

Expanding



to enrich more lives



Annual
Report
2022

stc



Amir of the State of Kuwait
**H.H Sheikh Nawaf Al-Ahmad
Al-Jaber Al-Sabah**



Crown Prince of the State of Kuwait
**H.H Sheikh Mishal Al-Ahmad
Al-Jaber Al-Sabah**



Prime Minister of the State of Kuwait
**H.H. Sheikh Ahmad Nawaf
Al-Ahmad Al-Sabah**

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Strategic Report



Company's Key Activities in 2022

2022 was an exceptional year for Kuwait Telecommunications Company (**stc**), whereby, it has expanded its operating model and customer base to serve its customers on both the individual and enterprise levels. Accordingly, **stc** has been keen to strengthen its position as a leader in providing communication services and advanced digital solutions, which reflects the successful implementation of its corporate strategy including all the operational and financial KPIs. This has helped **stc** to reach the outstanding results to exceed customers' expectations and contribute in placing **stc** amongst the region's leading companies for digital transformation as well as providing integrated technical solutions.

Throughout the year, **stc** focused on managing the increased demand on certain technologies on the individual and enterprise level by expanding its scope of offerings and solutions under its ICT business. Whereby, the Company completed its acquisition of E-Portal Holding Company and its subsidiaries in April 2022, a leading ICT provider in Kuwait, with an aim to leverage its added resources in order to support its strong B2B customer base owned by **solutions by stc** through offering cutting-edge and innovative end-to-end solutions. On the individual front, **stc** continued to strengthen the telecom and digital solutions offered to customers with a strong emphasis on leveraging the strength of its solid 5G infrastructure.

stc's anticipation of the growing demand within the ICT sector was short lived as the Company quickly began to realize the added benefits of its subsidiaries in delivering key technologies, especially to the enterprise customers. With its role cemented as one of the leading pioneers within Kuwait's technology and digital solutions industry, **stc** managed to increase its revenues to new heights since its inception. **stc's** resilience propelled its position in the market, positioning it as the leading telecom provider in Kuwait in terms of revenue market share. In line with its corporate strategy, and internal application of digital transformation, **stc** has been laying down the foundation to support innovation, and ultimately the industry's next growth wave.

01 January

- **stc** signed strategic financing facility with NBK worth KD50 million, to accommodate the Company's acquisition and expansion plans and covering capital expenditures.
- **solutions by stc**, **stc's** technical arm for providing the latest digital and ICT solutions and services, won the KD 16.3mn contract to build the network infrastructure at Kuwait International Airport - Terminal 2. The contract is to provide a range of innovative and modern solutions to build the integrated network infrastructure that will support the connectivity requirements for the new terminal.

02 February

- **solutions by stc** Awarded the contract to provide Schlumberger with their complete network, switches and CCTV for all their sites.
- **solutions by stc** awarded the contract to provide Chevron with Business Communications solutions (Push-to-Talk over LTE).

03 March

- **stc** partnered with Weyay Bank, Kuwait's first digital bank that was launched by the National Bank of Kuwait "NBK". **stc** became the telecom partner of Weyay Bank, further expanding the Company's digital value proposition by offering exclusive promotions and offers to customers, especially the youth.
- **solutions by stc** launched Quick-pay, a seamless payment channel for the first time for both mobility and fixed customers, leading to better and faster processing for billing and collection.
- **solutions by stc** Introduced Business Communications (Push-to-Talk over LTE) solutions, taking internal communications to the next level, with a range of rugged PTT devices controlled by a dispatcher using specialized software.

04 April

- **stc** has enabled next generation of encryption of user identity SIM cards on its network using Subscription Concealed Identifier (SUCI) on 5G SA.

05

May

- **stc** and Warba Bank signed partnership agreement to launch SiDi application. It is considered the first integrated digital wallet to provide banking services licensed by the Central Bank of Kuwait.
- **solutions by stc** announced a strategic partnership with a cloud solutions company to provide local cloud infrastructure and the option to localize data, in addition to in-depth technical knowledge and customer support services.
- **solutions by stc** signed with Kuwait Oil Company (KOC) to provide Surveillance over LTE & Solar Power solutions, using 5G/4G as the primary wireless medium for their CCTV video surveillance, marking landmark technology solutions in the O&G sector.

06

June

- **stc** launched **stc** roam services distinctively and totally revamped to include exclusive premium plans with an auto-renewal feature, aimed at providing customers a seamless experience to enrich their roaming journey.
- **stc** commercially launched the VoNR "Vo5G" technology platforms, which is an advanced technology for calls over 5G SA networks. VoNR is anticipated to drive innovation in conferencing, mobile collaboration, augmented and virtual reality applications over 5G SA networks.
- **solutions by stc** won the Ministry of Health (MOH) contract to provide turn-key solutions and implementation for their Datacenter and IT operations infrastructure, in addition to network infrastructure and PBX projects.

07

July

- **stc** commercially launched the fully converged core "5GC" network in the region, enabling **stc** to provide the consumers and companies with ultra-reliable connectivity over 5G network to provide advanced private networks, which can provide priority differentiation based on customers' requirements.
- **solutions by stc** won the Ministry of Interior (MOI) tender for network infrastructure between KSA & Kuwait borders, to various locations in the border regions.
- **solutions by stc** announced the latest Cloud Managed Network solution to provide fully managed networks including Wi-Fi, LAN and WAN network solutions, providing scalability and flexibility on demand for the growing Enterprise customer needs.

08

August

- **stc** has successfully rebranded the prepaid segment to 'go', announcing "your prepaid, your way" and positioning the prepaid brand as cool, smart and flexible with interesting new personalized features.
- **solutions by stc** launched My Business (enhanced Self care) for mobility & fixed, making easy-to-use account management available to all our customers.

09

September

- **stc** opened new Tamayouz lounge for VIP customers to enhance the customer experience and improving the quality of service for the Tamayouz Customers. tamayouz is a premium program designed by **stc** exclusively for its VIP customers that offers customer-centric solutions, exceptional services, and exclusive benefits.
- **solutions by stc** launched Smart Office solutions targeting the SME marketing, featuring ICT products such as IdeaHub smart screens, controllers and sensors. Now control and manage your office remotely, enabling better collaboration and teamwork in real-time.
- **solutions by stc** successfully upgraded our Digital Business Support System (BSS), strengthening the quality of service and cutting-edge solutions delivered to our customers. The system empowers us with several key features in supporting the evolving digital transformation strategies of our customers, while empowering enterprises through efficient solutions.

10

October

- **stc** completed successfully testing the first remote reality racing 5G SA experience using 5G SA. In order to promote 5G SA use cases commercially, it provides real racers from all over the world compete against each other with real cars on real tracks in real races.
- **stc** is the 1st operator in the region to have full 5G network by deploying N1 (2100Mhz) NR coverage nationwide to improve user experience indoor/outdoor.
- **solutions by stc** awarded the Ministry of Electricity & Water (MEW) contract for internet and data services.
- **solutions by stc** won the Ministry of Public Works (MPW) contract for providing and maintaining access control (Finger Print) at their facilities.

11

November

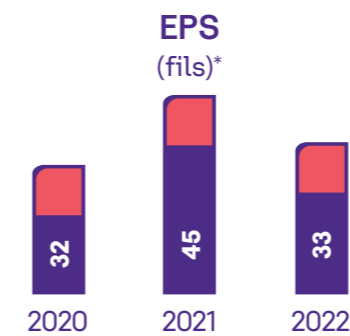
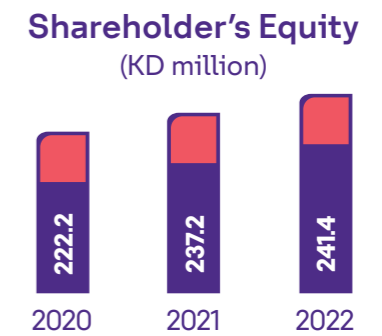
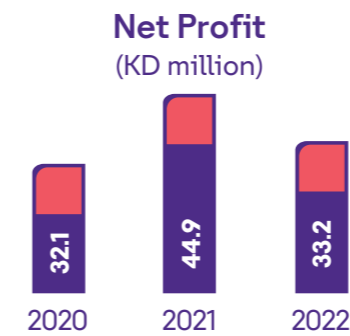
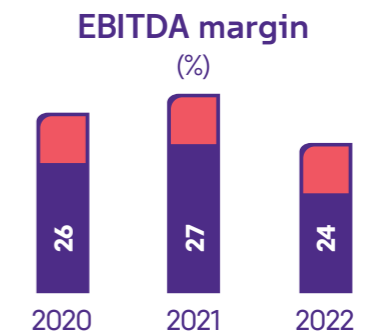
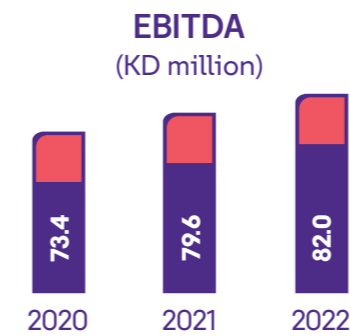
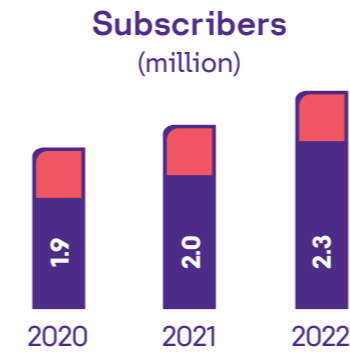
- **stc** launched **stc** baity, our new service catering to home internet users, aimed at providing homes with a stable, reliable and high-speed internet that covers all home needs through providing the fiber connectivity of baity fiber, or the state-of-the-art 5G outdoor router with baity 5G.
- **stc** collaborated with the international data roaming service provider BICS to provide the first intercontinental data roaming connection in the world, which was implemented between the two direct networks in Europe and the Middle East using the fifth generation independent technology "5G SA".

12

December

- **stc** partnered with "Loudplay" to provide our users with the latest in the cloud gaming technology which enables users to play high-end PC games on android smartphones, android tablets, & smart TVs. **stc's** Launching of its beta in early - December 2022, aims to make high-quality PC games accessible without having to pay a premium, in addition to making them available on any android smart device anywhere, anytime.
- **solutions by stc** announced range of Cyber Security solutions in partnership with a leading cybersecurity firm, further strengthening the high-end cyber security products and services we offer to our B2B customers.

Key Financial Indicators



* The EPS and Cash Dividends for 2020 and 2021 have been restated based on the distribution of 100% bonus shares in 2022.

** On 08 February 2023, the Board of Directors has recommended distributing cash dividends of 30 fils per share representing 30% of the share's nominal value for the year ended 2022. This recommendation is subject to the approval of the General Assembly of the company.

Read our annual report online, which includes our film and more visual assets.
www.stc.com.kw

2022

at a Glance

Awards of the year

Top CEO Award

TOP
CEO

Engineer Maziad Alharbi, **stc** CEO, was selected as the TOP CEO in Kuwait within the Telecom & Tech Sector during the "Top CEO Awards and conference for the year 2022" and honored among the Top CEOs in the GCC in recognition of the various accomplishments achieved.

Best Middle Eastern 5G Infrastructure Deployment



stc won the 'Best Middle Eastern 5G Infrastructure Deployment' at the Telecom Review Excellence Awards ceremony, in recognition of the Company's deployment of the advanced 5G infrastructure solutions in the region as well as its innovations in digitization and its crucial role as an enabler of the digital transformation.

Most Innovative Digital Transformation Telecom Company & Best Telecommunication Service Provider



stc awarded by the World Economic Magazine as "Best Telecommunications Service Provider" and "Most Innovative Digital Transformation Telecom Company" in recognition of its advances in the digital transformation, innovation, and telecom services in Kuwait.

Best M2M Technology & Best Corporate Governance Corporate Company



In recognition of its corporate governance framework and efforts to enable digital transformation in Kuwait, **stc** won "Best M2M Technology Solutions Provider - Kuwait 2021" and "Best Corporate Governance Telecom Company - Kuwait 2021" at the International Finance awards.

Most Effective Recovery 2022 & Global Awards in Business Continuity Awards



stc won several awards for its effective and resilient business continuity plan in 2022. The first award was received from Continuity, Insurance and Risk (CIR) Magazine during its 24th Annual Business Continuity Awards Ceremony for the category "Global Award 2022" and the second from Business Continuity Institute for the category "Most Effective Recovery 2022" at the BCI Middle East Awards.

Telecommunication Deal of the Year Award



stc was awarded the "Telecommunications Deal of the Year - 2022" for its acquisition of E-Portal Holding Company in 2022, during the "21st Annual M&A Advisor Awards Gala" - the world's largest M&A event held during the "2022 Future of Dealmaking Summit" in New York and brought together more than 500 international Companies from various industries.

Arab Media Forum Awards



stc won most of the awards during the 10th edition of the Kuwait Creativity Award 2022 forum. The awards were presented by the Arab Media Forum in appreciation of **stc**'s unique TVC productions, creative advertising concepts, as well as other initiatives introduced while implementing its effective CSR agenda and digital transformation strategy.

Leading Corporate for Investor Relations



stc is ranked 1st as the "Leading Corporate for Investor Relations" in Kuwait and the "Best Investor Relations Professional for the year 2022", in addition to its position amongst the top five listed companies in the Middle East in all sectors.

Best Digital Annual Report



stc is ranked 1st as the best Digital Annual Report amongst mid cap companies in the MENA.

Treasury Management Award 2022



stc Kuwait was selected as the highly recommended for the Treasury Management Award in 2022, during the largest treasury event in the region ACT Middle East Treasury Summit.

Best ICT Enterprise Digitalization Company and Best Community Development CSR Company



In recognition of its progressive and sustainable CSR program and efforts to offer a diverse range of innovative advanced integrated communications and technology solutions, **stc** won "Best ICT Enterprise Digitalization Company - Kuwait 2022" and "Best Community Development CSR Company - Kuwait 2022" at the International Finance awards.

Operational Highlights



79
branches



430
employees



65%
employees are Kuwaiti nationals



36.7%
market share



2.3
million subscribers



14
years in operations

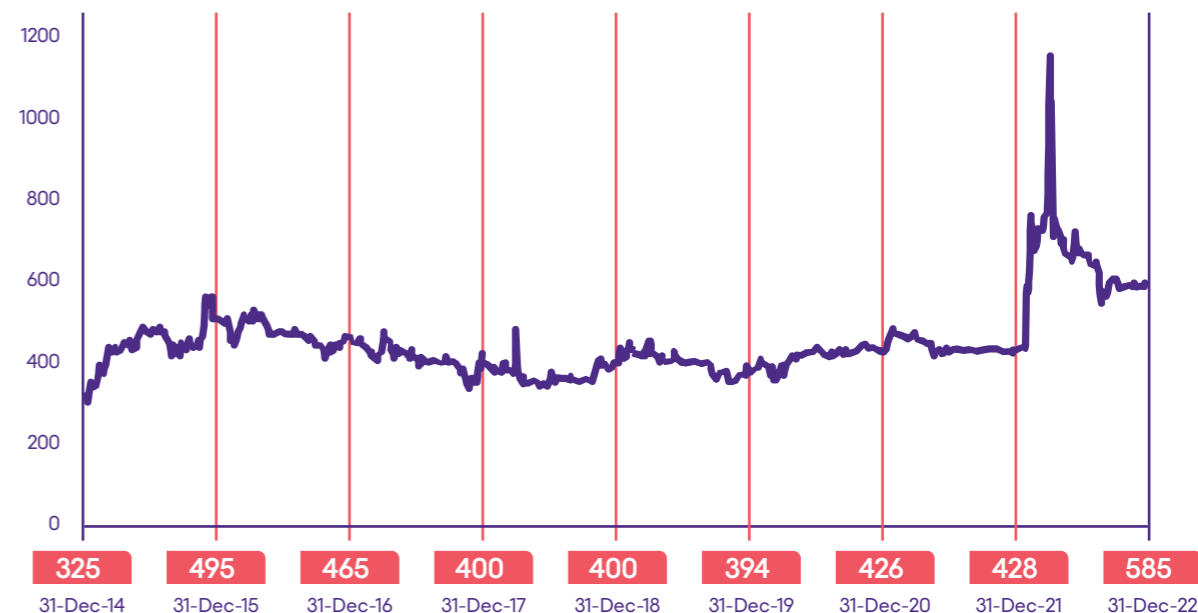


5G
100% coverage of residential and populated areas

stc Stock Performance

stc Stock Performance (2014-2022)

stc market closing price (Kuwaiti Fils)



*The stock price prior to the distribution of 100% bonus shares on the 18th of April 2022 has been normalized

FY-2022 stock performance and indicators

Closing Price (KD)

0.585

High Price (KD)

1.150

Low Price (KD)

0.423

Volume Traded (Mn shares)

154.3

Value Traded (Mn KD)

165.7

Number of Deals

51,398

Share Turnover (%)

24.0

FY-2022 Total Return (%)*

+43.9

*The total return is the stock's return during 2022, plus the cash dividends.

Company

Profile



Telecommunications Company (stc)

Who we are

Kuwait Telecommunications Company (stc) is a Kuwaiti shareholding company incorporated pursuant to the Amiri Decree No. 187 on 22 July, 2008, with a share capital of KD 50 million, to operate and manage the third GSM versatile system in Kuwait according to Law No. 2 of 2007. stc, the leading brand in the telecommunications industry and a subsidiary of stc Group, the world-class digital leader, providing innovative services and platforms, and enabling the digital transformation of the region, was listed on Bursa Kuwait in December 2014.

In 2019, stc fully acquired Qualitynet General Trading and Contracting Company - the leading Internet Service Provider in Kuwait - with the aim to capitalize on the new opportunities in the Kuwaiti Telecom Market. In 2022, stc has successfully increased its share capital to reach KD 99.9 million through the distribution of 100% bonus shares to its shareholders. To further enhance its digital capabilities, stc completed the acquisition of the entire share capital of E-portal Holding Company and its subsidiaries in 2022, one of the most prominent ICT providers in Kuwait.

What we do

stc always strives to support the vision of Kuwait 2035, in positioning Kuwait as a major financial and commercial hub in the region. Hence, stc is keen on providing its customers, both individuals and enterprises, with a unique portfolio of products and services that satisfy their aspirations and cater to their needs.

stc offers numerous opportunities in the fields of telecommunications, entertainment, information, digital and data transfer services, besides delivering the best customer experience around the clock.

