	12%	12%	10%	7%

Revenue by Business Segment

	2023 (SAR Bn.)	2022 (SAR Bn.)	Growth YoY	Share of Total Revenue
Core ICT services	5.994	4.772	25.6%	54.3%
IT managed and operational services	3.262	2.330	40.0%	29.5%
Digital services	1.784	1.704	4.7%	16.2%

Revenue by Customer Segment

	2023 (SAR Bn.)	2022 (SAR Bn.)	Growth YoY	Share of Total Revenue
stc	3.854	2.762	39.5%	34.9%
B2B	7.187	6.043	18.9%	65.1%
Total revenue	11.040	8.805	25.4%	100%

Chief Financial Officer's Review continued

Geographic Analysis of Revenue

	2023 (SAR 000)	2022 (SAR 000)	Growth YoY	Share of Total Revenue
KSA	10,079,494	8,497,153	19%	91.3%
GCC	18,860	2,317	714%	0.2%
WECA	939,086	305,621	207%	8.5%
Europe	3,053	0	-	0.0%

*All figures are in thousands

Assets, Liabilities, and Equity

	2023 (SAR 000)	2022 (SAR 000)	2021 (SAR 000)	2020 (SAR 000)	2019 (SAR 000)
Total current assets	10,296,333	9,374,468	6,446,295	5,571,035	4,523,290
Total non-current assets	1,219,911	950,616	726,453	763,592	354,098
Total assets	11,516,244	10,325,084	7,172,748	6,334,628	4,877,388
Total current liabilities	7,195,438	6,706,846	4,634,258	4,068,116	3,377,268
Total non-current liabilities	968,252	778,682	267,922	342,948	243,296
Total liabilities	8,163,690	7,485,528	4,902,180	4,411,063	3,620,564
Total equity	3,323,963	2,809,880	2,270,568	1,923,564	1,256,824
Total liabilities and equity	11,516,244	10,325,084	7,172,748	6,334,628	4,877,388

Any material differences in the operational results compared to the previous year's results or any expectations announced by the Company.

Description	2023 (SAR 000)	2022 (SAR 000)	Changes (+) (-)	Change Rate
Sales/ revenues	11,040,493	8,805,091	2,235,402	25.4%
Sales/ revenues costs	(8,442,875)	(6,793,845)	1,649,030	24.3%
Total profit	2,597,618	2,011,246	586,372	29.2%
Other operational revenues	145,574	55,096	90,478	164%
Other operational expenses	(127,737)	(43,828)	83,909	191%
Operational profit (loss)	1,386,889	1,160,231	226,658	19.5%

As the Kingdom of Saudi Arabia's leading digital transformation and technological solutions provider, the Company is in a prime position to contribute to Saudi Vision 2030 through its own actions while also enabling other local businesses to become more independent and profitable.

05

Operating Review

Strategic Partnerships

In a year of successes that surpassed any other in our 25-year history, solutions by stc forged new industry partnerships and alliances which have added dynamic new dimensions to our business.

They have provided us with even more scope to reach additional markets, in terms of both territory and technology, continuing our ongoing strategy of bold but sustainable expansion. With an even greater spectrum of products, services, and expertise, solutions by stc will play an essential role in the digital future of businesses in the Middle East and Africa.

Our primary focus in 2023 centered on new and emerging technologies, particularly cyber security, data and artificial intelligence, the Internet of Things, and new business models. Working with many of our new partners, we have made significant inroads into those fields, creating a major impact on businesses across the region, that have more opportunities to reach new markets, expand their customer base, and increase brand visibility.

Strengthening Strategic Alliances in 2023

Our partnerships in 2023 were truly global, as we aligned ourselves with some of the most successful and best-known ICT businesses in their fields. In an exclusive partnership with San Francisco-based SingleStore, the premier database and real-time data analytics service, we were appointed as their exclusive distributor across the market in the Middle East.

A Memorandum of Understanding was agreed with GENESYS to deliver digital solutions and develop client experience products using cloud technology. Highlighting its ambition to provide customers with every aspect of digital integration, solutions by stc signed a further MoU with the Saudi E-sports Federation and the Saudi Arabian Industrial Investments Company (Dussur) to develop solutions in outsourcing, human capital management, and training.

As part of our ongoing contributions to Saudi Vision 2030, we partnered with the National Center for Government Resources to enable digital transformation. As part of its strategy to establish a greater presence in other markets, the Company signed a contract with Nile Secure to provide enterprise network technology to accelerate digital transformation in the Kingdom of Saudi Arabia, Kuwait, Bahrain, Oman, and Egypt.

Furthermore, a collaboration with Samsung to drive digital transformation in the Kingdom of Saudi Arabia has given us the opportunity to provide secure, fast, and reliable communications to meet the requirements of this ever-growing market.

In an additional drive towards incorporating artificial intelligence in regional businesses, we formed an exclusive partnership with Uniphore, an enterprise-class multimodal AI and data platform which unifies all elements of voice, video, text, and data.

> **"A partnership's vision is a description of the ideal future that it will work to achieve over time and provides both guidance and inspiration to the group. It encompasses how things would look if the issues or problems that brought the partners together were successfully addressed."**
>
> **Hatem Abdulhalim Elkady**
> Chief Partnerships and Synergies Officer

Marketing Development Fund

solutions by stc uses a Marketing Development Fund (MDF) model to grow our business in collaboration with our partners. MDFs are funded by our partners and used for a range of mutually beneficial activities, including:

- Training for solutions by stc employees.
- Participating in sales campaigns, such as events and round tables.
- Marketing or sales activities that drive more sales, such as demos and proofs of concepts (PoCs).

solutions by stc is currently enrolled in over 20 MDFs with key partners. In 2023, we invested 60% of available MDFs, for a total value exceeding SAR 1.9 million.

Creating Value Together

Through the acquisitions, partnerships, and agreements we signed in 2023, not only is our portfolio of products and services greater than ever before, but we also have the opportunity to exchange knowledge with each other and innovate together. As we share our expertise and pool our resources, there is a greater opportunity to foster innovation and encourage professional development, ultimately resulting in more advanced digital solutions over a shorter timeframe with reduced costs.

To ensure that our partners continue to derive the greatest benefit from our relationship, we have prioritized communication and transparency as pivotal to our success. We are meticulous in measuring satisfaction, including experience surveys and regular meetings to discuss and resolve any operational or administrative issues. Our alignment and clearly defined common goals are paramount to maintaining and nurturing our partnerships and we positively encourage open dialogue in order to identify any areas for improvement.

Measuring Partnership Success

The success of our partnerships is measured along 3 main pillars: Revenue Growth, Partnership Level, and Profit Growth.

1 Revenue Growth

In 2023, we witnessed significant revenue growth throughout partnerships.

2 Partnership Level

We aim to be the #1 choice for partners in the Kingdom, which we track through a semi-annual Partner Experience Survey. For 2023, our performance on this survey was 85.9%, indicating great alignment and fruitful engagement with our partners.

3 Profit Growth

New exclusive partnerships with SingleStore and Uniphore are strategically in line with our aspirations, and value added ecosystem.

Strategic Partnerships continued

Furthermore, we also promote collaboration at every opportunity and celebrate our successes, achievements, and milestones together, including our Recognize and Reward Partners Day event.

This philosophy of a true two-way relationship has ensured that solutions by stc is as much of a benefactor as a beneficiary. In 2023, we were once again identified as a significant factor in the success of many of the region's most successful innovation, technology, and digital transformation companies in the region.

Highest Level of Partnership achieved with Global ICT Giants

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

Looking Forward to 2024

Following an outstanding year of growth and results in 2023, solutions by stc will continue exploring new opportunities to build strategic partnerships in digital and emerging technology, with a particular focus on data, AI, and engineering services.

As the preferred choice for innovative collaboration, we will enhance our agility with value-driven new technology, maximizing and diversifying our top line, while gaining even greater market exposure and visibility.

In 2024, solutions by stc will also broaden its horizons in the ever-growing and rapidly developing environmental market. As the sector begins to play a greater part in ESG policies across the region, our new alliances with emerging tech eco-partners will open up a vast number of opportunities.

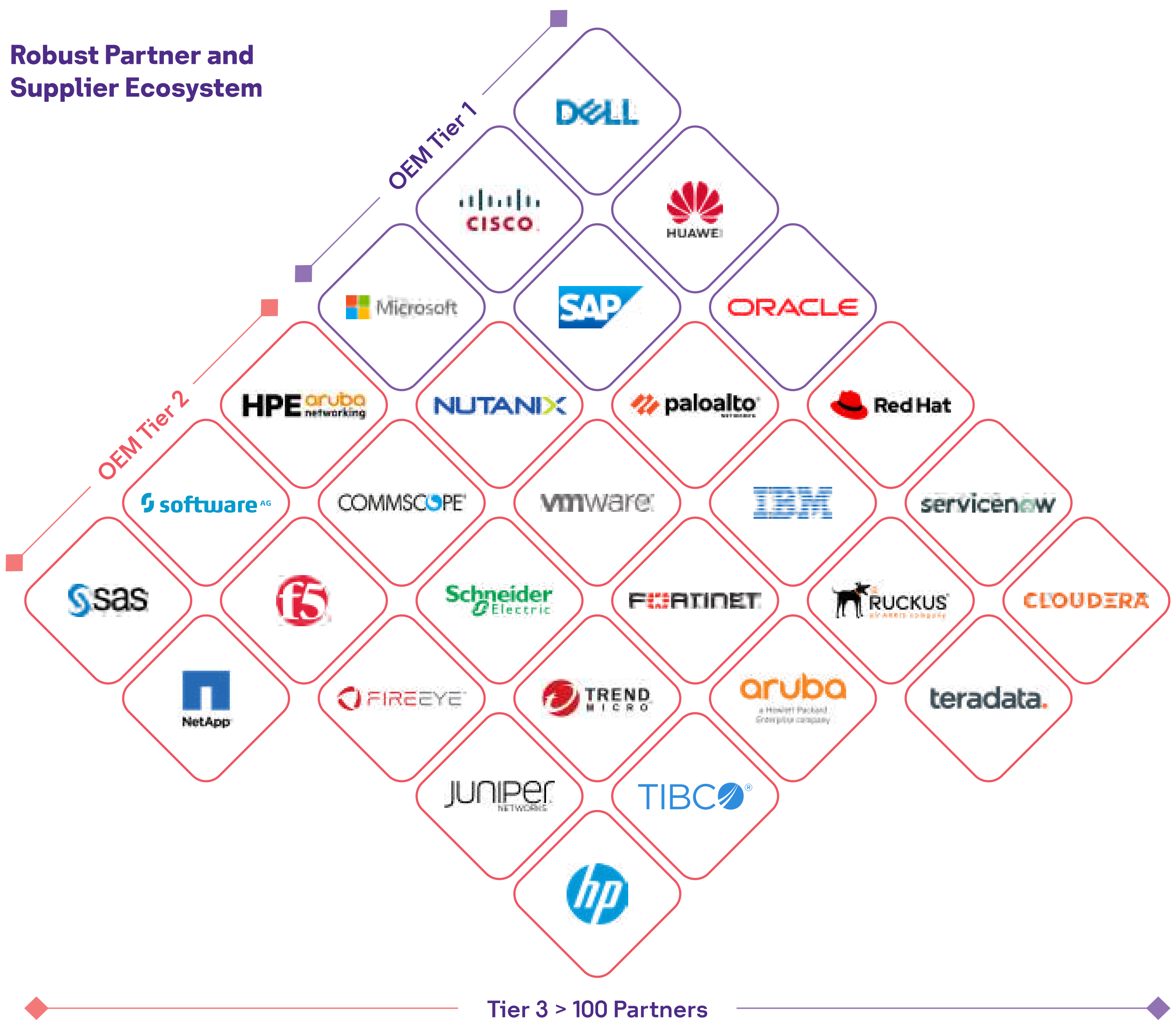
Our strategic partnerships in 2023 added exceptional value to the Company, providing us with enormous scope to collaborate and innovate. There is a race for advanced digital transformation across the region and there is no doubt that those businesses that fall behind will be at a significant disadvantage. In contrast, those that embrace emerging technology will increase their competitive edge.

At solutions by stc we have the tools and the expertise to create and maintain these essential digital elements and our partners, both long-standing and newly acquired, provide an even greater range of skills to provide those services.

Key Partnerships

Partner	Area
SingleStore	Data and Analytics
Scandit	Data and Analytics
Hikvision	Physical Security
AMD	Data and Analytics
RealTyme SA	Collaboration
CNL Everbridge	Physical Security
SCCC	Hyperscalers
Nile Secure	Managed Service
Infoblox	Cyber Security
Informatica	Data and Analytics
Eaton	Platform Engineering
Veritas	Backup and Storage
Google	Hyperscalers
Uipath	Data and Analytics
Netskope	Cyber Security
Dahua	Physical Security
Thales	Physical Security
Forcepoint	Cyber Security
Timwetech	Advisory
Uniphore	Collaboration

Robust Partner and Supplier Ecosystem



Services and Solutions

We are living in an era which has already proved to be one of the greatest revolutions in history, affecting our lives in every aspect as we know it. The pace at which technology, big data, app development, and artificial intelligence is progressing is astounding and at solutions by stc, we are driving that pace.

Our successes in 2023 included essential partnerships with experts in their own fields, working together to achieve a common goal of international progress and digital transformation in line with the goals of Saudi Vision 2030.

Our aspiration is to be the most comprehensive and innovative ICT services provider in the Middle East and Africa, and in 2023 we made giant strides in realizing that objective.

Our overarching strategy is to fulfill the immediate and future technological and digital demands of our customers, by providing them with the most comprehensive and effective tools available in the market. We aim to reinforce our position as the most capable and trusted partner for large scale projects in the Kingdom of Saudi Arabia, such as Red Sea, Amaala, and Diriyah Gate. We have signed multiple contracts and MoUs to that effect and are entering a phase of expansion never seen before in the history of the Company.

Delivering Progress in 2023

During this year, not only did we tap into new areas in line with market demands, we also anticipated next step requirements and innovated accordingly. Last year, we secured 2 groundbreaking AI projects with Aramco and the Saudi Data and AI Authority. Within 3 to 5 years, in addition to core infrastructure, we aim to add further artificial intelligence infrastructure to support the latest models, alongside pioneering big data services.

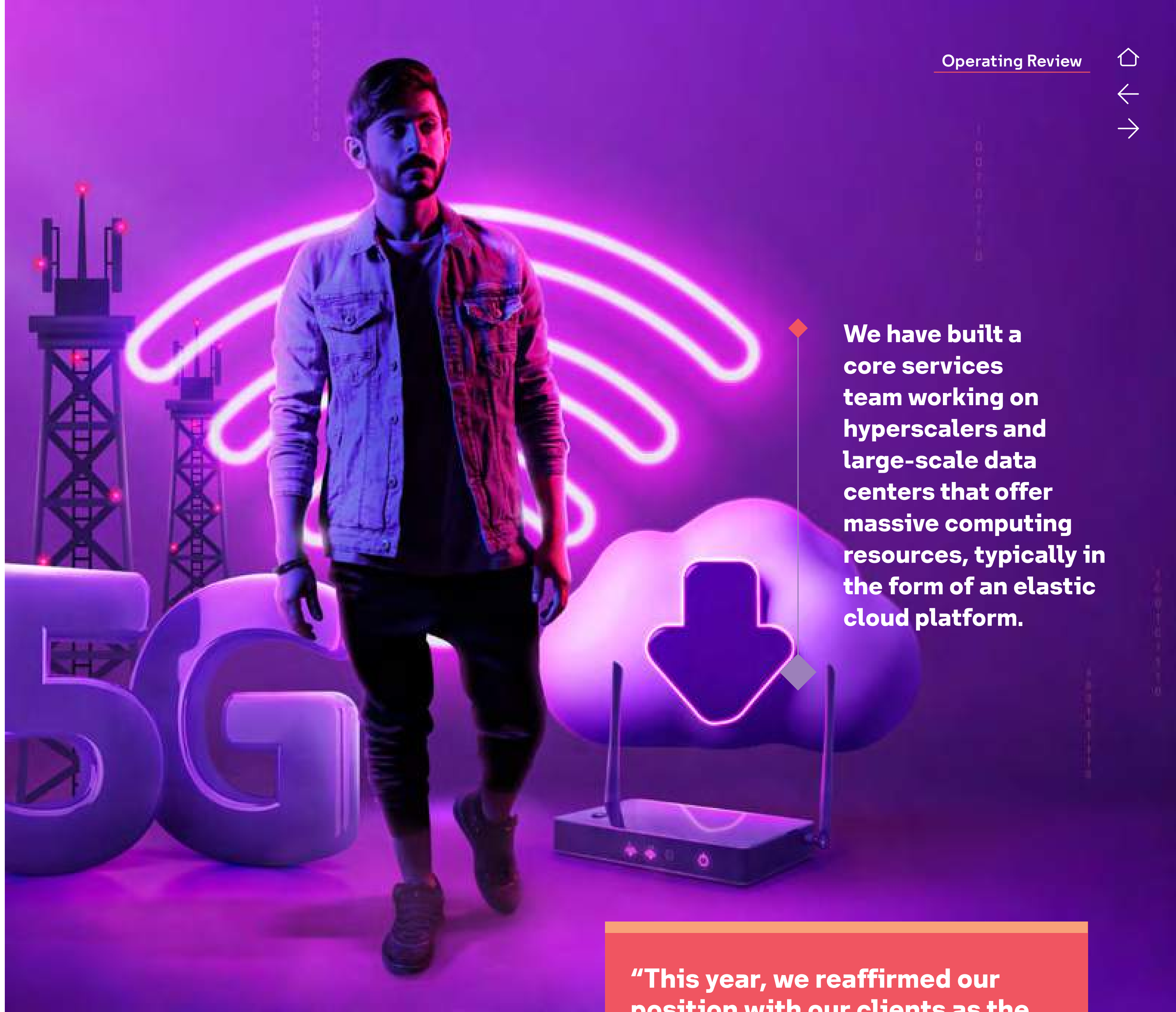
The new contract with Saudi Aramco enabled us to make a mark on the Nvidia superPOD industry, the AI data center infrastructure that enables IT to deliver performance – without compromise – for every user and workload.

Not only was this a new milestone for solutions by stc, but it is also the first NVIDIA DGX H100 SuperPOD in the Kingdom of Saudi Arabia.

In our progress with application services capability enhancement, the acquisition of Giza in 2022 has provided us with an enormous boost in our efforts to become a major player in the sector. With its own platform, Giza has enabled us to add greater value to both public and private sector clients by providing state-of-the-art systems in domains such as data migration, data integrity, the Internet of Things, and other specialist IT services across the region.

In addition, we have built a core services team working on hyperscalers and large-scale data centers that offer massive computing resources, typically in the form of an elastic cloud platform. Our work has mainly been focused on Alibaba, Google, and Azure, providing multicloud advisory, integration, implementation, and management services.

Furthermore, we have placed greater emphasis on smart solutions and data center professional services, and invested in building architectural practices in digital solutions domains.



We have built a core services team working on hyperscalers and large-scale data centers that offer massive computing resources, typically in the form of an elastic cloud platform.

Looking Forward to 2024

In 2024, we aim to build even further on those achievements, accelerating our big data, AI services, and digital infrastructure. We will extend our leadership in hyperscaler cloud services, and through our new partnership with Devoteam we will be in a prime position to grow our digital consultancy arm.

Our journey will continue to provide an even greater competitive edge, as we drive our application services capabilities and end-to-end business process outsourcing, with increased focus on PS applications and platform development.

The vast range of services and solutions we are now able to deliver has grown exponentially. Our strategic partnerships, acquisitions, and agreements have significantly contributed to our capabilities, making solutions by stc not just a regional leader but a global player on the digital stage.

"This year, we reaffirmed our position with our clients as the premier and trusted partner for large-scale projects in the Kingdom, showcasing robust growth in public and private sector exposure, as part of our commitment to deliver technical solutions that meet the aspirations and objectives of our clients. We are dedicated to delivering cutting-edge ICT services, in line with both our strategic ambitions and the Saudi Vision 2030 goals."

Yousef Abdulrahman Almarshad
Chief Commercial Officer

Customer Service and Experience

solutions by stc places customers at the heart of our strategy, forging a series of highly strategic relationships and expanding our reach into fresh territories. We delivered on our promise by putting our customers at the heart of our business.

We also transformed our strategy in line with the growth of the Company and redefined our operating model – a crucial milestone in fostering a dynamic culture built on efficiency, trust, and resolution.

A Strategic Approach to Customer Experience

Our revised customer experience strategy is based on a 360-degree framework which ensures that all engagement is recognized, accountable, and actioned throughout its lifecycle. This provides a well-structured, transparent, and organized governance process, culminating in a tangible 'call to action' with accurate cross-functional reporting.

In an era where solutions by stc is expanding exponentially, the need for world-class customer excellence cannot be overstated. Having established the CX 360 model in 2023, the transformation into action ensures that our customers are able to enjoy a swift, seamless, and successful experience.

Our holistic strategic focus on the entire ecosystem of partners, suppliers, and employees was driven by creating a customer-centric mindset, where service excellence became instinctive. Intensive training on interaction proved to be invaluable in creating a culture of assistance and excellence. Furthermore, through our customer centric culture initiatives that focus on increasing knowledge, engage, participate in activities and reward customer centric behavior.

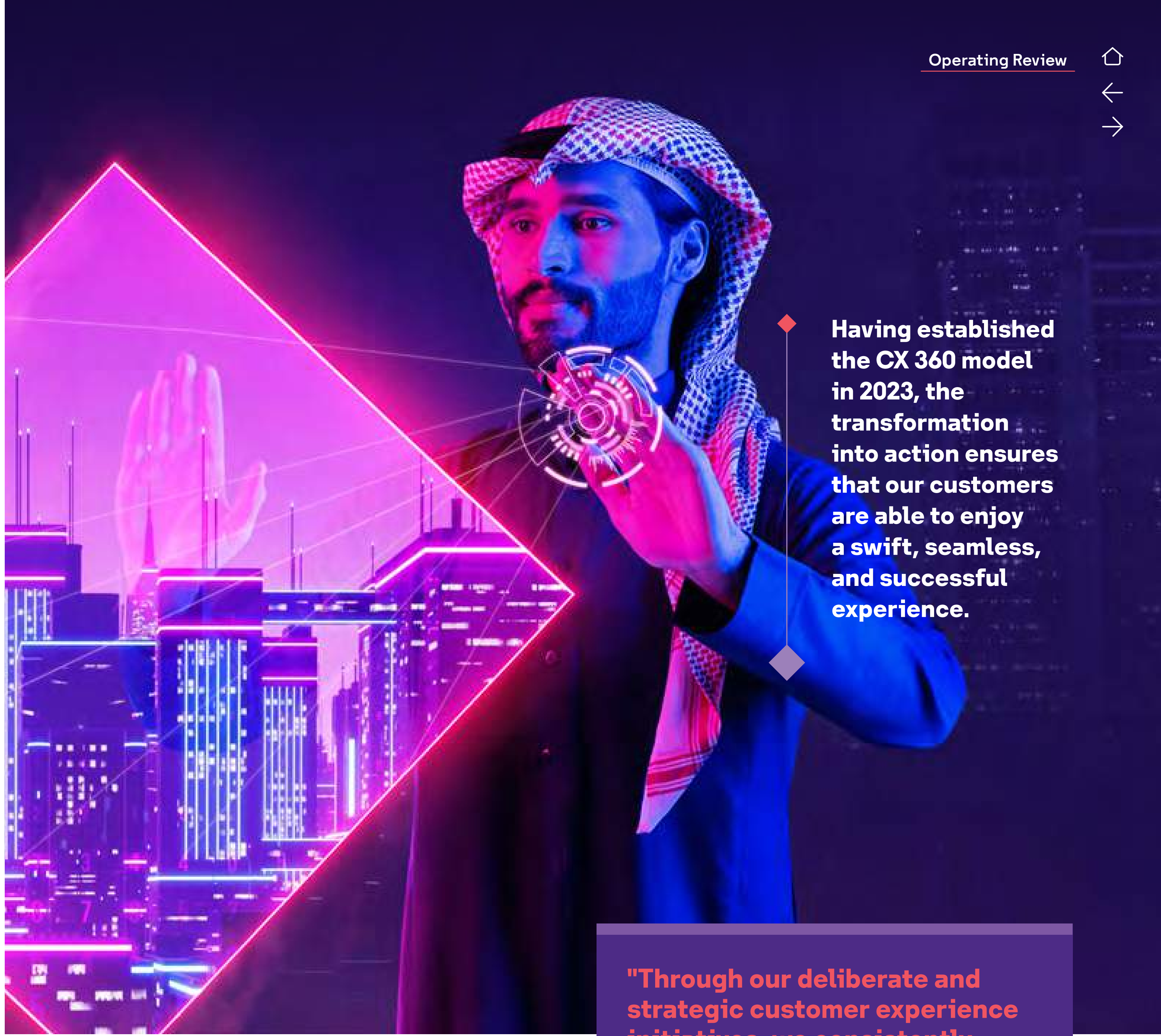
Creating Measurable Value for Our Customers

In line with our revised strategies, solutions by stc implemented a major shift in assessments and performance measures that ensure activating customer experience index (CEI).

As the most successful digital solutions provider in the Kingdom of Saudi Arabia, we not only have a growing customer base, but we are also entering territory that was previously uncharted by many of our employees.

It is a credit to all our staff that at the Customer Experience Live Show we won the awards for Best Quality in Customer Experience and Best Diversity and Inclusion Program, highlighting how customer experience initiatives are orchestrating change management.

By introducing 3 new platforms to provide an even more robust service, we have continued on our journey promote a customer-centric culture. Our 'voice of the customer' automated survey measure enables us to instantly identify areas for improvement, and take the necessary steps to enhance customer experience.



Having established the CX 360 model in 2023, the transformation into action ensures that our customers are able to enjoy a swift, seamless, and successful experience.

Similarly, with 'complaint management', we can enhance, centralize, and integrate all complaint channels and ticketing systems to avoid manual handling of complaints and escalations, ultimately increasing end-to-end efficiency.

We also introduced Sadarah, an employee engagement platform based on a gamification concept, to build a customer-centric mindset among employees.

The effectiveness and efficiency of our customer excellence reached new levels in 2023 as we increasingly focused on analyzing our methods and delivery. Essentially, we reflected, reinvented, and restructured the way we work, creating a customer-centric service, and delivering customer excellence results.

"Through our deliberate and strategic customer experience initiatives, we consistently provided exceptional service, fostering ongoing value creation for our customers."