Throughout a decade of excellence in service, transparency and proactivity, in addition to being the fastest-growing and most advanced telecom operator with the largest 5G network in Kuwait and the first in the region to launch 5G Stand Alone Technology (FULL 5G), stc's customer base has proudly reached 2.3 million.

Our brand

Kuwait Telecommunications Company (stc) has a brand name which considered the most expensive and valuable brands in the Middle East in the telecom sector, which is a unified trading brand of the group's companies in KSA, Kuwait, and Bahrain. The Group's brand name was ranked 11th among the world's highest value trademarks in the telecom sector by Brand Finance. stc's strong brand name is one of the key factors that enhanced the company's position in telecom market in the region and the gateway through which Kuwait Telecommunications Company (stc) seeks to keep abreast of the latest technical and digital developments in the ICT sector.

Our subsidiaries

solutions by stc

stc completed the acquisition by 6 May 2019 on the entire capital of Qualitynet (solutions by stc), the company's arm specializing in providing integrated business solutions, Internet services and fixed broadband services, this process was one of the crucial steps in our journey to improving the business solutions that stc offers to its customers by combining the strengths of two companies with prestigious and strong position in the telecom and ICT sector, as well as paving the way for both individual and enterprise customers to achieve their desired goals.

E-Portal Holding Company and its subsidiaries

On 6 April 2022, stc has completed the acquisition of the entire share capital of E-Portal Holding Company and its subsidiaries, specializing in communications and ICT in Kuwait, one of the most prominent companies in this field. The acquisition of E-Portal is a key step to enhance stc's digital capabilities further through owning a specialized arm in the ICT, IOT and Cloud Services aimed at offering business solutions to the institutional sector in Kuwait.



Our accomplishments

stc has succeeded in attracting the private sector investments, driving the economy and repositioning the telecom market as one of the most vital and active sectors in the evolution of global technology. stc has also extended its services to provide the best wireless coverage in Kuwait, and thus, played a key role in improving the nation's urban infrastructure.

Since 2008, stc's accomplishments have transformed the Kuwaiti telecom market, including changing wireless pricing models and fees, in addition to its membership in the International Telecommunication Union (ITU). In 2019, stc became the first network, in the MENA region, to offer its customers the 5G service and to enable enterprises in mobility. stc has invested in building the most advanced network, and proudly owns the largest number of sites covered by the 5G service in Kuwait. In 2021, stc was the first operator in Kuwait to launch the latest 5G Standalone technology dubbed 'FULL 5G' that brings the 5G experience to a new level with better speeds, lower latency, and improved coverage.

Additionally, stc is continuously working

on enriching its diverse digital portfolio of services, products and solutions offered to its customers, individuals and enterprises, through its collaboration & partnerships with local, regional and international key players in the telecommunication market.

Last but not least, stc succeeded in creating job opportunities and focusing on the Kuwaitization plan, reaching 65% of the company's workforce, by attracting the top talents through partnerships and collaborations in the Kuwaiti market as well as participation in many career fairs at different local universities and conducting internship programs. stc has always been committed to empower the younger generation, while attracting aspiring candidates that fit into stc's dynamic culture to become one of the employers of choice within the community.

stc is committed to strengthen its extensive Corporate Social Responsibility (CSR) program in line with its corporate values by launching a series of initiatives that primarily focus on tackling key issues within the areas of health, entrepreneurship, the environment, youth empowerment, as well as sports and education.

Vision, Mission, Purpose and Values

Our vision

Our vision is to be a world-class digital leader, providing innovative services and platforms to our customers and enable the digital transformation in Kuwait.

Our mission

Our strategy outlines the key pillars to expand **stc**'s top line, create value with greater efficiencies, while preparing the company for the future:

- End-to-end digital experience
- Enhance core performance
- Reinvent customer experience at world-class standards
- Leveraging on group synergies



Our values



Dynamism

Outstanding energy to enhance and enrich our performance. We are agile, collaborative and fresh.



Devotion

Determined to be a customer-centric company for our clients and an inspirational workplace for our employees. We are caring, committed and trustworthy.



Drive

Moving forward and enabling best possible solutions for our clients and employees. We are proactive, inventive and inquisitive.

Our purpose

stc aspires to a new digital age transforming our nations and economies.

stc creates products and services beyond the traditional telecommunications services to enable the digital pillars of the new digital economy. At **stc**, we combine smart technologies with the most advanced systems to harness the digital capabilities and the full power of technologies to better serve our customers, stakeholders, government entities and the local community as a whole.

We develop digital platforms, solutions and services based on the data science, cloud computing, artificial intelligence and advanced digital analytics driven by the 5G services. By empowering the leading industries, businesses and governmental entities to thrive through providing the most innovative digital services, **stc** focuses on shaping a sustainable future to the local community with a deeper insight and accelerated growth.

Strategic Framework

Our Future Strategy "LEAD" 2023-2025

Kuwait Telecommunications Company (**stc**) ensured enhancing its position as a digital pioneer through the implementation of its "AHEAD" strategy and building on its current initiatives aimed at enabling the digital transformation in Kuwait. Whereby, the foundations of AHEAD are centered on customer centricity, technology leadership, capture growth opportunities and leverage on the **stc** group capabilities. In this regard, the acquisition of E-Portal in Q2-2022 has been a key milestone in achieving this leadership position, and is expected to support **stc**'s future business expansion strategy.

Over the past three years, **stc** was keen to drive the Company on its path to market leadership during the most difficult global conditions. **stc** has also successfully

optimized its operations, invested in developing the largest 5G network in Kuwait and enhanced its digital channels to provide its customers with an unrivalled experience. **stc** has been the first operator in Kuwait to launch the full 5G (standalone 5G) providing better customer experience in terms of the download speed and latency, in addition to providing a broader range of use cases.

By completing a transformation journey that started in 2019 with the strategy AHEAD, **stc** has defined its future Corporate Strategy "LEAD" for the period 2023-2025, in order to enhance the company's aspiration and goals to LEAD the Kuwait telco and ICT market by offering innovative services, growing priority segments, and deploying an efficient and digital operating model.



"LEAD" is built upon 4 strategic pillars

Lift the core by capturing growth opportunities across youth, high-value expatriate and SME segments. This strategy is based on an enhanced customer segmentation that allows **stc** to better serve its customer needs and identify the buckets of growth within the core business.

Expand ICT business in scale and scope and position **stc** as a professional services provider by capturing the potentials of the Enterprise market across sectors by offering integrated communications and IT solutions through its subsidiaries. Whereby, the acquisition of E-Portal is a key milestone that propels **stc** capabilities to capture this growth opportunity.

Accelerate innovation leveraging Group, non-telco partners and Kuwait startup ecosystem. Going beyond the core by relying on the Group new operating model, specialized subsidiaries and their capabilities, enlarging the partnership ecosystem and exploring nascent ideas will allow **stc** to enrich the product portfolio, the customer experience and differentiate itself from its competitors in the telecom market.

Deploy an efficient and digital operating model that fits the growth. Moving forwards with a nimble and digital operating model with a relentless focus on profitability, developing **stc** employee's potential, nurturing their skills for the future, and promoting corporate sustainability.

Business Model

Our Stakeholders

stc maintains a strong, transparent and healthy relationship with its stakeholders, that is built on trust and mutual interests.

Company's management endeavors to act to the best interest of **stc**'s stakeholders including investors, employees, suppliers, customers, government entities and local community through understanding their needs, obtaining their feedback and presenting it in the board meetings. By committing to our purpose, complying with our values, engaging our stakeholders in our daily operations and following a holistic commercial as well as financial strategy, **stc** is better able to keep pace with the latest trends in the industry in order to create value and exceed the stakeholders' expectations. Finally, yet importantly, **stc** has managed to keep its stakeholders fully engaged by capitalizing on the power of the digital services it offers to obtain their feedback and ensure a prompt response to their queries.

Investors



A dedicated Investor Relations team is responsible for communicating with **stc**'s existing and potential investors on a regular basis and upon request via various physical and virtual communication channels.

At **stc**, we are open to communicate company's market position, competitive advantages, company strategy as well as financial and operational performance to the investment community.

stc's Investor Relations team ensures the investment community was fully informed with the latest developments as well as corporate responses taken by the company to maintain its viability.

Employees



stc views its employees as one of the main assets of the company through whom the daily operations are executed and profitability is achieved. Since inception, **stc** was always keen on investing in its human resources to upgrade their capabilities based on market demand and industry's megatrends.

stc's management is responsible for keeping all employees engaged in the Company's daily operations through setting clearly defined policies and procedures in line with **stc**'s mission, vision, values and purpose. With the regular physical and virtual meetings that **stc**'s executive management conduct with its staff at all levels, employees are encouraged to give their feedback pertaining the critical issues not only in their day-to-day operations, but also concerning the outlook of the relevant department.

Being the key success factor to the Company's operations during the pandemic, **stc** now prioritizes investing in its people more than ever before. The Company's working teams have proved their ability to beat the global challenges through their continuous efforts and professionalism associated with **stc**'s continuous support while working remotely.

Suppliers



At **stc**, a specialized team is handling the supplier relationship management through arranging and managing the contractual and procurement processes. Furthermore, each department is responsible to maintain a strong relationship with its suppliers through conducting physical and/or virtual meetings on a regular basis as and when required.

stc's management is responsible for choosing international and local suppliers in line with industry's best practices, and those who meet the local and regional communities' demand.

Customers



With a strong customer base of approximately 2.3 million customers, **stc** is committed to delivering the most advanced products and services to its customers both, individuals and enterprises. Hence, **stc** is keen on maintaining an upward pace with the industry's latest trends and technological advances through following its digital transformation strategy and creating strategic partnerships with the leaders in the digital industry.

Throughout the pandemic period, **stc** managed to keep up its business operations and serve its customers through adopting a flexible operating model based on a well-developed business continuity plan that guided the working teams to execute their day-to-day operations efficiently and effectively while working remotely.

stc leveraged on its strategic partnerships and capitalized on the digital services backed by the 5G technology to offer a wide range of products and services, aimed at aiding its customers during critical times where the digital platforms were needed.

Government Entities



stc adheres to market regulations through complying with all the rules and regulations issued by the regulatory bodies in the State of Kuwait. **stc** is also committed to provide full disclosures of all material information that would affect the investment community and/or the telecom industry in Kuwait.

stc not only ensures transparency and accountability of all company's activities, but it is also responsible for abiding the corporate governance rules and regulations.

Local Community



stc contributes to the local community by launching a number of corporate social responsibility initiatives that serve the Kuwaiti society.

Driven by its devotion to serve the Kuwaiti society, **stc** has a specialized team that presents the company in the local media and public events in order to inform company's current and potential stakeholders with **stc**'s latest news, services as well as market position.

Shareholders Information

Number of Shares Outstanding
998.7 Million Shares

Shareholders Structure as of 31 December 2022

51.8%
Saudi Telecommunications Company (stc)

32.4%
Other Shareholders

9.8%
Public Institute
for Social Security

6.0%
Kuwait Investment
Authority

Corporate KPIs

Preparing and monitoring the Key Performance Indicators (KPIs) at stc

In line with the international best practices and being an integral part of the Company's strategy execution process, **stc** ensures developing a proper and clear performance management process to evaluate its business and organizational operations based on a set of predefined Performance Indicators (KPIs). In this regard, and with the aim to ensure the effectiveness of executing the entire process, the KPIs are defined and tracked at regular time intervals at different levels of the organization. The KPI reporting aims at providing **stc's** board of directors and executive management a quick and easy review of the overall Company performance against a set of specific predefined strategic goals and industrial benchmarks through facilitating suitable measures for evaluation.

The overall process takes a holistic approach where everyone at **stc** is involved in the preparation of the KPIs. First and foremost, **stc's** strategic objectives and SMART goals are translated into corporate KPIs that are tracked periodically by the board of directors in adherence to the corporate governance best practices. In line with our corporate strategy, the corporate KPIs are determined on an annual basis which are linked to the appraisal of **stc's** CEO, Executive Management, and all the Company employees. It is crucial to highlight the major components of our corporate KPIs, which include but not limited to, a mix of financial objectives, and other strategic objectives.

The corporate KPIs are then cascaded to the CxOs, whereby, each CxO has a set of unique common KPIs that are linked to their annual strategic objectives in order to help driving the collaboration among the different business

and functional units. These objectives could be related to **stc's** penetration or expansion in a certain segment of the market, the provision of new services, growing the size of a certain product line, or executing a specific project such as digital transformation. It could also be related to meeting other requirements of other sectors such as recruitment objectives and cost optimization, etc. Last but not least, as the CxO KPIs would be cascaded all the way down to the lowest level of the organization, respective employees would be assigned the required tasks to help executing **stc's** corporate strategy and achieve the desired results with the highest level of efficiency.

As part of **stc's** commitment to foster the digitization into its internal and daily operations, the above mentioned performance management process of preparing and monitoring the KPIs is fully automated. Whereby, an independent unit within **stc** is assigned to perform the process in collaboration with the business or functional unit heads. The KPIs are; therefore, defined on an annual basis by the dedicated unit, which would also develop the monitoring methodology for the implementation phases of the predefined objectives, and then measuring and analyzing the results on a quarterly basis. Finally, at the end of each year, the KPI scores are measured, with the result of each measured individual is feeded into the annual appraisal process for all the Company's employees.

Chairman's Statement

Dr. Mahmoud Ahmed Abdulrahman

2022 a year full of exceptional achievements and strategic expansions in the Company's operations driven by **stc's** commitment to strengthen its leading position in the telecom sector and achieve the digital aspirations of the State of Kuwait



Shareholder's Equity

KD 241.4 Million

Book Value per Share

242 fils

Dividends per Share

30 fils

Dear Shareholders,

I am pleased to present the Company's Annual Report for the year ended 31 December 2022, whereby **stc** was able to realize a number of achievements in expanding the Company's operations with the aim to fulfil its corporate strategy and add value to its shareholders. These achievements coincided with many of the challenges faced by the rapid development of the telecommunications sector, to show **stc's** flexibility in driving further progress and accelerate the digital transformation process. This would, in turn, enable the Company to capture all the available business opportunities to achieve the growth in its operating and financial results. With our optimistic outlook, dedicated team, solid business continuity plans and robust corporate strategy, **stc** is keen to meet the needs of customers and the expectations of its valued shareholders in all its current and future plans, as it strives to leverage the Company's strong infrastructure to maintain its leadership in shaping and guiding digitization in the region.

Throughout the past three years, **stc's** AHEAD strategy played a vital role in positioning the Company amongst the front runners of the telecom industry through supporting the public and private sectors in Kuwait. In conjunction with our corporate strategy which focuses on expanding **stc's** services in the B2B sector, our outlook with regards to the increased demand on the ICT integrated technologies and digital solutions is considered one of the key factors for **stc's** acquisition on E-Portal Holding Company and its subsidiaries in April 2022. This acquisition demonstrates **stc's** commitment to grow its position in the ICT field by providing the best in class integrated technical solutions

to its individuals and enterprise customers. Consequently, **stc** is always seeking to leverage on the advanced infrastructure of its specialized ICT and ISP arms to provide the most innovative high quality products, services and solutions aimed at adding value to our customers and achieving good returns.

As part of our strategic and operational planning and driven by **stc's** devotion to deliver Kuwait's digital ambition and maintain its competitive position in a stiff market, we are looking forwards to implement our future strategy "LEAD" that shall elevate **stc's** operations in the following three years. This will fulfill **stc's** desire to strengthen its efforts to meet the shareholders expectation, increasing customer base, and continue in achieving robust financial results like what has been achieved during 2022; whereby, **stc** recorded a net profit of KD 33.2 million.

The Telecommunications Market & the Global Macroeconomic Challenges

The ever-growing reliance on digitization and reliable connectivity was the gate through which telecom operators were able to overcome the global economic challenges. Likewise, the telecommunications market in Kuwait has seen potential growth opportunities throughout the past few years in creating partnerships and executing mergers and acquisitions deals with ICT service providers. It is worth mentioning that the Kuwaiti Telecom market has also shown a sturdy demand in the 5G network services, particularly in the enterprise sector.

In line with the rapid developments in the telecom sector, **stc** has updated its corporate strategy during 2022, and was keen on developing its new strategy "LEAD" that focuses on leading the telecom and ICT market as well as overcoming all potential risks in order to enable the Company in providing the best as well as cutting-edge technologies. Accordingly, **stc** translated its outlook to support its internal capabilities and enhance its market share through enriching customer experience and leveraging on its solid infrastructure to expand its consumer and enterprise sectors.

Creating shareholders Value

stc's commitment to create shareholders value was clearly demonstrated by the constructive decisions that were taken by the executive management to excel with the Company's operations and deliver strong financial results. In 2022, **stc**'s prudent corporate strategy was reflected in the tangible outcomes that the Company has achieved from its acquisition on E-Portal Holding Company. The acquisition of E-Portal is considered one of **stc**'s major achievements during the year which enabled the Company to expand its business model and become one of the top companies in terms of the revenue market share of the Telecom sector. Not to mention that **stc** is utilizing the capabilities of its subsidiaries specialized in introducing innovative concepts and providing suitable solutions to the B2B sector in Kuwait in order to seize the potential growth in the enterprise sector, invest in its capabilities, reach the utmost efficiency in its business environment and drive its long-term value propositions. Similarly, **stc** is keen to foster the digitization agenda in its daily operations to facilitate the way towards reaching operational efficiency and effectiveness in each and every aspect of the product development and service offerings processes. Accordingly, **stc** ensures to enhance employees' productivity and increase their motivation towards driving the lead to a smooth digital transition.

Proudly speaking, **stc**'s outstanding financial results throughout the year and distinct brand emphasize Company's strong financial solvency

position and the implementation of its flexible operating model. Whereby, **stc** managed to achieve a total revenue of KD 336.4 million for the year ended 31 December 2022, where EBITDA reached KD 82 million with an EBITDA margin of 24%. As a result, **stc** recorded a net profit of KD 33.2 million. On the other hand, shareholders' equity increased by 2% at the end of 2022, reaching KD 241.4 million, with a book value of 242 fils per share.

The Board of Directors has recommended distributing cash dividends of 30 fils per share representing 30% of the share nominal value for the year ended 2022, subject to the approval of the Ordinary General Assembly of the company. This decision was based on **stc**'s belief in its long-term viability, strong financial position, and the ability to generate cash flow in the upcoming periods.