Thamir Mohammed Alhammad
Chief Business Diversification Officer

Digital Transformation and Innovation

As the foremost enabler for digital transformation in the Kingdom of Saudi Arabia, solutions by stc marked 2023 as a pivotal year in remodeling the nation's technology landscape. We spearheaded the critical progress of businesses and organizations across multiple sectors, revolutionizing their operations and productivity, while aligning seamlessly with the Kingdom's Vision 2030.

Our multiple successes included crucial new partnerships and acquisitions, additional government sector services, and innovative progress in our internal operations. For shareholders and investors, our digital transformation achievements have been outstanding, which were reflected in a 25.4% increase in our revenue.

Increase in revenue from digital services

4.7% (YoY)

RPA/automation time savings (hours)

27,466

Expanding Partner Network

In 2023, solutions by stc significantly expanded its internal professional services capabilities to cover services for leading vendor's products and solutions such as Infoblox, VMware, Dell Technologies, Imagicle, PaloAlto Networks, Microsoft, and SAP. These partnerships and capabilities have allowed for an enhanced range of product offerings and improved cloud services, aligning with solutions by stc's commitment to diversity and expertise. Moreover, these alliances have fostered market and territorial advancements, particularly with Samsung, who is developing new digital solutions for the Saudi market.

In terms of investment, our acquisition of Giza Systems, a leading integrator in the region, enabled a new phase of expansion and consolidation, strengthening our presence in key growth areas.

Our partnership with Devoteam SAS to acquire 40% of Devoteam Middle East expands our consultancy capabilities, and the full acquisition of Contact Center Company (ccc) will drive further growth for the newly created ccc by stc, particularly with our presence in regional markets.

solutions by stc always has Saudi Vision 2030 front of mind in everything we do. Our aim is to be one of the major contributors to nationwide digital transformation and we take enormous pride in the roles we have been given in some of the most prestigious projects in the Kingdom. Over the past 4 years, Saudi Arabia has risen faster than any other nation in the Global Innovation Index as we fulfill our destiny as one of the great knowledge-based economies.

Customer Name	Value Delivered
Red Sea Development Company	The Smart City infrastructure project aims to provide a comprehensive E2E solution for 5 use cases, including smart lighting, smart irrigation, smart EV charging, smart digital signage, and smart waste. The architecture will consolidate these 5 use cases into a single platform, facilitating direct access for monitoring, fault management, and control. Data sharing across services will be seamless and in strict adherence to data policies. The project will deliver a horizontal IoT platform that can potentially be used across RSG projects, offering leading vertical solutions for EV charging, waste management, signage, lighting, and water management. The solution should seamlessly integrate with the RSG master data platform, incorporating advanced applications, reporting, and machine learning capabilities, thereby reducing time to market and simplifying the development, validation, and deployment of these 5 services.
Misk City	The Mohammed Bin Salman non-proft City project, where solutions by stc serves as the Master System Integrator, has achieved significant milestones. The foundation of the Smart City project has been established, including the development of the Smart City Platform, a data center, an integrated command and control center, and other multiple smart use cases.
National Center for Government Resources Sys (NCGR)	The project encompassed diverse managed services, including Network, Data Canter, Security, Wireless, Telecom, Design, Governance, and Special/On-Demand Professional projects, spread across multiple locations. Success metrics include a major upgrade reducing RTO, optimizing network performance, achieving compliance in NCA controls, and successfully implementing design projects. The impact of managed services on critical applications and services in NCGR contributes significantly to the backbone of the KSA's economy and the 2030 Vision.
Saudi Data and AI Authority	One-of-a-kind supercomputing projects to be delivered to SDAIA customers supporting them in running multiple use cases requiring high performance and compute machines. The project will be delivered in partnership with NVIDIA, the leading HPC worldwide provider.
Saudi Aramco Company	The project will support Saudi Aramco's Digital Transformation over five years by providing supercomputer infrastructure in addition to, hosting, maintenance, support and related services.

Digital Transformation and Innovation continued

Building Capabilities

In 2023, the introduction of the Takyah mobile app for existing and new employees proved a significant milestone in our digital transformation journey. The app serves as an innovative platform, guiding our colleagues through the Company's strategy, offices, and services to enhance connectivity and productivity, including a directory, newsfeed, and calendar.

We continued to focus on upskilling our employees in the latest digital technologies and trends, not only to enhance their own capabilities but also to foster partnerships with industry leaders, who have greater confidence in teams who are qualified in the most contemporary technology.

The Company has always been at the forefront of implementing Robotic Process Automation (RPA) to streamline and enhance our business processes. This drive has resulted in increased efficiency, reduced operational costs, and improved service delivery, further reinforcing our commitment to holistic digital transformation.

In addition, we refined our internal technology functions, deploying advanced security measures in line with cyber security guidelines, overseeing the robust implementation of stable infrastructures and tools.

As we heavily increase our infrastructure investment to cater for our rapidly expanding business, it is also a significant achievement that we have maintained such high rates of employee satisfaction regarding our own internal IT services.

To reinforce our status as the frontrunner of the nation's digital transformation, it is essential that we engage and satisfy our workforce, ensuring that they are proud to play an essential role in the success of the Company.

In establishing and to maintain those relationships, we implemented several new initiatives, including our new recognition program to celebrate employee innovation, alongside wellness campaigns, and regular feedback surveys. Our colleagues in all capacities are integral to our success.

Expanded Offerings

The expansion of our digital transformation in 2023 reached more businesses and sectors than ever before as we introduced new products, including solutions for the healthcare sector, such as a telemedicine platform and a mobile app for patient records, as well as education, with an online learning platform and an app for students and teachers.

As our transformation services continuously evolved, solutions by stc offered numerous new advances in the government sector. The ZATCA e-invoicing project and a range of e-government portals and mobile apps were specifically tailored for greater accessibility and additional services for both individuals and businesses.

The Digital Future

As we look ahead to 2024, we will focus on expanding our international footprint and investing in more pioneering digital technologies across the Kingdom.

We will develop additional solutions for the healthcare and education sectors and invest in artificial intelligence and machine learning, as we launch streamlining solutions, such as MySolutions, CPQ, and the comprehensive 360 View platform.

We appreciate the responsibility that solutions by stc has towards the nation's digital transformation, and it is a journey we undertake with pride and passion.

"In 2023, solutions celebrated historic success with nationwide projects that not only surpassed expectations but also garnered global recognition from esteemed organizations such as PMI, GloTel, and IPMA. Guided by top Saudi talents, our Technology team played a pivotal role in achieving this milestone. As we strategically diversify with emerging technologies, our gratitude extends to our valued customers and the dedicated team whose expertise continues to drive our ongoing success."

Saleh Abdullah AlZahrani
Chief Technology Officer

We continued to focus on upskilling our employees in the latest digital technologies and trends, not only to enhance their own capabilities but also to foster partnerships with industry leaders.

Our People

The record number of local, regional, and international partnerships we entered into last year transformed, expanded, and enhanced the landscape of our corporate community, fostering an even closer relationship in our extended family.

The acquisition of sister companies not only physically brought teams together under one roof, it also enabled solutions by stc to extend the unique corporate culture we have nurtured over many years to expand the unique proposition that drives our sustainable success.

Exceptional Talent Driving Performance

Our relentless attention to agility and innovation not only facilitated the smooth integration of new team members but also positioned us as leaders in HR practices. solutions by stc's remarkable financial achievements in 2023 are a testament to the dynamic synergy between our departments and our people, reflecting the collaboration and collective effort towards a common goal at every level.

Number of employees
1,777
(3% YoY increase)

Number of nations represented
25

Number of Saudi employees
1,191
(6% YoY increase)

Number of training programs/ hours conducted in 2023
100,312

Number of female employees
339
(11.5% YoY increase)

Number of people of determination
12
(50% YoY increase)

Our focus on employee experience has been paramount, prioritizing the welfare and working environment of our people, understanding that a satisfied and engaged workforce is the cornerstone of any successful company. The numerous recognize-and-reward incentive programs, combined with regular activities and events not only boosted morale but also strengthened bonds and created an atmosphere of cohesion and motivation.

4 Pillars for Success

Internal assessments and external benchmarks provided a comprehensive understanding of our HR capabilities, culminating in a strategy house with 4 pillars: ace the talent market; build a capable future workforce; foster strategic enablement for the business; and deliver optimal operational efficiency.

Upheld by the principles of being value-focused, efficient, connected, scalable, and agile, this strategy introduced a roadmap of multiple initiatives set to unfold over the next 3 years.

As we embark on this journey, the execution of the strategy will be meticulously monitored to ensure seamless and successful implementation, fostering transparency and accountability. This crucial evolution signals our commitment to delivering sustained value to our stakeholders, aligning HR with the broader business objectives.

> **"In a year marked by transformative acquisitions, we stood as the backbone, seamlessly integrating diverse talent into solutions by stc's family. With a relentless focus on agility and innovation, we are committing to continue the leadership in HR processes that fuels our success, empowering us to pioneer industry best practices"**
>
> **Saleh Tariq AlGroony**
> Chief People and Corporate Services Officer

Strong Company Values and Culture

Our Group-wide values of dynamism, devotion, and drive have always been the mainstay of our workplace culture and every employee at solutions by stc, regardless of status, is responsible for living up to those principles, which they perform with professionalism and pride in all aspects of their work.

Our employees' alignment with these standards is a major factor in their year-end performance evaluations, which not only assess their professional proficiency but also their commitment to the Company's ethics in their daily activities and interactions. This then fosters a workplace culture where values are not just theoretical concepts but are actively practiced.

Accelerating Employee Development, Wellness, and Balance

In line with our philosophy of individual wellbeing and professional growth, in 2023 solutions by stc initiated a variety of new employee development, engagement, social, and health initiatives, reflecting our unwavering commitment to the people who make up the backbone of our organization and drive our success each day.

Development Initiatives

Throughout the year, we offer our employees a wide range of opportunities to develop their knowledge and skills.

- We launched the Learning Conference, an annual event to support employees' learning journey and encourage sharing knowledge about our new and continued Learning and Development programs.
- In-house training: Opportunities to participate in training sessions conducted within the Company's premises.
- Online training: Access to digital learning platforms for skill enhancement and professional development.
- External training and specialized internal programs: Opportunities and tailored programs to develop pioneering talent.

Our People continued

Wellness Initiatives

As a model employer and a moral guardian, we continue to support our co-workers in their personal as well as professional lives. Our financial wellbeing initiatives are designed to educate employees on financial management, as well as provide practical assistance, such as special offers, mortgage support, educational and personal loans, options for advance salaries and mobile bill discounts.

In terms of mental health, the importance of emotional wellbeing cannot be overestimated. We believe we have a duty of care to ensure our employees are able to manage their internal pressures and stresses and have initiated a number of resources, including relationship management awareness sessions and mental health workshops.

In addition, we have always understood that home life for our employees is their number one priority and our social wellbeing initiatives revolve around a number of family events. Where possible, we also schedule long weekends to coincide with school holidays, providing parents and guardians with more quality time with their children.

To ensure that our colleagues are also physically fit, we organize sports tournaments, including soccer, padel tennis, and table tennis and have significantly upgraded our gym facilities.

Work-life Balance

As we increasingly adapt to a rapidly evolving digital workplace, there are broader options for flexibility in terms of both time and place. In offering our people the opportunity to work in environments where they feel most productive, during hours that are more constructive, our employees are able to maintain a healthier balance between their professional and personal lives.

Looking Ahead to 2024

We have created a culture of honesty, integrity, dignity, respect, and pride, where equality and values are key to our success. In 2024, we will continue to build on those standards and plan to implement several major objectives and initiatives to innovate, develop, and foster an even more dynamic corporate culture.

Our 3 guiding principles - value-focused, efficient and connected, and scalable and agile - will underpin our 4 strategic pillars, fostering a workplace that is responsive, innovative, and aligned with our overarching business goals. The year ahead promises transformative changes as we continue to position people at the core of our success.

Intrapreneurship Program

Following the outstanding success of our Intrapreneurship program, solutions by stc will continue to encourage employees to submit their most innovative ideas and proposals. The program will evolve to include more participants and potentially offer more than one prizewinner who will be given the opportunity to focus on their idea full-time, with a dedicated team and access to innovation coaches. These coaches will provide invaluable guidance to bring these ideas to fruition.

Pioneers

solutions by stc will continue to invest in enhanced training programs, introducing new and updated modules to keep pace with industry trends and technological advancements. This ongoing commitment to employee development ensures that the workforce remains skilled and competitive.

Work-life Balance and Wellbeing

The Company will introduce more initiatives that promote a healthy work-life balance, expanding remote working options, flexible hours, and wellness programs.

Corporate Culture

We will reinforce our core values in all aspects of the business, including recruitment, performance evaluations, and daily operations, to ensure that the corporate culture remains strong and unified.

Diversity and Inclusion

While we continue to drive our ambitions of employee diversity, we will ensure that all members of our Company, regardless of race, nationality, gender, or disability have equal opportunities for recruitment, growth, and development.

As the single most valuable asset in our Company, our people have always been appreciated and, more importantly, they know that they are appreciated. Their fulfilment will continue to drive the momentum from our successes in 2023 and the objectives and initiatives for 2024 will encourage pioneering talents and enhance work-life balance, strengthening our corporate culture, and promoting diversity and inclusion. These efforts will collectively reinforce our commitment to an empowering, dynamic, and inclusive work environment.

As a model employer and a moral guardian, we continue to support our co-workers in their personal as well as professional lives.

06

Sustainability

Sustainability and Innovation

solutions by stc has entered a new phase to align its vision, strategy and value chain to the global best practices, frameworks, and standards for sustainability and innovation. Having sustainability and innovation at the core of its strategic aspirations, solutions continues to commit and deliver vision 2030 sustainability led digital transformation initiatives.

"Sustainability is at the forefront of Saudi Arabia's digital transformation journey, making the need to uphold world-class standards for environmental, social, and governance mission-critical, for the continued growth of the Kingdom of Saudi Arabia – and our Company.

As the leading enabler of digital transformation in Saudi Arabia, solutions by stc recognizes the responsibility it holds in shaping a sustainable future. That's why we're harnessing the power of innovation to deliver sustainable technology and forward-looking initiatives designed to have a positive impact on people and the planet and to accelerate Saudi Arabia's digital transformation and journey towards a sustainable world.

By 2030, we aim to become one of the leading companies in creating value and impact from our business and practices, generating solutions that enable our customers and our partners to realize their sustainability ambitions and leading the way towards a sustainable future for all."

Omer Abdullah Alnomany
Chief Executive Officer

Our Sustainability Vision

Drive Saudi Arabia's digital transformation and empower people through sustainable technologies.

As a first step in the sustainability journey, solutions by stc has embarked on a comprehensive materiality assessment which enabled solutions by stc to identify and prioritize the material environmental, social, and governance topics that require its attention and that resonates with its internal and external stakeholders.

GROW: Our Sustainability Strategy

Leading the green digital transformation through impact-focused innovation is the driving force behind solutions by stc's sustainability commitment.

As a leading IT services provider throughout KSA and beyond, solutions by stc is committed to leading the region's digital transformation in ways that drive measurable positive impact on people and the planet.

With innovation at the heart of its culture, solutions by stc is well-positioned to lead the technology sector in the region's green digital transformation and enable Vision 2030.

In 2023, sustainability and innovation became key pillars of solutions by stc's overarching corporate strategy, the LEAP strategy, to ensure its systematic and resilient adoption. solutions by stc's LEAP strategy charts the course for leadership in providing customer-centric and sustainable IT services across the value chain.

Drawing inspiration from the third horizon of the LEAP strategy, GROW sustainability strategy is an affirmation of solutions by stc's belief that meaningful growth is incomplete without a robust sustainability focus.

Our sustainability principles work as core guidelines enabling solutions by stc's to GROW in the digital world more sustainably.

Our commitment to sustainability

solutions by stc will lead the IT services industry towards a sustainable future by embedding sustainability considerations into every aspect of our business, creating long-term value for all stakeholders and contributing to a better world for future generations.

Sustainability and Innovation continued

Alignment with National Priorities and UN SDGs

We take great pride in aligning our efforts with Saudi Vision 2030, the Communications, Space and Technology Commission (CST) strategy, and the National Strategy for Data and AI (NSDAI). This strategic integration reflects our commitment to furthering the Kingdom's goals and fostering positive change, both at national and international levels. With a focus on the continuous elevation of our contributions, our GROW sustainability strategy and initiatives are designed to facilitate a smooth transition in line with the national objectives, policies, and frameworks, while aligning with the UN Sustainable Development Goals (SDGs) and the wider sustainability reporting frameworks.

ESG Vision

Drive the Kingdom's digital transformation and empower people through sustainable technologies.

- **G** – Greening by Sustainable Technologies and Processes
- **R** – Revitalizing Workforce Relations and Digital Social Empowerment
- **O** – Optimizing Governance for Ethical Excellence
- **W** – Widening Impactful Partnerships and Sustainable Procurement

The Vision and its strategy were crafted with the overarching vision of solutions by stc's sustainable strategy, KSA Vision 2030 and the UNSDGs

Focus Area	UNSDGs	Alignment to Saudi Vision 2030 and UN SDGs	stc Strategic Alignment	LEAP Alignment	CST Alignment Communications Space and Technology Commission cst.gov.sa	National Strategy for Data and AI Alignment
G Greening by Sustainable Technologies and Processes	7, 9, 13	**A Vibrant Society - With fulfilling lives** **A Thriving Economy - Investing for the long-term** SDG 7: Affordable and Clean Energy SDG 9: Industry, Innovation, and Infrastructure SDG 13: Climate Action	**Caring for the environment** Caring for the environment Advancing innovative digital opportunities	L P	Enabling Saudi Arabia digital transformation Promote investment and competition	**DIMENSION 6:** Ecosystem
R Revitalizing Workforce Relations and Digital Social Empowerment	3, 4, 5, 10	**A Vibrant Society - With fulfilling lives** **A Thriving Economy - Rewarding opportunities** **A Thriving Economy - Leveraging its unique position** SDG 3: Good Health and Wellbeing SDG 4: Quality Education SDG 5: Gender Equality SDG 10: Reduced Inequalities	**Empowering people** Expanding access to technology and connectivity Enriching lives and experiences	E P	Achieve regulatory excellence Enabling Saudi Arabia's digital transformation Protecting consumers	**DIMENSION 2:** Skills **DIMENSION 5:** Research and Innovation **DIMENSION 6:** Ecosystem
O Optimizing Governance for Ethical Excellence	8, 9, 16	**A Thriving Economy - Open for business** **An Ambitious Nation - Effectively governed** SDG 8: Decent Work and Economic Growth SDG 9: Industry, Innovation, and Infrastructure SDG 16: Peace, Justice, and Strong Institutions	**Doing business with integrity** **Enhancing economic impact** Advancing innovative digital opportunities	A P	Protecting consumers Promote investment and competition Enabling Saudi Arabia's digital transformation	**DIMENSION 3:** Policies and Regulations **DIMENSION 4:** Investment **DIMENSION 6:** Ecosystem
W Widening Impactful Partnerships and Sustainable Procurement	17	**A Thriving Economy - Rewarding opportunities** **An Ambitious Nation - Responsibly enabled** SDG 17: Partnerships for the Goals	**Doing business with integrity** **Empowering people** Enhancing economic impacts	L A P	Achieve regulatory excellence Promote investment and competition	**DIMENSION 1:** Ambition **DIMENSION 6:** Ecosystem

- **Vision 2030**
- UN SDGs

Our Material Topics

Highly Important

The top 6 issues have been identified as highly material, indicating their crucial role in the organization's operations and strategic planning.

They serve as the cornerstone of the business structure and encapsulate commitment to ethical governance, robust data protection, focused talent management, the drive for innovation in the digital realm, and ensuring optimal customer experience.

1. Corporate Governance and Transparency
2. Business Ethics and Compliance
3. Data Privacy and Cyber Security
4. Talent Retention, Development, and Succession Planning
5. Digital Innovation, Transformation, and Ethical Technology Use
6. Customer Satisfaction and Experience Enhancement

Very Important

The subsequent 7 topics reflect the dedication to building an inclusive corporate culture, prioritizing employee wellness, managing energy efficiency, managing partnerships, ensuring nationalization, engaging in social contributions, and fostering strategic alliances.

While not as immediately fundamental as the top 6, these aspects still play a critical role in reinforcing solutions by stc's reputation, resilience, and relational networks, influencing the long-term success and growth.

7. Diversity, Inclusion, and Equal Opportunity
8. Employee Engagement, Wellbeing, and Safety
9. Energy Management and Climate Action
10. Social Investment and Community Development
11. Partnerships and Collborations
12. Nationalization
13. Human Rights Protection and Labor Standards

Important

The remaining 2 topics are still material and important to solutions by stc's comprehensive sustainability approach. They illustrate awareness and responsiveness to sustainable procurement and responsible resource management that are instrumental to the broader sustainability approach.

14. Sustainable Procurement
15. Responsible Resource Management

E S G

To attest our alignment with leading sustainability practice, solutions by stc has formulated its comprehensive GROW sustainability strategy by prioritizing the material impacts most relevant for internal and external stakeholders. The corporate LEAP objectives and aspirations, the UN SDGs, and other national priorities were taken into consideration during the identification of the material topics relevant for solutions by stc.

Assessing material sustainability impacts has supported solutions by stc in steering its sustainability journey and the prioritized material topics serve as a strategic and cohesive foundation for driving the GROW strategy.

The sustainability strategy's pillars are integral to solutions by stc, and their importance is highlighted in our position statements.

For more information on our sustainability management approach, please refer to our Sustainability Report.

Sustainability and Innovation continued

2023 Highlights and Achievements

Addressing Climate Change

	Focus Area	UNSDGs	Strategic Objectives
G	**Greening by Sustainable Technologies and Processes**	7, 9, 13	▸ Commit to net-zero emissions and a circular economy, and reduce operational impact on GHG, energy and water ▸ Diversify and capture green cloud markets, and innovate digital solutions for sustainability excellence

During the development of the sustainability strategy last year, we identified "clean" a core focus area of "Greening by Sustainable Technologies and Processes" that ensures looking into our direct environmental impacts, and going beyond, ensuring that we work with our customers to help them improve their sustainability performance through digital offerings.

Clean Technology Development

As an ICT market-leader, clean technology development is not a new field for solutions by stc as we have delivered air quality monitoring and control projects for customers in the past and we are well-known for providing paper-less solutions to our customers. This supports our customers in avoiding paper usage and in-turn reducing their overall carbon footprint.

Case study: Air Quality Monitoring and Control System Implementation

In line with our commitment to sustainability and technological innovation, we undertook a significant project to improve air quality monitoring and control for a national environment and water entity. This initiative was designed to address the urgent need for effective air quality management solutions that safeguard public health and promote environmental resilience. By introducing a comprehensive Air Quality Monitoring and Control System (AQMCS), we equipped the entity with advanced tools for real-time air quality analysis, enabling more informed decision making and the adoption of sustainable environmental practices.

The AQMCS enhanced the entity's ability to monitor and control air quality, supporting sustainable practices and a cleaner environment. This project highlights our dedication to using technology for environmental protection and our role in promoting regulatory compliance and sustainable development.

Furthermore, the AQMCS has enabled the entity to make informed decisions regarding air quality management, leading to more effective pollution reduction strategies and improved public health outcomes. The system's ability to provide real-time data has been instrumental in identifying pollution sources and implementing targeted interventions, ultimately contributing to a healthier and more sustainable environment for all.

Cultivating Social Responsibility

	Focus Area	UNSDGs	Strategic Objectives
R	**Revitalizing Workforce Relations and Digital Social Empowerment**	3, 4, 5, 10	▸ Empower a diverse, driven, and high-performing workforce ▸ Enable social empowerment through digital technology

Our sustainability strategy emphasizes the importance of empowering our employees and our communities, supporting the overall prosperity in the Kingdom.

solutions by stc is conscious that improving employee capacities is one of the key factors in achieving its strategic goals and objectives. Similarly, the Company is committed to assisting employees in identifying current and potential training and development needs. Employees are encouraged to take part in training programs that align with the Company's business, operational requirements, as well as their professional development. We aim to contribute to national capabilities by providing our employees access to technical and academic resources that enhance their performance and advance solutions by stc's objectives. We have witnessed a significant increase of over 200% in training hours per employee as compared to the previous year.

As part of our commitment, we also ensure that we equip our employees with the best-in-class talent development programs through the Specialist Development Program (SDP), the Talent Incubation Program (TIP), and other scholarship programs.

Cultivating a Sustainability Focused Culture

Driven by a commitment to integrate sustainability knowledge into our corporate culture and across our organization, we launched a digital campaign in 2023 to educate employees on sustainability concepts and encourage their participation in the sustainability-related initiatives.

Using our digital infrastructure, we delivered engaging content through Company screens, emails, and internal platforms like Takyah and Microsoft Teams. This approach fostered interaction, allowing employees to ask questions and integrate sustainability into their work and personal lives. The campaign significantly increased sustainability understanding among employees. To maintain this momentum, we plan to integrate sustainability topics into our monthly newsletter and establish a network of sustainability champions.

Digital Inclusion of Society

E-health stands as a critical pillar in realizing the objectives of the Kingdoms' Vision 2030, aiming to transform the national healthcare system into a more accessible, efficient, and innovative model. Digital technologies streamline processes, enhance data management and analytics, and facilitate remote care, aligning with Vision 2030's goals for patient-centric, data-driven, and universally accessible healthcare.

Our commitment to supporting and enabling the achievement of the e-health component of Vision 2030 is evident in our innovative services. We lead the e-health revolution with initiatives such as developing a national appointment system and enhancing public healthcare centers' infrastructure. These efforts address current challenges and lay a foundation for future advancements, contributing to a scalable, sustainable healthcare ecosystem. Our continued investment in e-health reflects our belief in technology's power to create a healthier, more connected, and resilient society.

Sustainability and Innovation continued

Case Study: Bridging Healthcare Gaps with Telemedicine in Remote Areas

Our commitment to leveraging technology for societal benefit took a significant stride forward with the implementation of a telemedicine initiative in a remote city.

We launched a telemedicine initiative using the Care Central Virtual Exam Room and IDM100 device, bringing healthcare directly to residents. This eliminates the need for long journeys to get medical care, saving time and resources while ensuring timely treatment. Clinicians can provide high-quality care through virtual consultations, monitoring vital signs, and reviewing medical images. The initiative also streamlines administrative processes, allowing healthcare providers to focus more on patient care. This initiative showcases our commitment to innovation and improving healthcare access for all. This project was conceived with the vision of overcoming geographical barriers to healthcare access, utilizing advanced telemedicine platforms to ensure that high-quality medical services can reach those in dire need, regardless of their location.