Nevertheless, in the first half of 2022, **stc** has successfully increased its share capital to reach KD 99.9 million through distributing 100% bonus shares to its shareholders. This decision came from **stc**'s positive outlook on creating an added value to its shareholders and place their interest on its top priorities. In this regard, **stc**'s management ensures developing long term financial policy to balance between its operational and financial performance that would positively reflect on its solvency and enhance its market position as a leader in the telecom industry and a pioneer in the digital transformation.

Corporate Governance

stc is committed to adhere to the corporate governance rules and regulations issued by the Capital Markets Authority in the State of Kuwait which aims to uphold transparency, protect shareholders value and improve company's operating environment. In conjunction with all the recent changes imposed by the regulatory bodies, **stc** ensured applying all laws and regulations that conform to its values and the professional foundations that guide our work to better serve the interests of our shareholders.

The corporate governance report in a later chapter of this report outlines our framework in further details.

Corporate Social Responsibility

With an aim to better serve its customers, employees, suppliers, local community and all the relevant stakeholders, since inception, **stc** set clear goals centered on strengthening its corporate social responsibility program (CSR) by launching and contributing to various initiatives.

In this regard, and following **stc**'s corporate values and keenness to deliver on its commitment to maintain its pioneering position as part of the social fabric in Kuwait, this year the Company launched a series of campaigns and initiatives in collaboration with various charitable organizations, as well as institutions in the government and private sectors respectively. The objective of these various initiatives was to make effective and positive contributions in the society that spread awareness on important causes that impact the community. This has provided the Company with an opportunity to enhance its outreach to the local community and tackle key issues with a primary focus on health, the environment, entrepreneurship, sports, and education.

This year, **stc**'s CSR program was also narrowly focused on the Company's environmental, social and governance consideration that was expanded further during 2022. Hand in hand, **stc**'s working teams assure compliance with the latest trends towards adhering and evaluating the implementation of the ESG factors to protect Company's stakeholders, manage its social capital, preserve the natural resources and encourage waste reduction.

Hence, as a pioneer in Kuwait's telecom and digital solutions sector, **stc** will continue to contribute through its rich, diverse, and widespread program with the sole objective of creating a positive and sustainable impact in the local community. This approach falls

in line with **stc**'s vision to back and support the community by implementing initiatives and events that align with its robust social responsibility framework.

Appreciation

On behalf of the Board of Directors, I would like to thank His Highness, the Amir Sheikh Nawaf Al-Ahmad Al-Jaber Al-Sabah, H.H. the Crown Prince Sheikh Meshaal Al-Ahmad Al-Jaber Al-Sabah, H.H. the Prime Minister Sheikh Ahmad Nawaf Al-Ahmad Al-Sabah his distinguished government for their continued support to the telecommunications sector, which puts our precious country on the map of the advanced and developed countries in the field of telecommunications.

I would also like to express my appreciation and gratitude to all **stc** family members for their significant efforts, dedication, and great sacrifices during 2022. Furthermore, I would like to highlight their ongoing enthusiasm and dedication to making **stc** a fascinating successful company during a time when the global economy has been greatly impacted. I would like to thank our loyal customers in particular for their continued trust in **stc**, which motivates us to provide the best services of the highest quality possible. Our heartfelt gratitude to our valued shareholders for their ongoing support and confidence in us.

Strategic Review



Chief Executive Officer Statement

Eng. Maziad Alharbi

“ The strength of the strategic and financial planning and the resilience of internal policies are the key to **stc**'s success at all operational and financial levels and solidify its position as a leader in the telecommunications and information technology market ”



Revenues	EBITDA	Net Profit
KD 336.4 Million	KD 82.0 Million	KD 33.2 Million

Dear Shareholders,

Kuwait Telecommunications Company (**stc**) ended the year 2022 with numerous and unprecedented achievements at all operational and financial levels. The expansion of its operating model has had a significant impact on achieving the highest level of the Company's market share of revenue since its inception. Whereby, all of these achievements are in the interest of our valued shareholders and reflect their confidence in the outlook of the company's performance. Likewise, **stc**'s results during the financial year ended in December 2022 demonstrated the successful implementation of its corporate strategy with all the operational and financial KPIs adopted. This was the key factor behind reaching **stc**'s best results aimed at exceeding the aspiration of our customer's in addition to placing **stc** amongst the leading companies in Kuwait for digital transformation and providing integrated technical solutions with a value added to the traditional telecommunications sector.

stc's strategic expansion in April 2022 through the acquisition of E-Portal Holding Company and its subsidiaries demonstrated the Company's success in creating strong and solid grounds to achieve the sustainable growth in the future. Therefore, **stc** has worked hard to establish a holistic operating model, which significantly supports the strategic pillars of its digital transformation process in line with Kuwait's 2030 vision in addition to maintaining its position as a market leader in the telecom industry that offers a wide range of services to the individual and enterprise sectors. This is by virtue of **stc**'s most advanced 5G network and well-established

infrastructure that the Company had heavily invested in to enable the Company to deliver the best integrated technical and database solutions that target and fulfill the needs of all of our customers.

At **stc**, we have been keen to keep up with all the changes and challenges brought on by the economic impact, and particularly, by the strong competition within the telecom sector. Therefore, **stc** ensured refreshing its corporate strategy and structuring the group's operational model to ensure the best outcomes and capture all the available opportunities. We also strive to design smart plans that consider all the potential risks to always be prepared and face any future crisis through adopting a flexible as well as adaptable operating model that copes with the constantly changing market requirements and economic conditions. In return, this will enable **stc** to achieve strong performance with long-term sustainable growth.

B2B Sector Expansion

We are relatively certain that **stc**'s products and innovative solutions shall facilitate the swift transformation that the telecom industry is going through. **stc**'s focus to reinforce its position as a leader in the Telecom industry and the ICT field was reflected through its acquisition on all the share capital of E-Portal Holding Company in 2022, to act along with our subsidiary solutions by **stc**, as the Company's specialized arm for providing business solutions. This acquisition would enable **stc** to offer the best in-class integrated communications and networking solutions as well as advanced technical solutions, fixed

services, broadband, integration systems and cloud services to its individuals and enterprise customers. The acquisition of a dominant ICT services provider would also support **stc** to scale up its activities and shift from just providing traditional telecommunications services to enable more digital capabilities through offering the ICT, IoT as well as cloud services. With an increased focus on the ICT services through utilizing the capabilities of its subsidiaries, **stc** was able to capture new streams of revenue driven by the increased demand on the digital communications and information technology services, especially post the recent economic crisis. Accordingly, **stc** succeeded in creating a solid infrastructure that would enable the Company to stand out and confront any difficulties that may face the telecom market in the near future.

Based on our future vision of the digital solutions and the rapid development of the telecom sector that is witnessing an acceleration in the launch of new global technologies, **stc** has placed a great emphasis on continuously enhancing its infrastructure. Through which, **stc** ensures having a qualified infrastructure with the highest specifications and quality to offer all the ICT services, being the recent utmost importance to the enterprise and business sectors. This would also enable **stc** to sustain its position as a leader in the innovative business solutions through leveraging on its subsidiaries specialized in the ICT and ISP services in addition to creating an unparalleled dazzling opportunities to deliver the most advanced as well as best-in-class services that shall expand the Company's presence in the enterprise sector, build a strong customer base and increase its market share.

Digital transformation

With the rapid technological storm, **stc** is now looking forwards to adopt a sustainable business framework to strengthen its brand name on a global level and positively impact its bottom-line. The increasing global demand

on digitization created an imperative need for **stc** to adopt a digital culture, especially with the advanced technology that would assist the Company to differentiate itself among its competitors in the industry. **stc** was quick to recognize the necessity of incorporating the sustainability principles into its business plans in order to enhance customer satisfaction through providing cutting-edge digital solutions and telecom services. Not to mention **stc**'s keenness to save the environment, protect its human capital, and develop all the internal systems to keep up with the finest digital advances and better serve our customers effectively.

Digitalization can also assist in bridging the gap between the immediate requirements to enhance the sustainability principles and protect the environment on the long-term. The full adoption of digital technologies will improve power usage intelligence, speed up electrification, reduce energy consumption and accordingly, cut business costs. In addition to being a sustainable company, executing **stc**'s operations while maintaining strong ESG initiatives would enhance operational efficiency to sustain the corporates' value for long-term prosperity. **stc** will, therefore, be motivated to actively address and exhibit consistent performance in sustainability, which in turn, would affect the Company's investment decisions and market demand on its services.

Our New Strategy

Upon the successful and outstanding results achieved by implementing our 2020 three year strategy "AHEAD", a new three year corporate strategy "LEAD" has been established by **stc** for the year 2023, with the aim of supporting the Company's journey towards leading the Kuwaiti telecom and ICT market. Company's "LEAD" strategy is based on the vision of **stc**'s Board of Directors and Executive Management of enriching shareholders value and maintaining Company's competitive position by seizing promising investment opportunities. Driven by **stc**'s strategic pillars, we will strive

to achieve the desired objective by capturing growth opportunities across youth, and SMEs segments to boost the performance of the consumer sector. Furthermore, **stc** will keep capitalizing on the internal capabilities of its ICT subsidiaries to enrich its ICT product portfolio to the enterprise segment, especially after the extensive demand of the digital services and integrated technical and business solutions.

The implementation of a productive and digital operating model is considered our foremost concern with an unwavering commitment to enhance profitability, maximize our employees' potential, improve their future career skills, and promote corporate sustainability. This is also accompanied by the hard work of our subsidiaries and their capabilities to execute business solutions in the ICT field.

Financial performance of 2022

In line with Company's aspirations to add value to shareholders and exceed customers' expectations, **stc** was able to generate strong financial results in FY2022. Whereby, **stc** recorded the highest total revenue since inception to reach KD 336.4 million with a growth rate of 13.5% in 2022, compared to KD 296.3 million last year. **stc**'s robust outcomes are attributed to the smart packages designed to cater the needs of the individual sector, the huge support of the integrated technical solutions provided by its ICT, ISP and business solutions subsidiaries, the recent excessive demand on the integrated business solutions, and the continuous increased demand on the traditional telecommunications services in the Kuwaiti market. Additionally, this growth in revenue was achieved with the significant support from the increase in **stc**'s customer base which has reached 2.3 million customers by the end of December 2022, representing a rise of 14.4% compared to last year. The growth in revenue was also a result of the positive impact due to the consolidation of E-Portal's financials, which was fully acquired by **stc** on the 6th of April 2022.

I am also delighted to shed the light on **stc**'s ability to play a proactive role in offering the best and most sophisticated services to our individual and enterprise customers in the highest possible quality in order to preserve the company's position amongst the top in the market, in the light of the current difficult economic conditions and inflationary environment. Accordingly, **stc**'s EBITDA witnessed a growth of 3.1% to reach KD 82.0 million in 2022 compared to KD 79.6 million in 2021. As a result, the company's net profit during 2022 reached KD 33.2 million (earnings per share 33 fils) compared to 2021.

The continuous update of **stc**'s long-term financial policy, short and long-term digital transformation strategy along the previous three years was the main attribute that facilitated the ability to keep pace with the most recent developments in the telecom industry. **stc** succeeded in not only satisfying and exceeding the needs of its customers, but it has also demonstrated its ability to build a wise financial and operational plan based on the Company's cost optimization program. This, in turn, had a significant role in enhancing **stc**'s solvency and strong cash position.

Human Capital development

It is of our utmost duty to declare the importance of **stc**'s human capital in the exceptional performance that the Company has achieved in FY2022. The astonishing results validate **stc**'s determination to invest in its employees, of its operational excellence and financial performance. As part of **stc**'s commitment to recruit and retain the top talent, it makes every effort to empower its employees by strengthening their capabilities and encouraging them to perform at their highest levels in various working conditions and situations that might occur. In addition to leveraging the arising potential growth opportunities in the enterprise sector, **stc**'s recent acquisition of E-Portal Holding Company is aimed at exchanging and sharing expertise between the working teams of

both Companies. Whereby, this acquisition acts as an inflection point of **stc**'s success in enhancing its internal capabilities.

stc's initiatives, investment decisions and daily activities cover the Company's ambition to contribute to the digital transformation process and lead the sustainable economic growth in Kuwait. As part of the Company's commitment to support the Kuwaiti employment program "Kuwaitization", which is focused on increasing the indigenous participation rate in the private sector, **stc** has articulated the Kuwaiti employment replacement program as one of the main pillars of the human resources strategy. Whereby, the Kuwaiti employees at **stc** has reached 65% of company's total employees by the end of 2022.

Appreciation and gratitude

In conclusion, I am pleased to express my gratitude and thank our valued customers for their loyalty and confidence in **stc**, which have enabled us to achieve these outstanding results. Furthermore, I would like to thank the Board of Directors, Executive Management, **stc** family members and partners for their support in achieving this remarkable operational performance through their outstanding teamwork. I would also like to shed the light on their contributions to company's success during these difficult and unprecedented times through their cooperation, enthusiasm, dedication and continued support. This, in turn, has paid off with the fact that **stc** is now at the forefront of the most innovative digital communications services providers. Through your support and our productivity in implementing company's new strategy, transformation plan and investment activities, we are confident that **stc** will be able to move forward in achieving its future goals.

Key

Milestones

2008

- Launches commercially
- **stc** abolishes incoming calls fees and other operators follow
- First Operator in the world to have all IP network

2009

- **stc** introduces high speed Mobile Broadband in Kuwait
- **stc** launches innovative prepaid offerings and acquires 500K customers in one year

2011

- First to introduce Apple iPhone
- Strategic partnership with Manchester United
- First to introduce newest HSPA+ (42.2 Mbps) Broadband network

2010

- Expands retail network and launches joint promotions with retailers
- **stc** wins Comms MEA Best Telecom Finance Deal

2012

- **stc** launches Elite Program for loyal, VIP and high value customers
- **stc** turns into profitability during the fourth year of operation
- **stc** starts deployment of 4G LTE network

2013

- Completes nationwide 4G LTE Coverage and awarded Best LTE deployment in the Middle East
- Number portability and **stc** acquires majority of ported numbers between operators

2015

- The first in Kuwait to introduce the all-new (VoLTE) technology
- **stc** branches network reached a total of 70 across Kuwait
- First to introduce the LTE Advanced

2014

- Partnership with Real Madrid
- Listing on KSE
- Retained earnings turned to be positive
- Ranked 2nd in terms of revenue and subscriber market share

2016

- Best Telecom Co. by Arabian Business
- Member of (ITU)
- Leading Corporate for IR
- Business Innovation in Risk Management

2017

- VIP Customer Service Award
- Won the "2017 Speedtest Award" by Ookla company
- Excellence in Governance Award
- Won the "Best Operator Network" from telecom world Middle East
- 5G Innovator of the Year Awards

2019

- **stc** wins Sharjah Gulf Top 10 Business Award 2018
- Acquisition of Qualitynet - the leading ISP provider in Kuwait
- Launched 5G services in June
- **stc** and Huawei sign MOU to develop 5G services
- Launches the new brand **stc**

2018

- Best Network Development Award at 5G MENA
- **stc** reaps three accolades at ME Call Centre Awards
- Wins "Advertising Creativity Award" at Arab Media Forum

2020

- **stc** Group was ranked the 1st in the MENA region, by Forbe's "Global 2000" list
- **stc** rebrands "Qualitynet" to **solutions by stc**
- **stc** signs an AoA for establishing Connect Arabia W.L.L with Mobility Telecom Kuwait Limited (BVI) which will be the main partner

2021

- **stc** and Virgin Mobile Middle East & Africa led consortium receive MVNO license from CITRA
- **stc** signed a binding agreement to fully acquire E-Portal Holding Company and its subsidiaries, which specialize in the Information and Communications Technology sector in the State of Kuwait

2022

- **stc** acquires E-Portal Holding Company and its subsidiaries - the leading ICT services provider in Kuwait
- **stc** increases its shared capital to reach KD 99.9 mn through the distribution of 100% bonus shares
- **stc's** total revenue has reached its highest level since inception

Chief Financial Officer Statement

Mr. Mohammed Mubarak Al Faran

“ The outstanding financial performance with new revenue streams and sustainable growth enabled **stc** to achieve its strategic objectives and maintain its strong financial solvency in the telecom market ”



Debt/Equity

0.10x

EBITDA Margin

24%

Net Profit Margin

10%

Overview,

The strong financial results of Kuwait Telecommunications Company (**stc**) for the FY2022 demonstrated Company's resiliency and efficiency in achieving its corporate strategic objectives in addition to the strong financial plans designed to support its operations. This has been also achieved along with the robust financial results in terms of revenue, profits, and solid cash flows. Therefore, **stc** was keen to implement its corporate strategy focusing on the digital transformation, capturing business opportunities and expanding Company's activities in the enterprise sector. Accordingly, in April 2022, **stc** completed its acquisition on the entire share capital of E-Portal Holding Company and its subsidiaries - a leader in the ICT field with a value added customer base from both the private and government sectors. This acquisition was mainly driven by **stc**'s objective to expand its operating model, offer comprehensive services and provide integrated solutions in the field of information technology as well as advanced technical and digital solutions for the enterprise sector. In addition to strengthening **stc**'s internal ICT capabilities in line with the recent rapid global developments, we believe that this acquisition is also considered an integral opportunity to expand **stc**'s business scope of work in Kuwait, and share the expertise and experiences between the working teams of our subsidiaries.

stc's internal policies and financial plans that have been implemented in 2022 are based on several programs, such as cost optimization, reaching operational efficiency at the lowest costs to achieve higher profitability whilst ensuring the same quality of services. This was also accompanied with the continuous

investment in its infrastructure to upgrade its digital services as a key factor in guiding **stc** towards sustaining its leading position in the telecom and ICT field. Driven by **stc**'s commitment to create value to shareholders, exceed customers' expectations, and meet the investment community's outlook, we always strive to build the Company's financial strategy in a way that serves the best interest of **stc**'s strategic expansions. The harmony in implementing the Company's operational policies, corporate strategy and financial strategy allowed **stc** to stand out among its rivals in the telecom market in terms of its operational performance, and maintaining a strong level of cash flow. The latter has, in turn, preserved **stc**'s strong solvency position and provided the opportunity to achieve new streams of revenue through targeting new opportunities in the enterprise sector.

In 2022 **stc** was keen to implement the industry's international best practices and adhere to the highest level of transparency with the current and potential investors. **stc** also ensures the application of corporate governance laws in all of the Company's activities driven by the full transparency principle and preserving the equality between Company's shareholders and the investment community. Accordingly, for the third consecutive year in a row, **stc** was ranked the 1st as Kuwait's Leading Corporate for Investor Relations and amongst the top 5 companies in the Middle East, demonstrating its great efforts in fulfilling the needs of the investment community in an efficient, transparent and timely manner to meet the global best practices in this field.