"Empowering Communities through Virtual Satellite Connectivity"

In today's digital age, connectivity is indispensable for accessing critical services and driving economic growth. Our Company has strategically invested in virtual satellite solutions to bridge the digital divide, creating sustainable and innovative connectivity solutions for communities facing unique challenges. This initiative reflects our commitment to leveraging cutting-edge technology to create meaningful change, ensuring that even the remote regions benefit from the digital revolution.

By investing in virtual satellite technology, we improve access to essential services like healthcare and education while promoting environmental sustainability and economic development. Our approach demonstrates a deep commitment to innovation, sustainability, and social responsibility, empowering communities and advancing progress towards a more connected and equitable future.

The deployment of virtual satellite solutions offers numerous benefits for creating a sustainable environment, particularly revolutionizing connectivity with minimal ecological impact. These solutions eliminate the need for extensive terrestrial networks, preserving ecosystems and reducing deforestation rates. They also achieve significant energy savings compared to traditional networks, reducing energy consumption and environmental impact. Additionally, satellite systems monitor environmental changes and disaster impacts in real-time, optimizing disaster response and minimizing secondary environmental damage. Overall, satellite connectivity offers scalability with minimal environmental impact, expanding access to remote areas without increasing the carbon footprint.

Supporting Sustainable Development

Through our diverse range of virtual satellite services, we actively promote and contribute to sustainable development. By emphasizing reduced physical infrastructure needs, energy efficiency, disaster resilience, scalability, and support for sustainable development, virtual satellites not only bridge the digital divide but also foster a more sustainable and resilient planet.

In agriculture satellite-enabled precision agriculture can increase crop yields by up to 20% while reducing water usage by 30% and chemical inputs by 10%, showcasing a direct link between connectivity and sustainable farming practices.

Telemedicine services, facilitated by virtual satellite, offers a reduction in carbon emissions by reducing the need for physical travel. For example, if 10% of the healthcare consultations in a remote area are conducted via telemedicine, it could reduce travel-related carbon emissions by hundreds to thousands of kilograms of CO_2 annually, depending on the region.

Remote education stands as another area where virtual satellite can make an impact. By delivering education through digital platforms, carbon emissions are reduced by eliminating the need for transportation to schools.

Case Study: Enhancing Remote Connectivity through Virtual Satellite Solutions

In our ongoing mission to harness technology for societal benefit, one of our most impactful projects has been the deployment of a virtual satellite solution designed to provide essential connectivity for critical services in remote areas. Leveraging high-capacity, low-earth orbit satellites, this approach delivers internet and communication services tailored to community needs, supporting telehealth and emergency communications.

The impact has been profound:

- Access to Critical Services: Reliable connectivity enabling remote communities to access healthcare and emergency services remotely, particularly benefiting telehealth.
- Environmental Sustainability: minimizing the environmental impact associated with traditional infrastructure projects.
- Resilience and Scalability: The design ensures resilience against environmental challenges and scalability to meet growing community needs.

This project demonstrates our commitment to leveraging technology for positive change, creating a more connected, resilient, and equitable world. As we look towards the future, this project serves as a blueprint for how technology can be used to create a more connected, resilient, and equitable world, in line with our commitment to supporting and enabling the achievement of broader goals like those outlined in Vision 2030.

Securing Trust and Driving Innovation

solutions by stc's sustainability strategy's 2 focus areas "Optimizing Governance for Ethical Excellence" and "Widening Impactful Partnerships and Sustainable Procurement" further support our commitment to driving digital innovation through a robust governance structure that supports achieving operational efficiency and securing partnerships that drive the technological transformation within the Kingdom.

	Focus Area	UNSDGs	Strategic Objectives
O	**Optimizing Governance for Ethical Excellence**		- Achieve operational efficiency through robust governance and transparency - Establish governance standards to enable and enhance innovative service development
W	**Widening Impactful Partnerships and Sustainable Procurement**		- Drive culture change and sustainable procurement through authentic leadership - Secure partnerships to drive sustainable technology and transformation

Sustainability and Innovation continued

Cyber Security and Data Privacy

solutions by stc being the digital transformation and ICT service provider champion and handling large amounts of data, underscores the significance and importance of cyber security as well as personal information protection.

We are proud to state that with our robust cyber security vigilance with 7 internal and 10 external Cybersecurity and data privacy assessments, we continued to maintain our zero cyber security attacks, zero data breaches, and zero personally identifiable information (PII) breaches performance this year.

Innovation

In today's rapidly evolving technological landscape, solutions by stc is at the forefront of enabling sustainability through innovation. Our vision is to create a digital ecosystem that fosters sustainable growth for our customers globally. Innovation and sustainability are at the core of our LEAP strategy, focusing on fostering an innovative culture, adopting new business models, enhancing efficiencies, improving customer experience, and contributing to the Kingdom of Saudi Arabia's sustainability goals.

Our strategic plan for 2023 introduced the dual-focused innovation framework, driving our employee-focused intrapreneurship program. This program aims to explore emerging opportunities and create innovative services that contribute significantly to the digital ecosystem. We've embedded key innovation principles like design thinking into our offerings, collaborating with customers to create tailored solutions.

Our intrapreneurship program encourages systematic innovation, developing customer-centric services and addressing sustainability goals. With over 100 ideas submitted, our internal corporate innovation program focuses on growth and learning, following a systemized approach with 4 key phases: ideation, discovery, validation, and acceleration. Each phase includes governance checkpoints and a holistic scorecard for evaluation based on strategic fit, opportunity size, and type of innovation, along with considerations for desirability, feasibility, and viability.

Corporate innovation is central to fostering a culture of continuous improvement and forward-thinking. By embracing change and encouraging collaboration, this program has propelled us towards new heights of innovation and market leadership. It has empowered our employees to think creatively and contribute groundbreaking ideas, ensuring we remain at the forefront of technological advancements and deliver exceptional value to our stakeholders.

As we embark on this innovation journey, we are reminded of the transformative power of embracing change, encouraging risk-taking, and fostering collaboration. The achievements and learnings derived from this program will undoubtedly fuel our future endeavors, ensuring that we remain at the forefront of technological advancements and continue to deliver exceptional value to our stakeholders.

Intrapreneurship Program
Part of solutions by stc's initiative to empower innovation

Program highlights:

- Focus on innovation challenges to create sustainable and customer-centric services.
- Diverse paths and defined stages with the support of innovation experts to create evidence across dimensions of desirability, feasibility, and visibility.

The program aims to:

- Focus on adjacent and transformational innovation ideas.
- Adopt innovative business models and contribute to the Kingdom's innovation and sustainability goals.

Drive Sustainable Procurement through Authentic Leadership

In our journey toward sustainability and efficiency, we have placed a strong emphasis on transforming our procurement processes through the principles of authentic leadership. Recognizing the critical role of procurement in our overall sustainability goals, we have successfully implemented e-procurement initiatives, including e-invoicing and the use of digital signatures, to streamline operations and reduce our environmental footprint. These digital solutions not only enhance the efficiency of our procurement processes but also significantly reduce paper waste, contributing to our sustainability objectives.

Moreover, we have taken proactive steps to train our suppliers in these digital practices, ensuring they are fully aligned with our commitment to efficient and sustainable operations. This comprehensive approach, rooted in proper governance and ethical leadership, ensures that our procurement practices not only meet our immediate operational needs but also reflect our dedication to environmental stewardship and responsible business conduct.

Through these efforts, we are setting new standards in sustainable procurement, demonstrating how innovative digital practices can lead to more sustainable and efficient supply chains.

Secure Partnerships to Drive Sustainable Technology Transformation

As a leading IT service provider, we are acutely aware of the pivotal role that strategic partnerships play in driving sustainable technology transformation. In an era where technological advancements rapidly reshape industries, our commitment to fostering collaborations with like-minded organizations is more critical than ever.

These partnerships not only amplify our ability to innovate but also enhance our capacity to implement sustainable solutions that address the pressing challenges of our time. By aligning with partners who share our vision for a more sustainable and technologically advanced future, we leverage collective strengths, exchange invaluable insights, and create synergies that propel us toward achieving groundbreaking results. Our dedication to securing these partnerships underscores our holistic approach to sustainability, recognizing that collective action is essential in ushering in a new era of responsible and impactful technology transformation. Through these collaborative efforts, we aim not only to lead by example but also to inspire a broader movement towards sustainability in the IT sector and beyond.

Sustainability and Innovation continued

solutions by stc and Estidamah signed an MoU to collaborate on Agri-tech Solutions

solutions by stc and Estidamah have signed an MoU to collaborate in digital transformation and innovation in order to contribute towards sustainable agriculture.

Objectives:

The collaboration is set to empower Estidamah's strategic goals to deliver innovative agri-technologies in the Kingdom through 2 streams.

- Digitizing Estidamah: solutions by stc and Estidamah will collaborate and join forces to put Estidamah on a digital transformation path.
- Digitized Sustainable Agriculture: solutions by stc and Estidamah will synergize their innovation efforts to develop sustainable agri-tech solutions for the Kingdom.

استدامة
Estidamah

solutions by stc and MEWA signed an MoU for Advancing Digital Transformation

To collaborate in reinforcing digital transformation within the ministry and strenghtening the capabilities and skills of the staff in relevant technical fields

Key Objectives:

- Propel the implementation of the ministry's digital transformation strategy initiatives
- Ignite the adoption of cutting-edge and emerging technologies
- Empower the ministry's personnel with enhanced digital capabilities and skills
- Cultivate collaboration in relevant technical domains

Key Contributions:

- Elevating service efficiency within the ministry
- Pioneering digital transformation initiatives
- Delivering innovative solutions and modern technological advancements

solutions by stc and Remat Al-Riyadh signed a partnership agreement for a Smart Public Parking Project

A 10-Year Agreement:

Covering more than 160,000 public parking spaces

Distributed through 12 zones across Riyadh

Partnership Objectives:

- Utilize the most advanced digital technologies from around the world to improve the urban appearance of Riyadh city
- Improve public parking services and experience for residents and visitors through smart management

Project Benefits:

- Alleviate traffic congestion by reducing illegal and unauthorized parking on public roads
- Improve the urban appearance of Riyadh city and reduce carbon emissions to enhance quality of life
- Leverage advanced technology such as smart sensors and mobile applications to manage public parking spaces
- Enhance the experience of both residents and visitors of Riyadh by providing smart parking services

solutions by stc and Rua Al Madinah signed an agreement to Propel Digital Consultations for its Smart Cities Program

Agreement Objectives:

- Establishing a smart city strategy for the Rua Al Madinah Program
- Studying suitable systems and applications for transforming the city into a smart destination
- Providing technical consultations in relevant fields

Agreement Scope:

- Supplying detailed reports on the technologies utilized in the project.
- Identifying and specifying the infrastructure requirements to enable technologies in the targeted areas of the program.
- Developing operational models for the technologies used in the program.
- Constructing functional specifications and performance measurement standards for the technologies.
- Developing policies, governance structures, and procedures for the technology implementation.

Our Key Contributions to Create a Digital Community

solutions by stc values contributing to the local community through collaborations with not for profit organizations, universities, and other organizations to create an impact through value added partnerships and volunteerism for shared societal success. During 2023, we collaborated with the following associations in the field of sustainability:

- **MISK:** 20 volunteers from solutions by stc collaborated with MiSK Foundation to engage with local communities to understand their support requirements and provided mentorship for digital solutions.
- **King Khalid Foundation**: 13 volunteers from solutions by stc collaborated with King Khalid Foundation to participate and volunteer on the International Day of the Telecommunication and Information Society; the initiative focused on technology areas such as cyber security and IT infrastructure.
- **Universities:** solutions by stc volunteers conducted 2 digital awareness workshops at Yamamah University and King Saud University.
- **Employees Children:** solutions by stc held a workshop which offered 32 children ranging between the ages of 8 – 13 years, to teach them about the programming language such as web development (HTML, CSS), visual programing (ScratchJr) and basics of coding (city blocks and car (physical), so they can create their own projects in the future.

Our commitment to sustainability and innovation is not just a corporate mandate but a reflection of our core values and vision for the future.

Through our comprehensive efforts - from implementing cutting-edge e-procurement initiatives and securing strategic partnerships, to driving technology transformation and fostering a culture of authentic leadership - we have made significant strides in embedding sustainability into every aspect of our operations.

As we move forward, we will continue to leverage our expertise in IT to develop solutions that not only drive business growth but also contribute to a sustainable future for all.

07 Corporate Governance

Board of Directors

solutions by stc are managed by a Board of Directors consisting of 9 Directors, classified according to the definitions contained in the Corporate Governance Regulations issued by the Capital Market Authority in the Kingdom of Saudi Arabia, and appointed by the Conversion General Assembly of Shareholders held on 22 December 2020.

The tenure of Directors, including the Chairman, shall be a maximum of 3 years for each session. As an exception, the Conversion General Assembly shall appoint the first Board of Directors for 5 years, and they may be reappointed unless otherwise provided in the Company's By-laws. The current 5-year session of the Board of Directors commenced on 22 December 2020 and ends on 21 December 2025.

Composition of the Board of Directors

The nature and classification of their membership

	Name	Nature of Membership	Membership Classification	Nationality
1	**Mr. Riyadh Saeed Muawad**	Chairman of the Board	Non-Executive Member	Saudi
2	**Mr. Haithem Mohammed Alfaraj**	Deputy Chairman of the Board	Non-Executive Member	Saudi
3	**Mr. Emad Aoudah Al Aoudah**	Board Member	Non-Executive Member	Saudi
4	**Mr. Omar Abdulaziz Alshabibi**	Board Member	Non-Executive Member	Saudi
5	**Mr. Mathad Faisal Alajmi**	Board Member	Non-Executive Member	Saudi
6	**Mr. Mohammed Abdullah Alabbadi**	Board Member	Non-Executive Member	Saudi
7	**Mr. Mohammad Abdullah Alaseeri**	Board Member	Independent Member	Saudi
8	**Mr. Abdullatif Ali Alseif**	Board Member	Independent Member	Saudi
9	**Mr. Fahad Suleiman Alamoud**	Board Member	Independent Member	Saudi

Board members, Committee members and Executive Management's current and previous positions, qualifications, and experience

Board and Committee Members

Mr. Riyadh Saeed Muawad

Current Positions

- **Chairman of the Board** - solutions by stc
- **Member of the following committees at solutions by stc:**
  - Executive Committee
  - Investment Committee
- **Chairman of the Board** - Specialized by stc
- **Chairman of the Board** - iot2
- **Vice Chairman of the Board** - Saudi Cloud Computing Company (SCCC)
- **Group Chief Business Officer** - stc

Previous Positions

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

Qualifications

- **Bachelor's degree in Computer Science** - Boston University, USA
- **Senior Executive Program, Strategy, Innovation, and Digital Transformation**
  - Harvard Business School, USA (2017 - 2018)

Experience

More than 19 years of experience in the Information and Communication Technology industry.

Board of Directors continued

Mr. Haithem Mohammed Alfaraj

Current Positions

- **Deputy Chairman of the Board** - solutions by stc
- **Member of the Executive Committee** - solutions by stc
- **Chairman of Board** - sirar by stc
- **Vice Chairman of the Board** - Telecommunication Tower Co. Ltd (TAWAL)
- **Group Chief Technology Officer** - stc

Previous Positions

- **Member of the Board** - Specialized by stc
- **Member of the Board** - C4IR KSA
- **Member of the Board** - Mobily NCBS
- **Vice President of Operations** - stc
- **Held a number of positions at Etihad Etisalat Company (Mobily) including:**
  - Chief IT Operations Officer
  - Vice President of Data Hosting and Managed Services
  - Vice President of IT Operations
  - Director of the Data Center
  - Manager, Systems Administration
- **Systems Analyst** - Saudi Arabian Oil Company (Aramco)

Qualifications

- **Bachelor's degree in Applied Computer Engineering** - King Fahad University of Petroleum and Minerals (KFUPM), KSA
- **Master of Business Administration** - Hult International Business School (2022),UAE

Experience

More than 23 years of experience in the following industries:

- Information and Communication Technology
- Petroleum

Mr. Emad Aoudah Al Aoudah

Current Positions

- **Member of the Board** – solutions by stc
- **Member of the Executive Committee** - solutions by stc
- **Member of the Board and Executive Committee Member** - Arab Satellite Communications Organization (Arabsat)
- **Group Chief Shared Services Officer** - stc

Previous Positions

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

Qualifications

- **Bachelor's degree in Information Systems** - King Saud University, KSA.
- **Board/Corporate Governance Certificate** - INSEAD Business School.
- **Advanced Management Program for CEO's Certificate** - INSEAD Business School

Experience

More than 32 years of experience in multiple industries including:

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

Board of Directors continued

Mr. Omar Abdulaziz Alshababi

Current Positions

- **Member of the Board** - solutions by stc
- **Member of the Audit Committee** - solutions by stc
- **Member of the Nomination and Remuneration Committee** - solutions by stc
- **Member of the Board** - stc Gulf Investment Holding
- **Member of the Board** - Telecom Commercial Investment Company Limited
- **Member of the Board** - channels by stc
- **Chairman of the Audit and Risk Committee** - channels by stc
- **Vice President of Financial Reporting and Control sector** - stc

Previous Positions

- **Member of the Board** - stc Pay
- **Chairman of the Audit Committee** - stc Pay
- **Member of the Board** - Sapphire Company Ltd
- **General Manager of Financial Reporting** - stc
- **General Manager of Accounts** - stc

Qualifications

- **Bachelor's degree in Accountancy** - King Saud University, KSA.

Experience

More than 25 years of experience in multiple industries including:

- Information and Communication Technology
- Finance

Mr. Mathad Faisal Alajmi

Current Positions

- **Member of the Board** - solutions by stc
- **Member of the Audit Committee** - solutions by stc
- **Member of the Board and Chairman of the Audit Committee** - Integral
- **Group Chief Legal, Risk Officer and General Counsel** - stc
- **Member of the Board** - Pearl Initiative

Previous Positions

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

Qualifications

- **Master of Law in International Intellectual Property Law** - Illinois Institute of Technology, USA
- **Master of Business Administration** - Georgetown University Business School, Washington DC, USA
- **Bachelor of Law and LL.B** - King Saud University, KSA

Experience

More than 23 years of experience in multiple industries including:

- Petrochemical
- Legal
- Non-Profit
- Information Communication and Technology
- Risk and Business Continuity
- International Trade
- Governance and Quality Excellence
- Internal Control

Board of Directors continued

Mr. Mohammed Abdullah Alabbadi

Current Positions

- **Member of the Board** - solutions by stc
- **Member of the following committees at solutions by stc:**
  - Executive Committee
  - Nomination and Remuneration Committee
- **Chairman of the Board** - center3 by stc
- **Member of the Board** - Cura
- **Member of the Board** - Global Leaders' Forum
- **Member of the Board** - Saudi Volunteer Organization (Takatuf)
- **Member of the Board and Member of the Executive Committee** - specialized by stc
- **Group Chief Carrier and Wholesale Officer** - stc

Previous Positions

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

Qualifications

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

Experience

More than 25 years of experience in multiple industries including:

- Telecommunication
- Information Technology
- Financial Industry / Fintech
- Real Estate
- Telehealth

Mr. Mohammad Abdullah Alaseeri

Current Positions

- **Member of the Board** - solutions by stc
- **Member of the Executive Committee** - solutions by stc
- **Strategies and Digital Transformation Advisor** to HE the Vice Minister of the Ministry of Municipal and Rural Affairs and Housing

Previous Positions

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

Qualifications

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

Experience

More than 37 years of experience in multiple industries including:

- Information and Communication Technology
- Education
- Real Estate

Board of Directors continued

Mr. Abdullatif Ali Alseif

Current Positions

- **Member of the Board** - solutions by stc
- **Chairman of the Audit Committee** - solutions by stc
- **Managing Director and CEO** - Sabeen Investment Company
- **Member of the Board** - Southern Province Cement Company (SPCC)
- **Member of the Board** - Wisayah Global Investment Company
- **Member of the Board** - Al Rajhi Bank
- **Member of the Board** - Alnahdi Medical Company
- **Member of the Board** - SALIC
- **Member of the Board** - Albilad Tourism Fund

Previous Positions

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

Qualifications

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

Experience

More than 22 years of experience in multiple industries and sectors including:

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

Mr. Fahad Suleiman Alamoud

Current Positions

- **Member of the Board** - solutions by stc
- **Chairman of the Nomination and Remuneration Committee** - solutions by stc
- **Chairman of the Nomination and Remuneration Committee** - Saudi Electricity Project Development Company
- **CEO** - Saudi Company for Visa and Travel Solutions (TASHIR)
- **Member of the Board** - Saudi Visa and Travel Solution Limited (Bangladesh)
- **Member of the Board** - The Saudi International Company for Completion and Follow-up of Visa Procedures and Approvals for Embassies (Kuwait)
- **Member of the Board** - Saudi Company for Visa Solutions (Qatar)

Previous Positions

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

Qualifications

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

Experience

More than 25 years of experience in multiple industries and sectors including:

- Government and Public Sectors
- Information and Communication Technology
- Traffic Solutions and Transportation
- Healthcare
- Visa, Travel, and Tourism

Board of Directors continued

Committee Members from outside the Board of Directors

Mr. Motaz Ali Alangari - Investment committee

Current Positions

- **Member of the Investment Committee** - solutions by stc
- **Member of the Board and Chairman of the Audit Committee** - Saudi Cloud Computing Company (Alibaba Cloud)
- **Member of the Board** - Smart Accommodation for Residential Complexes Company (PIF)
- **Group Chief Investment Officer** - stc
- **Member of the Board, Executive Committee Member, and Chairman of the Risk Committee** - stc bank
- **Member of the National Finance and Insurance Committee** - Chamber of Commerce
- **Chairman of the Investment and Securities Committee** - Riyadh Chamber of Commerce

Previous Positions

- **Head of Investment Banking** - Banque Saudi Fransi,
- **Executive Director** - Morgan Stanley Saudi Arabia
- **Senior positions with** Samba Capital, Samba Financial Group, and National Commercial Bank, among others

Qualifications

- **Bachelor's degree in Business** - Cornell University, USA
- **Certificates in Finance** - New York Institute of Finance, and Cornell University, among others

Experience

More than 17 years of experience in the Investment and Corporate Banking industry

Mr. Abdullah Alanizi - Audit Committee

Current Positions

- **Member of the Audit Committee** - solutions by stc
- **Group Chief Internal Audit Officer** - stc Group

Previous Positions

- **Held the following positions at stc:**
  - General Manager of Network and Information Systems Audit
  - General Manager of Investment and Operational Audit

Qualifications

- **Bachelor's degree in Information Systems** - College of Computer and Information Sciences, King Saud University, KSA
- **Executive Masters of Business Administration** - King Fahd University of Petroleum & Minerals, KSA.
- Obtained several professional certificates: CIA, CISA, CFE, and CRMA

Experience

27 years of experience in multiple domains including:

- Audit Committee's and Internal Audit
- Governance and Risk Management
- Information Technology

Mr. Atef Helmy - Investment committee

Current Positions

- **Member of the Investment Committee** - solutions by stc
- **Chairman of the Board** - Prime Business Consulting
- **Member of the Board** - National Bank of Egypt
- **Founding Member, and President of the General Assembly** - Arab Digital Economy Federation
- **Founding Member** - Egypt Fintech Association
- **Vice Chairman of the Board** - Africa Information and Communication Technologies Alliance (AfICTA)
- **Chairman of the Board** - Arab Union for Digital Economy
- **Honorary Member** - American Chamber of Commerce
- **Member of the Board of Trustees** - British University in Egypt
- **Member of the Board of Trustees** - Beit El Zakat (Egypt House of Alms & Charity)

Previous Positions

- **Former Egyptian Minister** of ICT
- **Managing Director** - NCR UAE
- **Managing Director** - Oracle Egypt
- **Chairman of the Board** - Orange Egypt
- **Chairman of the Board** - Chamber of ICT
- **Served in the Egyptian Military Force** in the field of communications and information technology.
- **Senior Advisor** - Orange MEA
- **Ambassador** - Orange to Smart Africa
- **Member of the Board** - SAMENA
- **Member of the Board** - Al Mohandes Insurance
- **Member of the Board** - Al Hayat Insurance

Qualifications

- **Diploma in Computer Science**
- **Bachelor's degree in Communication and Electrical Engineering** - Military Technical College, Egypt
- **Master's degree in Information Technology**

Experience

More than 41 years of experience in Communications and Information Technology

Mr. Fahad Alghamdi - Nomination and Remuneration Committee

Current Positions

- **Member of the Nomination and Remuneration Committee** - solutions by stc
- **Member of the Nomination and Remuneration Committee** - AQALAT by stc
- **Member of the Nomination and Remuneration Committee** - Banan Real Estate Company
- **Member of the Nomination and Remuneration Committee** - The Strategy Office for Developing Al Baha Region
- **HR Business Partner VP** - stc

Previous Positions

- **Held the following positions at stc:**
  - General Manager - stc Business Units
  - Member of the Executive Committee - specialized by stc
  - General Manager, HR Planning and Organizational Development
  - Director, Workforce Planning
  - Manager of Customer Relationship Management - HR, Shared Services
  - HR Specialist, Rewards and Performance Management
- **Held the following positions at Samba Financial Group:**
  - Account Manager of Corporate Services Unit
  - Group Customer Services Unit of Key Accounts

Qualifications

- **Bachelor's degree in Marketing** - King Fahd University of Petroleum & Minerals, KSA.
- **Advanced Human Resource Executive Program** - Stephen M. Ross School of Business, University of Michigan, USA

Experience

More than 22 years of HR experience in the following industries:

- ICT (Information and Communication Technology)
- Finance

Executive Management

Mr. Omer Abdullah Alnomany
Chief Executive Officer

Previous Positions
- **Vice President of Information Technology** - stc

Qualifications
- **Bachelor's degree in Computer Engineering** - King Saud University, KSA, 1994
- **Senior Executive Leadership Program** - Harvard University, USA, 2020

Experience
- 30 years

Mr. Muataz Abdullah Aldharrab
Chief Strategy Officer

Previous Positions
- **Vice President of Corporate Planning and Performance**

Qualifications
- **Master of Business Administration** - Prince Sultan University, KSA, 2014

Experience
- 17 years

Mr. Abdulrahman Hamad Alrubaia
Chief Financial Officer

Previous Positions
- **Vice President of the Finance Sector** - solutions by stc

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

Experience
- 20 years

Mr. Saleh Abdullah Alzahrani
Chief Technology Officer

Previous Positions
- **Vice President of Solutions Delivery** - solutions by stc

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

Experience
- 30 years

Executive Management continued

Mr. Rajeh Saad Albogamy
Chief Audit Officer

Previous Positions
- **General Manager of Business and Technology Audit** - solutions by stc

Qualifications
- **Master's degree in Project Management** - The George Washington University School of Business, 2011

Experience
- 22 years

Mr. Ahmed Naji Bajnaid
Chief Governance Officer

Previous Positions
- **Vice President of Operations and Managed Services** - solutions by stc

Qualifications
- **Master of Business Administration** - King Abdulaziz University, KSA, 2022

Experience
- 21 years

Mr. Hatem Abdulhalim Elkady
Chief Partnerships and Synergies Officer

Previous Positions
- **Advisor of Strategic Partnerships** - solutions by stc

Qualifications
- **Master's degree in Computer Science** - Cairo University, Egypt, 1993

Experience
- 32 years

Mr. Saleh Tariq Algroony
Chief People and Corporate Services Officer

Previous Positions
- **Vice President of Business Excellence** - solutions by stc

Qualifications
- **Bachelor's degree in Computer Science** - King Fahad University of Petroleum and Minerals (KFUPM), KSA, 2010

Experience
- 15 years

Executive Management continued

Mr. Thamir Mohammed Alhammad
Chief Business Diversification Officer

Previous Positions
- **Chief Business Diversification Officer** - solutions by stc

Qualifications
- **Master of Business Administration** - Imperial College London, UK, 2017

Experience
- 23 years

Mr. Yousef Abdulrahman Almarshad
Chief Commercial Officer

Previous Positions
- **General Manager, Government Sales** - solutions by stc

Qualifications
- **Master's degree in Project Management / Information Technology** - Marymount University, USA, 2011

Experience
- 15 years

Names of companies inside and outside the Kingdom of Saudi Arabia where a Board member is a member of their current or previous Board or Management

Member Name	Names of Companies where a Board member is a member of their current Board or is a Manager	Inside/ outside the Kingdom of Saudi Arabia	Legal Entity	Names of Companies where a Board member was a member of their Board or a Manager	Inside/ outside the Kingdom of Saudi Arabia	Legal Entity
Mr. Riyadh Saeed Muawad	Specialized by stc	Inside	Limited Liability Company	Kuwait Telecom Company (stc Kuwait)	Outside	Listed Joint Stock Company
	stc	Inside	Listed Joint Stock Company	Cisco	Inside	Limited Liability Company
	Saudi Cloud Computing Company (SCCC)	Inside	Limited Liability Company	CA Technologies	Outside	Listed Joint Stock Company (USA)
	iot2	Inside	Limited Liability Company	National Technology Company (Bugshan Group)	Inside	Limited Liability Company
Mr. Haithem Mohammed Alfaraj	Sirar by stc	Inside	Limited Liability Company	Specialized by stc	Inside	Limited Liability Company
	Telecommunications Tower Co. (TAWAL)	Inside	Limited Liability Company	Etihad Etisalat Company (Mobily)	Inside	Listed Joint Stock Company
	stc	Inside	Listed Joint Stock Company	Aramco	Inside	Listed Joint Stock Company
				C4IR KSA	Inside	Public-Private Partnership
Mr. Emad Aoudah Al Aoudah	stc	Inside	Listed Joint Stock Company	Channels by stc	Inside	Limited Liability Company
	Arabian Satellite Communications Organization (Arabsat)	Inside	Limited Liability Company	Aqalat	Inside	Limited Liability Company
				Specialized by stc	Inside	Limited Liability Company
				NUPCO	Inside	Limited Liability Company
				Saudi Research and Marketing Group	Inside	Listed Joint Stock Company
				Saudi Information Technology Company (SITE)	Inside	Limited Liability Company
				Oracle	Outside	Limited Liability Company
				Saudi Central Bank	Inside	Government
				STC Gulf Investment Holding	Inside	Limited Liability Company
				Bravo Company	Inside	Limited Liability Company

Member Name	Names of Companies where a Board member is a member of their current Board or is a Manager	Inside/ outside the Kingdom of Saudi Arabia	Legal Entity	Names of Companies where a Board member was a member of their Board or a Manager	Inside/ outside the Kingdom of Saudi Arabia	Legal Entity
Mr. Omar Abdulaziz Alshababi	stc Gulf Investment Holding	Inside	Limited Liability Company	stc Pay	Inside	Closed Joint Stock Company
	Telecom Commercial Investment Company Limited	Inside	Limited Liability Company	Sapphire Company Ltd	Inside	Limited Liability Company
	Channels by stc	Inside	Limited Liability Company			
	stc	Inside	Listed Joint Stock Company			
Mr. Mathad Faisal Alajmi	stc	Inside	Listed Joint Stock Company	Saudi Iron and Steel Company (Hadeed)	Inside	Closed Joint Stock Company
	Intigral	Inside	Limited Liability Company	Saudi Basic Industries Corp (SABIC)	Inside	Listed Joint Stock Company
	Pearl Initiative	Outside	Non-Profit Organization	Gulf Petrochemicals and Outside Chemicals Association (GPCA)	Outside	Closed Joint Stock Company
				King and Spalding	Outside	International Law Firm
				Freshfields	Outside	International Law Firm
Mohammed Abdullah Alabbadi	stc	Inside	Listed Joint Stock Company	stc Pay	Inside	Closed Joint Stock Company
	Saudi Volunteer Organization (Takatuf)	Inside	Non-Profit Organization	Aqalat	Inside	Limited Liability Company
	Specialized by stc	Inside	Limited Liability Company	Cisco	Inside	Limited Liability Company
	Cura	Outside	Limited Liability Company	Forus	Inside	Closed Joint Stock Company
	Center3	Inside	Limited Liability Company			
	Global Leaders' Forum	Outside	Limited Liability Company			
Mr. Mohammad Abdullah Alaseeri	Ministry of Municipal and Rural Affairs and Housing	Inside	Government	Traveler Security Center	Inside	Government
				Ministry of Education	Inside	Government
				National Information Center	Inside	Government

Member Name	Names of Companies where a Board member is a member of their current Board or is a Manager	Inside/ outside the Kingdom of Saudi Arabia	Legal Entity	Names of Companies where a Board member was a member of their Board or a Manager	Inside/ outside the Kingdom of Saudi Arabia	Legal Entity
Mr. Abdulatif Ali Alseif	Sabeen Investment Company	Inside	Closed Joint Stock Company	King Abdullah Humanitarian Foundation	Inside	Non-Profit Organization
	Southern Province Cement Company (SPCC)	Inside	Listed Joint Stock Company	Raidah Investment Company	Inside	Closed Joint Stock Company
				HSBC	Inside	Closed Joint Stock Company
	Wisayah Global Investment Company	Inside	Limited Liability Company	Arabian Cement Company (ACC)	Inside	Listed Joint Stock Company
	Al Rajhi Bank	Inside	Listed Joint Stock Company	Riva Investment Company	Inside	Limited Liability Company
	Alnahdi Medical Company	Inside	Closed Joint Stock Company	National Petrochemical Company (Petrochem)	Inside	Listed Joint Stock Company
	SALIC	Inside	Closed Joint Stock Company	Alothaim Investment Company	Inside	Closed Joint Stock Company
	AlBilad Tourism Fund	Inside	Real Estate Fund	Saudi Aramco	Inside	Listed Joint Stock Company
				Mohammed I Alsubeaei & Sons Investment Company (MASIC)	Inside	Closed Joint Stock Company
				KAUST Investment Management Company	Inside	Closed Joint Stock Company
				Olam Agri Holdings Pte. Ltd	Outside	Limited Liability Company
Mr. Fahad Suleiman Alamoud	Saudi Visa and Travel Solutions (TASHIR)	Inside	Limited Liability Company	Sehati	Inside	Limited Liability Company
	Saudi Visa and Travel Solutions Limited (Bangladesh)	Inside	Limited Liability Company	Saudi Technology and Security Comprehensive Control Company (Tahakom)	Inside	Limited Liability Company
	The Saudi International Company for Completion and Follow-up of Visa Procedures and Approvals for Embassies (Kuwait)	Inside	Limited Liability Company	Ministry of Transport	Inside	Government
	Saudi Company for Visa Solutions (Qatar)	Inside	Limited Liability Company	Ministry of Foreign Affairs	Inside	Government
	Saudi Electricity Project Development Company	Inside	Limited Liability Company			

Board of Directors Meetings and the Attendance Record of each meeting held during the year ending 31 December 2023

	Name	Meetings				
		1st meeting (15 Feb 2023)	2nd meeting (28 Mar 2023)	3rd meeting (21 Jun 2023)	4th meeting (18 Jul 2023)	5th meeting (10 Dec 2023)
1	Mr. Riyadh Muawad	✓	✓	✓	✓	✓
2	Mr. Haithem Alfaraj	✓	✓	✓	✓	✓
3	Mr. Emad Al Aoudah	✓	✓	✓	✓	✓
4	Mr. Mohammed Alabbadi	✓	✓	✓	✓	✓
5	Mr. Mathad Alajmi	✓	✓	✓	✓	✓
6	Mr. Omar Alshabibi	✓	✓	✓	✓	✓
7	Mr. Fahad Alamoud	✓	✓	✓	✓	✓
8	Mr. Abdullatif Alseif	✓	✓	✓	✓	✓
9	Mr. Mohammad Alaseeri	✓	✓	✓	✓	✓

General Assembly Meetings held during the fiscal year ending 31 December 2023 and Attendance of Board members

	Name	Meetings	
		1st meeting (9 May 2023)	2nd meeting (27 Dec 2023)
1	Mr. Riyadh Muawad	✓	✓
2	Mr. Haithem Alfaraj	✗	✗
3	Mr. Emad Al Aoudah	✓	✗
4	Mr. Mohammed Alabbadi	✓	✗
5	Mr. Mathad Alajmi	✓	✗
6	Mr. Omar Alshabibi	✓	✓
7	Mr. Fahad Alamoud	✓	✓
8	Mr. Abdulatif Alseif	✓	✓
9	Mr. Mohammad Alaseeri	✓	✓

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

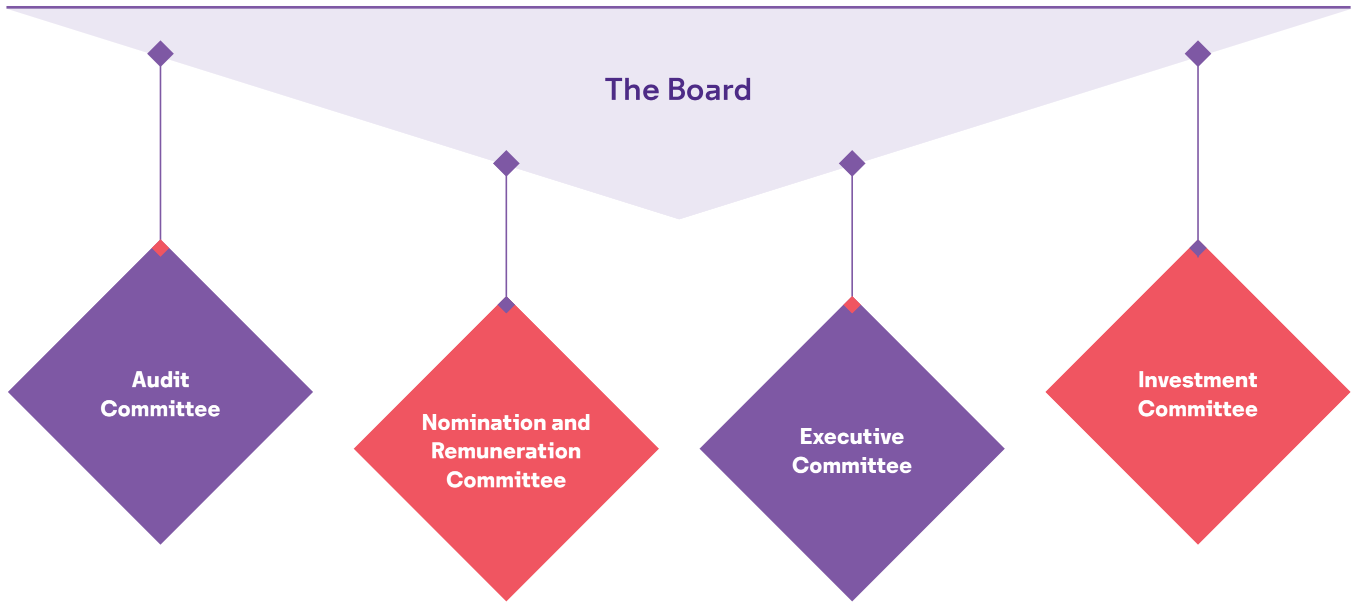
The main objective of the Investor Relations (IR) Department is to act as a mediator between the Company, the investment community, and capital market regulators. We aim to enable further accessibility between shareholders and various stakeholders within the Company through various methods. The IR Department is responsible for all communications with investors and shareholders, and periodically reports to the Board, providing an update about shareholder activities and remarks.

Stakeholders' views are of paramount importance to the Company and shareholder feedback is always considered and incorporated into departmental strategies for long-term value creation. We ensure that we provide our investors with the maximum information possible by providing access to various disclosures through the Investor Relations section of the website, and through quarterly disclosures, and annual reports.

During the year ending 31 December 2023, the Company did not receive any written proposals or notes from any of the shareholders.

Board Committees

In accordance with the Corporate Governance Regulations issued by the Capital Market Authority and the Companies Law, the Company has prepared a charter for the Audit Committee, the Nomination and Remuneration Committee, the Executive Committee, and the Investment Committee, as these charters include the rules for the members of the committee, their term of membership, and their duties. All these charters and regulations were approved by the Board of Directors and the General Assembly of shareholders, as per the Company's Bylaws. solutions by stc have 4 committees as follows:



Audit Committee

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

The duties and responsibilities of this Committee include the oversight of the internal audit tasks and reports, the implementation of corrective measures for the observations contained therein, recommending to the Board of Directors the appointment of the Company's external auditor and propose his scope of work and annual fees, and reviewing the Company's interim and annual financial statements before submitting them to the Board of Directors. The Committee's responsibilities also include evaluating and ensuring that an effective internal control system is in place and prepared on a sound basis, and reviewing corporate governance reports, compliance, and risk management.

During the year, the Audit Committee reviewed the quarterly financial statements and the annual financial statements and recommended the approval of the Board of Directors. The Committee met with the external auditor to ensure that the financial statements have been prepared in accordance with the accounting standards and that there are no material observations on the financial statements. The Audit Committee also discussed the internal auditors' report, which did not contain material observations.

The Committee is composed of 4 members and held 7 meetings during the year 2023, as shown in the following table:

			Meetings						
	Name	Nature of Membership	1st meeting (3 Jan 2023)	2nd meeting (13 Feb 2023)	3rd meeting (14 Feb 2023)	4th meeting (15 Feb 2023)	5th meeting (7 May 2023)	6th meeting (27 Jul 2023)	7th meeting (26 Oct 2023)
1	Mr. Abdullatif Alseif	Chairman	✓	✓	✓	✓	✓	✓	✓
2	Mr. Mathad Alajmi	Member	✓	✓	✓	✓	✓	✓	✓
3	Mr. Omar Alshabibi	Member	✓	✓	✓	✓	✓	✓	✓
4	Mr. Abdullah Alanizi	Member	✓	✓	✓	✓	✓	✓	✓

Nomination and Remuneration Committee

The Nomination and Remuneration Committee consists of 4 members appointed pursuant to a Board resolution dated 24 January 2021. The main purpose of this Committee is to make recommendations to the Board of Directors with regard to nominations to the membership of the Board, its subcommittees and Executive Management in accordance with the approved policies and standards. Undertaking the annual review of the skill requirements for the Board of Directors; preparing the description of skills and qualifications required for Board membership, including determination of the time that the Board member should dedicate to the business of the Board, and make recommendations concerning changes that can be made. The Committee also reviews the structure and formation of the Board, makes recommendations concerning changes that can be made and identifies the weaknesses and strengths of the Board with recommendations on how to address them to serve the interests of the Company. On an annual basis, the Committee ensures the independence of the independent members and that there are no conflicts of interest if the member holds membership on the Board of Directors of another company and evaluates the performance of Board members and the members of its committees. It develops clear policies for the compensation and remuneration of Board members and senior Executives, taking into consideration performance-related standards. Lastly, the Committee prepares periodic and annual reports on the Committee's activities and the annual disclosure report according to the Bylaws. These reports are presented to the Board of Directors. The Committee is also responsible for assisting the Board of Directors in developing and reviewing the organizational structure of the Company.

The Committee is composed of 4 members and held 6 meetings during the year 2023, as shown in the following table:

			Meetings					
	Name	Nature of Membership	1st meeting (14 Feb 2023)	2nd meeting (15 Mar 2023)	3rd meeting (4 Jun 2023)	4th meeting (17 Sep 2023)	5th meeting (30 Nov 2023)	6th meeting (28 Dec 2023)
1	Mr. Fahad Alamoud	Chairman	✓	✓	✓	✓	✓	✓
2	Mr. Fahad Alghamdi	Member	✓	✓	✓	✓	✓	✓
3	Mr. Omar Alshabibi	Member	✓	✓	✓	✓	✓	✓
4	Mr. Mohammed Alabbadi	Member	✓	✓	✓	✓	✓	✓

Executive Committee

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

The Company's Executive Committee was appointed by the Board of Directors to exercise all functions entrusted thereto and reports to and maintains direct communication channels with the Board of Directors. Pursuant to the relevant laws and regulations, the responsibilities of the Executive Committee include the following:

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

The Committee is composed of 5 members and held 4 meetings during the year 2023, as shown in the following table:

	Name	Nature of Membership	Meetings: 1st meeting (8 Jun 2023)	2nd meeting (4 Oct 2023)	3rd meeting (9 Nov 2023)	4th meeting (6 Dec 2023)
1	Mr. Riyadh Muawad	Chairman	✓	✓	✓	✓
2	Mr. Haithem Alfaraj	Member	✓	✓	✓	✓
3	Mr. Mohammed Alaseeri	Member	✓	✓	✓	✓
4	Mr. Emad Al Aoudah	Member	✓	✓	✓	✓
5	Mr. Mohammed Alabbadi	Member	✓	✓	✓	✓

Investment Committee

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

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

- Approving, endorsing, and reviewing the investment opportunities, mergers, acquisitions, joint ventures, or liquidations, all in accordance with the Company's existing delegation of authority matrices.
- Studying the Company's assets information, develop an investment strategy along with directives and related policies and submit the same to the Board for approval.
- Reviewing performance assessments and work progress on a regular basis for the plans approved by the Boards of Directors of subsidiaries and provide the relevant recommendations to the Board.
- Approving and endorsing the financing structure (to provide funds for business activities, making purchases or investing etc.) for investment transactions and relevant policies, and submitting same to the Board for approval.
- Directly supervising the Company's domestic and overseas investments.
- Ensuring the integrity of the investment process including any enhancement, setting relevant controls for protecting Company's interests and fully supervising the stages of acquisition/merger related to any investment opportunity.
- Providing recommendations to the Board regarding the exit from or liquidation of a current investment.
- Reviewing the integration and synergy performance reports for subsidiaries

The Committee is composed of 4 members and held 5 meetings during the year 2023, as shown in the following table:

	Name	Nature of Membership	Meetings: 1st meeting (21 Feb 2023)	2nd meeting (17 May 2023)	3rd meeting (1 Jun 2023)	4th meeting (3 Sep 2023)	5th meeting (13 Dec 2023)
1	Mr. Riyadh Muawad	Chairman	✓	✓	✓	✓	✓
2	Mr. Fahad Alamoud	Member	✓	✓	✓	✓	✓
3	Mr. Motaz Alangari	Member	✓	✓	✗	✓	✓
4	Mr. Atef Nagib	Member	✓	✓	✓	✓	✓

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

Board and Committee Members' Remuneration

- The remuneration of the Board members shall be a fixed amount, in addition to an allowance given for attending meetings.
- The Board may determine a remuneration for members/ member of the Board for their membership on the Board's standing committees.
- The remunerations that the Board of Directors' member receives shall be fair and corresponds with the member's competencies as well as the activities and the responsibilities that the Board member undertakes in addition to the specified goals for the Board of Directors that must be achieved during the fiscal year
- The remuneration payment shall be stopped or retrieved if it turns out that it was approved based on inaccurate information presented by a member of the Board.
- The remuneration shall be based on the number of meetings that the member attends.
- The remunerations of the members of the Board and its Standing Committees shall be in accordance with the relevant laws and regulations.
- In all cases, the overall amount that a member of the Board receives from remunerations shall not exceed SAR 500,000 annually, in accordance with rules prescribed by the Competent Authority.
- If a member deserves a remuneration for any additional work, or executive, technical, administrative, or advisory positions assigned to him/ her in the Company, this is in addition to the remuneration that such member deserves as a Board member and shall be verified in accordance with Article 20 (c) (8) of the CMA Corporate Governance Regulations and related action as per the Company's conflict of interest policy, Ministry of Communication Companies Law and the Company's By-laws.

Board Members' Remuneration

Member of the Board of Directors	Fixed Remunerations							Variable Remunerations								
	Specific amount	Allowance for attending Board meetings	Total allowance for attending Committee meetings	In-kind benefits	Remunerations for technical managerial and consultative work	Remunerations of the Chairman Managing Director or Secretary, if a member	Total	Percentage of the profits	Periodic remunerations	Short-term incentive plans	Long-term incentive plans	Granted shares	Total	End of service rewards	Grand Total	Expenses allowances
First: Independent Members																
Fahad Alamoud	300,000	25,000	-	-	-	-	325,000	-	-	-	-	-	-	-	325,000	
Abdullatif Alseif	300,000	25,000	-	-	-	-	325,000	-	-	-	-	-	-	-	325,000	
Mohammed Alaseeri	300,000	25,000	-	-	-	-	325,000	-	-	-	-	-	-	-	325,000	
Total	**900,000**	**75,000**	**-**	**-**	**-**	**-**	**975,000**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**975,000**	
Second: Non-Executive Members																
Riyadh Muawad	375,000	25,000	-	-	-	-	400,000	-	-	-	-	-	-	-	400,000	
Haithem Alfaraj	300,000	25,000	-	-	-	-	325,000	-	-	-	-	-	-	-	325,000	
Emad Al Aoudah	300,000	25,000	-	-	-	-	325,000	-	-	-	-	-	-	-	325,000	
Mohammed Alabbadi	300,000	25,000	-	-	-	-	325,000	-	-	-	-	-	-	-	325,000	
Mathad Alajmi	300,000	25,000	-	-	-	-	325,000	-	-	-	-	-	-	-	325,000	
Omar Alshabibi	300,000	25,000	-	-	-	-	325,000	-	-	-	-	-	-	-	325,000	
Total	1,875,000	150,000	-	-	-	-	2,025,000	-	-	-	-	-	-	-	2,025,000	
Total	**2,775,000**	**225,000**	**-**	**-**	**-**	**-**	**3,000,000**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**3,000,000**	

Committee Members' Remuneration

Senior Executives	Fixed Remuneration (except attending sessions)	Allowances for Attending Sessions	Total (SAR)
Audit Committee			
Mr. Abdullah Alanizi	100,000	35,000	135,000
Mr. Mathad Alajmi	100,000	35,000	135,000
Mr. Omar Alshabibi	100,000	35,000	135,000
Mr. Abdullatif Alseif	100,000	35,000	135,000
Total	**400,000**	**140,000**	**540,000**
Nomination and Remuneration Committee			
Mr. Fahad Alghamdi	60,000	30,000	90,000
Mr. Mohammed Alabbadi	-	30,000	30,000
Mr. Fahad Alamoud	-	30,000	30,000
Mr. Omar Alshabibi	-	30,000	30,000
Total	**60,000**	**120,000**	**180,000**
Executive Committee			
Mr. Riyadh Muawad	-	20,000	20,000
Mr. Haithem Alfaraj	-	20,000	20,000
Mr. Mohammed Alaseeri	-	20,000	20,000
Mr. Emad Al Aoudah	-	20,000	20,000
Mr. Mohammed Alabbadi	-	20,000	20,000
Total	**-**	**100,000**	**100,000**
Investment Committee			
Mr. Riyadh Muawad	-	25,000	25,000
Mr. Fahad Alamoud	-	25,000	25,000
Mr. Motaz Alangari	60,000	20,000	80,000
Mr. Atef Helmy	60,000	25,000	85,000
Total	**120,000**	**95,000**	**215,000**

Senior Executives' Remuneration

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

Remunerations of the top 5 Senior Executives (including the CEO and the CFO) in 2023

<table>
<tr><th rowspan="3">Senior Executives</th><th colspan="6">Fixed Remunerations</th><th colspan="5">Variable Remunerations</th><th rowspan="3">End of Service Rewards</th><th rowspan="3">Total Remuneration for Executives on the Board</th><th rowspan="3">Grand Total</th></tr>
<tr><th rowspan="2">Salaries</th><th rowspan="2">Allowances</th><th colspan="3">In kind benefits</th><th rowspan="2">Total</th><th rowspan="2">Periodic remunerations</th><th rowspan="2">Profits</th><th rowspan="2">Short-term incentive plans</th><th rowspan="2">Long-term incentive plans</th><th rowspan="2">Total</th></tr>
<tr><th>Annual passage allowance</th><th>Education allowance</th><th>Training cost</th></tr>
<tr><td>Total</td><td colspan="2">12,065,894.62</td><td colspan="3">954,365.86</td><td>13,020,260.48</td><td>-</td><td>-</td><td>11,841,302.36</td><td>5,568,831.80</td><td>17,410,134.16</td><td>-</td><td>-</td><td>30,430,394.64</td></tr>
</table>

Adherence to Corporate Governance Regulations issued by the Capital Market Authority

The following section highlights provisions of the corporate governance regulations issued by the Capital Market Authority which have not been implemented along with justification thereof.