Solid Financial Performance

I am pleased to announce that **stc** succeeded in reaching the desired results and strengthening its financial position during 2022, which was reflected in achieving good levels of revenue, EBITDA, EBITDA margin, and net profit throughout the challenging market conditions and strong competition. Whereby, **stc**'s perseverance to expand its services and strengthen its position in the ICT field in addition to leveraging on its specialized arms to provide the best integrated communications information solutions and cutting-edge technical solutions have also significantly contributed to its solid financial results for the FY2022. Additionally, **stc**'s determination to implement its digital transformation strategy, leverage on its 5G network capabilities and offer a wide range of the smart packages, designed to serve the consumer sector, was critical in rising the demand for its traditional communications and digital services. As a result, **stc** was able to achieve a notable growth in revenue during 2022.

For the fiscal year ended in 2022, **stc** generated good consolidated financial achievements driven by the intense demand for the digital platforms and data services, particularly from the enterprise segment and the integrated business solutions. Whereby, **stc** reported the highest total revenue since inception which grew by 13.5% reaching KD 336.4 million at the year ended 31 December 2022. **stc** also achieved good levels of EBITDA reaching KWD 82.0 million in 2022, despite the high marketing and sales charges brought on by the market. Accordingly, **stc**'s EBITDA margin reached 24% in 2022, with a net profit of KD 33.2 million (earnings per share 33 fils) in 2022 compared to KD 44.9 million (earnings per share 45 fils) in 2021, in which the decline in net profit is due to the nonrecurring and extraordinary gains from legal claims in 2021.

stc's robust financial strategy is reflected by the Company's clear and accurate investment capital decisions that have been taken since launching the 5G network in 2019. Whereby, **stc**'s

total capex spending reached KD 18.5 million, representing 5.5% of **stc**'s total revenues in 2022, compared to KD 274 million representing 9% of **stc**'s total revenues in 2021. On the other hand, **stc**'s total assets reached KD 424.4 million in 2022. In addition, Company's total shareholders' equity grew by 2% to reach KD 241.4 million, with a book value of 242 Kuwaiti fils per share. Furthermore, **stc**'s low debt to equity ratio of 0.10 as of 31 December 2022 compared to its peers in the telecom industry demonstrates the Company's strong solvency position within the telecom industry in MENA region.

Financial Strategy

Driven by the global and regional economic conditions, market competition and industrial outlook, **stc** ensures the continuous review and update of its financial strategy to help the Company cater customers' needs and create value to its shareholders. Over the past few years, the consistency of **stc**'s strategic and financial decisions were reflected in the Company's diligence to invest in its human capital, strategic business units and internal capabilities to offer a huge basket of products and services to the consumer and enterprise sectors.

In this regard, **stc** completed several strategic projects that are backed up by the digital solutions in line with the Company's strategic and financial objectives to enhance its efficiency and control over its operations in addition to reaching excellence in the treasury management processes. **stc** has also successfully integrated the financial systems with its subsidiary Solutions by **stc**, which has contributed to reducing operational costs, and providing more opportunities to enhance its financial efficiency. Moreover, the flexible operating model of the group (**stc** and its subsidiaries) also contributed to boost profitability and improve the Company's internal capabilities in the most effective way in terms of cost restructuring and optimization.

Furthermore, the ERP integration of solutions by **stc**, the establishment of the automated dashboard designed to monitor

the operational performance of each unit at **stc** and its subsidiaries, the implementation of the automated CPM tool and the strategic business analysis of the payment mechanism are considered the key achievements of **stc** that significantly contributed to enhancing its profitability. Not to mention the restructuring of its internal procedures and adopting the best digitization processes to control **stc**'s expenses and detailed financial performance prior to the preparation of Company's consolidated results.

Moving forward

After the significant achievements resulted from the implementation of **stc**'s 2020 "AHEAD" strategy over the three past years, which focused on expanding Company's product offerings and services, **stc** is eager to launch its 2023 "LEAD" strategy for the next three years focusing on market leadership through expanding its digital services and utilizing its efficient and digital operating model. **stc** ensured that its "LEAD" strategy and business plans are developed based on the Company's healthy cash position reaching KD 63 million at the end of 2022. Subsequently, **stc** will keep on screening and hunting developed strategic potential value-creating digital prospects aimed at elevating Company's market position in the telecom and ICT market, contribute to the Kuwaiti outlook of building up a new digital economy and aid the Company in implementing the digital agenda within its daily operations.

Market Review

In our ever-evolving economies, **stc** strives to keep moving forward and advance in step with the cutting-edge technologies that are reshaping people's lives, international communication, business operations, and corporate activities. Therefore, for **stc** to maintain its leadership position in the telecommunications, IT, and ICT industries, it became necessary as well as imperative to adapt to and take advantage of the most recent technological digital advancements that shall influence the areas in which our customers operate.

Since inception and following the global economic crisis, **stc** has consistently taken the initiative to identify the major trends affecting its business. Accordingly, this section of the annual report gives an insight into the latest market and technological developments that have thrived over the past few years and became globally inevitable.

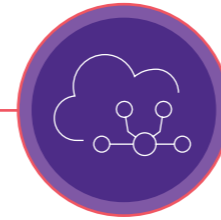
Industry trends

Competitive Market

As part of the MENA region's fastest-growing economy, Kuwait has been at the heart of the technological developments and digitization. Whereby, like many countries, it has seen its telecommunications industry grow and evolve to a stunning extent more than anyone would have ever even dreamed of.

The telecom industry in Kuwait has expanded to a high level, with a particular emphasis on mobile infrastructure and services, and is expected to grow in the upcoming years as the economy deliberately transitioned

away from its reliance on oil and natural gas towards one that is more knowledge-based and centered on ICT and related services.

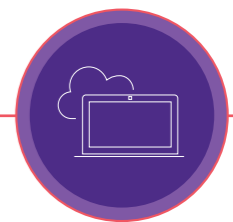


Partnerships and ICT Acquisitions

The telecom and software development companies have been successful in promoting their services in the region through partnerships and collaborations with both public and private businesses, which has made a significant contribution to the telecom industry as a whole. On the other hand, and as a result of the governments' interventions, bigger spending, and increased foreign investments, there has been a huge demand on adopting a new technology at such a rapid rate, which assisted the MENA region to earn the title of a relatively mature market. As a result,

telecom operators shifted towards a new strategy to boost their revenues by acquiring ICT providers. This will, in turn, play as a great factor to progress in several areas, including, but not limited to:

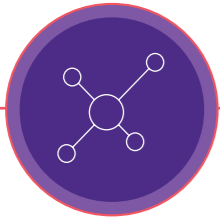
- Improve decision making
- Enhance manufacturing productivity
- Improve customer services
- Better communications and virtual collaboration
- Improve financial performance and profitability



Remote Working

There has been a global shift towards remote working in the corporate, business, educational, and industrial developments over the past few years. Accordingly, an increasing demand on the digital and online platforms was created and opened the door for telecom and ICT operators to realize new streams of revenue while capitalizing on the fixed high-speed broadband and mobile networks.

With the use of efficient technologies, online cloud computing, digital security and digital solutions became an integral part of not only the individuals' and corporates' daily operations but also the business continuity planning. This has made it possible for numerous industries to obtain the benefits of cost optimization programs, such as rent, utilities, building maintenance, cleaning, and equipment.

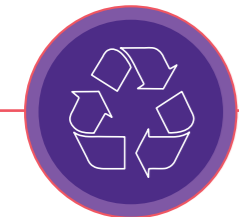


Digital and Green Transformation “Digital ecosystem”

A new era of transformation has begun where corporates and governments are more focused than ever before on adopting sophisticated technologies and new business strategies with the aim of maintaining their competitive position in a world that is always evolving rapidly. Driven by the significant and unanticipated problems brought on by climate change that the world has to deal with, resilient thinking became essential to lessen the risk associated with inadequate Environmental, Social, and Governance management, such as repeated harm and social stigma, which can result in a drop in market value.

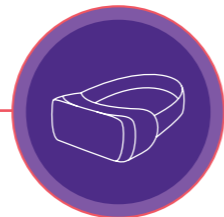
The sudden rise in energy costs has accelerated the increased demand for ICT services providers and telecom operators to

integrate the ESG and climate factors into their corporate strategy and develop better energy-saving methods while pursuing net-Zero emission goals. This explains why the three major aspects, environmental, social, and governance (ESG) issues are currently garnering more attention, especially from the investment community.



Sustainability Reporting

The adoption of sustainability principles in all the corporate activities became the heartbeat of the telecom industry; whereby, creating a quality, resilient and sustainable ecosystem is crucial to help companies in creating positive social and business impacts. There has been a magnifying trend towards sustainability, where consumers as well as investors became more likely to support sustainable businesses.



Virtual Reality (VR)

Virtual reality has gone above and beyond entertainment to the extent of being included in the healthcare, tourism, education, institutions industries. In this regard, employees can use virtual reality when executing their tasks to experience life-like circumstances that improves business operations. On the contrary, the technology is still in its early stages of development as many organizations around the globe are hesitant to completely commit to the virtual reality technology due to various concerns related to costs, accessibility, and safety.



Economic Uncertainty

Economic instability is still a major concern for strategic planners due to the pressure faced in the budgeting planning process, especially, with the increased inflation in personal costs, energy costs as well as external spending on services, leases, and capital expenditures. This has created a global need for most sectors to improve their operating margins, enhance their infrastructure and build a solid business continuity plans to survive during any unprecedented economic event that may arise and avoid the negative repercussions.

Companies should, therefore, concentrate on their profitability and develop a sustainable revenue growth plan in order to escape the upcoming margin squeeze. From which,

companies would also find a window of opportunity to reset the cost base, accelerate strategic initiatives, and exit this inflationary phase to shape a better economy. For that reason, the readiness around having proper business models, governance, business systems and processes, in addition to the accurate financial reporting processes are the key for more diligence by investors and more regulatory tightening around listed companies.



ICT Integration

Mobile operators have recently shifted from providing solely traditional telecom products and services to start offering a wide range of end-to-end hardware and software integrated solutions to the B2B and B2C sectors. Where the demand for Data, Cloud, IoT and Cyber security services is steadily growing, Telecom operators found new opportunities arising from extending their services to include ICT

solutions in addition to enhancing their ICT infrastructure to obtain an easier access to data and enrich customer experience. This is more likely to create opportunities for telecom operators to expand their presence in the market, target new segments and enhance their market share in competitive markets.

Technology Trends



Internet of Things (IoT)

The individual and enterprise sectors are nowadays relying heavily on the use of internet of things market (IoT) more than ever before. The benefits of the artificial intelligence (AI) employed in the IoT surpass that of data share and collection to affect the bottom line of telecom operators through increasing corporate efficiency, raising and the level of automation and helping those companies to deliver better customer service. The potential for IoT technology and AI-based solutions to be used in nearly all daily operations and decrease companies' operational costs, has contributed to the global trend towards utilizing these services.

Following are examples of the innovative IoT applications in various domains:

Consumer

- IoT and connected devices are increasingly finding their way into consumer applications such as smart watches, home automation, connected health, connected transportations and other wearable devices.

Manufacturing

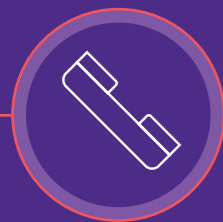
- IoT opens up a completely new world of possibilities for the manufacturing industry with the ability to integrate seamlessly with various devices and processes in the industry domain.

Transport and Logistics

- IoT applications touch a variety of aspects of this rapidly expanding business like vehicle tracking, driver information system, navigation, safety and roadside support, etc.

Healthcare

- IoT offers a wide range of medical and healthcare applications as it enables hospitals and medical institutions to run more efficiently. It also simplifies the way in which patients can receive better treatment. Hence, the IoT has been recently integrated with a variety of medical devices, resulting in a higher quality and more effective medical services.



Connectivity and Digitalization

The telecom sector is witnessing drastic changes in terms of enhancing the digital services and business solutions for the consumer and enterprise sectors; embodied with creating partnerships with mobile virtual network operators (MVNO)'s. Digitization has become an essential part of our daily activities and business operations where it has been taking into many shapes to reach digital payments throughout the use of

IoT, Cloud solutions and connected devices. On the other hand, MVNO's are designed to cater customers' needs via customized plans designed for the consumer and enterprise sectors with lower than usual prices.



Cloud Technology

There is an increased demand for the use of cloud technology and data storage due to the fundamental role it has in accessing data and connecting to enterprises from anywhere at any time, in addition to the vital role it plays in facilitating the below areas which contribute to the success of major telecom and ICT solutions providers:

Diminished IT costs

- Cost of managing and maintaining IT systems
- Reduce the need of purchasing expensive systems and equipment.
- Reduce operating costs (cost of system upgrades, eliminate wages for additional staff and reduce energy consumption costs).

Business continuity & disaster recovery

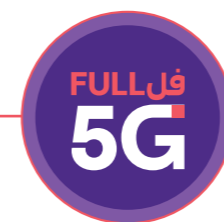
- Having the data stored in a secure and safe location helps organizations to manage businesses more effectively in case of power

failure, natural disaster, security issues or other crises. Cloud technology also enables consumers and enterprises to leverage on the shared hardware through the use of fast as well as secure connectivity with lower latency.

Participation efficiency & increase collaboration

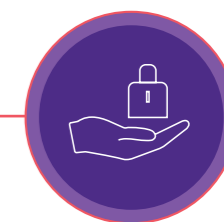
- Communication and shared services is executed with the use of modern and faster methods instead of the old and traditional methods.

Additional benefits including, but not limited to, automatically access updates, scalability and loss prevention.



5G Network

Telecom operators are heavily relying on 5G networks to build their infrastructure with the purpose of supporting their services to handle the accelerating demand on more connected devices, higher speed and data usage, Cloud solutions as well as ICT and IoT services. This would also enable telecom operators to better execute their business continuity plans to survive and reach effectiveness and efficiency in terms of operations, resiliency, agility as well as performance throughout the most critical economic and operational conditions.



Cyber Security

With the increased reliance on connectivity and the new technologies here comes a need for stronger and more dependable cyber security that allows high-tech operators to open up for new growth opportunities. Thereafter, the growing demand on digitization, Cloud services and IoT creates a vital need for Cyber security to provide consumers with solutions in cyber security and protection "Shield" services.

Risk Assessment and Mitigation

Overview

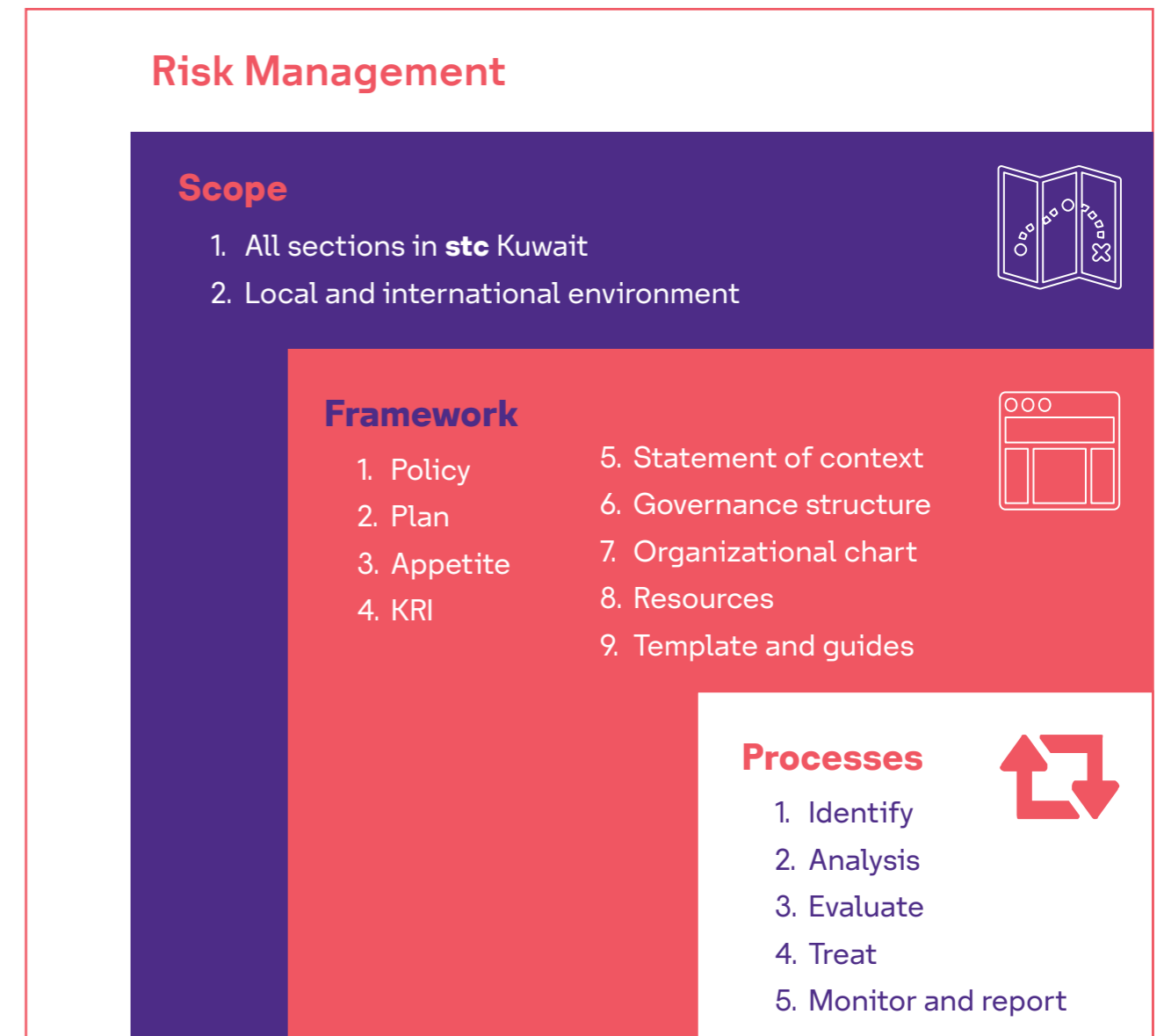
Effective and efficient Risk Management framework is an important enabler to the achievement of **stc**'s strategic objectives. The Risk Management System in **stc** follows a systematic and disciplined approach in order to provide clear responsibility and accountability structures for effective Risk Management and Business Continuity. The 'Risk Category' covers seven (7) major areas: Customer Experience & Services Quality, Financial, Governance, Regulatory & Compliance, Health & Safety, Human Resources, Network Reliability, and Reputation & Community.