Article No	Article Text	Implementation Status	Justification
Article 67	**Composition of the Risk Management Committee**	Not Implemented	A dedicated Risk Management Committee has not been established based on the optional article issued by the CMA. However, its main mandates were incorporated as part of the Audit Committee's responsibilities.
Article 68	**Competencies of the Risk Management Committee**	Not Implemented	A dedicated Risk Management Committee has not been established based on the optional article issued by the CMA. However, its main mandates were incorporated as part of the Audit Committee's responsibilities.
Article 69	**Meetings of the Risk Management Committee**	Not Implemented	A dedicated Risk Management Committee has not been established based on the optional article issued by the CMA. However, its main mandates were incorporated as part of the Audit Committee's responsibilities.
Article 82	**Employee Incentives** 3) Establishing social organizations for the benefit of the Company's employees.	Not implemented	This is an optional article.
Article 84	**Social Responsibility**	Not Implemented	This is an optional article.
Article 92	**Formation of a Corporate Governance Committee**	Not Implemented	A dedicated Corporate Governance Committee has not been established based on the optional article issued by the CMA. However, significant governance oversight mandates were incorporated as part of the Audit Committee's responsibilities.

"The Corporate Governance Office plays a vital role for the organization to keep solutions by stc's brand and image as a trusted business enabler and partner to their clients. Adopting best-in-class practices is our goal to become a distinctive benchmark in our operations."

Ahmed Naji Bajnaid
Chief Governance Officer

Internal Audit

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

The Internal Audit Division at solutions by stc conducted planned audits as per the Audit Committee's approved plan, focusing on assessing the adequacy and effectiveness of internal controls and performing quarterly financial statement reviews. They also provided advisory services to enhance operations and achieve strategic objectives.

Throughout 2023, Internal Audit regularly issued audit progress reports to the Audit Committee covering the audit plan progress, the results of audit engagements and overall views of Internal Control Systems, and other audit activities. In addition, Internal Audit continued to pursue the Assurance Transformation Strategy, with impactful outcomes.

In 2023 a key milestone was accomplished by implementing the strategy's pillars: Expanding Digital Audit Services, Combined Assurance and Collaboration with other Assurance Providers, and Project Assurance Audit Services. This enabled proactive, innovative audits at solutions by stc, influencing governance, risk management, and internal controls. In light of these achievements, the Audit team is actively revising the strategy to integrate the new mandates associated with recent acquisitions. This revision is designed to ensure that the strategy remains aligned with the evolving needs of solutions by stc and builds upon the milestones already achieved within its strategic pillars.

Additionally, the division emphasizes human capability development, focusing on attracting, retaining, and developing talent, ensuring they possess the necessary skills for effective auditing within solutions by stc.

Internal Control

The Audit Committee plays a crucial role in overseeing various critical aspects within the organization, particularly in the areas of compliance, risk management, internal audit, and external audit. Their primary function includes regular evaluations of the internal control system's adequacy and effectiveness. These evaluations are essential for the Board to gain reasonable assurance regarding the robustness and efficiency of the organization's internal controls.

Throughout 2023, the Audit Committee was actively involved in its oversight duties, convening 7 times. During these meetings, the Committee delved into a broad range of topics relevant to their mandate. These included reviewing financial statements, discussing strategic and organizational matters, and addressing issues in human resources, procurement, and IT systems pertinent to the Company's operations. These discussions were conducted in the presence of Executive Management and the Internal Audit team.

A key outcome of the Committee's efforts in 2023 was attaining reasonable assurance about the effectiveness and efficiency of the internal control systems in place. Notably, the Committee did not identify any significant concerns regarding the performance of these systems that might compromise the integrity or fairness of the Company's financial statements. Furthermore, the internal control systems associated with crucial business processes were deemed effective in monitoring and mitigating risks, thereby contributing to the overall governance and risk management framework of the organization.

"In 2023, our Internal Audit Division focused on digital expansion, collaborative assurance, and project audit services, aligning closely with solutions by stc's strategic goals. This approach has strengthened governance and risk management, reinforcing our commitment to operational excellence and strategic success. Our efforts in innovative auditing and talent development have positioned us as a key contributor to the Company's ongoing progress and value creation."

Rajeh Saad Albogamy
Chief Audit Officer

Information on Risks facing the Company (operational, financial or market related) and the Policy of Managing and Monitoring these Risks.

Refer to page 42 for details on the risks facing the company.

Affiliate Companies

Affiliate Name	Capital	Company's Ownership Percentage	Main Scope of Business	Country of Operation	Country of Incorporation
stc for IT	SAR 262,500 (USD 70,000)	100%	The principal activities of the subsidiary are concentrated in the information technology and communication industry domain. The products of the subsidiary involve design and development of electronics and data centers, outsourcing activities, software, application and database development, technological education, and digitization activities.	Egypt	Egypt
SANAD	SAR 5,000,000	100%	Management and manpower services	Kingdom of Saudi Arabia	Kingdom of Saudi Arabia
Giza Systems	SAR 18,050,580 (USD 4,813,488)	88.19%	Giza Systems a leading systems integrator in the MEA region. It designs and deploys industry-specific technology solutions for asset-intensive industries such as the telecommunications, utilities, oil and gas, hospitality, and real estate among other market sectors, and assists clients streamline their operations and businesses through our portfolio of solutions, managed services, and consultancy practice.	- Egypt - Kingdom of Saudi Arabia - United Arab Emirates - Qatar - Kenya - Tanzania - Uganda - Nigeria	Egypt
ccc by stc	SAR 4,500,000	100%	Contacts services	Kingdom of Saudi Arabia	Kingdom of Saudi Arabia

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

List of loans received and paid during the year ended 31 December 2023, are as follows:

		Amount of Principal Debt	Loan Term	Amounts paid During the Year	Remaining Amount
1	solutions by stc (Saudi National Bank)	500,000,000	5 years	-	500,000,000
2	Subsidiaries (International Banks)	3,125,386	3 years	-	3,125,386

The Company's Dividend Distribution Policy

As per the Article Number (48) of the Company's By-law provided the annual net profits shall be distributed as follows:

- 10% of the net profits shall be set aside to form a statutory reserve for the Company. Such setting aside may be discontinued by the Ordinary General Assembly when the said reserve totals 30% of the Company's paid-up capital.
- The Ordinary General Assembly may, upon the proposal of the Board of Directors, set aside 5% of the net profits to form consensual reserve to be allocated for certain purposes specified by the General Assembly.
- The Ordinary General Assembly may form other reserves that would serve the Company's best interest or would ensure distributing constant profits, as much as possible, amongst shareholders. Besides, the Ordinary General Assembly may allocate a certain amount from the net profits to establish social institutions for the Company's employees or to support existing social institutions.
- Out of the balance of the profits, if any, an initial payment of not less than 10% of the paid-up capital shall be paid to the shareholders.
- Subject to provisions in Article (22) hereof, and Article (76) of the Companies Law, the remaining amount shall be paid as compensation to the Board of Directors, provided that entitlement of such remuneration shall be in proportion to the number of sessions the member has attended.
- The Company may distribute interim profits to its shareholders on a biannual or quarterly basis as per a decision passed by the Board of Directors if the Company's financial position allows it to do so and the liquidity is available as per the controls and requirements set by the Competent Authority.

Dividends Distributed During the Year

	2023*	2022
Ratio (of paid-up capital)	60%	50%
Total amount (SAR)	714 million	595 million

*Subject to the approval of the General Assembly

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

Senior Executives and Their Relatives on Shares or Debt Instruments of the Company

		Beginning of the Year		End of the Year			
	Names of the Persons of Interest	Number of Shares	Debt Instruments	Number of Shares	Debt Instruments	Net Change	Change Ratio
1	Mr. Omer Abdullah Alnomany	817	-	3,435	-	2,618	320%
2	Mr. Abdulrahman Hamad Alrubaia	-	-	566	-	566	-
3	Mr. Saleh Abdullah Alzahrani	-	-	566	-	566	-
4	Mr. Muataz Abdullah Aldharrab	1	-	567	-	566	56,600%
5	Mr. Thamir Mohammed Alhammad	-	-	487	-	487	-
6	Mr. Saleh Tareg Algroony	150	-	716	-	566	377%
7	Mr. Rajeh Saad Albogamy	125	-	-	-	-125	-100%
8	Mr. Ahmed Naji bajnaid	-	-	540	-	540	-
9	Mr. Hatem Abdulhalim Elkady	-	-	374	-	374	-
10	Mr. Yousef Abdulrahman Almarshad	11	-	378	-	367	3,336%

Company Ownership

Shareholder Name	Number of Shares at the Beginning of the Year	Ownership Percentage at the Beginning of the Year	Number of Shares at the End of the Year	Ownership Percentage at the End of the Year	Share Changes	Percentage Change
stc	94,800,000	79.00%	94,800,000	79.00%	0	0.00%
solutions by stc Treasury shares	1,032,933	0.86%	1,022,807	0.85%	10,126	0.01%
Public	24,167,067	20.14%	24,177,193	20.15%	-10,126	0.10%

Requests of the Company's Shareholders Registry

Number of Requests of the Company's Shareholders Registry	Request Date	Request Reasons
1	1 January 2023	Internal Management Use
2	1 February 2023	Internal Management Use
3	20 February 2023	Internal Management Use
4	20 February 2023	Internal Management Use
5	1 March 2023	Internal Management Use
6	2 April 2023	Internal Management Use
7	11 April 2023	Internal Management Use
8	1 May 2023	Internal Management Use
9	9 May 2023	General Assembly Meeting
10	1 June 2023	Internal Management Use
11	12 June 2023	Internal Management Use
12	3 July 2023	Internal Management Use
13	2 August 2023	Internal Management Use
14	17 August 2023	Internal Management Use
15	3 September 2023	Internal Management Use
16	2 October 2023	Internal Management Use
17	5 November 2023	Internal Management Use
18	3 December 2023	Internal Management Use

Transactions between the Company and any Related Party

	Name of Related Party	Type of Related Party	Contract / Agreement	Duration	Value (SAR '000)
1	stc	Parent Company	Providing the CAD licenses for stc.	3 years	SAR 112,045,956 (including Value Added Tax)
2	stc	Parent Company	· Providing comprehensive managed services for the various operational domains for the infrastructure. · Building and expanding cloud infrastructure platforms in datacenters.	2 years	SAR 300,011,729 (including Value Added Tax)
3	stc	Parent Company	solutions will execute the project of establishing and developing the internet and communications networks for stc. The scope of work, includes the following: · Expansion of internal internet network. · Establishment of new NEs and expansion of existing NEs. · Expansion of internet services projects that serves the business units of stc.	2 years	SAR 381,865,175.74 (including Value Added Tax)
4	stc Bank	Related Party	Providing managed SMS service.	4 years	SAR 132,000,000

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

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

During 2023 the Company has not conducted any business or contracts in which there was a substantial interest for the members of the Board of Directors and Executive Management or any person related to any of them.

Zakat, Taxes, Fees, and Other Charges

Description	2023 Paid Amount (SAR)	2023 Outstanding Amount until the end of the Annual Financial Period (SAR)	Brief Description
Zakat	83,248,411	-	Paid during the year
Taxes	678,734	-	No pending amount payable to ETA
GOSI	179,879,262	20,625,534	Paid during the year
Labor Office Fees	26,603,599	-	Paid during the year

Treasury Shares maintained by the Company

Number of Treasury Shares Maintained by the Company	Value (SAR)	Maintenance Date	Utilization Details
1,022,807	255,497,188.60	31 December 2023	Employee long-term incentives program

Note: Treasury shares maintenance date is the date at which solutions by stc vested part of its own shares at a cost of SAR 249.8 per share for a cash consideration of SAR 255,497,188.60.

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

solutions by stc utilized 10,126 shares from treasury shares in 2023. The vested shares in treasury records stem from the LTIP, which is designed to achieve several key objectives:

- Adopt global and regional practices, in addition to industry norms, in rewarding executives.
- Align executive compensation with industry best practices.
- Link executive rewards to the Company's profitability, enabling them to share in the success they help create.
- Recognize executives' commitment and contribution.
- Encourage leadership capabilities and sustainable practices for long-term growth.
- Share the rewards of the Company's success and profitable performance with the executives.
- Align the interests of the Company's executives with those of its shareholders.

solutions by stc Management Clarifications during the year 2023

- There were no debt instruments issued by the Company.
- There were no debt instruments issued by the Company to its subsidiaries.
- The Company did not issue or grant any debt instruments convertible to shares, contractual-based securities, option rights, subscription right notes, or similar rights.
- The Company did not issue any bonds, and therefore the Company did not redeem, buy, or cancel any recoverable debt instruments.
- There is no arrangement or agreement under which one of the shareholders of the Company waived any rights in profits.
- There is no arrangement or agreement under which one of the members of the Board of Directors or Executive Management of the Company waived any rights in profits.
- The Company complied with the disclosure of components of the Senior Executive's remuneration on aggregate, in line with the requirements of subparagraph (b) of paragraph (4) of article (93) of the Corporate Governance Regulations issued by the Capital Market Authority. However, to protect the interests of the Company, its shareholders and employees, and to avoid any damage that may occur as a result of disclosing the detailed Senior Executives' remuneration by position, the Company did not disclose the details as per Appendix (1) of the Corporate Governance Regulations.
- Consolidated financial statements were prepared in accordance with international financial standards and in accordance with the Company's By-laws and Articles of Association with respect to the preparation and publishing of financial statements.
- The Company does not have any conversion or subscription rights under any convertible debt instrument, contractually based securities, warrants, or similar rights; both issued or granted.
- There were no differences from the standards approved by the Saudi Organization for Certified Public Accountants (SOCPA), which are the IFRS's standards.
- There were no comments received by the shareholders regarding the Company and its performance.
- The external auditor's report doesn't contain any reservations on the relevant annual financial statements.
- There were no arrangements or recommendations by the Board to change the Company's external auditor.
- There was no recommendation to appoint an internal auditor for the Company, as it already has an Internal Audit Division.
- There were no contradictions between the Audit Committee and the resolutions of the Board of Directors, or the Board's refusal to take them into account regarding the appointment and dismissal of the Company's auditor, determining his fees, and evaluating his performance or not appointing an internal auditor.
- There were no debt instruments for the Company, and no interests, contractual documents, or subscription rights owned by the Board of Directors, or their relatives in its shares or any of its subsidiaries.
- No instance of sanctions, penalties, preventive measures, or precautionary restrictions were imposed on the Company during the year.
- No investments or reserves were made or set up for the benefit of the employees of the Company
- According to Article 85 of Rules on the Offer of Securities and Continuing Obligations, the Company has not been informed of any interest in voting rights shares owned by any person (other than Board members and Senior Executives and their relatives)

The Board of Directors' Declarations include the following:

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

Conclusion

After thanking Allah Almighty, the Board of Directors would like to thank the Custodian of the Two Holy Mosques King Salman Bin Abdulaziz Al Saud, HRH Crown Prince Mohammed Bin Salman Bin Abdulaziz Al Saud, and the Government for support extended to the Company in its progress and growth trajectory.

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

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

08

Financial Report

Independent Auditor's Report

On the Audit of the Consolidated Financial Statements

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

OPINION

We have audited the consolidated financial statements of Arabian Internet and Communication Services Company (the "Company") and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization for Chartered and Professional Accountants.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) that is endorsed in the Kingdom of Saudi Arabia that is relevant to our audit of the consolidated financial statements, and we have fulfilled our other ethical responsibilities in accordance with that Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming auditor's opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matter	How our audit addressed the key audit matter
Acquisitions of a subsidiary During the financial year ended 31 December 2023, the Group completed the acquisition of Contact Center Company (referred as "CCC") amounted to SAR 513.7 million which resulted in goodwill of SAR 143.9 million and intangible assets of SAR 146.2 million. We considered this as a key audit matter due to the significant impact on consolidated balance sheet of the group and its result which is subject to management judgments and estimates in relation to the allocation of the purchase price to the assets and liabilities acquired. This exercise also require management to determine the fair value of the assets and liabilities acquired and to identify intangible assets and goodwill resulted from this acquisition. The management used an external valuator to determine the fair value. **Please refer to note 1 and 5 for the related disclosure.**	Our audit procedures included, among others, the following: • Inspected the sales and purchase agreements and the circulars issued to the shareholders in relation to these acquisitions to obtain an understanding of the transactions and the key terms. • Assessed whether the appropriate accounting treatment has been applied to these transactions. • Obtained copy of the third-party valuation report related to the acquisition. • Assessed the competence and experience of the valuator. • Engaged our internal specialists to assess the valuation methodologies used by management and the external valuation expert in the fair valuation of acquired assets and liabilities. • Assessed the adequacy of the relevant disclosures in the consolidated financial statements.

Revenue recognition
 	
The Group's revenue mainly comprises of; Core ICT Services, IT Managed and Operational Services, and Digital Services totalling SAR 11 billion for the year ended 31 December 2023. Also, the revenue from related parties for the year is considered significant, as compared to total revenue.
 	
We considered this as a key audit matter due to the estimates and judgements involved in the application of revenue recognition in accordance with IFRS 15. Additionally, there are certain inherent risks associated with revenue, which mainly relate to use of IT applications and customers' long-term contracts, which have a material impact on the accuracy of recognizing and recording revenue.
 	
Refer to note 3 for the accounting policy relating to revenue recognition, notes 6 and 37 for the related disclosures.
	Our audit procedures included, among others, the following:
	
	• Involved our IT specialists in testing the design, implementation, and operating effectiveness of IT controls associated to revenue cycle.
	• Evaluated the Group's accounting policy, as it specifically relates to revenue recognition for compliance with IFRS 15.
	• In relation to the criteria followed by the management to determine the level of revenue to be recognized, we have, on a sample basis performed the following:
	  • Evaluated management assessment related to identify performance obligation in line with the terms and conditions of contracts with customers;
	  • Tested the transaction price to the underlying contracts, on sample basis, as executed with customers;
	  • Evaluated management assessment to allocate transaction price that is allocated to identified performance obligation; and
	  • Evaluated management assessment of revenue recognition timing, whether is "at a point in time" or "over period of time".
	• For revenue with related parties, in addition to the audit procedures mentioned above, we have assessed the process followed by the management in identifying, recording, and reporting revenue from related parties.
	• Assessed the adequacy of the relevant disclosures in the consolidated financial statements.

Independent Auditor's Report

On the Audit of the Consolidated Financial Statements

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

Key audit matter	How our audit addressed the key audit matter
Allowance for expected credit losses of trade receivable As at 31 December 2023, the Group's gross trade receivable balance amounted to SAR 4.8 billion, against which an impairment allowance of SAR 453 million is maintained. The Group assesses at each reporting date whether the trade receivable are impaired. Management has applied an expected credit loss ("ECL") model to determine the appropriate allowance for impairment loss. Further, the Group performs an assessment based on a defined policy for certain categories of customers. The determination of allowance for expected credit losses of trade receivable is based on certain assumptions that relate mainly to risk of default and expected loss rates. The Group applies judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, market conditions, as well as forward looking estimates. We considered this as a key audit matter due to the level of judgment applied and estimates made in the application of the ECL model and the assessment of allowance for expected credit losses. **Refer to notes 3 and 4 for the accounting and critical judgements policies relating to allowance for impairment of trade receivable and note 14 for the related disclosures.**	Our audit procedures performed included, among others, the following: • Obtained an understanding of the process used by management in determining the allowance for expected credit losses of trade receivable. • Assessed significant assumptions used in the ECL model's calculation such as; forward-looking factors (that reflect the impact of future events) and macro-economic variables that are used to determine the allowance for expected credit losses. • Tested the completeness and mathematical accuracy of the ECL model. • Assessed the assumptions used by management in connection to the determination of allowance for expected credit losses for certain customers' categories. • Tested, on a sample basis, the calculation performed by management of allowance for expected credit losses for these categories of customers. • Assessed the adequacy of the relevant disclosures included in the consolidated financial statements.

OTHER INFORMATION INCLUDED IN THE GROUP'S 2023 ANNUAL REPORT

Other information consists of the information included in the Group's 2023 annual report, other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information in its annual report. The Group's 2023 annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.
In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.
When we read the Group's 2023 annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

Those charged with governance, i.e., the Audit Committee, is responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

for Ernst & Young Professional Services

Waleed G.Tawfiq
Certified Public Accountant
License No. (437)
Riyadh: 12 Sha'ban 1445H
22 February 2024

Arabian Internet and Communication Services Company (A Saudi Joint Stock Company)

Consolidated Statement of Profit or Loss

For the year ended 31 December 2023

(All amounts in Saudi Riyals thousands unless otherwise stated)

	Note	2023	2022
Revenue	6	11,040,493	8,805,091
Cost of revenue		(8,442,875)	(6,793,845)
GROSS PROFIT		**2,597,618**	**2,011,246**
General and administration expenses	7	(714,908)	(604,946)
Selling and distribution expenses	8	(495,821)	(246,069)
OPERATING PROFIT		**1,386,889**	**1,160,231**
Finance income	12 & 13	145,447	53,956
Finance cost	10	(76,075)	(16,060)
Other expenses, net	9	(51,662)	(27,767)
Share in net results from equity accounted investee	18.3	127	1,139
PROFIT BEFORE ZAKAT AND INCOME TAX		**1,404,726**	**1,171,499**
Zakat and income tax	11	(209,581)	(117,786)
NET PROFIT		**1,195,145**	**1,053,713**
NET PROFIT ATTRIBUTABLE TO:			
Equity holders of the Parent Company		1,192,148	1,052,869
Non-controlling interests		2,997	844
		1,195,145	**1,053,713**
Earnings per share attributable to Equity holders of the Parent Company:			
Basic	34	10.02	8.86
Diluted	34	9.93	8.77

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

Chief Financial Officer   Chief Executive Officer   Authorized Board Member

Arabian Internet and Communication Services Company (A Saudi Joint Stock Company)

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2023

(All amounts in Saudi Riyals thousands unless otherwise stated)

	Note	2023	2022
NET PROFIT		**1,195,145**	**1,053,713**
OTHER COMPREHENSIVE LOSS			
Item that will not be reclassified subsequently to consolidated profit or loss:			
Remeasurement of end of service indemnities	27	(41,833)	(4,226)
Total items that may not be reclassified subsequently to consolidated statement of profit or loss		(41,833)	(4,226)
Item that may be reclassified subsequently to consolidated profit or loss:			
Foreign currency translation differences		(55,409)	(65,590)
Total items that may be reclassified subsequently to consolidated statement of profit or loss		(55,409)	(65,590)
TOTAL OTHER COMPREHENSIVE LOSS		(97,242)	(69,816)
TOTAL COMPREHENSIVE INCOME		1,097,903	983,897
TOTAL COMPREHENSIVE INCOME/ (LOSS) ATTRIBUTABLE TO:			
Equity holders of the Parent Company		1,098,988	986,037
Non-controlling interests		(1,085)	(2,140)
		1,097,903	**983,897**

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

Chief Financial Officer   Chief Executive Officer   Authorized Board Member

Arabian Internet and Communication Services Company (A Saudi Joint Stock Company)

Consolidated Statement of Financial Position

As at 31 December 2023

(All amounts in Saudi Riyals thousands unless otherwise stated)

	Note	2023	2022
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	12	2,588,169	543,976
Short term murabaha	13	850,000	2,700,800
Trade receivable	14	4,363,682	4,344,696
Prepayments, short term investments and other assets	15	554,445	185,979
Contract assets	16	1,691,484	1,276,580
Inventories	17	248,553	322,437
TOTAL CURRENT ASSETS		**10,296,333**	**9,374,468**
NON-CURRENT ASSETS			
Non-current investments and other assets	18	153,761	21,178
Intangible assets and goodwill	19	625,501	415,415
Property and equipment	20	390,349	473,053
Right of use assets	21	50,300	40,970
TOTAL NON-CURRENT ASSETS		**1,219,911**	**950,616**
TOTAL ASSETS		**11,516,244**	**10,325,084**
LIABILITIES AND EQUITY			
LIABILITIES			
CURRENT LIABILITIES			
Trade payable, accruals and other liabilities	22	3,314,910	2,623,090
Deferred revenue	23	3,048,839	3,265,701
Contract liabilities	24	380,316	487,785
Zakat and income tax payable	11	240,030	135,882
Bank overdraft and borrowings	25	211,343	194,388
TOTAL CURRENT LIABILITIES		**7,195,438**	**6,706,846**
NON-CURRENT LIABILITIES			
Lease liabilities	26	18,936	15,846
End of service indemnities	27	450,189	260,822
Borrowings	25	499,127	502,014
TOTAL NON-CURRENT LIABILITIES		**968,252**	**778,682**
TOTAL LIABILITIES		**8,163,690**	**7,485,528**
EQUITY			
Share capital	28	1,200,000	1,200,000
Statutory reserve	29	-	308,758
Other reserves	30	(59,863)	24,850
Treasury Shares	31	(154,444)	(155,973)
Retained earnings		2,338,270	1,432,245
EQUITY ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENT COMPANY		**3,323,963**	**2,809,880**
Non-controlling interests	33	28,591	29,676
TOTAL EQUITY		**3,352,554**	**2,839,556**
TOTAL LIABILITIES AND EQUITY		**11,516,244**	**10,325,084**

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

Chief Financial Officer   Chief Executive Officer   Authorized Board Member

Arabian Internet and Communication Services Company (A Saudi Joint Stock Company)

Consolidated Statement of Changes in Equity

For the year ended 31 December 2023

(All amounts in Saudi Riyals thousands unless otherwise stated)

	Total equity attributable to the equity holders of the Parent Company							
	Share capital	**Statutory reserve**	**Other reserves**	**Retained earnings**	**Treasury Shares**	**Total**	**Non-controlling Interest**	**Total**
Balance as at 1 January 2023	1,200,000	308,758	24,850	1,432,245	(155,973)	2,809,880	29,676	2,839,556
Net profit	-	-	-	1,192,148	-	1,192,148	2,997	1,195,145
Other comprehensive loss	-	-	(93,160)	-	-	(93,160)	(4,082)	(97,242)
Total comprehensive (loss)/income	-	-	(93,160)	1,192,148	-	1,098,988	(1,085)	1,097,903
Transfer from statutory reserve to retained earnings (note 29)	-	(308,758)	-	308,758	-	-	-	-
Share-based payments (note 30)	-	-	8,447	-	1,529	9,976	-	9,976
Dividends (note 32)	-	-	-	(594,881)	-	(594,881)	-	(594,881)
Balance as at 31 December 2023	**1,200,000**	**-**	**(59,863)**	**2,338,270**	**(154,444)**	**3,323,963**	**28,591**	**3,352,554**
Balance as at 1 January 2022	1,200,000	203,471	88,434	959,863	(181,200)	2,270,568	-	2,270,568
Net profit	-	-	-	1,052,869		1,052,869	844	1,053,713
Other comprehensive loss		-	(66,832)	-	-	(66,832)	(2,984)	(69,816)
Total comprehensive (loss)/income	-	-	(66,832)	1,052,869	-	986,037	(2,140)	983,897
Acquisition of non-controlling interests	-	-	-	-	-	-	31,816	31,816
Transfer to statutory reserve	-	105,287	-	(105,287)	-	-	-	-
Share-based payments (note 30)	-	-	3,248	-	25,227	28,475	-	28,475
Dividends (note 32)	-	-	-	(475,200)	-	(475,200)	-	(475,200)
Balance as at 31 December 2022	**1,200,000**	**308,758**	**24,850**	**1,432,245**	**(155,973)**	**2,809,880**	**29,676**	**2,839,556**

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

Chief Financial Officer   Chief Executive Officer   Authorized Board Member

Arabian Internet and Communication Services Company (A Saudi Joint Stock Company)

Consolidated Statement of Financial Position

As at 31 December 2023

(All amounts in Saudi Riyals thousands unless otherwise stated)

	Notes	2023	2022
OPERATING ACTIVITIES			
Net profit before zakat and income tax		1,404,726	1,171,499
Adjustments for:			
Depreciation and amortization		251,630	214,167
Depreciation – right of use assets		30,642	17,916
Expected credit losses		180,167	(298)
End of service indemnities expense	27	95,533	68,034
Share-based payment expense		9,976	28,475
(Reversal) of provision against lease contracts and advances to supplier		(30,104)	(709)
(Reversal) / provision for slow moving and obsolete inventories	17	(19,403)	2,313
Future contract losses		38,385	(4,879)
Share in results from an equity accounted investee	18.3	(127)	(1,139)
Finance charges		76,075	16,060
Finance income		(145,447)	(53,956)
		1,892,053	**1,457,483**
Changes in operating assets and liabilities:			
Accounts receivable		(64,439)	(948,435)
Prepayments and other assets		(159,011)	191,835
Contract assets		(208,151)	96,537
Inventories		93,018	50,367
Accounts payable, accruals and other liabilities		535,458	423,356
Deferred revenue		(261,234)	863,142
Contract liabilities		(107,469)	56,673
Contract costs		3,478	15,250
Cash flows generated from operating activities		**1,723,703**	**2,206,208**
Zakat and income taxes paid	11	(112,837)	(65,171)
End of service indemnities paid	27	(43,699)	(55,743)
Finance income received		148,170	36,842
NET CASH GENERATED FROM OPERATING ACTIVITIES		**1,715,337**	**2,122,136**
INVESTING ACTIVITIES			
Short term murabaha, net	13	1,850,800	(2,700,800)
Purchase of property and equipment and intangible assets	35	(111,952)	(133,895)
Investment in financial assets		(287,606)	-
Payment for acquisition of subsidiary, net of cash acquired		(415,083)	(371,829)
NET CASH GENERATED FROM /(USED IN) INVESTING ACTIVITIES		**1,036,159**	**(3,206,524)**
FINANCING ACTIVITIES			
Lease liabilities payment		(38,131)	(21,800)
Dividends paid	32	(594,881)	(475,200)
Bank overdraft and borrowings, net		14,068	53,883
Proceeds from long term loan		-	500,000
Finance cost paid		(70,032)	(15,635)
NET CASH (USED IN) / GENERATED FROM FINANCING ACTIVITIES		**(688,976)**	**41,248**
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		**2,062,520**	**(1,043,140)**
Cash and cash equivalents at the beginning of the year	12	543,976	1,607,556
Net foreign exchange difference on cash		(18,327)	(20,440)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	12	**2,588,169**	**543,976**
Significant non-cash items:			
Refer to note 1 for non-cash items related to the acquisition			

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

Chief Financial Officer

Chief Executive Officer

Authorized Board Member

Arabian Internet and Communication Services Company (A Saudi Joint Stock Company)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

(All amounts in Saudi Riyals thousands unless otherwise stated)

1. ACTIVITIES

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

The Company is 79% owned by Saudi Telecom Company ("STC") (31 December 2022: 79%). The parent of STC is Public Investment Fund ("PIF") which owns 64% (31 December 2022: 64%) of its ordinary shares and is based in KSA.