Business Continuity Management at **stc** provides a framework for building organizational resilience with the capability of an effective response that safeguards the interests of its key stakeholders, reputation, brand, and value-creating activities such as Business Impact Analysis (BIA), Locations Risk Assessment, Incident Reporting, Business Continuity Management Plan & Exercises, & Training and Awareness.

The Board Risk Management Committee (BRMC) oversees **stc**'s Risk Management Framework, reviews the key risks (existing and potential), and their respective mitigation strategies that ensures Risk Management's effectiveness. In addition, the Risk Management reports 'Key Risk Indicator' (KRI), 'Risk Appetite', & 'Business Continuity' results. The BRMC holds quarterly meetings to review the risks identified, the effectiveness of mitigation controls, and actively identify the positive business opportunities in relation to these risks.

Framework

stc's Risk Management Framework has been benchmarked with leading international standards and guidelines such as ISO 31000, ISO22301 and COSO. The diagram below shows the Risk Management Scope, its respective 'Framework' and supporting 'Process' which outlines how the risks are treated with-in the company:



Viability Statement

As part of its continuous commitment to create value for shareholders and maintain its leading position in the ICT market, **stc** conducts a yearly assessment of its long-term prospects, ability to meet future commitments and upcoming operational plans. Covering **stc**'s corporate strategy, strategic business plans and financial position, the assessment is done on a group level (**stc** and its subsidiaries) over the medium and long-term horizons to ensure the viability of the Company and its subsidiaries under different scenarios and prevailing market conditions.

In conjunction with the risk assessment process that takes place twice a year, the viability assessment is conducted on a yearly basis through a combination of stress testing and sensitivity analysis scenarios to assess the resiliency of **stc**'s projected plans, cash flows, commitments, funding requirements and profitability under stressful events.

Accordingly, continuous evaluation, monitoring and review for **stc**'s strategic business plan, yearly budget and planning process lies on the responsibility of the Company's executive management and SBU's heads. The performance of the group alongside the feasibility of those operational and financial projections are executed against clear industrial benchmarks; whereby, periodic business reviews of each unit are usually conducted over the medium term horizon.

In line with Company's vision towards leading the digital market, **stc**'s assessment of its long-term prospects covers its long-term CAPEX investments in addition to its investments aimed at expanding its presence and creating partnerships in the local market. Both our medium and long-term assessments reflect the changing global and local economic, technological, regulatory and geopolitical environments through constantly updating the projected exchange rates, market demand,

governing rules and political views.

In this regard and in collaboration with the risk management department, **stc** has adopted different tools and mechanisms for identifying the principal risks that might hamper company's operations or impede any arising opportunities. The complete risk management process and holistic strategic planning act as a platform that enables **stc**'s executive management to assess company's viability in line with all the encountered risks and uncertainties reflected in the business environment.

Accordingly, **stc** estimates the impact of severe but plausible scenarios through identifying the risk categories that might face Company's medium and long-term plans, defining different scenarios, and stress testing Company's plans and projections against those scenarios. In pursuit of maintaining Company's viability and resiliency in times of crisis and unprecedented events, **stc**'s executive management utilize the results of the viability assessment to draw Company's mitigation plans in line with its strategic framework and business plan. This would help **stc** to keep its liquidity within a threshold level in addition to enhancing its operational efficiency for the coming periods. Not to mention **stc**'s ability to reduce the impact of the underlying risks and ensure its survival in the medium and long-term horizons. The tested risk models takes into account the principal risks that would threaten **stc**'s business model, future performance and solvency. Those risks include, but not limited to, cyber threats, supply chain disruption, adverse changes in macroeconomic conditions, technological changes and change in consumer demand. Last but not least, this is supported by conducting periodic liquidity assessment to better serve **stc**'s customers, stakeholders and shareholders.

Following are the key factors behind **stc**'s success in executing its operational and strategic frameworks, which enabled the company to sustain its strong market position and achieve good results during the difficult economic conditions:

- Experienced, well-established and efficient management
- The dedication, professionalism and sincerity of its working teams
- Strong, dynamic and efficient operating model
- Strong reputation with established market products
- **stc**'s capitalization on the 5G products and services
- The diversification in its stream of revenues
- ISP and ICT acquisitions - **stc**'s specialized arms for the B2B products and services
- **stc**'s continuous investment in the ICT field
- **stc**'s constant focus on the consumer segment as its core business
- A strong cost optimization program
- Market segmentation
- **stc**'s determination to create partnerships with non-telco partners
- Strong financial position
- Sustainable CAPEX and reduced OPEX
- Solid cash balance



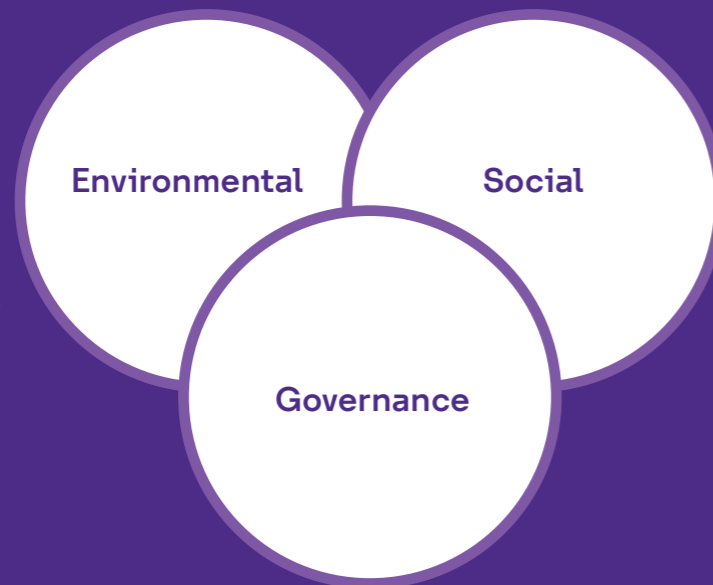
Sustainability

Report

Sustainability is the integration of Environmental, Social and Governance performance in a way that capitalizes value for the business and society.

ESG is a term used to represent an organization's corporate financial interests that focuses on ethical impacts and sustainable practices over time.

Includes corporate climate policies, energy use, waste, pollution, natural resource conservation, and treatment of animals.



The organization's relationships with stakeholders such as supplier, investors, customers and society.

Ensure uses accurate and transparent accounting methods, pursues integrity and diversity in selecting its leadership, and is accountable to shareholders.

Sustainability Key Benefits

In recent years, sustainability has become a top priority for many sectors. There are several reasons why sustainable business practices are beneficial for companies, employees, investors, society, etc.

Adopting a sustainability framework and sustainable practices at the heart of our business which will result in significant corporate benefits including an increase of profit and cost efficiency, risk management, anticipate regulations and compliance, customers and investors satisfaction, enhance employee well-being and engagement, reduce waste and energy, drives innovation and investment attractiveness and enrich company brand awareness and recognition.



Reduce Cost



Risk Management



Customer Satisfaction



Anticipate Regulations



Employee Satisfaction



Stakeholder Satisfaction



Brand Recognition



Source Of Innovation



New Markets



Increase Profit

Sustainability Market Drivers

New Kuwait Vision 2035 aligns with global sustainability visions and goals

The main aspirations of New Kuwait Vision related to sustainability are:



Providing new infrastructure, appropriate legislation and an enabling business environment conducive to development and providing controls and climate to ensure total and balanced human resource development. Aiming on consolidating the values of society, preserving its identity, as well as achieving justice, political participation and freedom.



Sustainability Framework and Vision

The strategic focus Framework is around seven areas to create shared value for **stc**.

stc is aiming to achieve its goals by supporting the group's sustainability vision by practicing ESG initiatives and KPIs that are in line with the 2023 strategy, CMA law and Boursa ESG reporting guidelines.

As part of 2023's strategy, **stc**'s to accomplish the sustainability objectives and implement ESG themes (Environmental, Social and Governance) best practices. The sustainability and ESG strategies are aimed at increasing the Company's resilience, improving its overall performance, as well as contributing to the Kuwaiti society and the overall economy.



Caring for the Environment



Enriching Lives and Experiences



Expanding Access to Technology and Connectivity



Doing Business with Integrity



Enhancing Economic Impacts



Advancing Innovative Digital Opportunities



Empowering People

stc's Kuwait ESG 2022 Initiatives

Our Environmental Initiatives



We are continuously developing initiatives that promote greater environmental responsibility and encourage friendly technologies such as:

- DG-Battery Hybrid solutions on around 200 sites.
- Adoption of New Inverter Type Air Conditioning.
- New Lithium Ion Batteries.
- Support Green Workplace Initiatives as digital signatures.
- Future of new datacenter with friendly technologies.
- Good work on the Infrastructure sustainability.
- Replaced all lights with LED lighting, less energy consuming and generate less heat.
- **stc's** Furniture's and carpets are recycled materials was implemented for green Environment work place.
- **stc** uses recycled ink cartridges.
- A direction to be paperless company.



Our Social Initiatives

In 2022, **stc** shown a rapid social growth among communities. Through engagement approaches with several sector:

- **Education** such as We Are One Campaign (back to school focusing on anti-bullying).
- **Sports** such as Kuwait Football Association (8 years).
- **Health** such as Annual Breast Cancer and Movember Campaign.
- **Charity** such as Tarahom Volunteer Group.
- **Youth** such as participation in 21st Center Ceremony for disables children.

Our CSR is playing an important role for ESG by creating a shared value for **stc** and the society.

Our Governance Initiatives



stc's governance initiatives have been growing over the years, ensuring that it's alignment with global governance values as part of the ESG framework, through integrity, diversity and inclusion. Some of these initiatives include:

- Obtains ISO certifications such as QMS, ISMS, BCMS.
- Empowers talents, invest in people for new generation of leaders such as Ibdaa Academy Leadership program.
- Share Awareness, such as code of ethics, purple code, code of conduct.
- Transparency & the power of feedback "**histc**".



Corporate

Social Responsibility

Taking steps to positively influence and sustainably support the community through a range of diverse CSR Initiatives

In 2022, **stc** effectively implemented its extensive corporate social responsibility (CSR) program, spreading awareness and positively contributing to a diverse range of causes within its key focus areas: health & sports, education, entrepreneurship, environment & youth empowerment. Under its numerous multidimensional campaigns and yearly community driven initiatives, **stc** collaborated with entities within the government and private sectors, especially local SMEs and entrepreneurs, to influence the Kuwaiti society in a way that can add value to their own lifestyles or that of others within the community.

stc has managed to grow the activities under its CSR framework by building long-term partnerships with various entities and continuously exploring opportunities to support the core mission behind its sustainable CSR program that positively impact the community.

As digital pioneers within our industry, and key players in the local market, we believe that we have a responsibility to support the community in various sustainable ways. As part of our corporate values and individual duty towards the nation and people of Kuwait, **stc** will continue to explore innovative ways to contribute effectively to the society and the economy.



Eid Al-Adha celebration at Al-Amiri Hospital

stc celebrated Eid Al-Adha by distributing gifts as surprises to the children undergoing inpatient medical treatments at Al-Amiri Hospital. This initiative aimed to draw a smile on the children's face and celebrate with them the joyful occasions.



Honoring students with physical disabilities

In collaboration with the Ministry of Education, **stc** honored students with physical disabilities in a graduation ceremony that included students from 12 different schools for the 1st time in Kuwait as part of the MOE initiative to bring all students together under one roof to celebrate their success.

Participation in AUM's career fair

stc participated in the American University of the Middle East's (AUM) annual career fair. **stc**'s participation falls in line with the various initiatives the Company has organized and pursued to empower the younger generation, while attracting aspiring candidates that fit into **stc**'s dynamic culture



Celebration of World Environment Day

Serving as a continuation of **stc**'s awareness campaigns and ongoing commitment to protect the environment, **stc** celebrated the World Environment Day at The Avenues, which was organized in collaboration with National Geographic Ultimate Explorer under the slogan 'Be The Change.'



'Awareness is Power' breast cancer awareness campaign

stc launched its breast cancer awareness campaign titled 'Awareness is Power', in line with the international awareness month. This year **stc** collaborated with the International Hospital doctors to provide **stc** employees with early detection methods, additional information regarding the disease, as well as consultation advice.

stc has also hosted the writer and economist, Nadia Al-Sharrah, as part of the 'Awareness is Power' campaign, to share her story with the company's female employees, of how she struggled, overcame and survived cancer, in addition to educating them about the importance of the early periodic examination.



Honoring excelling high school students

Believing in the power of knowledge as a catalyst in driving innovation and growth, and in line with its values surrounding leadership and self-development, **stc** honored 40 high school graduates who achieved academic excellence in Kuwait in a graduation ceremony held at Salwa Al Sabah Hall, in cooperation with Marina FM radio.



Collaboration with KACCH & BACCH

Driven by **stc**'s CSR initiatives to support health, **stc** collaborated with Teela Toys and the Kuwait Association for the Care of Children in Hospital & Bayt Abdullah Children's Hospice (KACCH & BACCH). This collaboration aimed to draw a smile on the children's faces and celebrate with them the joyful occasions through distributing gifts and toys to children's playrooms in hospitals.



Aspire Kids Club

stc partnered with Aspire Kids Club, a local entertainment and educational children's club that aims to promote culture and to spread a positive impact in the community in a series of humanitarian initiatives carried out under the slogan 'Reap What you Sow' during the month of Ramadan. The initiatives included distributing iftar meals throughout Kuwait and celebrating Gergean with the kids at the Kuwaiti hospitals by distributing educational gifts to children.

Kuwait Association for needy families

stc collaborated with the Kuwait Association for Needy Families in celebration of the International Day of Happiness in their special event for orphans in honoring excellent students, in which **stc** distributed different smart devices to around 200 excellent students in an effort to draw a smile on the children's faces.



'Al Hamra in Motion' fitness challenge

stc sponsored and participated in the 'Your Steps = Free Internet' and 'Al Hamra in Motion' fitness challenge during Ramadan as part of its corporate social responsibility framework which focuses on taking action for a good cause. The initiative, organized in partnership with the Tarahom Volunteer Team gave the participants an opportunity to give back to the community through a small gesture, while also focusing on their own physical health.



Al Qabas first Ramadan Padel Tournament

stc was the main sponsor of Al Qabas first Ramadan Padel Tournament with 250 teams participating and over 2000 attending the final games. The sponsorship emphasizes the Company's role in supporting sports activities that promote a healthy lifestyle and young athletes to focus on mental and physical health and building on vital skills such as teamwork.



'RunKuwait' Marathon

stc participated as the main sponsor in the annual fundraising marathon called 'RunKuwait', organized by the Fawzia Sultan Healthcare Network (FSHN), a nonprofit healthcare organization in Kuwait, that is dedicated towards supporting children with special needs. This initiative aimed at supporting the special needs community and raising awareness on the importance to collectively integrate this segment of individuals in various initiatives along with other segments of society.



Center 21

In line with the 'Because We Care' campaign launched under the Company's extensive corporate social responsibility framework, **stc** partnered with Center 21, a first of its kind center for young adults with special needs over the age of 21, to participate in the closing event of the Center 21 summer camp 2022, to drive and support the social empowerment of the special needs community.



Annual Blood Donation Drive

In collaboration with the Kuwait Central Blood Bank, a blood donation drive was held for **stc** family in line with the World Blood Donor Day. The drive witnessed the participation of Tabeeby App to spread awareness on the importance and benefits of donating blood. **stc** was also recognized by Kuwait Central Blood Bank for its contributions towards the community.

stc's Fit Kid camp

stc's Fit Kid Camp was organized in partnership with Circuit+ Fitness and Teela App, in line with the 'Because We Care' umbrella. The two-week fitness summer camp witnessed the participation of more than 40 Kids and aimed at educating the younger generation on the importance of adopting healthy habits and fitness practices at a young age.



#we_are_one campaign against bullying

stc launched #we_are_one campaign, in line with the return to school which primarily focused on bullying prevention across a series of activities launched by **stc**, as well as engaging initiatives that uplift students in their return to school.

stc purple stationary was the first initiative launched under the #we_are_one campaign, where **stc** collaborated with the Kuwait Association for the Care of Children in Hospital (KACCH), Dabdoob, as well as International Business Center. Children got the chance to select the stationary items they needed for the new school year, while enjoying the presence of the famous Dabdoob character who distributed gifts to the children.

The second initiative under the #we_are_one campaign launched in collaboration with the Ministry of Education was 'story time with **stc**' at 360 Mall. **stc** sponsored a young Kuwaiti talent in the art of writing stories, to develop the story, that simulates children to raise their awareness of the culture of acceptance. In addition a donation drive was held in cooperation with the Tarahom Volunteer Team coinciding with the start of the new school year.

The awareness campaign also featured reports covering the bullying topic as well as working with a psychologist who will provide counseling tips and indicators related to preventing bullying and what the causes might be for such actions.



'Purple Island'

stc collaborated with Teela, a leading toy shop App in the GCC, to distribute gifts to children during the 'Purple Island' event held at 360 Mall. This initiative comes in line with **stc**'s firm belief in the importance of engaging with members of the community through diverse experiences, and served as an additional event **stc** has participated in as part of its summer activities for children.



stc



What are the types of electronic fraud?

- Text messages
- Email messages
- phone calls

لنكن
علي
دراية



Diraya Campaign

In collaboration with the Central Bank of Kuwait and the Kuwait Banking Association, **stc** supported Diraya "Be Aware" campaign, an awareness campaign initiated in response to the increased fraudulent activities and cybercrimes. The Company published educational content and information on all its digital and social platforms as well as promoted the awareness initiative throughout its branches across Kuwait.



Kuwait University partnership

stc formed a strategic partnership with the Mass Communications Department within the College of Arts at Kuwait University which consisted the sponsorship of the dedicated lounge for students called "**stc** Diwaniya", as well as other forms of activities and events in support of students throughout their studies.

'**stc** Diwaniya' was launched in the presence of KU alumni in the social media field and serves as a recreational area for students to unwind and rest in between or after lectures. **stc** will be hosting a series of events and activities that aim to empower and engage students as part of the partnership.