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

- Engaged in the extension, installation, managing and monitoring of computer networks, wiring and communications.
- Repair and maintenance of engines, systems, and fixed and portable data storage devices.
- Road repair, maintenance and supplies.
- Security devices installation and maintenance.
- Wholesale and retail of security devices, cyber security and systems analysis.
- Design and programming of special software and applications development.
- Senior management advisory services.
- Environmental activities including advisory, testing, and measuring environmental indicators and operating air laboratories, installation, repair, maintenance and environmental monitoring and control operation of continuous and discontinuous systems including the import and wholesale of environmental monitoring and control systems.
- Carrying out all kinds of manufacturing and assembling works in addition to operating and maintenance works; engineering consultations; designing computer systems and accessories; Xerox machines; graphic machines; automatic control devices; wire and wireless communication devices as well as spare parts, equipment and supplies required for operating and maintaining the aforementioned devices, machines and equipment.
- Selling and marketing computer software and electronic hardware; electronic devices; spare parts; supplies and necessary accessories of all types as well as leasing and maintaining such devices for the benefit of the company or operating the said devices for the benefit of third parties.
- Conducting amendment and development operations on the computer software and hardware units and providing integrated solutions.
- Designing, supplying, installing and maintaining security systems in various facilities, alarm systems, automatic firefighting systems, circuit breaker systems and communication devices that enable remote desktop connection or that connect computers networks.
- Designing, supplying, installing and maintaining the Optical Ground Wire (OPGW) grids, electricity transmission lines, power transformation stations, generators and auxiliary plants.
- Supplying, installing and maintenance educational laboratories (electric- electronic-mechanical).
- Designing engineering and scientific systems for computers and providing engineering consultations, implementing integrated projects within the scope of the abovementioned activities.
- Undertaking marketing and trading activities within the purpose of the Company.
- Designing, supplying, installing, operating, establishing and maintaining the grids, stations and booster pumping stations for potable water, wastewater as well as gas and fuel grids.
- Carrying out all the electromechanical and electronic works in addition to providing communication networks. Conducting exporting activities.
- The Group may have an interest or participate in any manner with companies and other entities practicing similar activities or that may assist the Company in achieving its purpose in Egypt or abroad. The Company may also merge into the said entities, purchase them or affiliate them thereto according to the provisions of law and its executive regulation. Providing services related to submission of proposals and technical solutions in the field of telecommunications and information technology support and maintenance, systems development, support, and communications programs and information technology.

(a) Acquisition during the year

On 12 Ramadan 1444 H, (Corresponding to 3 April 2023) the Company acquired 100% of the equity interest in Contact Center Company (referred as "CCC") for SAR 513.7 million. CCC is engaged in providing services related to submission of proposals and technical solutions in the field of telecommunications and information technology support and maintenance, systems development, support, and communications programs and information technology. This acquisition aims to reinforce solutions' leadership in the ICT sector in line with its ambitious growth strategy and contribute towards expanding its business process outsourcing and customer experience offerings, which is a high growth market.

The Company has concluded the acquisition as a business as per "IFRS 3 - Business Combinations" and accordingly accounted for the transaction using the acquisition method as per IFRS 3 with the Company being the acquirer and CCC being the acquiree. The Company engaged an independent expert to determine the fair value of the assets and liabilities of CCC as part of the purchase price allocation exercise. The goodwill recognized is primarily attributed to the expected synergies and other benefits from combining the assets and activities of CCC with those of the Group. The fair value of identifiable assets and liabilities are as follows:

	On acquisition date
Assets	
Contract assets	214,938
Trade receivable	126,530
Intangible assets arising from acquisition (note 19)	146,200
Cash and cash equivalents	98,617
Prepayments and other assets	68,050
Right-of-use assets (note 21)	28,717
Intangible assets (note 19)	14,213
Property and equipment (note 20)	7,589
Total assets	**704,854**
Liabilities	
Trade payable and accruals	178,062
End of service indemnities (note 27)	95,870
Contract liabilities	44,373
Zakat and income tax provision (note 11)	16,703
Total liabilities	**335,008**
Net identifiable assets as at acquisition date	369,846
Goodwill arising from the acquisition	143,854
Total purchase consideration	**513,700**

Below is the analysis of cash flows on acquisition:

	Amounts in SR "000"
Purchase consideration	513,700
Transaction cost of the acquisition (included in the cash flows from operating)	(7,350)
Net cash acquired with the subsidiary (included in the cash flows from investing)	98,617
Net cash flow on acquisition	**91,267**

Arabian Internet and Communication Services Company (A Saudi Joint Stock Company)
Notes to the Consolidated Financial Statements
For the year ended 31 December 2023
(All amounts in Saudi Riyals thousands unless otherwise stated)

Intangible assets arising from acquisition

Below are the intangibles assets recognised along with the valuation techniques used for measuring the relevant fair value:

Intangible assets	Amount recognized on acquisition	Valuation approach
Brand name	61,000	Relief from royalty
Customer relationship	56,000	Multiperiod excess earnings method (MEEM)
Backlog	23,000	Multiperiod excess earnings method (MEEM)
Software	6,200	Incremental cost approach
Total	146,200	

From the date of acquisition, Contact Center Company has contributed SR 581 million of revenue and SR 85 million of net profit. If the acquisition had taken place at the beginning of the year, revenue would have been SR 775 million and net profit would have been SR 82 million.

Acquisition related costs of SAR 7.35 million were expensed in the consolidated statement of profit or loss.

(b) Acquisitions in 2022

On 7 Rabi Al Awwal 1444 H, (Corresponding to 3 October 2022) the Company acquired 88.19% and 34% of the equity interest in Giza Systems Company ("Giza Systems") and Giza Arabia Systems Company LLC respectively (together referred as "Giza Group") for SAR 492 million. Giza Systems further owns multiple subsidiaries and associates which are located in different countries. Giza system's direct subsidiaries along with its shareholding in those entities are as follows:

Name of subsidiaries	Country of incorporation	Effective shareholding % by Giza
Giza Systems Distribution ("Giza Systems")	Egypt	100%
Giza Arabia System Company (*) ("Giza Arabia")	KSA	66%
VAS Integrated Solutions ("VAS")	Egypt	100%
Giza systems Egypt	Egypt	97.99%
Giza Free Zone	Egypt	100%
Giza Systems DMCC	UAE	100%
ARIA Technologies	Egypt	60%
Egyptian Engineering Co.	Egypt	100%
Giza Systems Kenya	Kenya	100%
Giza Systems Uganda	Uganda	100%
Giza Systems Tanzania	Tanzania	100%
Giza System – USA	USA	100%
Jafeer Technologies	Egypt	82%
Avidbeam Netherlands	Netherlands	51%

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

Arabian Internet and Communication Services Company (A Saudi Joint Stock Company)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

(All amounts in Saudi Riyals thousands unless otherwise stated)

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

Non-controlling interests which result from both the Company's partial ownership of Giza Group, as well as Giza's partial ownership of a number of its subsidiaries, were measured at their proportionate share of recognized net assets amounting to SAR 32 million.

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

Financial statement line items	On acquisition date
Asset	
Trade receivable	376,206
Intangible assets arising from acquisition (note 19)	159,540
Contract assets	117,148
Cash and cash equivalents	93,821
Inventories	101,347
Prepayments and other assets	84,668
Right-of-use assets	3,105
Property and equipment	21,507
Total asset	**957,342**
Liabilities	
Trade payable and accruals	315,080
End of service indemnities	15,058
Deferred revenue	126,305
Banks overdraft	119,698
Contract liabilities	77,159
Total liabilities	**653,300**
Net identifiable assets acquired	304,042
Non-controlling interests	(31,816)
Goodwill (note 19)	219,675
Purchase consideration	**491,901**

Below is the analysis of cash flows on acquisition:

	Amounts in SR "000"
Purchase consideration	491,901
Transaction cost of the acquisition (included in the cash flows from operating)	(15,413)
Net cash acquired with the subsidiary (included in the cash flows from investing)	93,821
Net cash flow on acquisition	**78,408**

Arabian Internet and Communication Services Company (A Saudi Joint Stock Company)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

(All amounts in Saudi Riyals thousands unless otherwise stated)

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

Intangible assets	Amount recognized on acquisition	Valuation approach
Customer relationships	72,004	Multiperiod excess earnings method (MEEM)
Backlog	48,368	Multiperiod excess earnings method (MEEM)
Tradename / trademarks	35,190	Relief from royalty
Technology	3,978	Relief from royalty
Total	159,540	

From the date of acquisition, Giza Group has contributed SR 428 million of revenue and SAR 11 million of profit (post eliminations) to the Groups consolidated profit or loss. If the combination had taken place at the beginning of the year, revenue would have been SAR 1,245 million and profit would have been SAR 28 million.
Acquisition related costs of SAR 15 million were expensed in the consolidated statement of profit or loss.

2. BASIS OF PREPARATION

Statement of compliance

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

These consolidated financial statements are prepared based on the following:

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

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES

The significant accounting policies applied by the Group in the preparation of consolidated financial statements. The applied accounting policies this year are consistent with the previous year.

Basis of measurement and functional currency

The consolidated financial statements have been prepared on the historical cost basis except for financial assets classified as fair value through profit or loss which are measured at fair value.

These consolidated financial statements are presented in Saudi Arabian Riyal (SAR), which is the Company's functional currency. All values are rounded to the nearest thousand (SAR'000), except when otherwise indicated.

The financial statements are prepared under the going concern basis.

Arabian Internet and Communication Services Company (A Saudi Joint Stock Company)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

(All amounts in Saudi Riyals thousands unless otherwise stated)

Basis of consolidation

These consolidated financial statements include the assets, liabilities and the results of operations of the Company and it's subsidiaries listed in note 5.

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

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

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

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

- The contractual arrangement(s) with the other vote holders of the investee.
- Rights arising from other contractual arrangements.
- The Group's voting rights and potential voting rights.
- The ability to use its power over the investee to affect its returns.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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

Business combination and Goodwill

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

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

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

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

Arabian Internet and Communication Services Company (A Saudi Joint Stock Company)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

(All amounts in Saudi Riyals thousands unless otherwise stated)

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

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

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

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

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

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

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

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

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

Foreign currencies

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

In preparing the financial statements of each individual group entity, transactions in currencies other than the

Arabian Internet and Communication Services Company (A Saudi Joint Stock Company)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

(All amounts in Saudi Riyals thousands unless otherwise stated)

entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are translated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of gain or loss on change in fair value of the item to which it relates. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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

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

Foreign currency risk management

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

	Closing rate on 31 December 2023	Closing Rate on 31 December 2022	Average rate for 31 December 2023	Average rate from acquisition date to 31 December 2022	Rate on acquisition date on 3 October 2022
1 EGP to SAR	0.1214	0.1520	0.1223	0.1621	0.1915

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

The investment in associates and joint ventures are accounted for in the consolidated financial statements of the Group using the equity method of accounting. The equity accounted investees in the consolidated statement of financial position are initially recognized at cost and adjusted thereafter to recognize the Group's share of the profit and loss and other comprehensive income of the investee adjusted for any impairment in the value of the net investment. In addition, when there has been a change recognized directly in the equity of the investee associate or joint ventures, the Group recognizes its share of any changes, when applicable, in the consolidated statement of changes in equity. When the Group's share of losses in equity accounted investee an exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognizing its share of further losses.

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

Arabian Internet and Communication Services Company (A Saudi Joint Stock Company)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

(All amounts in Saudi Riyals thousands unless otherwise stated)

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

An investment in an associates or joint ventures are accounted for using the equity method from the date on which the investee becomes an associate or joint venture.

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

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

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

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

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

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

Revenue

Core ICT Services

System integration services

System integration revenue represents revenue generated by the installation of new network (hardware and software) or enhancing the existing customer network together with stand ready right to maintenance and support and training solutions. Hardware, software and installation are bundled into a single performance obligation as the goods and services are not distinct within the context of the contract because they are not separately identifiable from other promises in the contract. The transaction price will be allocated to each performance obligations based on the stand-alone selling price.

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

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

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

Revenue on training is recognized over time using input method.

Software reselling

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

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

Arabian Internet and Communication Services Company (A Saudi Joint Stock Company)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

(All amounts in Saudi Riyals thousands unless otherwise stated)

Communication and internet services

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

IT Managed and Operational Services

Outsourcing services

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

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

Managed services

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

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

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

Hardware: at a point in time, Managed Service and technical support: Over a period of time.

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

Call center services

Revenue from call center services include setting up, operationalizing and thereafter managing the contact/call center for the customer.

The group derives revenue primarily from contracts with customers to provide call center services.

The group recognizes revenue when it transfers control over a service to a customer.

The group satisfies a performance obligation and recognizes revenue over time.

Digital services

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

The Group accounts for individual goods and services as a separate performance obligation if they are capable of being distinct and distinct in the context of the contract. Digital services revenue represents revenue generated by selling devices (hardware), application service and value added service and are recognized as per the nature of the service Hardware: At a point in time Application services and Value added services: Over a period of time based on time elapsed.

Cyber Security services

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

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

Arabian Internet and Communication Services Company (A Saudi Joint Stock Company)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

(All amounts in Saudi Riyals thousands unless otherwise stated)

Cloud and data center services

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

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

Cloud products are primary responsibility of the Company and certain third party Cloud Service Providers ("CSP"). The Group is the principal under this arrangement because it controls the specified cloud service before they are transferred to the end customer.

b) Third party CSP cloud products:

The CSP are primarily responsible to render services to the customers for the promises to deliver cloud services, hardware or the bundled solution at the customer's premises. The Group does not obtain control of a right to cloud services before it is delivered to the end customer. The Group is obliged to provide the cloud platform to the third party CSP in a month to month hosting service contract with variable consideration that is a separate performance obligation and therefore is an agent in this arrangement.

Revenue is recognized as follows:

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

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

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

Other considerations

Contract costs

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

Work-in-progress

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

Contract assets and liabilities

Under IFRS 15, when either party to a contract has performed, an entity shall present the contract in the consolidated statement of financial position as a contract asset or a contract liability, depending on the relationship between the entity's performance and the customer's payment.

Principal versus agent consideration

The group in an arrangement is a 'principal' if it controls the specified good or service that is promised to the customer before it is transferred to the customer. When another party is involved, the group that is a principal obtains control of:

- A good from another party that it then transfers to the customer;
- A right to a service that will be performed by another party, which gives the group the ability to direct that party to provide the service on the group's behalf; or
- A good or a service from another party that it combines with other goods or services to produce the specified good or service promised to the customer.

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

Variable consideration

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

Arabian Internet and Communication Services Company (A Saudi Joint Stock Company)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

(All amounts in Saudi Riyals thousands unless otherwise stated)

Contract modification

A contract modification exists when the parties to a contract approve a modification that creates new or changes existing rights and obligations of the parties to the contract. Revenue recognition under the existing contract is continued until the contract modification is approved.

IFRS 9 "Financial Instruments"

Financial instruments

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

i) Financial assets

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

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

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

Initial measurement

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

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

Subsequent measurement

The subsequent measurement of the non-derivative financial assets depends on their classification as follows:

a. Financial assets measured at amortized cost:
Assets that are held to collect contractual cash flows are measured at amortized cost using the effective interest rate ('EIR') method where those cash flows represent solely payments of principal and interest. Interest income from these financial assets is included in finance income. When the financial asset is derecognized, the gain or loss is recognized in the consolidated statement of profit or loss.

b. Financial assets measured at fair value through profit or loss
Financial assets measured at fair value through profit or loss ("FVTPL") are measured at each reporting date at fair value without the deduction of transaction costs that the Group may incur on sale or disposal of the financial asset in the future. Gains and losses, both on subsequent measurement and derecognition, are recognized in consolidated statement of profit or loss.

c. Financial assets measured at fair value through other comprehensive income
Financial assets measured at fair value through other comprehensive income ("FVOCI") are measured at each reporting date at fair value without the deduction of transaction costs that the Group may incur on sale or disposal of the financial asset in the future. Gains and losses are recognized in the consolidated statement of comprehensive income. The amounts recognized in the consolidated statement of comprehensive income are not reclassified to the consolidated statement of profit or loss under any circumstances.
Dividends from category "b" and "c" are recognised in the consolidated statement of profit or loss as other income when the Group's right to receive payments is established.

De-recognition

A financial asset or a part of a financial asset is de-recognised when:

- The rights to receive cash flows from the asset have expired, or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement, and either:

  a. The Group has transferred substantially all the risks and rewards of the asset; or
  b. The Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Impairment

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

Arabian Internet and Communication Services Company (A Saudi Joint Stock Company)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

(All amounts in Saudi Riyals thousands unless otherwise stated)

Lifetime ECL

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

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

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

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

ii) Financial liabilities

Initial recognition and measurement

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

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

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

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

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

Subsequent measurement

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

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

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

Trade and other payables

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

Financial guarantee contracts

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

Arabian Internet and Communication Services Company (A Saudi Joint Stock Company)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

(All amounts in Saudi Riyals thousands unless otherwise stated)

be payable to a third party for assuming the obligation. Where guarantees in relation to loans or other payables of associates are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investment.

De-recognition

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

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

Current versus non-current classification

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

- Expected to be realized or intended to be sold or consumed in normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within twelve months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

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

A liability is classified as current when:

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

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

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

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

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

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

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

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

Arabian Internet and Communication Services Company (A Saudi Joint Stock Company)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

(All amounts in Saudi Riyals thousands unless otherwise stated)

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

Expenses

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

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

Zakat

Zakat is calculated in accordance with the Regulations of the Zakat, Tax and Customs Authority (the "ZATCA") in the Kingdom of Saudi Arabia and on an accruals basis. Zakat and income tax related to the Company and its subsidiaries is charged to profit or loss. Differences, if any, resulting from final assessments are adjusted in the period of their finalization.

Taxes

Foreign Income tax:

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

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

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

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

Deferred tax:

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates and tax law enacted or substantively enacted at the reporting date. Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets and current tax liabilities and the deferred taxes relate to the same taxable entity and the same tax authority. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Value Added Tax ("VAT")

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

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

Arabian Internet and Communication Services Company (A Saudi Joint Stock Company)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

(All amounts in Saudi Riyals thousands unless otherwise stated)

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

Dividends

The Group dividends policy is approved by the General Assembly and the Company recognizes a liability to pay a dividend when the distribution is authorized. A corresponding amount is recognized directly in equity

Employee benefits

End of service indemnities

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

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

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

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

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

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

Retirement benefits

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

Short-term employee benefits

A liability is recognized for benefits accruing to employees in respect of wages and salaries, annual leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service. The liabilities are presented as current employee benefit obligations in the consolidated statement of financial position.

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

Shared-based payments

The Company's e employees receive remuneration in the form of share-based payments under the employee long term incentives program, whereby employees render services as consideration for Company's shares (equity-settled transactions). The cost of equity-settled transactions is determined by the fair value of the equity instrument at the grant date. The grant date is the date on which the Company and the employee agree on the share-based agreement, so that, a common understanding of the terms and conditions of the agreement exists between the parties. Share-based payment expense is included as part of employees benefits expense over the period in which the service and the performance conditions are fulfilled (the vesting period), with the corresponding amount recorded under other reserves within equity in accordance with the requirements of the International Financial Reporting Standard 2: Share-based Payment. The cumulative expense recognized for equity settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of shares that will ultimately vest. The expense or credit in the consolidated statement of profit or loss for a period represents the movement in cumulative expense recognized as at the beginning and end of that period.

Arabian Internet and Communication Services Company (A Saudi Joint Stock Company)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

(All amounts in Saudi Riyals thousands unless otherwise stated)

Treasury shares

Own equity instruments that are repurchased (treasury shares) are recognized at cost and deducted from equity. No gain or loss is recognized in the consolidated statement of profit or loss on the purchase, sale, issue or cancellation of the shares. Any difference between the carrying amount of the shares and the consideration, if reissued, is recognized in other reserves within equity.

Inventories

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

Cash and cash equivalents

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

Intangible assets

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

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognized in the consolidated statement of profit or loss when the asset is derecognized.

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

Intangible	Estimated useful life
Customer relationships	7 to 10 years
Backlog	4 years
Tradename / trademarks	10 years
Technology	5 years

Property and equipment

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

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

Computer hardware	3 to 5 years
Furniture	5 to 7 years
Office equipment	5 to 20 years
Buildings	50 years
Leasehold improvements	Lower of the lease period or 3 to 5 years
Motor vehicles	4 to 5 years
Supercomputers	7 years

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

Arabian Internet and Communication Services Company (A Saudi Joint Stock Company)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

(All amounts in Saudi Riyals thousands unless otherwise stated)

Impairment of non-financial assets

At the end of each reporting period, the Group reviews the carrying amounts of its non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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

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

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

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

Leases

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

As a lessee

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

Right-of-use assets

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

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

Arabian Internet and Communication Services Company (A Saudi Joint Stock Company)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

(All amounts in Saudi Riyals thousands unless otherwise stated)

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

As a lessor:

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

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

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

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of commercial buildings, vehicles and offices (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of commercial buildings, vehicles and offices that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Onerous contracts

If the Group has a contract that is onerous, the present obligation under the contract is recognised and measured as a provision. However, before a separate provision for an onerous contract is established, the Group recognises any impairment loss that has occurred on assets dedicated to that contract.

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

Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not recognized for future operating losses.

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

Contingencies

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

Government grants

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

Arabian Internet and Communication Services Company (A Saudi Joint Stock Company)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

(All amounts in Saudi Riyals thousands unless otherwise stated)

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

Segmental Information

The specific operating segments of the Group are identified based on internal reports, which are regularly reviewed by the Group's main decision makers (chief operating decision maker) for the purpose of resource allocation among segments and performance assessment.

Amendments to IFRS that were applied by the Group on 1 January 2023 and had no material impact are as follows:

Amendments and interpretations

IFRS 17: Insurance Contracts.
Amendments to IAS 8: Definition of Accounting Estimates.
Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting Policies.
Amendments to IAS 12: Deferred Tax related to Assets and Liabilities arising from a Single Transaction.
Amendments to IAS 12: International Tax Reform – Pillar Two Model Rules

OTHER AMENDMENTS OF RELEVANT IFRS'S ISSUED BUT NOT YET EFFECTIVE

The standards and amendments that are issued, but not yet effective, as of 31 December 2023 are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

These standards are not expected to have a material impact on the Group at their effective dates.