"small hands...big things"

stc participated in the two-day exhibition titled "small hands...big things" that was organized to guide individuals with special needs from childhood to employment. This initiative aimed to highlight the importance of using occupational therapy to guide those with special needs throughout the various stages of their lives.



East Padel Tournament

In line with **stc's** commitment towards empowering and backing the local sports community, the Company sponsored the East Padel Tournament, one of the largest tournaments in Kuwait. Considering how Padel has become the latest trend in sports amongst the younger generation, **stc**, through its sponsorship, encouraged those interested in competing professionally in the sport to participate. The East Padel Tournament series consisted of 4 tournaments and a total of 40 total match days in which over 1,500 players will compete for a chance to win part of the KD 16,000 total prize pool.



COFE App strategic partnership

stc inked a strategic agreement with COFE App, the region's premiere online coffee marketplace. The new formed partnership was organized as part of the second season of the 'Weyak' initiative by **stc** to focus on sustainably supporting local SMEs and startups while enabling digital transformation. Throughout the collaboration, **stc** and the COFE App will be organizing a series of interactive activities including online activations, special events, and the largest of-its-kind COFE Festival in Kuwait.



Flare Festival

Through its strategic partnership with Flare Fitness, **stc** sponsored the 7th 'Flare Festival', one of the largest of its kind in Kuwait, for the third year in a row. Our participation and support towards such initiatives within the community builds on **stc's** strive to promote healthy living, amongst the youth. Flare Festival included diverse competitions and unique events for adults, youth and children alike.





stc what's up

stc kicked off this initiative which consists of a series of social media episodes focusing on different topics showcased by social media influencers; whereby, they have each elaborated on their field of expertise, with an aim to educate and entertain the public.

Weyak

Following the success of season 1, stc enhanced Weyak initiative by partnering with several local SMEs and local start-ups, to focus on enabling their digital transformation journey. The Weyak initiative launched by stc aims to support and empower local SMEs that have been creating a positive impact in the community.



Mother's day campaign

On the occasion of Mother's Day, a full campaign under #you're_the_supporter was created to express the role of the mother in our lives.



November Men's Health Awareness Month

November awareness campaign

stc launched its prostate cancer awareness campaign to raise awareness on men's health in line with the international men's health awareness month, November. The prostate cancer awareness campaign this year was organized in collaboration with several local companies that included MAD Recovery Center, Mubkhar, Pro Life Foods, and Flare Fitness in line with the Company ongoing support to the local SMEs.

Dawrat Strategic Partnership

In line with Company's digital transformation and enriching people's life, stc partnered with Dawrat to provide meaningful online education to the community. Through this strategic partnership that aims to support the community through sustainable education, stc and Dawrat will organize several learning initiatives that include online workshops, courses, and specialized sessions. The objective of the initiative is to cover a range of topics throughout the sessions that include photography and videography, cooking, sports and fitness, as well as traveling and creating Vlogs.



Governance

Report



Shari'a Report

The Shariah Report of Kuwait Telecommunications Company (stc) Shariah Supervisory Board
For the period from 01/01/2022 to 31/12/2022

To: The Shareholders of Kuwait Telecommunications Company (stc),

Praise be to Allah, Lord of the worlds, and prayers and peace be upon our Prophet Mohammad, his family and all his companions.

Pursuant to an appointment by the Members of General Assembly, according to the instructions of the Company's Memorandum of Association, the Shariah Supervisory Board submits the following report:

The Shariah Supervisory Board has examined the company's activities, the principles used and the contracts related to the transactions and applications offered by the company during the period, as well as expressing an opinion on if the company complies with the provisions and principles of Islamic Shariah, and in accordance with fatwas, resolutions and instructions issued by the Shariah Supervisory Board and the Shariah standards approved by the Company.

The Shariah Supervisory Board has also reviewed the policies and procedures for the company's products and activities to work in accordance with the provisions of Islamic Shariah (None).

Response to all the company's inquiries that may arise from the work and related to the interpretation or application of Shariah standards.

It becomes clear that the company's management is held responsible in accordance with the provisions of Islamic Shariah.

Noting that:

- The resolutions issued by the Shariah Supervisory Board for contracts, operations and transactions concluded by the company during the period amounted to (14).
- The shareholders are responsible for paying Zakat, so the shareholders shall pay Zakat on its shares of the conditions and legal controls for Zakat are fulfilled.
- Contracts and transactions concluded by the company during the period are in accordance with the provisions of Islamic Shariah.

Best regards,

Mr. Abdullah Saif Al-Saif
Chairman of the Sharia Committee



Dr. Mohammed Al-Fuzai
Sharia Committee Member



Dr. Khaled Al-Juhaim
Sharia Committee Member



Introduction

Kuwait Telecommunications Company (**stc**) is keen to apply the best governance practices and provide the transparency principle with regards to the information that enables the company to achieve sustained, long-term success, through the good governance principles, which it seeks to, enhance the rights of shareholders and stakeholders and provide contributions to society in general in addition to maintaining business continuity. The company is keen to reflect the level of innovation, efficiency and ability to achieve the company's vision related to enabling digital transformation in the State of Kuwait by adopting an integrated governance framework that complies with all laws, instructions, CMA guidelines and applicable regulations that complies with international best practices.

Since the governance process is a continuous process that requires development, the company is constantly aware of the latest developments in the field of governance, which reflected in updating its policies, procedures and charters, and reviewing the governance practices applied in the company. In addition to promoting a culture of professional behavior and ethical values within the company, as it is one of the main pillars to enhance the company's leading position and distinguish the company's identity from others. Therefore, the company established three clear basic ethical principles in line with the values of the company's dedication, vitality and courage.

The company recognizes the importance of following professional standards and ethical values in all dealings and disclosure and transparency of information in an accurate

and timely manner, which contributes to the development of the company's business and enhances the confidence of shareholders, investors and all stakeholders.

The Board of Directors affirms its constant keenness to keep abreast of the latest developments in communication and disclosure channels for shareholders, investors and stakeholders to be in continuous communication with the company's developments in an impartial, transparent and fair image.

From this standpoint, Kuwait Telecommunications Company (**stc**) has received many awards in the field of governance, as it won the British Capital Finance International CFI.co award in the field of Corporate Governance and Stakeholder Protection in the State of Kuwait for the year 2021. Also received the Best Corporate Governance Telecom Company Award from the International Finance Awards as the Best Telecommunications Company in Corporate Governance in the State of Kuwait for the year 2021, in recognition of the company's outstanding achievements and corporate culture based on promoting standards of integrity, transparency and positive communication with all stakeholders.

Rule (1): Building a Balanced Structure of the Board of Directors

Structure of the Board of Directors:

The role of the Board of Directors in the company represents the point of balance that works to achieve Shareholder's objectives and follow-up with company's Executive Management. The Board of Directors seek to achieve company's strategic goals by ensuring that the Executive Management performs all the entrusted tasks to the fullest and build an integrating economic, social, and governance Sustainability considerations in its processes if required, Whereas the decisions of the Board greatly affect company's performance and the soundness of its financial position, the company is keen on the composition of a balanced qualified Board of Directors with a variety of experiences to have a positive impact on the company and its performance in addition to enhancing its financial position and market share. Therefore, the company has been always keen on ensuring that the majority of the board members are non-executive members, including an independent member. The company was also keen that the Board members come from a diverse background and long experience in the field of telecommunications and networks, as well as the accounting and finance fields. This, in turn, adds all the expertise needed by the company when discussing the issues presented to the Board of Directors.

The Board of Directors is composed of 7 members. Herein, below is a statement of their classification, qualifications, and experiences:

Board of Directors



Dr. Mahmoud Ahmad Abdulrahman
Chairman

Representative of the Kuwait Investment Authority

Dr. Mahmoud Ahmad Abdulrahman is the president of the Board of Directors at the Kuwait Telecommunications Company (**stc**), and has held the post since the end of March 2015.

Dr. Abdulrahman combines large experience in administration, legal affairs and communication sector. He assumed several Academic leadership positions in the Ministry of Higher Education beside his career in legal work in serving many governmental and public entities and was appointed as an arbitrator to settle several disputes. He had served as a board member in Wataniya Mobile Telecommunication Company, Warba Bank, Kuwait Cement Company, and National Offset Company.

Dr. Abdulrahman joined as teaching staff in the College of Law once he graduated from Kuwait University. In 1995, he was appointed as Legal Affairs Director in Kuwait University for one year. From 1997 to 2005, he served as Head of Legal Office of Kuwait Civil Aviation Directorate. From 2002 to 2004, He served as Assistant Dean of College of Law at Kuwait University. As for now and since 2005, Dr. Abdulrahman serves as Legal Department Director in Kuwait Investment Authority. Dr. Abdulrahman is also a member of the board of directors in Health Assurance Hospitals Company (Dhaman).

Moreover, Dr. Abdulrahman has published several legal theses in the Law Magazine and other scientific magazines as well as executed two projects related to consumer protection law as well as the monopoly and merger law, which were submitted in the Kuwait National Assembly. Dr. Abdulrahman holds a PhD in Commercial Law from Exeter University, UK, completed in 1994, and a Bachelor's Degree from Kuwait University completed in 1988.



Mr. Ameen Ben Fahad Al-Shiddi
Vice Chairman

Representative of Saudi Telecom Company (**stc**)

Mr. Ameen Ben Fahad Al-Shiddi is currently serving as **stc** Group CFO. He joined **stc** in 2001 and occupied many significant positions before serving as the Senior President of Finance.

He was in charge of all financial activities such as accounting, audit, planning and budgeting. Mr. Ameen also handled all the treasury activities locally and internationally, financial risks, mergers, acquisitions, credit rating and investor relations. He has gained a wide experience with consultancy companies in KSA, in the communications industry and related activities before joining **stc**.

Mr. Ameen received his Bachelors of Science Degree in management from King Saud University in Riyadh and his Master's degree in Accounting from Southwest Missouri State University, USA. He also has CPA from USA and SOCPA from KSA.



Eng. Omer Abdullah Al-Nomany Board Member

Representative of **stc** Gulf Holding

Up until now, Eng. Omer was appointed as the CEO of **stc** Solutions in October 2017, having more than 15 years of experience in executive managerial roles. Eng. Omer has held key managerial positions in **stc**, and has led strategic initiatives such as the BSS Transformation Program and IT 2020.

In 2000, Eng. Omer joined **stc** as a Manager where he was later assigned as the Head of IT. In 2009, he was appointed as the Vice President of IT where he planned, managed and implemented the strategic vision of the IT delivery arm within **stc** in alignment with the strategic vision of the rest of the business sectors as well as the strategic vision of Saudi Telecommunications Company's board of directors.

After his graduation in 1994, Eng. Omer joined the Saudi Arabian Monetary Agency (SAMA) for 6 years, where he implemented complex critical projects.

Eng. Omer holds many scientific and precious certificates from a number of well-known universities and international institutions. He received his BSc in Computer Engineering from the Saudi Arabia's leading engineering and computer science college, King Saud University in Riyadh in 1994. Furthermore, Eng. Omer also holds a PMP, CISM and CISSP.



Mrs. Iman Mohammed Al-Ahmed Board Member

Representative of The Public Institution for Social Security

Mrs. Iman Mohammed Al-Ahmed serves as a board member of Kuwait Telecommunications Company (**stc**) until September 25, 2022. She began her career in the field of computer and information systems 35 years ago with the Public Institution for Social Security in 1983 as a systems engineer where she has held many positions and finally, the Deputy Director General for Information Technology.

Mrs. Iman Mohamed Al-Ahmed has a leading role and a practical experience in preparing the strategic plan for the implementation of internal and external projects related to electronic systems. She also has a practical experience in the contribution to the development of existing technical systems in order to cope with the technological developments in terms of automating all decisions, laws, circulars and legislations related to Social security as well as electronic systems and other systems serving the organization's departments.

Mrs. Iman Al-Ahmed was a Board Member at Wafra Real Estate Company representing The Public Institution for Social Security. Mrs. Iman Al-Ahmed graduated from Kuwait University in 1983. She holds a bachelor's degree in Economics and a specialization in Marketing. Mrs. Iman Al-Ahmed also participated in various training courses in all fields of technical, commercial, and financial in several international training centers.



Mr. Faisal Saeed Al-Homali

Board Member

Representative of **stc** Gulf Holding 3

Eng. Faisal Saeed Al-Homali has held broad and diverse leadership positions at the Saudi Telecom Company (**stc**) and its subsidiaries. Eng. Faisal currently is the Chief Commercial Officer of **stc** and the Chairman of Channels by (**stc**). In addition, Board member of the Board of Directors of Kuwait Telecommunications Company (**stc**), also heads the Boards of Directors of several **stc** subsidiaries along with **stc** Women Forum in (**stc**). Eng. Faisal has worked as the Chief Executive Officer for Channels by **stc** serving as Digital sales and distribution arm for **stc**'s Consumer Business Unit, Enterprise Business Unit, Virgin and Friendi MVNOs, Apple, Samsung and Huawei.

His journey spans over 24 years where he held several positions and got promoted through the ranks to become, he appointed as Chief Commercial Officer of **stc** on year 2021, and in July 2017, he was the CEO of Channels by **stc**, **stc**'s sales, distribution and e-commerce subsidiary, during this period, Eng. Faisal succeeded in spreading the culture of digital transformation, e-commerce, and the sharing economy and transferring the digital delivery processes to a distinguished level, through this success, the group maintained a record of success and a record level of revenue. From 2014 until 2017, Eng. Faisal was the Vice President of Sales for Consumers in (**stc**). Prior to 2014, Eng. Faisal led the Saudi Telecom's Mobile Business Unit, the key business driver for Saudi Telecom, where he developed its commercial strategies and managed company's sales, marketing, partnerships and alliances development in addition to leading the business operations improvements. Eng. Faisal was also a Board Member of (**stc**) Telecommunications Co. Bahrain from 2014 until 2019.

Eng. Faisal Saeed Al-Homali holds a Master Degree in Business Administration from Prince Sultan University, Bachelor of Science in Chemical Engineering from King Saud University and also Diploma in Sales and Marketing from Riyadh Chamber of Commerce.



Mr. Abdulaziz Abdullah Al-Ghamdi

Board Member

Representative of **stc** Gulf Holding 1

Currently, Mr. Abdulaziz Abdullah Al-Ghamdi is the Portfolio Management VP of the Portfolio Management sector in **stc**. He was also appointed as a Board Member in Kuwait Telecommunications Company (**stc**) in April 2019 representing the **stc** Gulf Holding 1.

Mr. Abdulaziz has an International experience in the Strategic Business interventions and in building PMO teams. His experience has extended to include the on boarding activities for the subsidiary and green field post acquisition/merger such as the Telecom Towers Company. Mr. Abdulaziz is also a board member in a number of companies including Maxis Brand - the largest Telecom Company in Malaysia.

In 2015, Mr. Abdulaziz joined the Investment Operations Section where he was appointed as the Investment Operations Director of subsidiaries Governance and was responsible for the corporate Governance as well as the critical HR matters of 15 subsidiaries.

Mr. Abdulaziz has more than 12 years of experience in Human Resource Management, Governance and subsidiaries Operations. In 2007, he joined **stc** as a Human Resource Professional where he was later assigned as the Team Leader of HR. In 2009, Mr. Abdulaziz was appointed as an Organizational Development Expert where he developed and maintained **stc**'s organizational structure and operating model based on company's business strategy. In 2012, he became the Human Capital Strategies Section's Manager formulating human Capital Strategies based on analytical tools to examine the internal and external. In 2013, Mr. Abdulaziz was appointed as the Human Resources Strategies, Procedure and Systems Director.

Mr. Abdulaziz has a Master's Degree in Human Resources Management from University of Westminster in London, UK in 2012. In Addition, he holds a Bachelor in Computer Information Systems from King Saud University, Riyadh in 2006.



Mr. Salah Ahmad Al-Fouzan Board Member

Independent Member

Mr. Salah Ahmad Meshari Al-Fouzan serves as board member of Kuwait Telecommunications Company (**stc**) since May 2016.

Mr. Salah began his career in the communication and investment sectors 18 years ago. In 1997, he started his career with Mobile Telecommunication Co. before moving to the business development career in 2002, where he held several leading positions.

In 2005, he was appointed as the Executive Director of the Mergers and Acquisitions Department. In 2008, he served as the Chief Business Development Officer where supervised and executed the selling and purchasing transactions of more than USD 20 billion including purchasing Celtel International Co., which was operating in several African countries, V-Mobile in Nigeria and Mobitel in Sudan. He was also responsible for the expanding activities through the acquisition of new licenses in Bahrain, Iraq and KSA. Furthermore, he supervised listing the companies in KSA and Zambia stock exchange markets. In 2010, he worked on the deal to sell Zain Africa to Indian flagship Bharti for USD 10.7 billion. In addition, he prepared numerous anonymous studies on a number of acquisition deals, financing arrangements and bank negotiations.

Mr. Salah was a board member in many companies and committees, including Kuwait Airways and the technical committee of Communication Regulatory Authority in Kuwait. Currently, he is an independent BoD member in Ekuity Investment Holding Company in Egypt. In 2009, Global Telecom Business (GTB) selected him among the top 100 Most Influential Personalities in Communications. Mr. Salah graduated from Gannon University, Pennsylvania, with a Bachelor's Degree in Electrical Engineering and a Diploma in Business Administration from Bradford University, UK.

The Board of Directors held (8) meetings in 2022, as detailed below:

Name	1/ 02/02/2022	2/ 13/03/2022	3/ 26/04/2022	4/ 02/06/2022	5/ 30/06/2022	6/ 25/07/2022	7/ 01/11/2022	8/ 14/12/2022	% of Attendance and Abidance	Absence %
Dr. Mahmoud Ahmad Abdulrahman (Chairman of the Board of Directors)	✓	✓	✓	✓	✓	-	✓	✓	87.5%	12.5%
Mr. Ameen Ben Fahad Al-Shiddi (Vice Chairman)	✓	✓	✓	✓	✓	✓	✓	✓	100%	-
Mrs. Iman Mohammed Al-Ahmed* (Board Member)	✓	✓	✓	✓	✓	✓	-	-	100%	-
Mr. Abdulaziz Abdullah AlGhamdi (Board Member)	✓	✓	✓	✓	✓	✓	✓	✓	100%	-
Mr. Omer Abdullah Al Nomany (Board Member)	✓	✓	✓	✓	✓	✓	✓	✓	100%	-
Mr. Faisal Saeed Al Homali (Board Member)	✓	✓	✓	✓	-	✓	✓	✓	87.5%	12.5%
Mr. Salah Ahmad Meshari Al-Fouzan (Board Member - Independent)	✓	✓	✓	✓	✓	✓	✓	✓	100%	-

*The membership of Mrs. Iman Mohammed Al-Ahmed, in the Board of Directors of Kuwait Telecommunications Company (**stc**), representing the Public Institution for Social Security, has expired, as of September 25th, 2022.

Mr. Ahmed Meshari Al Faris

Board secretary

Mr. Ahmed Al-Faris is the Board of Directors Secretary, He was appointed during the Board of Directors meeting dated December 24, 2018.

Mr. Ahmed Al-Faris obtained a Master's degree in Business Administration (MBA) from Maastricht School of Management - The Netherlands in 2009 and a Bachelor's Degree in Accounting from Kuwait University in 2000. He has extensive banking experience through his work at the Central Bank of Kuwait and in the Islamic banking field at Kuwait Finance House from 2002 until 2014, then he joined Kuwait Telecom Company (**stc**) from 2014 until 2017 to work as Director of the Regulatory Compliance Department, after which he held the position Deputy Undersecretary of the Ministry of Commerce and Industry for Corporate Affairs and Commercial Licenses from 2017 until 2018.

Mr. Ahmed Al-Faris was also appointed as Board of Directors Member of the Public Authority for Industry for the year 2017-2018 and the Central Bank of Kuwait in 2018, in addition to his membership in advisory boards, such as the Permanent Committee for Improving the Business Environment and Enhancing Competitiveness, the Higher Committee for the Study of Demographic Imbalances in the State of Kuwait, and the Advisory Council College of Administrative Sciences at Kuwait University.

Summary of how to implement the registration and coordination requirements in addition to recording and archiving the Board of Directors minutes of meetings:

The Board of Directors Secretary assists the members of the Board on an ongoing basis to ensure that they obtain any required information in accordance with the decision of the Board of Directors or in consultation with the Chairman of the Board of Directors, in addition to assisting the Chairman of the Board of Directors in all matters related to preparing the agenda of the Board's meetings and issuing invitations to members of the Board. The secretary records all the decisions and discussions of the members of the board of directors, records the results of the voting operations that take place in the meetings of the board of directors, and works to preserve the documents of the board of directors.

The independent member declaration that it meets the criteria for independence, and a copy of the declaration shall be attached to the report:

The independent member states that his independency is still valid as stated in Article (2-3) of Chapter Three of Book Fifteen (Corporate Governance) of the Executive Regulations of Law No. (7) of 2010 regarding the establishment of the Capital Markets Authority and the regulation of securities activity and their amendments, as well as the independent member has the qualifications, experience and technical skills which are constituent with appropriate company's activity.

Rule (2): Sound Identification of Roles and Responsibilities

Duties and Responsibilities of the Board of Directors:

The Company has a Board of Directors' list, which includes a definition of the functions and responsibilities of the Board of Directors, including but not limited to:

- Adopting the strategic goals, plans and policies of the company.
- Approving the annual budget estimates as well as the interim and annual financial statements.
- Overseeing major capital expenditure of the company, assets' owning and disposal.
- Ensuring company's commitment to policies and procedures, which ensure company's respect to the systems and internal regulations in force.
- Ensuring the accuracy and integrity of the data and information to be disclosed, according to the policies and procedures of disclosure and transparency in force.
- Develop a plan/policy to include sustainability factors in the company's overall strategy, main business plans, risk measurement and management process, if necessary.

The Company also has job descriptions for the Board Members, which include a clear definition of the functions and responsibilities of each Board Member, as well as the authority matrix, which clarifies the authorities of the Board of Directors, Executive Management and Committees.

Achievements of the Board of Directors

Taking into consideration the Board of Director's responsibilities in achieving the best financial and operational results in addition to implementing company's strategic plan at its best, at its current session, the Board has managed to realize many achievements for the fiscal year ended 31 December 2022. The company's achievements and successes during this year include its positive and tangible positive indicators in various financial, marketing and technical fields. In its fourteenth year of operation, the company was able to compete hard and gain subscribers' satisfaction by offering promotional offers, competitive prices, new services and enhancing customers' loyalty. This was reflected positively on the level of operating revenues and profitability of the company, which, in turn, has contributed to strengthening company's role and developing the telecommunications sector in the State of Kuwait in a way that serves the Kuwaiti society and contributes effectively in promoting the national economy and achieving attractive returns to its shareholders.

The Board of Directors continued to apply the best International standards and local regulatory requirements in the Corporate Governance System through the work of the Board committees with company's Executive Management.

Committees of the Board of Directors:

The Board of Directors formed its committees, and the instructions and rules of governance issued by the Capital Markets Authority were taken into account when forming these committees. The Board has formed 4 committees emanating from it, which are the Audit Committee, the Risk Management Committee, the Nominations and Remunerations Committee, and the Executive Committee.

The following is a statement of those committees:

Committee: Audit Committee	Name	Position	Classification
Committee Members:	Mr. Ameen Ben Fahad Al-Shiddi	Chairman	Non-executive
	Mrs. Iman Mohammed Al-Ahmed	Member	Non-executive
	Eng. Omer Abdullah Al-Nomany	Member	Non-executive
	Mr. Salah Ahmad Al-Fouzan	Member	Independent

<p>The Committee performs several duties including:</p>	<ul style="list-style-type: none"> Review the periodic financial statements before submission to the Board of Directors, also present the IA opinion and recommendation on the same to the Board of Directors in order to ensure the fairness and transparency of financial data and reports. Examine accounting topics and understand their impact on the financial statements. Assess the adequacy and effectiveness of the Internal Control Systems applied within the company and prepare a report that includes the Committee's opinion and recommendations in this regard. Assign an independent external auditor to examine and evaluate the internal control systems, and submit an annual report to the Committee along with the opinion letter and recommendations prior to presenting the same to the Board of Directors and sending it to the Capital Markets Authority. Evaluate the efficiency of the information security's procedures and the internal control system applied in this regard. Technical supervision on Internal Audit Department activities and reviewing the results of internal audit reports and regulatory authority's. Monitoring External Auditor work, and discussing any obstacles or difficulties encountered the external auditor that may include any scope activities limitations of the independent external auditor or obtaining requested information, or any disagreements with the management. Reviewing reports submitted by the Sharia Supervisory Board, ensure compliance with the provisions of Islamic Sharia, and submit its recommendations to the Board. Ensuring that the company is in compliance with laws, policies, regulations instructions, and provisions of Islamic Sharia.
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Based on the recommendation issued by the Audit committee and BOD decision in this regard the appointment of Mr. Abdullah Al-Anzi, as an observer (Observer) from outside the Board of Directors in the Audit Committee.

Mr. Abdullah Al-Enezi holds an Executive Master's degree in Business Administration from King Fahd University of Petroleum and Minerals, and a Bachelor's degree in Information Systems from the College of Computer and Information Sciences from King Saud University. He also holds the following specialized professional Certificates:

- Certified Internal Auditor (CIA).
- Certified fraud Examiner (CFE).
- Certified Information Systems Auditor (CISA).
- Certified Risk Management Assessor (CRMA).

With 25 years of experience in the field of internal audit, corporate governance, fraud control, risk management, and information security. He holds the position of Head of Internal Audit for the Saudi Telecom Group, and previously held the position of General Manager of Network and Information Systems Audit, and the position of General Manager of Investment and Operations Audit in the Saudi Telecom Group. Prior to that, he held the position of Senior Manager at Samba Financial Group, and he is a member of several audit committees in companies in the Kingdom of Saudi Arabia. In addition to his membership in specialized professional bodies, including the Saudi Association of Internal Auditors, the Saudi Organization for Certified Public Accountants, and a member of the Board of Directors of the Saudi Accounting Association.

In 2022, the Audit Committee held (6) meetings, detailed as follows:

Name	Statement of Meetings					
	1/ 27/01/2022	2/ 08/03/2022	3/ 20/04/2022	4/ 24/07/2022	5/ 30/10/2022	6/ 11/12/2022
Mr. Ameen Ben Fahad Al-Shiddi	✓	✓	✓	✓	✓	✓
Mrs. Iman Mohammed Al-Ahmed*	✓	✓	✓	✓	-	-
Eng. Omer Abdullah Al-Nomany	✓	✓	✓	✓	✓	✓
Mr. Salah Ahmad Al-Fouzan	✓	✓	✓	✓	✓	✓

*Mrs. Eman Mohammed Al-Ahmed member has expired in board of directors of Kuwait Telecommunication Company (stc) representing The Public Institution For Social Security from 25 September 2022.

<p>Commits Achievements</p>	<p>The Committee has accomplished many achievements, including:</p> <ul style="list-style-type: none"> ▪ Reviewing the financial statements (quarterly and annually) before submitting them to the Board of Directors. ▪ Discussing the annual and quarterly reports of the internal Shari'a audit and the reports of the Shari'a Supervisory Board in the presence of the Shari'a Audit Team and the Sharia Supervisory Board. ▪ Discussing reports submitted by the Internal Audit Department related to the audit reviews outcome during the year, and approve the annual Internal Audit plan. ▪ Approve the objectives of the Key Performance Indicators (KPIs) of the Internal Audit Department.
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Committee: Risk Management Committee	Date of formation: 29 March 2021	Committee Term: 3 years	Number of Members: 4
	Name	Position	Classification
Committee Members	Mr. Salah Ahmad Al-Fouzan	Chairman	Independent
	Mr. Ameen Bin Fahad Al-Shiddi	Member	Non-executive
	Mr. Faisal Saeed AL- Homali	Member	Non-executive
	Mrs. Iman Mohammed Al-Ahmed	Member	Non-executive

The Committee performs several duties including

- Preparing and reviewing the Risk Management strategies and policies, as well as the tendency of the risks before being approved by the Board of Directors. Ensuring the implementation of these strategies and policies, and that they commensurate with the nature and size of the company's activities.
- Ensuring the availability of adequate resources and systems to manage the risks.
- Ensuring that Risk Management personnel have a full understanding of the risks surrounding the company, and increasing employees' awareness of the risk culture.

In 2022, the Risk Management Committee held (4) meetings, detailed as follows:

Name	Statement of Meetings			
	1/ 26/01/2022	2/ 17/04/2022	3/ 24/07/2022	4/ 30/10/2022
Mr. Salah Ahmed Al-Fawzan	✓	✓	✓	✓
Mr. Ameen Bin Fahad Al-Shiddi	✓	✓	✓	✓
Mr. Faisal Saeed Al-Homali	✓	✓	✓	✓
Mrs. Iman Mohammed Al-Ahmed*	✓	✓	✓	-

*The membership of Mrs. Iman Mohammed Al-Ahmad, in the Board of Directors of Kuwait Telecommunications Company (stc), representing the Public Institution for Social Security, has expired, as of September 25th, 2022.

Committee's Achievements

The Committee has accomplished many achievements, including:

- Digitization of Risk Management and Business Continuity Dashboards.
- Review and amending the Risk Management Department Structure
- Winning two Global Awards for Business Continuity.
- Approval of the Risk Management plan for the year 2023.

Committee: The Nomination and Remuneration Committee	Date of formation: 29 March 2021	Committee Term: 3 years	Number of Members: 4
	Name	Position	Classification
Committee Members	Dr. Mahmoud Ahmad Abdulrahman	Chairman	Non-executive
	Mr. Ameen Ben Fahad Al-Shiddi	Member	Non-executive
	Mr. Abdulaziz Abdullah Al-Ghamdi	Member	Non-executive
	Mr. Salah Ahmad Al-Fouzan	Member	Independent

The committee performs several duties including:

- Recommending the acceptance of the nomination and re-nomination of the Board Members and Executive Management.
- Developing a clear policy for Board Members' and Executive Management's remunerations
- Identifying the appropriate skills required for Board of Directors membership and reviewing such requirements on an annual basis.
- Setting a mechanism to evaluate the collective and individual performance of the board members and the executive management.

In 2022, the Nomination and Remuneration Committee held (4) meeting, detailed as follows:

Name	Statement of Meetings			
	1/ 30/01/2022	2/ 08/03/2022	3/ 17/07/2022	4/ 13/12/2022
Dr. Mahmoud Ahmed Abdel Rahman	✓	-	-	✓
Mr. Amin Bin Fahad Al-Shiddi	✓	✓	✓	✓
Mr. Abdulaziz Abdullah Al-Ghamdi	✓	✓	✓	✓
Mr. Salah Ahmad Al-Fouzan	✓	✓	✓	✓

Committee's Achievements:

The committee has accomplished outstanding achievements during 2022, including:

- Development of human resources programs in the company.
- Reviewing the authority matrix in addition to the policies and procedures.
- Recommending to the Board of Directors holding a workshop on the company's strategy.
- Launching of the 2022 Board Performance and Effectiveness Assessment Program.

Committee: The Executive Committee	Date of formation: 29 March 2021	Committee Term: 3 years	Number of Members: 4
Committee Members	Name	Position	Classification
	Eng. Faisal Saeed Al-Homali	Chairman	Non-executive
	Dr. Mahmoud Ahmad Abdulrahman	Member	Non-executive
	Mr. Abdulaziz Abdullah Al-Ghamdi	Member	Non-executive
	Eng. Omer Abdullah Al-Nomany	Member	Non-executive

The committee performs several tasks including

- Discussing the Strategy, Action Plan and Estimated Budget before presenting to the Board of Directors.
- Follow up on the implementation of the strategic plan and performance indicators on a regular basis.
- Reviewing company's performance in general and the performance of all sectors of the company in details, in addition to discussing deviations from the work plan and the estimated budget.

In 2022, the Executive Committee held (7) meetings, detailed as follows:

Name	Statement of Meetings						
	1/ 2/02/2022	2/ 19/04/2022	3/ 02/06/2022	4/ 25/07/2022	5/ 06/09/2022	6/ 01/11/2022	7/ 14/12/2022
Eng. Faisal Saeed Al-Homali	✓	✓	✓	✓	✓	✓	✓
Dr. Mahmoud Ahmad Abdulrahman	✓	✓	✓	-	✓	✓	✓
Mr. Abdulaziz Abdullah Al-Ghamdi	✓	✓	✓	✓	✓	✓	✓
Eng. Omer Abdullah Al- Nomany	✓	✓	✓	✓	✓	✓	✓

*The membership of Mrs. Iman Mohammed Al-Ahmad, in the Board of Directors of Kuwait Telecommunications Company (stc), representing the Public Institution for Social Security, has expired, as of September 25th, 2022.

Committee's Achievements

The committee has accomplished outstanding achievements, including:

- Reviewing the strategy and work plan for the next three years
- Studying the estimated budget.
- Follow up the operational performance of the company periodically.
- Studying the investment opportunities.

Summary of applying all requirements that allow the Board Members to obtain information and data accurately and in a timely manner:

The company's Board of Directors has adopted the procedures guide to ensure that the Board of Directors members obtain information in an accurate and timely manner and in accordance with relevant laws and legislation. The guide defines the mechanism for requesting information and presenting it to the Board of Directors, in addition, the procedures and obligations of the members to maintain the confidentiality of the information that has passed on to them by virtue of their work.

The Executive Management

The company has a Qualified Executive Management team, and they are as follows:

Name	Position
Eng. Maziad Bin Nasser Al Harbi	Chief Executive Officer
Mr. Mohammed Mubarak Al Faran	Chief Financial Officer
Eng. Nasser A. Al-Saadon	Chief Strategy Officer
Mr. Issam Issa Al Asousi	Chief Corporate Affairs Officer
Eng. Amer Issam Atoui	Chief Consumer Officer
Eng. Fahad AbdulRahman Al Ali	Chief Technology Officer
Eng. Ahmad Hamad Al Hammad	Chief Human Resources Officer
Mr. Mohammad Fadhel Al-Sabea	Chief Audit Executive

The company has job descriptions that clearly define the tasks and responsibilities of each position, and the company has an approved Authority Matrix to all sectors within the company. The duties of the executive management include, for example (but are not limited to):

- Implement all the company's internal policies, regulations and systems approved by the Board of Directors.
- Executing the annual strategy and plan approved by the Board of Directors.
- Preparing periodic reports (financial and non-financial) on the progress made in the company's activity in light of the company's strategic plans and objectives, and presenting those reports to the Board of Directors.
- Managing the daily work and running the activity.
- Active participation in building and developing a culture of ethical values within the company.
- Developing an internal control and Risk Management systems, ensuring the effectiveness and adequacy of such systems, and adhering to the risk policy approved by the Board of Directors.

Executive Management



Eng. Maziad Bin Nasser Al Harbi Chief Executive Officer

Eng. Maziad Bin Nasser Al Harbi was appointed as the Chief Executive Officer of Kuwait Telecommunications Company (**stc**) effective on 2019, where he played a major role in building a distinct strategy that contributed to the company's transformation from a traditional telecommunications service company to the expansion of the business solutions and digitization services through its acquisition to Qualitynet during 2019 and E-Portal Holding Company during 2022. Whereby, Alharbi is currently the Chairman of the Board of Directors at E-Portal. He has over 25 years of proven executive management experience across the telecommunication, media and technology industries. In addition to serving as a Board and Committee Member in several companies, Al Harbi also held a number of senior executive positions where he acquired a well-versed and diversified leadership, managerial, as well as technical expertise and capabilities in several areas.

Prior to joining Kuwait Telecommunications Company (**stc**), Al-Harbi served as the Chief Executive Officer (CEO) of the Technology Sector at Etihad Etisalat (Mobily) from 2014 to 2019 in addition to being the Chief Corporate Affairs Officer (CCAO) between 2017 and 2019. In his dual leadership positions at Mobily, Al-Harbi was responsible for overseeing Mobily's internal corporate communications, external marketing communications in addition to coordinating company's decision making processes and enhancing the telecommunications network. He was also responsible for overseeing the technology planning and deployment of the latest technologies to transform the Kingdom to a digital country.

Al Harbi started his career path as an Engineer at Saudi Electricity Company in 1995 before joining Lucent Technologies in 1996, Huawei Saudi Arabia in 2006, the Saudi Telecom Company (**stc**) in 2007, where he climbed the ladder from being a Testing and Maintenance Engineer to the position of Vice-President of the Home Business Unit.

Al-Harbi received his Bachelor's Degree in Electrical Engineering from King Saud University in the Kingdom of Saudi Arabia in 1995.