Amendments and interpretations

Amendments to IAS 1: Classification of Liabilities as Current and Non-current
Amendments to IAS 1 Non-current Liabilities with Covenants
Amendments to IAS 7 and IFRS 7 Supplier Finance Arrangements
Amendments to IAS 21: Lack of exchangeability
Amendments to IFRS 16: Lease Liability in a Sale and Leaseback

CLIMATE-RELATED MATTERS

The Group considers climate-related matters in estimates and assumptions, where appropriate. This assessment includes a wide range of possible impacts on the group due to both physical and transition risks. Even though the Group believes its business model and products will still be viable after the transition to a low-carbon economy, climate-related matters increase the uncertainty in estimates and assumptions underpinning several items in the financial statements. Even though climate-related risks might not currently have a significant impact on measurement, the Group is closely monitoring relevant changes and developments, such as new climate-related legislation.

4. SIGNIFICANT ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

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

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

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

An estimate of the useful lives and residual values of property and equipment and intangible assets is made for the purposes of calculating depreciation and amortization, respectively. These estimates are made based on expected usage for useful lives. Residual value is determined based on experience and observable data where available.

Arabian Internet and Communication Services Company (A Saudi Joint Stock Company)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

(All amounts in Saudi Riyals thousands unless otherwise stated)

Expected credit losses ("ECL")

For Trade receivables and contract assets, the Group applies the simplified approach. To measure the expected credit losses, receivables have been segmented based on shared credit risk characteristics and the days past due. Expected loss rates were derived from historical information of the Group and are adjusted to reflect the expected future outcome which also incorporates forward looking macroeconomic information. The Group estimates the case by case provision on related party balances, government and Private customers based on the internal assessment regarding the collectability of the balances and this assessment is done based on the available information. An estimate of the collectible amount is made when collection of the amount is no longer probable and is assessed on an individual basis.

Impairment of non-financial assets (Including goodwill)

An impairment exists when the carrying value of an asset or CGU exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length for similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow (DCF) model. The cash flows are derived from the budget for the next three years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested. The recoverable amount is most sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

Impairment of inventories

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

Principal versus agent

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

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

Long-term assumptions for employee benefits

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

Determining the lease term of contracts with renewal and terminations options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

Arabian Internet and Communication Services Company (A Saudi Joint Stock Company)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

(All amounts in Saudi Riyals thousands unless otherwise stated)

The Group has several lease contracts that include extension and termination clauses. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in the circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate the contract.

Incremental borrowing rate for lease agreements

The Group cannot readily determine the interest rate implicit in the lease agreement, therefore, it uses its Incremental Borrowing Rate ("IBR") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right of use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available, such as for subsidiaries that do not enter into financing transactions or when they need to be adjusted to reflect the terms and conditions of the lease. The Group estimates the IBR using observable inputs, such as market interest rates when available and is required to make certain entity-specific estimates.

Provisions

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

Contract cost estimation

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

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

Arabian Internet and Communication Services Company (A Saudi Joint Stock Company)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

(All amounts in Saudi Riyals thousands unless otherwise stated)

5. SUBSIDIARIES

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

Subsidiaries	Country of incorporation	Ownership % 2023	Ownership % 2022
Saudi Telecom Company Solution for Information Technology (Owned by One Person) (a)	Egypt	100%	100%
Sanad AlTeqany For Commercial Services Company (Owned by One Person) (b)	Saudi Arabia	100%	100%
Giza Systems Company (c)	Egypt	88.19%	88.19%
Contact Center Company (d)	Saudi Arabia	100%	-

a. Saudi Telecom Company Solution for Information Technology (Owned by One Person) is a Limited Liability Company registered in Cairo, Egypt under commercial registration numbered 130135 and dated 9 Jumad Awal 1440H (corresponding to 15 January 2019) with a capital of USD 70,000 (SAR 262.5 million) paid in cash. The subsidiary has 1,000 shares with a nominal value of USD 70 per share and it is fully owned by the Company. The principal activities of the subsidiary are information technology and communication industry including industrial activities in designing including designing in computer systems, electronics development, data centers development, software and e-learning development, data analysis, data management, communication and internet services, production of electronic contents, system integration, trainings and outsourcing services, software production.

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

c. Giza system company (S.A.E) was established on 19 Rebi AL Awwal 1409H, (corresponding to 29th October 1988) in pursuance of the law No 159 of 1981, and its executive regulation and law No. 95 of 1992 in Egypt with a fully paid capital of EGP 90 million (SAR 17.2 million). The subsidiary has 9 million shared with a nominal value of EGP 10 per share. The principal activities of the subsidiary are selling and marketing computer software and electronic hardware, conducting amendment and development operations on the computer software and hardware units and providing integrated solutions, designing engineering and scientific systems for computers and providing engineering consultations, Supplying, installing and maintaining educational laboratories (electric - electronic - mechanical) and implementing integrated projects within the scope of the abovementioned activities (note 1).

d. Contact Centers Company is a Limited Liability Company (the "Company") registered in Riyadh, Kingdom of Saudi Arabia under commercial registration numbered 1010299715 (Riyadh) dated 22 Muharram 1432H (corresponding to 28 December 2010). The Company also operates through its's branch in Jeddah under commercial registration numbered 4030265387 dated 16 Rabi Al-Thani 1435H (corresponding to 16 February 2014)..

Arabian Internet and Communication Services Company (A Saudi Joint Stock Company)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

(All amounts in Saudi Riyals thousands unless otherwise stated)

6. REVENUE

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

	2023	2022
Core ICT Services	5,994,165	4,771,567
IT Managed and Operational Services	3,262,351	2,329,679
Digital Services	1,783,977	1,703,845
	11,040,493	**8,805,091**
Type of customers		
Sell through STC and sell to direct customers (STC is not the end customer)	7,186,939	6,042,991
Sell to STC & its subsidiaries (STC & its subsidiaries are the end customers)	3,853,554	2,762,100
	11,040,493	**8,805,091**
Timing of revenue recognition		
Goods or services transferred to customers:		
over time	9,455,853	7,990,576
at a point in time	1,584,640	814,515
	11,040,493	**8,805,091**
Principal vs Agent		
Revenue as principal	10,966,165	8,751,494
Revenue as agent	74,328	53,597
	11,040,493	**8,805,091**
Geographical markets		
Kingdom of Saudi Arabia	10,079,494	8,497,153
Outside the Kingdom of Saudi Arabia	960,999	307,938
	11,040,493	**8,805,091**

Arabian Internet and Communication Services Company (A Saudi Joint Stock Company)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

(All amounts in Saudi Riyals thousands unless otherwise stated)

7. GENERAL AND ADMINISTRATION EXPENSES

	2023	2022
Employee related costs	388,700	293,785
Professional services	137,297	110,743
Depreciation and amortization	77,463	67,215
IT expenses	64,040	61,067
Hospitality and corporate gatherings	21,022	19,661
Office expenses	18,277	17,329
Rent expenses	7,716	9,646
Business travel expenses	5,823	7,423
Utilities expenses	1,558	1,322
Reversal of provisions	(30,368)	-
Others	23,380	16,755
	714,908	**604,946**

8. SELLING AND DISTRIBUTION EXPENSES

	2023	2022
Employees related costs	247,251	193,817
Impairment charge / (reversal) of Trade receivable and contract assets (notes 14 & 16)	180,167	(298)
Selling and marketing expenses	45,422	42,678
Depreciation and amortization	10,108	3,735
IT expenses	7,417	4,250
Business travel expenses	5,456	1,887
	495,821	**246,069**

9. OTHER EXPENSE, NET

	2023	2022
Foreign exchange loss	(54,722)	(27,135)
Impairment on investment in equity accounted investee	-	(341)
Other income / (expense), net	3,060	(291)
	(51,662)	**(27,767)**

Arabian Internet and Communication Services Company (A Saudi Joint Stock Company)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

(All amounts in Saudi Riyals thousands unless otherwise stated)

10. FINANCE COST

	2023	2022
Finance cost on borrowings and overdraft	74,336	15,027
Finance cost on leases liabilities (note 26)	1,739	1,033
	76,075	**16,060**

11. ZAKAT AND INCOME TAXES

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

Effective from 1st January 2021, and based on approval from ZATCA, the Company started filing its Zakat returns separately and submitted all zakat returns until the end of 2022, with payment of zakat due based on those returns, and accordingly the company received zakat certificates for those years. Further, it calculates and records zakat provision based on the zakat base of its own financial statements, in accordance with the requirements of ZATCA. The Company has not received an assessments for the years 2021 and 2022 from ZATCA.

The Group's zakat provision for the year ended 31 December 2023 amounted to SAR 180.1 million (2022: SAR 111.4 million), and is charged to the consolidated statement of profit or loss.

The Group's zakat and tax provision are as follows:

	2023	2022
Zakat provision (note 11.1)	218,864	119,848
Income tax provision (note 11.2)	21,166	16,034
	240,030	**135,882**

11.1 The movement in zakat provision was as follows:

	2023	2022
Balance as at 1 January	119,849	72,269
Acquisition of subsidiary (note 1)	16,703	790
Charge for the year	180,091	111,472
Paid during the year	(97,779)	(64,683)
Balance as at 31 December	**218,864**	**119,848**

The Group's Income tax provision for the year ended 31 December 2023 amounted to SAR 29.5 million (from acquisition date to 31 December 2022: SAR 6.3 million), and is charged to the consolidated statement of profit or loss.

Arabian Internet and Communication Services Company (A Saudi Joint Stock Company)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

(All amounts in Saudi Riyals thousands unless otherwise stated)

11.2 The movement in income tax provision for the year ended 31 December was as follows:

	2023	2022
Balance as at 1 January	16,034	-
Acquisition of subsidiary (note 1)		11,357
Charge for the year (*)	29,490	6,314
Paid during the year	(15,058)	(488)
Effect of foreign currency exchange differences	(9,300)	(1,149)
Balance as at 31 December	**21,166**	**16,034**

(*) This includes deferred tax expense amounts to SAR 3.3 million (from acquisition date to 31 December 2022: SAR 0.3 million).

12. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise of the following:

	2023	2022
Murabaha deposits (note 12.1)	2,321,049	423,689
Bank balances	266,897	120,064
Cash in hand	589	287
Expected credit losses on bank balances	(366)	(64)
Balance as at 31 December	**2,588,169**	**543,976**

12.1 Represent deposits placed with various banks and carry a profit rate of 5.3% to 6.3% (2022: 4.3% to 5.2%) per annum. The original maturity date for all these deposits are less than three months.

13. SHORT TERM MURABAHA

These represent the Murabaha deposits placed with various banks and carry a profit rate of 5.5% to 6.5% per annum (2022: 3.1% to 5.4%). The maturity date for all these deposits are more than three months from the date of original placement date.

	2023	2022
Short term murabaha	850,000	2,700,800

Arabian Internet and Communication Services Company (A Saudi Joint Stock Company)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

(All amounts in Saudi Riyals thousands unless otherwise stated)

14. TRADE RECEIVABLE

	2023	2022
Gross trade receivables from government and private entities	1,944,426	2,046,784
Less: allowance for expected credit losses	(378,664)	(233,400)
Net trade receivable	1,565,762	1,813,384
Gross amounts due from Parent Company and its subsidiaries (note 37)	2,872,085	2,584,501
Less: allowance for expected credit losses	(74,165)	(53,189)
Net amounts due from Parent Company and its subsidiaries	2,797,920	2,531,312
Total trade receivable as at 31 December	**4,363,682**	**4,344,696**

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

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

Customers are grouped according to their credit characteristics, including whether they are private or not and whether sovereign or non-sovereign. The customers grouped in a particular segment such as private, government, Parent company and its subsidiaries.

Since the Group considers the homogeneity of economic characteristics of the company/individual for segmentation. Based on the customers segmentations the allowance for the impairment has been assessed. The Group does not have trade receivable for which no loss allowance is recognized because of collateral.

One of the Group's debtors represent 5% (2022: 13%) of the total trade receivables balance excluding Parent Company and its subsidiaries balances.

Movement in the allowance for expected credit losses related to trade receivables from government and private entities:

	2023	2022
Balance as at 1 January	233,400	210,738
Acquisition of subsidiary	1,385	22,483
Net charge for the year	151,210	4,483
Effect of foreign currency exchange differences	(7,331)	(4,304)
Balance as at 31 December	**378,664**	**233,400**

Arabian Internet and Communication Services Company (A Saudi Joint Stock Company)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

(All amounts in Saudi Riyals thousands unless otherwise stated)

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

	2023	2022
Balance as at 1 January	53,189	79,323
Acquisition of subsidiary	203	-
Net charge/(reversal) for the year	20,773	(26,134)
Balance as at 31 December (*)	**74,165**	**53,189**

(*) Includes SAR 58.8 million (2022: SAR 34.8 million) pertaining to receivables for which STC is not the end customer.

Ageing of the trade receivables are as follows:

	2023	2022
Age of unimpaired trade receivables (government and private entities)		
Private		
0 to 3 months	438,521	518,401
4 to 6 months	112,331	108,585
7 to 12 months	47,273	33,274
Over 1 year	21,760	10,277
	619,885	**670,537**
Governmental		
Not due	346,089	391,866
0 to 3 months	244,443	302,844
4 to 6 months	101,306	118,584
7 to 12 months	130,883	172,343
Over 1 year	123,156	157,210
	945,877	**1,142,847**
Net trade receivables	**1,565,762**	**1,813,384**
Age of impaired trade receivables (government and private entities)*		
Private		
0 to 3 months	32,120	37,010
4 to 6 months	32,394	16,063
7 to 12 months	52,671	20,765
Over 1 year	106,978	60,398
	224,163	**134,236**
Governmental		
0 to 3 months	5,835	4,954
4 to 6 months	6,012	1,357
7 to 12 months	7,760	9,680
Over 1 year	134,894	83,173
	154,501	**99,164**
Total allowance for expected credit losses	**378,664**	**233,400**

(*) Refer to note 36 exposures to credit risk and ECLs for trade receivables and contract assets from private customers

Arabian Internet and Communication Services Company (A Saudi Joint Stock Company)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

(All amounts in Saudi Riyals thousands unless otherwise stated)

15. PREPAYMENTS, SHORT TERM INVESTMENTS AND OTHER ASSETS

	Note	2023	2022
Other receivables, net	15.1	173,752	82,327
Investment in FVTPL	15.2	165,901	-
Advances to suppliers, net	15.3	69,311	25,897
Cost to fulfil contracts		68,299	44,435
Prepaid expenses		64,155	27,656
Deposits, net		13,027	5,664
Balance as at 31 December		**554,445**	**185,979**

15.1 Other receivables include amounting of SAR 8 million (2022: SAR 8 million) due from related parties (note 37).

15.2 This represents the investments in mutual funds and classified as financial assets measured at fair value through profit or loss.

15.3 This represents the advances paid to the suppliers in relation to certain projects. The balance includes provision for amounting to SAR 9.55 million (2022: SAR 10.1 million).

16. CONTRACT ASSETS

Contract assets represents the value of work executed by the Group during the year which has not been billed to customers as at the reporting date. Total contract assets billed during the year amounted to SAR 1,684 million (2022: SAR 1,088 million) and total revenue recognized relating to the contract assets during the year amounted to SAR 2,107 million (2022: SAR 1,132 million).

	2023	2022
Gross contract assets (note 37)	1,731,300	1,308,384
Allowance for impairment	(39,816)	(31,804)
Balance as at 31 December	**1,691,484**	**1,276,580**

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

	2023	2022
Balance as at 1 January	31,804	7,851
Acquisition of subsidiary		3,179
Charge for the year	8,184	21,353
Effect of foreign currency exchange differences	(172)	(579)
Balance as at 31 December	**39,816**	**31,804**

Arabian Internet and Communication Services Company (A Saudi Joint Stock Company)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

(All amounts in Saudi Riyals thousands unless otherwise stated)

17. INVENTORIES

	2023	2022
Materials and supplies	307,126	400,683
Less: allowance for slow moving and obsolete inventory	(58,573)	(78,246)
Balance as at 31 December	**248,553**	**322,437**

The Group has charged inventories amounting to SAR 1,519 million for the year ended 31 December 2023 (2022: SAR 1,200 million) to consolidated statement of profit or loss.

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

	2023	2022
Balance as at 1 January	78,246	75,137
Acquisition of subsidiary		1,002
Net (reversal) / charge for the year	(19,403)	2,313
Effect of foreign currency exchange differences	(270)	(206)
Balance as at 31 December	**58,573**	**78,246**

18. NON-CURRENT INVESTMENTS AND OTHER ASSETS

	Notes	2023	2022
Financial assets measured at FVTPL	18.1	121,875	-
Employees loans receivable		13,754	8,801
Deferred tax assets		5,213	420
Lease receivable		5,150	-
Contract costs	18.2	4,401	7,879
Investments in equity accounted investee	18.3	3,368	4,078
Balance as at 31 December		**153,761**	**21,178**

18.1 During the year, the Company has invested SAR 121.9 million in an equity instrument and the investment was classified as fair value through profit or loss. The Company does not have any significant influence over the investee.

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

18.3 The Group has significant influence without having control and rights to direct decisions and relevant activities of this associate:

Arabian Internet and Communication Services Company (A Saudi Joint Stock Company)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

(All amounts in Saudi Riyals thousands unless otherwise stated)

			Carrying value at 31 December		Share of profit 31 December	
Name of associate	Business activity	Ownership %	2023	2022	2023	2022
Giza Systems Company for Electromechanical Contracting (GSEC)	Operation, engineering consultancy and evaluation of systems, devices and electronic computers	50.01%	3,368	4,078	127	1,139

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

	2023	From acquisition date to 31 December 2022
Balance as at 1 January	4,078	3,787
Share of net results	127	1,139
Effect of foreign currency exchange differences	(837)	(848)
Balance as at 31 December	**3,368**	**4,078**

Summarized financial information of (GSEC)

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

	31 December 2023	31 December 2022
Current assets	69,971	64,045
Non-current assets	294	244
Current liabilities	(63,439)	(56,116)
Non-current liabilities	(92)	(19)
Net assets as at 31 December	6,734	8,154
Reconciliation:		
Group's share in equity accounted investee	50.01%	50.01%
Share in net assets of the equity accounted investee	3,368	4,078

Arabian Internet and Communication Services Company (A Saudi Joint Stock Company)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

(All amounts in Saudi Riyals thousands unless otherwise stated)

	31 December 2023	From acquisition date to 31 December 2022
Revenue	39,535	12,781
Net income	254	2,277
Group's share in equity accounted investee	50.1%	50.01%
Share in net income	127	1,139

19. INTANGIBLE ASSETS AND GOODWIL

	Goodwill (19.1)	Software	Others (note 1)	Capital work-in-progress	Total
COST:					
As at 1 January 2022	-	202,829	-	10,248	213,077
Additions	-	15,374	-	19,801	35,175
Acquisition of subsidiary (note 1)	219,675	-	159,540	-	379,215
Effect of foreign currency exchange differences	(29,658)	-	(25,838)	-	(55,496)
Transfer	-	24,913	-	(24,913)	-
Disposal	-	(2,516)	-	-	(2,516)
As at 1 January 2023	190,017	240,600	133,702	5,136	569,455
Additions	-	12,209	-	14,266	26,475
Acquisition of subsidiary	143,854	46,322	146,200	405	336,781
Effect of foreign currency exchange differences	(22,534)	-	(20,276)	-	(42,810)
Transfer	-	13,187	-	(13,187)	-
Disposal	-	(773)	-	-	(773)
As at 31 December 2023	**311,337**	**311,545**	**259,626**	**6,620**	**889,128**
ACCUMULATED AMORTIZATION:					
As at 1 January 2022	-	114,868	-	-	114,868
Amortization	-	36,285	5,664	-	41,949
Disposal	-	(2,516)	-	-	(2,516)
Effect of foreign currency exchange differences	-	-	(261)	-	(261)
As at 1 January 2023	-	148,637	5,403	-	154,040
Amortization	-	44,814	33,911	-	78,725
Acquisition of subsidiary	-	32,514	-	-	32,514
Disposal	-	(773)	-	-	(773)
Effect of foreign currency exchange differences	-	-	(879)	-	(879)
As at 31 December 2023	**-**	**225,192**	**38,435**	**-**	**263,627**
Net book value as at 31 December 2022	**190,017**	**91,963**	**128,299**	**5,136**	**415,415**
Net book value as at 31 December 2023	**311,337**	**86,353**	**221,191**	**6,620**	**625,501**

Arabian Internet and Communication Services Company (A Saudi Joint Stock Company)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

(All amounts in Saudi Riyals thousands unless otherwise stated)

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

	Note	2023	2022
Cost of revenue		45,951	18,114
General and administration expenses	7	22,931	20,358
Selling and distribution expenses	8	9,843	3,477
		78,725	**41,949**

19.1 Goodwill

Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired. This goodwill arose on acquisition of equity stake in Giza Group and Contract Center Company on 3 October 2022 and 3 April 2023 respectively. The carrying amount of goodwill as of reporting date by operating segments is as follows:

	Note	2023	2022
Giza Group	19.1.1	167,483	190,017
Contact Center Company	1	143,854	-
Balance as at 31 December		**311,337**	**190,017**

19.1.1 This goodwill arose on acquisition of equity interest in Giza Systems and Giza Arabia (together referred as "Giza Group"), (note 1). Goodwill on Giza Group is allocated to its CGUs, such as Giza Systems, Giza Arabia and VAS for the purpose of goodwill impairment testing. As of 31 December 2023 the carrying amounts of each CGUs are Giza Systems: SAR 52.5 million, Giza Arabia: SAR 79.1 million and VAS: SAR 35.9 million.

At the reporting date, management has determined that the recoverable amount of this goodwill is higher than the carrying amount of goodwill. The recoverable amount was determined on the basis of value in use calculations. These calculations use cash flow projections based on business plan approved by the management. Cash flows are estimated over the three year periods for each CGUs and cash flows beyond the estimated period are based on assumption of terminal growth rate.

The discount rate was an estimate of the weighted average cost of capital as of 31 December 2023 based on market rates adjusted to reflect management's estimate of the specific risks relating to each CGUs of Giza Group.
The cash flows related to each CGUs are discounted using a discount rates of Giza Systems 28.07%, Giza Arabia 11.5% and VAS 25.4%.

The terminal growth rates are based on management best estimation specific to the industry in which the CGUs operate. Cash flows are estimated to grow at rate of 17% for Giza Systems and 2% for Giza Arabia and VAS from terminal year.

The value in use calculation is sensitive to the discount rate and the terminal growth rate. As of 31 December 2023, a reasonably possible change in discount rate and terminal growth rate is not expected to result in impairment.

Arabian Internet and Communication Services Company (A Saudi Joint Stock Company)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

(All amounts in Saudi Riyals thousands unless otherwise stated)

20. PROPERTY AND EQUIPMENT

	Computer hardware	Furniture and office equipment	Land and Building	Leasehold improvements	Motor vehicles	Supercomputers	Capital work-in-progress	Total
COST:								
Balance as at 1 January 2023	447,928	102,402	15,211	117,892	4,286	339,979	7,298	1,034,996
Additions	37,161	3,547	-	6,505	492	-	37,772	85,477
Acquisition of subsidiary	6,967	15,508	-	25,704	1,200	-	-	49,379
Effect of foreign currency exchange differences	(2,624)	(587)	(2,417)	-	(375)	-	(221)	(6,224)
Transfer	30,713	5,553	-	5,829	-	-	(42,095)	-
Disposal	(232)	(49)	-	-	-	-	-	(281)
Balance as at 31 December 2023	**519,913**	**126,374**	**12,794**	**155,930**	**5,603**	**339,979**	**2,754**	**1,163,347**
ACCUMULATED DEPRECIATION AND IMPAIRMENT								
Balance as at 1 January 2023	264,688	67,340	2,851	69,472	3,602	153,990	-	561,943
Acquisition of subsidiary	4,069	12,918	-	24,390	413	-	-	41,790
Effect of foreign currency exchange differences	(2,581)	(487)	(92)	-	(199)	-	-	(3,359)
Depreciation	73,628	12,979	253	20,369	1,109	64,567	-	172,905
Disposal	(232)	(49)	-	-	-	-	-	(281)
Balance as at 31 December 2023	339,572	**92,701**	**3,012**	**114,231**	**4,925**	**218,557**	**-**	**772,998**
NET BOOK VALUE:								
At 31 December 2023	**180,341**	**33,673**	**9,782**	**41,699**	**678**	**121,422**	**2,754**	**390,349**

Arabian Internet and Communication Services Company (A Saudi Joint Stock Company)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

(All amounts in Saudi Riyals thousands unless otherwise stated)

	Computer hardware	Furniture and office equipment	Land and Building	Leasehold improve-ments	Motor vehicles	Super-computers	Capital work-in-progress	Total
COST:								
Balance as at 1 January 2022	362,681	88,549	-	113,118	1,688	339,979	13,633	919,648
Additions	29,287	3,201	-	2,444	-	-	42,328	77,260
Acquisition of subsidiary	15,133	10,051	18,607	-	2,739	-	-	46,530
Effect of foreign currency exchange differences	(3,182)	(775)	(3,396)	-	(128)	-	-	(7,481)
Transfer	44,894	1,439	-	2,330	-	-	(48,663)	-
Disposal	(885)	(63)	-	-	(13)	-	-	(961)
Balance as at 31 December 2022	**447,928**	**102,402**	**15,211**	**117,892**	**4,286**	**339,979**	**7,298**	**1,034,996**
ACCUMULATED DEPRECIATION AND IMPAIRMENT:								
Balance as at 1 January 2022	193,600	48,125	-	50,527	1,075	75,709	-	369,036
Acquisition of subsidiary	10,870	8,205	3,708	-	2,240	-	-	25,023
Effect of foreign currency exchange differences	(1,741)	(677)	(928)	-	(73)	-	-	(3,419)
Depreciation	62,827	11,720	71	18,945	373	78,281	-	172,217
Disposal	(868)	(33)	-	-	(13)	-	-	(914)
Balance as at 31 December 2022	**264,688**	**67,340**	**2,851**	**69,472**	**3,602**	**153,990**	**-**	**561,943**
NET BOOK VALUE:								
At 31 December 2022	**183,240**	**35,062**	**12,360**	**48,420**	**684**	**185,989**	**7,298**	**473,053**

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

	Notes	2023	2022
Cost of revenue		138,039	142,772
General and administration expenses	7	34,601	29,187
Selling and distribution expenses	8	265	258
		172,905	**172,217**

Arabian Internet and Communication Services Company (A Saudi Joint Stock Company)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

(All amounts in Saudi Riyals thousands unless otherwise stated)

21. RIGHT-OF-USE ASSETS

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

	Land and Buildings	Hardware	Total
Balance as at 1 January 2022	54,503	-	54,503
Acquisition of subsidiary	3,105	-	3,105
Additions	2,029	-	2,029
Effect of foreign currency exchange differences	(751)	-	(751)
Deprecation charge for the year	(17,916)	-	(17,916)
Balance as at 31 December 2022	**40,970**	**-**	**40,970**
Acquisition of subsidiary	28,717	-	28,717
Additions	8,317	3,183	11,500
Effect of foreign currency exchange differences	(245)	-	(245)
Deprecation charge for the year	(29,979)	(663)	(30,642)
Balance as at 31 December 2023	**47,780**	**2,520**	**50,300**

Right of use assets are depreciated as follows:

Leasehold lands	15 years
Buildings	4 years
Hardware	4 years

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

	2023	2022
General and administration expenses (note 7)	19,931	17,670
Cost of revenue	10,711	246
	30,642	**17,916**

The Group has not recognized the short-term and low-value leases as a right of use assets, and therefore lease payments associated with these contracts were recognized as expenses. For the year ended December 2023 SAR 5.1 million (2022: SAR 2.7 million) was recognized as expenses in the consolidated statement of profit or loss.

Arabian Internet and Communication Services Company (A Saudi Joint Stock Company)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

(All amounts in Saudi Riyals thousands unless otherwise stated)

22. TRADE PAYABLE, ACCRUALS AND OTHER LIABILITIES

	Notes	2023	2022
Accrued project costs		1,012,305	545,185
Accrued expenses	22.1	1,008,885	779,936
Trade payables		939,043	940,038
Amounts due to related parties	37	175,258	281,893
Value added tax	22.2	90,555	-
Accrued connectivity charges		46,603	48,279
Lease liabilities	26	42,261	27,759
Balance as at 31 December		**3,314,910**	**2,623,090**

22.1 Accrued expenses include an amount of SAR 200 million (2022: SAR 176 million) due to STC (note 37). Trade payables are normally settled within 90 days of the invoice dates.

22.2 Value added tax include an amount of SAR 54 million (2022: receivable of SAR 3.7 million) due to STC (note 37).

23. DEFERRED REVENUE

This represents billings issued to customers in excess of the value of work executed by the Group, as per the terms of billings in the contract agreement with the customers as of the reporting date. Total deferred revenue invoiced during the year amounted to SAR 1,891 million (2022: SAR 2,001 million) and total revenue recognized relating to the deferred revenue during the year amounted to SAR 2,108 million (2022: SAR 1,012 million).

24. CONTRACT LIABILITIES

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

25. BANK OVERDRAFT AND BORROWINGS

	2023	2022
Short term		
Bank overdrafts (note 25.1)	180,097	178,967
Other (note 25.2)	31,246	15,421
Balance as at 31 December	**211,343**	**194,388**
Long term		
Long term loan (note 25.3)	499,127	498,878
Long term loan	-	3,136
Balance as at 31 December	**499,127**	**502,014**

Arabian Internet and Communication Services Company (A Saudi Joint Stock Company)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

(All amounts in Saudi Riyals thousands unless otherwise stated)

25.1 This represents the unsecured overdraft obtained by Giza Group in multiple currencies. The interest rate on USD currency is from 4% to 8.75% annually, interest rate on SAR is SIBOR + 1.6% annually, interest rate on Euro is 8.25% annually, while the interest rate on EGP currency is from 20.25% to 22% annually. These overdrafts have multiple date of borrowings and multiple date of settlement. These overdraft balances are contractually cannot be offset with the cash and cash equivalents.

25.2 This represents the sale and lease back arrangements and short term loan.

25.3 During the year 2022, the Group entered into a renewal with amendment of an Islamic Sharia compliant facilities arrangement with a local bank amounting to SAR 1 billion. The facilities consist of a new facility with a limit of SAR 500 million to finance the strategic growth of the Group and a facility with a limit of SAR 500 million for multi-purpose (note 40). As at 31 December 2023, the facility amounting to SAR 500 million (31 December 2022: SAR 500 million) was withdrawn, the principal is repayable in one instalment due in June 2027, and interest is payable based on semi-annual basis. The facility is secured against a promissory note signed by the Group.

26. LEASES

As a lessee:

	2023	2022
Balance as at 1 January	43,605	60,591
Additions to lease liabilities, net	25,213	2,029
Acquisition from subsidiary (note 1)	29,141	2,636
Finance cost (note 10)	1,739	1,033
Payments	(38,131)	(21,800)
Effect of foreign currency exchange differences	(371)	(884)
Balance as at 31 December	**61,196**	**43,605**

Maturity analysis of undiscounted cash flows relating to leases payments are as follows:

Maturity analysis of lease undiscounted cash flows	2023	2022
Less than 1 year	46,176	31,858
More than 1 year	21,752	16,908
Total undiscounted lease liabilities as at 31 December	**67,928**	**48,766**

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

	2023	2022
Current portion (included in Trade payable, accruals and other liabilities – note 22)	42,260	27,759
Non-current portion	18,936	15,846
Total	**61,196**	**43,605**

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

(All amounts in Saudi Riyals thousands unless otherwise stated)

As a lessor:

The Group has entered into an operating lease arrangement for the lease of a remote computing facility for a customer that will be managed by the Group. The facility includes mainly supercomputers in addition to certain assets leased under this arrangement. The net carrying value of all such leased assets included in notes 19, 20 and 21 are as follows:

	2023	2022
Property and Equipment	167,905	250,133
Intangible assets	98	143
Land - Right-of-use assets	2,764	3,010
	170,767	**253,286**

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

	2023	2022
Less than one year	169,798	152,455
More than one year	172,679	268,514
Total	**342,477**	**420,969**

27. END OF SERVICE INDEMNITIES

	2023	2022
End of service indemnities	**450,189**	**260,822**

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

The benefit liability recognized in the consolidated statement of financial position in respect of defined benefit end of service plan is the present value of the DBO at the reporting date.

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

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

Arabian Internet and Communication Services Company (A Saudi Joint Stock Company)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

(All amounts in Saudi Riyals thousands unless otherwise stated)

The following table represents the movement of the end of service indemnities:

	2023	2022
Balance as at 1 January	260,822	236,586
Acquisition from subsidiary	95,870	15,058
Amount recognized in the consolidated statement of profit or loss		
Current service costs	77,093	55,702
Finance cost	18,440	8,269
Total employee benefits expense recognized in profit or loss	95,533	63,971
Actuarial loss recognized in the other comprehensive income	41,833	4,226
Effect of foreign currency exchange differences	(170)	(3,276)
Payments	(43,699)	(55,743)
Balance as at 31 December	**450,189**	**260,822**

Significant actuarial assumptions

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

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

	2023	2022
Attrition rates	15% to 82%	15% to 46%
Salary increment rate	1.25% to 4.5%	1.25% to 4.5%
Discount rate	4.4% to 4.9%	4.6% to 4.7%
Retirement age	60 to 65 years	60 to 65 years

Sensitivity analysis

The end of service indemnities balance are sensitive to the assumptions used and the sensitivity analysis of material assumptions are as follows:

			End of service indemnities	
2023	**Change in Assumption**	**Base value**	**Increase in assumption**	**Decrease in assumption**
Discount rate	1%	450,189	432,303	467,927
Salary increment rate	1%	450,189	469,728	433,823

			End of service indemnities	
2022	**Change in Assumption**	**Base value**	**Increase in assumption**	**Decrease in assumption**
Discount rate	1%	260,822	249,066	273,796
Salary increment rate	1%	260,822	273,779	248,862

Cost of revenue includes employees' cost amounting to SAR 2,663 million (2022: SAR 1,940 million).

Arabian Internet and Communication Services Company (A Saudi Joint Stock Company)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

(All amounts in Saudi Riyals thousands unless otherwise stated)

28. SHARE CAPITAL

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

	2023	2022
Authorized, issued and fully paid capital comprises:		
120 million fully paid ordinary shares at SAR 10 each	1,200,000	1,200,000

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

	2023	2022
Outstanding shares as at 1 January	118,967,067	118,800,000
Outstanding shares re-issued	10,126	167,067
The number of outstanding shares as at 31 December	118,977,193	118,967,067

29. STATUTORY RESERVE

On 14 Jumada Al-Thani 1445 (corresponding to 27 December 2023), the general assembly of the Company approved to transfer the total statutory reserve balance amounting to SAR 308.7 million, as shown in the financial statements for the year ended 31 December 2022, to the retained earnings. Subsequent to the approval, the company executed the transfer from statutory reserves to retained earnings.

30. OTHER RESERVES

	Foreign currency translation reserve	Re-measurement of end of service indemnities	Share based payments reserve	Total
Balance as at 1 January 2022	-	78,578	9,856	88,434
Re-measurement of the end of service benefit provision (note 27)	-	(4,226)	-	(4,226)
Share-based payment transactions (note 30.1)	-	-	3,248	3,248
Foreign currency translations	(62,606)	-	-	(62,606)
Balance as at 31 December 2022	**(62,606)**	**74,352**	**13,104**	**24,850**
Re-measurement of the end of service benefit provision	-	(41,689)	-	(41,689)
Share-based payment transactions (note 30.1)	-	-	8,447	8,447
Foreign currency translations	(51,471)	-	-	(51,471)
Balance as at 31 December 2023	**(114,077)**	**32,663**	**21,551**	**(59,863)**

Arabian Internet and Communication Services Company (A Saudi Joint Stock Company)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

(All amounts in Saudi Riyals thousands unless otherwise stated)

30.1 Certain employees of the Group receive remuneration in the form of equity settled share-based payments under the incentive rewarding program, whereby employees render services as consideration to receive fixed number of Company's shares.

During the year ended 2023, the Group has recorded SAR 10 million (2022: SAR 28 million) as an expense in the consolidated statement of profit or loss, together with a corresponding increase in other reserves, in equity, over the period during which the vesting conditions are fulfilled. During the year 2023, the shares granted by the Group are as follows:

First cycle part 1:	**Tranche 1**	**Tranche 2**	**Tranche 3**
Grant date	8 June 22	8 June 22	8 June 22
Total number of shares granted	682	1,136	2,726
Average Fair value per share at grant date*	224	224	224
Vesting date	31 May 2022	31 May 2023	31 May 2024
Total number of shares actually vested	817	1,363	To be determined at vesting date
First cycle part 2:			
Grant date	8 June 22	8 June 22	8 June 22
Total number of shares granted	6,277	10,462	25,109
Average Fair value per share at grant date (*)	224	224	224
Vesting date	31 May 2023	31 May 2024	31 May 2025
Total number of shares actually vested	7,513	To be determined at vesting date	To be determined at vesting date
Second cycle:	**Tranche 1**	**Tranche 2**	**Tranche 3**
Grant date	4 June 2023	4 June 2023	4 June 2023
Total number of shares granted	5,516	9,193	22,062
Average Fair value per share at grant date (*)	296.8	296.8	296.8
Vesting date	31 May 2024	31 May 2025	31 May 2026
Total number of shares actually vested	To be determined at vesting date	To be determined at vesting date	To be determined at vesting date

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

Arabian Internet and Communication Services Company (A Saudi Joint Stock Company)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

(All amounts in Saudi Riyals thousands unless otherwise stated)

31. TREASURY SHARES

On 29 September 2021, the Company purchased 1.2 Million of its own shares from the Parent Company at cost of SAR 151 per share, for cash consideration of SAR 181 million. These shares are held by the Company as treasury shares in order to support its future employees long term incentive plans (see note 30).

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

	2023	2022
Outstanding shares as at 1 January	1,032,933	1,200,000
Treasury shares re-issued	(10,126)	(167,067)
Treasury shares as at 31 December	1,022,807	1,032,933

32. DIVIDENDS DISTRIBUTION

The Board of Directors proposed a dividend payment of SAR 5 per share, totaling to SAR 594.9 million (31 December 2022: SAR 4 per share, totaling to SAR 475.2 million). The proposed dividends were approved by the shareholders at the ordinary general assembly meeting held on 19 Shawwal 1444 H (corresponding to 9 May 2023). The dividend was paid on 28 May 2023.

33. NON-CONTROLLING INTEREST

The table below shows details of significant non-controlling interests as at the reporting date.

Name of Subsidiary	Proportion of ownership and voting rights acquired by non-controlling interests		Non-controlling share of profit (loss) for the year ended 31 December		Non-controlling interests as of 31 December	
	2023	2022	2023	2022	2023	2022
Giza Systems Company	11.81%	11.81%	2,997	844	28,591	29,676

Below is summarized financial information for Giza Group located in Egypt that has significant non-controlling interests to the Group. The amounts disclosed are before inter-company eliminations and translation impact.

Summarized balance sheet	2023	2022
Current assets	1,356,300	1,088,475
Current liabilities	(944,903)	(919,098)
Current net assets	411,397	169,377
Non-current assets	30,609	26,147
Non-current liabilities	(250,096)	(41,119)
Non-current net liabilities	(219,487)	(14,972)
Equity	191,910	154,405
Accumulated non-controlling interest	28,591	29,676

Arabian Internet and Communication Services Company (A Saudi Joint Stock Company)

Notes to the Consolidated Financial Statements
For the year ended 31 December 2023
(All amounts in Saudi Riyals thousands unless otherwise stated)

Below is summarized statement of profit or loss and other comprehensive income as at the reporting date. The amounts disclosed are before inter-company eliminations and translation impact. Financial year 2022 is from the date of acquisition.

Summarized statement of profit or loss and other comprehensive income	2023	2022
Revenue	1,607,974	430,948
Net Profit for the year / period	53,641	16,839
Other comprehensive loss	(1,846)	-
Total other compressive income	51,795	16,839

34. EARNINGS PER SHARE

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

	2023	2022
Net profit attributable to equity holders of the Parent Company	1,192,148	1,052,869
Weighted average no of shares for basic earnings per share	118,974	118,840
Weighted average no of ordinary shares repurchased	1,026	1,160
Weighted average no of shares for diluted earnings per share	120,000	120,000
Basic earnings per share attributable to equity holders of the Parent Company	10.02	8.86
Diluted earnings per share attributable to equity holders of the Parent Company	9.93	8.77

35. FINANCIAL INSTRUMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

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

The principal or the most advantageous market must be accessible by the Group.

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

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 – inputs other than quoted prices included in Level 1 that are observable for the assets or liabilities either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable input).

Arabian Internet and Communication Services Company (A Saudi Joint Stock Company)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

(All amounts in Saudi Riyals thousands unless otherwise stated)

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their level in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

As at 31 December 2023	Carrying amount	Level 1	Level 2	Level 3	Fair value Total
Financial Asset					
Financial asset measured at fair value through profit or loss (notes 15 and 18)	287,776	-	-	287,776	287,776

- Fair value of other financial instruments has been assessed as approximate to the carrying amounts due to frequent re-pricing or their short term nature.

Valuation technique and significant unobservable inputs

Type	Valuation technique	Significant unobservable input
Financial assets measured at fair value through profit or loss	This represents investments in non-quoted equity instruments and investments in mutual funds. The investment was executed during the year. Accordingly, the investments in non-quoted equity instruments is assumed that the cost of investment is approximately equal to it's the fair value. The fair value of investment in mutual fund is obtained from the net assets value ("NAV") reports received from the fund managers.	Not applicable

36. FINANCIAL RISK AND CAPITAL MANAGEMENT

Market risk

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

Foreign currency risk

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

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

Arabian Internet and Communication Services Company (A Saudi Joint Stock Company)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

(All amounts in Saudi Riyals thousands unless otherwise stated)

Foreign currency sensitivity

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

	Change in EGP to SAR conversion rate	SAR "000" Impact on net income Increase/ (decrease)	SAR "000" Impact on equity Increase/ (decrease)
31 December 2023	10% appreciation	26,363	24,103
	10% depreciation	(26,363)	(24,103)
31 December 2022	10% appreciation	23,446	22,791
	10% depreciation	(23,446)	(22,791)

Interest rate risk

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

Interest rate sensitivity

Based on the borrowings outstanding at 31 December 2023, if interest rates had been 1% higher or lower during the year and all other variables were held constant, the Group's net profit and equity would have decreased or increased by SAR 5.5 million (2022: 2.6). This impact is primarily attributable to the Group's exposure to interest rates on its variable rate borrowings.

Profit and liquidity rate risk management

Ultimate responsibility for liquidity risk management rests with the board of directors, which has established an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities. There has been no change to this strategy from the previous year.

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The tables include both profit and principal cash flows.

2023	Profit rate %	Within one year	More than one year	Total
Trade payable and accruals	NA	3,272,651	-	3,272,651
Lease liabilities relating to right of use assets	Multiple rates	46,176	21,752	67,928
Bank overdraft and borrowings	Multiple rates	211,343	500,000	711,343

2022	Profit rate %	Within one year	More than one year	Total
Trade payable and accruals	NA	2,595,331	-	2,595,331
Lease liabilities relating to right of use assets	Multiple rates	31,858	16,908	48,766
Bank overdraft and borrowings	Multiple rates	194,388	502,014	696,402

Arabian Internet and Communication Services Company (A Saudi Joint Stock Company)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

(All amounts in Saudi Riyals thousands unless otherwise stated)

Credit risk related to private customers is managed by the Group by establishing credit limits and monitoring outstanding receivables. Management does not believe that there is any significant credit risk associated with these receivables and is confident that they will be recovered. The Group is currently having most of its transactions with Saudi Telecom Company ("STC"), the Ultimate Parent Company, and also provide services to the Government. STC and the Government are recognized to have high credit rating and hence credit risk is considered to be low. The Group does not expect any default in payment from such receivables, except in case of disputes. Other receivables are monitored on an on-going basis. Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's receivables from customers.

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

The allowance for impairment of trade receivables and contract assets is created to the extent and as and when required, based upon the expected collectability of trade receivables. The Group uses a provision matrix to measure the ECLs of trade receivables and contract assets.

Credit risk management

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

The following table provides information about the exposure to credit risk and ECLs for trade receivables and contract assets from private customers as at 31 December 2023:

31 December 2023	Gross carrying amount	Weighted average loss rate	Loss allowance
Unbilled	483,491	4.79%	23,146
0-90 days	907,409	4.90%	44,498
91-180 days	130,195	24.67%	32,115
181 - 270 Days	53,306	38.28%	20,408
271 - 365 Days	42,832	80.83%	34,620
More than 1 year	120,912	78.93%	95,430
	1,738,145		**250,217**

31 December 2022	Gross carrying amount	Weighted average loss rate	Loss allowance
Unbilled	316,933	7.07%	22,411
0-90 days	734,375	5.62%	41,302
91-180 days	154,260	10.78%	16,622
181 - 270 Days	55,704	25.48%	14,191
271 - 365 Days	25,388	41.15%	10,447
More than 1 year	81,462	61.67%	50,241
	1,368,122		**155,214**

Arabian Internet and Communication Services Company (A Saudi Joint Stock Company)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

(All amounts in Saudi Riyals thousands unless otherwise stated)

Capital management

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

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

37. RELATED PARTY INFORMATION

Related parties comprise of the Parent Company, and entities which are controlled directly or indirectly or influenced by the Saudi Telecom Company ("STC"), and also directors or key management personnel. In the normal course of business, the Group has various transactions with its related parties. Transactions are entered into with the related parties on terms and conditions approved by either the Group's management or its Board of Directors.

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

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

	2023	2022
Sales of goods and services (STC) (a)	6,828,044	6,315,462
Sales of goods and services (STC subsidiaries) (a)	389,675	205,833
Purchases (STC)	436,622	358,978
Purchases (STC subsidiaries)	70,108	68,950
Long term incentive expense charged by the Parent Company	509	866

(a) Sales of goods and services to Parent Company and its subsidiaries include an amount of SAR 3.4 billion (2022: SAR 3.8 billion) for which Parent Company is not the end customer.

(b) Revenue related to direct transactions with government and government related entities for the year-ended 31 December 2023 is SAR 1,988 million (2022: SAR 1,553 million).

Arabian Internet and Communication Services Company (A Saudi Joint Stock Company)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

(All amounts in Saudi Riyals thousands unless otherwise stated)

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

	Notes	2023	2022
STC:			
Trade receivable: gross	14	2,493,369	2,441,803
Contract assets		815,345	627,912
Other assets	15	7,943	8,047
Deferred revenue		(2,237,097)	(2,648,834)
Amounts due to	22	(139,716)	(223,566)
Contract liabilities		(252,160)	(333,027)
Accrued expenses	22	(200,463)	(175,667)
Value added tax (payable) / receivable	22	(54,149)	3,750
STC Subsidiaries:			
Trade receivable: gross	14	378,716	142,699
Contract assets		23,954	64,170
Deferred revenue		(104,532)	(40,260)
Amounts due to	22	(35,542)	(58,326)
Contract liabilities		(1,186)	(890)
Accrued expenses		(2,340)	-

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

Age of unimpaired amounts due from Parent Company and its subsidiaries

		Neither past due nor impaired	Past due but not impaired			
	Total		0 - 3 months	4 - 6 months	7 - 12 months	Over 1 years
2023	2,797,920	1,058,793	734,802	450,405	550,058	3,862
2022	2,531,312	1,553,305	689,211	162,823	115,743	10,230

Key management personnel compensation include executives, members of the Board of Directors and their compensation is comprised the following:

	2023	2022
Key management personnel		
Employment benefits and remuneration	46,693	39,941
Share based payments	1,034	124
Board of Directors		
Remuneration of Board of Directors	3,892	3,889
	51,619	**43,954**

Arabian Internet and Communication Services Company (A Saudi Joint Stock Company)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

(All amounts in Saudi Riyals thousands unless otherwise stated)

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

	2023	2022
End of service indemnities and annual leave	9,480	13,401

38. SEGMENT INFORMATION

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

The Group is engaged in Information Communication and Technology (ICT) services and some other related services and products. 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. Revenue is distributed to an operating segment based on the entity of the Group. Sales between segments are calculated at normal business transaction prices.

The disclosed operating segments exceeded the 75% of total external Group revenue threshold and therefore all other operating segments are combined and disclosed as "Other segments"

	2023	2022
Solution by STC	8,915,768	8,377,343
Giza Group	1,607,974	430,948
Other segments	793,583	11,622
Elimination	(276,832)	(14,822)
Total revenue (note 6)	11,040,493	8,805,091
Total cost of revenue	**(8,442,875)**	**(6,793,845)**
Total operating expenses	(1,210,729)	(851,015)
Total non-operating income	17,837	11,268
Zakat and tax charge (note 11)	(209,581)	(117,786)
Net profit for the period	**1,195,145**	**1,053,713**
Net profit for Equity holders of the Parent Company	**1,192,148**	**1,052,869**
Net profit for non-controlling interests	**2,997**	**844**
Total net profit	**1,195,145**	**1,053,713**

Following is the gross profit analysis on a segment basis for the year ended 31 December:

	2023	2022
Solution by STC	2,179,550	1,916,868
Giza Group	298,593	98,599
Other segments	151,069	2,455
Elimination	(31,594)	(6,676)
Total gross profit	**2,597,618**	**2,011,246**

Arabian Internet and Communication Services Company (A Saudi Joint Stock Company)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

(All amounts in Saudi Riyals thousands unless otherwise stated)

39. CAPITAL COMMITMENTS

The Group had no capital commitments at the reporting date.

40. CONTINGENT LIABILITIES

	2023	2022
Letters of guarantee and credit	871,708	676,434

The above letters of guarantee and credit were issued under a borrowing facility of SAR 873 million (2022: 782 million).

41. COMPARATIVES

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

(a) Reclassification related to Business combination:

During October 2022, the Company acquired 88.19% and 34% of the equity interest in Giza Systems Company ("Giza Systems") and Giza Arabia Systems Company LLC respectively (together referred as "Giza Group"). Details of this acquisition including fair values of the identifiable assets acquired and liabilities assumed on acquisition were disclosed in Note 1 of the Company's annual consolidated financial statements for the year ended 31 December 2022.

During the period, the Company recognized a liability amounting to SR 26.2 million, which is payable to the shareholders of Giza Systems as a result of acquisition. The payable amount was assessed to be the part of business combination, as a result the purchase consideration was increased by the same amount.

The following summarizes the changes in the comparative period numbers as reported in the audited financial statement for the year ended 31 December 2022:

	31 December 2022 as previously reported	Reclassifications	31 December 2022 revised
Intangible assets and Goodwill	372,668	42,747	415,415
Trade payable and accruals	2,572,575	50,515	2,623,090
Other Reserve	9,138	15,712	24,850
Non-controlling interest	28,890	786	29,676
Provision for tax	24,265	(24,265)	-

Arabian Internet and Communication Services Company (A Saudi Joint Stock Company)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

(All amounts in Saudi Riyals thousands unless otherwise stated)

42. EVENTS AFTER THE REPORTING DATE

On 6 Rajab 1445H corresponding to 18 January 2024, the Company renewed the banking facilities agreement with Saudi National Bank (SNB) with an increase in the short-term banking facilities limit. The short term facility amount increased to SAR 1 Billion from SAR 500 million and medium term financial amount is SR 500 million which is already being utilized as pf reporting date.

On 11 Rajab 1445H corresponding to 23 January 2024, the Company signed revenue sharing agreement with Remat Riyadh Development Company to build, manage, operate, and maintain smart public parking spaces in Riyadh City. This agreement
is part of the first phase of the smart public parking project in Riyadh city, covering 12 zones.

On 19 Rajab 1445H corresponding to 31 January 2024, the Group' subsidiary Giza Systems and VAS company (a subsidiary of Giza Systems), have signed Sharia compliant syndicated bank facilities agreements with several banks, led by Abu Dhabi Islamic Bank – Egypt and Abu Dhabi Islamic Capital as financial advisor. The facilities were medium term financing for a period of 5 years (1,070 million Egyptian Pounds – 48 million US Dollars) and Short term banking facilities for a period of one year (1,750 million Egyptian Pounds – 36 million US Dollars).

On 20 Rajab 1445H corresponding to 1 February 2024, the Company completed the acquisition of 40% stake in Devoteam Middle East ("DME") for cash consideration for the entire acquisition amounting to AED 726.3 million (which equals approximately SAR 741.7 million) for 100% Enterprise Value. The acquisition has been funded through solutions own resources.

On 5 Shaban 1445H corresponding to 15 February 2024, the Board of Directors recommended in its meeting to distribute dividends of SR 6 per share, totaling to SR 714 million.

Furthermore, other than above subsequent to the year-end, the Group in accordance with the nature of its business has renewed or entered into various contracts. Management does not expect these to have any material impact on the Group's consolidated results and financial position as of the reporting date.

43. APPROVAL OF FINANCIAL STATEMENTS

These consolidated financial statements for the year ended 31 December 2023 was approved on the company's board of directors meeting held on 5 Shaaban 1445H (corresponding to 15 February 2024).

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