Mr. Mohammed Mubarak Al Faran Chief Financial Officer

Mr. Mohammed Mubarak Al Faran has been appointed as the Chief Financial Officer (CFO) of Kuwait Telecommunications Company (**stc**) in 2021, and he is currently the Vice Chairman of the Board of Directors and the Head of the Audit Committee at E-Portal Holding Company - a subsidiary of **stc** - since 2022. Mr. Al Faran has more than 15 years of an extensive experience in the Finance and Audit fields gained from many prestigious companies and governmental institutions. Mr. Al Faran held executive and senior positions in several international audit firms, the Saudi Telecom Company (**stc**) - the parent company of Kuwait Telecommunications Company (**stc**) - in addition to the Saudi Ministry of Finance.

Prior to joining **stc** Kuwait, Mr. Al Faran was the Budget Deputy Assistant of Budget Policies and Governance at the Ministry of Finance in KSA, whereby his main responsibility included the governance of the budget preparation and implementation processes as well as ensuring the compliance with all the internal and external budget policies. He started his journey with the Saudi Ministry of Finance as a Budget Deputy Assistant of Performance Reporting in 2019 and managed the process of developing the methodology for preparing the Kingdom's general budget in the Ministry of Finance in KSA as well as managing the governance of financial reporting. He also managed and served as a member in a number of government committees.

Prior to that, Al Faran joined the Saudi Telecom Company (**stc**) as a Financial Reporting Section Manager until 2013, before being appointed as the Financial Policies and Procedures Director from 2013 until 2019, in which he contributed to the leadership of the internal control evaluation project and the development of the accounting policies for the International Accounting Standards transition project.

Al Faran started his career with Deloitte Touch and Co. from 2005 to 2006 in the external audit field before joining Ernst and young from in 2006 until 2011. After almost 7 years of extensive experience in the Audit firms, Mr. Al Faran joined the Internal Audit Department of National Water Company in Saudi Arabia until 2012.

Mr. Mohammed Al Faran holds a Master's Degree in Finance from the University of Wollongong, Australia, 2008. He also holds a Bachelor's Degree in Accounting from King Saud University, Riyadh KSA, 2005. Moreover, Al Faran is a Certified Public Accountant (CPA) from USA, since 2011. In addition, he is certified from the Saudi Organization Certificate Public Accounting "SOCPA" since 2015.



Eng. Nasser A. Al-Saadon Chief Strategy Officer

Eng. Nasser A. Al-Saadon has been appointed as Chief Strategy Officer (CSO) at Kuwait Telecommunications Company (**stc**) in 2020. Eng. Nasser is an executive in the field of corporate strategy with over 24 years of progressive experience in the telecom industry where he handled several positions in various departments at the Saudi Telecom Company (**stc**).

Prior joining Kuwait Telecommunications Company (**stc**), Eng. Nasser was the General Manager for the Business Development and Innovations - Corporate Strategy Department - at the Saudi Telecom Company (**stc**) from 2016 till 2019.

In July 2001 Eng. Nasser held the position of a Project Manager at the Saudi Telecom Company (**stc**) - Network Sector from until 2002 before being appointed as a Director for the Network Planning Sector in 2005.

Later in February 2008, Eng. Nasser was responsible for the business side developing enterprise services for the Marketing Enterprise BU before being appointed as a General Manager for the Planning and Performance HBU from 2010 to 2011. In June 2014, Eng. Nasser was then transferred to the Consumer BU and took on the role of the General Manager Broadband and Bundles where he effectively managed the residential fixed and mobile broadband services till 2015.

Eng. Nasser is a board member of RIYADAH - the National Entrepreneurship Institute - representing **stc**, as well as the Investment Committee of **stc** Venture fund. Eng. Nasser is also an Advisory committee board member of STV fund.

Eng. Nasser received his Master degree in Business Administration (Marketing) from King Saud University in the Kingdom of Saudi Arabia, Riyadh in 2002. Eng. Nasser also holds a Bachelor of Science (Electrical Engineering) from King Fahad University of Petroleum and Minerals (KFUPM), Dhahran, in 1994.



Mr. Issam Issa Al Asousi Chief Corporate Affairs Officer

Mr. Issam Al Asousi was appointed as the Chief Corporate Affairs Officer of **stc** in October 2011. He is also a member of the audit committee of the Electronic Gate Holding Company - a subsidiary of **stc** - since 2022.

Mr. Issam Al-Asousi first started his career in the banking, where He took up his first position in 1980 at the Bank of Kuwait and Middle East as Head of the Banking Services Group, which includes several departments the most important of which are: VIP Private Banking Department, Marketing Department, Branch Management, Product Development, and Credit Cards Management, Which includes the provision of services to both customers and those with high purchasing power through Kuwait.

In 2003, Mr. Issam joined Al Dar Investment Company, where he played a key role in driving the institution's investment strategies, including the establishment of a Consumer Finance Company called "Wared". Furthermore, in 2008, Mr. Issam moved on to Al Dowalliah Investment Group as the Deputy Managing Director, where he was responsible for defining, implementing, and executing the organization's domestic and international strategies.

Mr. Issam graduated from Kuwait University in 1975 with a Degree in Commerce. After that, he received a one-year training program at Chase Manhattan Bank in Washington - United States of America in 1981. He also received a diploma in banking from the Kuwait Institute of Banking Studies in 1982, in addition to several courses from accredited foreign institutes



Eng. Amer Essam Atoui Chief Consumer Officer

Eng. Amer Atoui has been appointed as Chief Consumer Officer (CCO) at Kuwait Telecommunications Company (**stc**) in 2021. Eng. Amer Atoui is an analytical executive in the Telecom industry with a record of achievements in the performance turnaround of a number of multi-national telecom companies. Eng. Atoui has an extensive experience in highly competitive telecom markets as he held several leadership positions, leveraging his technical and commercial in-depth knowledge and cost optimization expertise.

Prior to joining Kuwait Telecommunications Company (**stc**), Eng. Amer Atoui was the B2C Managing Director at LAMI Insurance Technologies from 2020 till 2021 where he was responsible for structuring the startup B2C vertical and building its strategy.

He started his career at LibanCell as a Planning Engineer from 1999 until 2003 before being appointed as a Business Development Coordinator from 2003 until 2004. After that, Eng. Atoui held the position of an International Business Development Manager in COMIUM Group from 2004 to 2006.

Later, in September 2006, Eng. Amer was appointed as the Chief Executive Officer (CEO) of COMIUM Gambia for nine years where he led the setup of a Greenfield operation, and played a prominent role in implementing aggressive commercial strategies and cost saving initiatives that contributed to his success in achieving excellent financial performance targets.

From 2016 until 2016, he joined Helios Investment Partners as an Advisor to the Orange Kenya Acquisition Project before joining Telkom Kenya (Orange Kenya) as a Managing Director for the Consumer Business Unit from 2016 until 2019, where he led the rebranding, transformation and performance turnaround.

In 2006, Eng. Amer Atoui received his Executive-MBA as a (dual degree) from ESCP (FRANCE) and Ecole Supérieure des Affaires (Lebanon). He also holds a Bachelors of Engineering in Computers and Communications from the American University of Beirut, Lebanon in 1999.



Eng. Fahad Abdul Rahman Al Ali Chief Technology Officer

Eng. Fahad Abdul Rahman Al Ali has been appointed as Chief Technology Officer (CTO) at Kuwait Telecommunications Company (**stc**) in 2019, and he is currently a member of the Board of Directors at E-Portal Holding Company - a subsidiary of **stc** - since 2022. Eng. Fahad joined **stc** in 2016 as a Network Implementation and Operations Director in the Technology Sector.

He held several executive positions in the telecommunications sector and had a number of achievements across preparing strategies in addition to building and implementing the development of telecommunication networks in several companies inside and outside Kuwait.

Prior to joining Kuwait Telecommunications Company (**stc**), Eng. Fahad Al Ali has taken over several positions at Zain Telecommunications Company since 2000. He was a Technical Solutions and Planning Director from 2014 to 2016, Network Director from 2010 to 2014, Transmission Department Manager from 2006 to 2010, Transmission Engineer and Team leader from 2000 to 2006 in Kuwait, Bahrain and Iraq Operations.

Eng. Fahad Al Ali holds a Master's Degree, (Executive MBA) in 2013-2014, from Harvard Business School - Boston. He has also received his Bachelor's Degree in Communications and Electronics Engineering from Northumbria University - Newcastle UK in 1999.



Eng. Ahmad Hamad Al Hammad Chief Human Resources Officer

Eng. Ahmad Al Hammad has been appointed as a Chief Human Resources Officer (CHRO) at Kuwait Telecommunications Company (**stc**) in 2019 after he joined the Company as the Remunerations and Organization Design Director in the Human Resources Sector during the same year.

Prior to joining Kuwait Telecommunications Company (**stc**), Eng. Al Hammad has taken over several positions at KFH and NBK. From 2017 until 2019, he worked in the Human Resources sector of the Kuwait Finance House Group as the Senior Manager of the Performance Management and Rewards Department, in addition to and several positions in the HR, Strategy and Corporate Affairs as well as the Corporate Strategy and PMO business sectors where he managed the HR and business transformation programs.

During his career at KFH, Eng. Al Hammad was responsible for the total rewards philosophy as well as the performance management process and culture across KFH group where he supervised the operations across three countries and several subsidiaries of KFH. Prior to Joining KFH, Eng. Ahmad worked at the National Bank of Kuwait in the IT field as a system architect and infrastructure specialist in the IT-D Platforms Area from 2009 to 2013, and Environmental specialist from 2008 to 2009.

Eng. Ahmad Al Hammad received his BSc. in Computer Engineering from California State University, Chico, USA in August 2007 and he received many Certificates from Harvard Business School and George Washington University.



Mr. Mohammad Fadhel Al-Sabea Chief Audit Executive

Mr. Mohammad Al-Sabea has been appointed as Chief Audit Executive at Kuwait Telecommunications Company (**stc**) in July 2022. Prior to joining **stc**.

Mr. Mohamed held the position of Head of Internal Audit at Health Assurance Hospitals Company (DHAMAN).

Mr. Mohamed Al-Sabea has more than 25 years of experience in internal auditing, where he has extensive experience in the field of governance and risk management in addition to holding a number of leadership positions in various industries. Mr. Al-Sabea started his professional career at the Central Bank of Kuwait and Kuwait Petroleum Corporation (KPC) in 1996 before moving to the investment sector to occupy the position of Vice President of the Internal Audit at Aayan Leasing and Investment Company. He later joined Al-Imtiaz Investment Group as an Executive Manager of Risk Management. Mr. Al-Sabea also held the position of Head of Internal Audit at Kuwait Telecom Company (**stc**) between 2014 and 2019 before joining Boubyan Bank as Assistant General Manager for Internal Audit.

Mr. Mohammad Al-Sabea obtained his Bachelor's degree in Accounting and Auditing in 1996. He also obtains several recognized professional certificates including the Certified Public Accountant USA (CPA), Certified Internal Auditor (CIA), Certified Information Systems Auditor (CISA), Certified Fraud Examiner (CFE), Internal Controls Certificate (COSO), Certified Risk Manager (ISO 31000) and Certified Corporate Governance Officer (CCGO).

Rule (3): Selecting Qualified Persons for the Membership of the Board of Directors and the Executive Management

Nominations and Remunerations:

The Board of Directors formed the Nominations and Remunerations Committee in accordance with the governance provisions as set out in Article 4.1 of the Corporate Governance Book, where the composition of the committee includes an independent member, In addition, the committee's work charter of work is available, which includes its duties and responsibilities. The committee is concerned with (but not limited to) the following:

- Recommendation to accept the nomination and re-nomination of the members of the Board and Executive Management.
- Developing a clear policy for the remuneration of the Board of Directors and Executive Management.
- Determine the right skills required for membership of the Board of Directors and reviewing those needs on an annual basis.
- Reviewing of the organizational structure of the company and make recommendations to the Board of Directors regarding any proposed changes to the organizational structure.
- Attracting applications of those willing to occupy Executive positions as needed, studying and reviewing those applications.
- Identifying different segments of remunerations that will be granted to employees, such as fixed bonuses segment, bonuses linked to performance segment, rewards in the form of shares segment, and end of service benefits segment.
- Preparing a job description for the Executive and Non-Executive members as well as the Independent Members.
- The committee verifies the independence of independent member
- Preparing a report of the total remunerations granted to Members of the Board of Directors, the executive body and the managers; whether cash or benefits or privileges, of whatever nature and title, directly or indirectly through the company or Subsidiary
- Determining the mechanisms for evaluating the performance of the Board as a whole and evaluating the performance of each member of the Board and Executive Management separately.
- Periodical review of payroll and job grading.
- Ensuring that bonuses are awarded according to the approved policy of remunerations.
- Reviewing Human Resource Policies of the company and any amendments to them before submission to the Board of Directors.

In abidance with the highest standards of transparency as stipulated in the leading practices and in the rules of Corporate Governance, the company abided by preparing a detailed report on all the bonuses granted to the members of the Board of Directors and the Executive Management. The following are the details of the bonuses given to the members of the Board of Directors and the Executive Management, which shall be announced in the general assembly meeting.

The following table shows the Remuneration and compensations of the Board Members for 2022, noting that the Board of Directors of Kuwait Telecommunication Company (**stc**) is composed of (7) members, including the Chairman:

Remunerations and benefits of Members of Board of Directors							
Total number of members	Remunerations and benefits through the parent company			Remunerations and benefits through the subsidiaries			
	Fixed remuneration and benefits (Kuwaiti Dinar)	Variable remuneration and benefits (Kuwaiti Dinar)		Fixed remuneration and benefits (Kuwaiti Dinar)		Variable remuneration and benefits (Kuwaiti Dinar)	
	Health insurance	Annual remuneration	Committees' remuneration	Health insurance	Monthly salaries total of the year	Annual remuneration	Committees' remuneration
7	---	152,061	202,600	---	---	---	---

*Details of the segments and types of remuneration and benefits mentioned are examples without limitation.

Total remunerations and benefits granted to five senior executives who have received the highest remunerations, including the Chief Executive Officer and the Chief Financial Officer*														
Total executive positions	Remunerations and Benefits through the parent company						Remunerations and Benefits through the subsidiaries							
	Fixed remuneration and benefits (Kuwaiti Dinar)					Variable remuneration and benefits (Kuwaiti Dinar)	Fixed remuneration and benefits (Kuwaiti Dinar)					Variable remuneration and benefits (Kuwaiti Dinar)		
	Monthly salaries (total of the year)	Health insurance	Annual tickets	Housing allowance	Transportations allowance	Children's education allowance	Annual remuneration	Monthly salaries (total of the year)	Health insurance	Annual tickets	Housing allowance	Transportation allowance	Children's education allowance	Annual remuneration
5	417,525	-	10,683	105,483	90,315	10,072	817,024	154,420	-	-	-	8,400	12,940	109,714

* Details of the segments and types of remuneration and benefits mentioned are examples without.

Rule (4): Ensuring the Integrity of Financial Reports

Financial Reports and the External Auditor

Board of Directors and Executive Management provide a written pledge to confirm the validity and integrity of financial reports prepared. Also the Board of Directors has composed the Audit Committee in accordance with the rules of Corporate Governance, according to the provisions of Article 5.6 of the Corporate Governance book by "Capital market Authority Regulations".

Details of the composition and achievements of the committee were presented above.

The company issues a set of financial reports on periodic basis that includes:

- Interim financial statements.
- Profits announcements.
- Annual reports.

With regard to the External Auditor, the Audit Committee is responsible for:

- Reviewing the scope of work, methodology and work plan of the external auditor, and the coordination between external audit and internal audit.
- Recommending to the Board of Directors assigning and re-assigning the external auditor, proposing to change the external auditor, discussing the fees offered, and review their engagement letter.
- Also ensuring that the external auditor is registered as an approved service provider in the Capital Market Authority, and that the provider meets all requirements of the capital market authority regulations.
- Monitoring the external auditor performance and ensuring that there are no services provided that may cause conflict of interest.
- Verifying the independence of the External Auditor on periodic basis prior to assigning or re-assigning, and verifying that the External Auditor does not perform any additional tasks not related to external audit activities and responsibilities that may affect the independence of the provider.
- Discussing obstacles or difficulties encountered by the external auditor that may include scope limitations or obtaining required information, or any disagreements may result with the management.

Rule (5): Development of sound Risk Management systems and internal controls

Internal Control Systems and Risk Management

Risk Management is responsible for implementing the risk strategy and policy as well as preparing periodic reports on the nature of the risks to which the Company is exposed to, also submitting them to the Risk Committee for approval to be presented to the Board of Directors. Risk Management Officers have the independence and experience to perform their role through establishing adequate and appropriate internal controls for the company's activity and the nature of its business. Company's management is independent by direct subordination to the Board's risk Committee as per with the approved risk management organizational structure and governance regulations.

Summary of the internal control systems:

- Approved policies and procedures that cover all key activities and processes of the company.
- A comprehensive and detailed Organizational Structure approved by the Board of Directors and covers all the sectors and departments within the company.
- Approved job descriptions covering all the company's employees.
- Approved regulations by the Board of Directors, which cover all board committees, according to the rules of Corporate Governance.
- Approved policies by the Board of Directors that cover all the requirements under the rules of Corporate Governance.
- Approved financial and administrative authority matrices by the Board of Directors, to determine all the powers of various parties and covers all key processes.
- Integrated mechanism that cover all major operations.
- Monitoring and control by several independent parties, including internal parties (Internal Audit, Quality Control, and Compliance) and external parties (External Audit, And the ISO Audit Team, Sharia'a Audit).

Internal Audit:

The company has an effective internal audit department with complete technical and administrative independence, through its direct subordination to the Audit Committee - Board of Directors. The Internal Audit department performs several tasks, including:

- Conducting Risk Assessment covering all the departments across the company to prepare a risk based audit plan and presenting the same to the Audit Committee for approval.
- Conducting audit reviews that cover all company's operations and activities according to the approved audit plan by the Audit Committee in order to assess the effectiveness and efficiency of internal controls.
- Conduct quarterly follow up to check whether the Executive Management has taken the corrective actions agreed upon the internal audit reports.
- Reporting and discussing all the audit findings with the Audit Committee with the presence of Executive Management's representatives.
- Carry out other special assignments assigned by the Audit Committee

Rule (6): Promote Code of Conducts and Ethics

Rules of Code of Conducts and Ethics:

Summary of the professional and ethical behavior standards:

The company, represented by the Board of Directors, the Executive Management and all employees, believes that the professional and ethical behavior is one of the most important tributaries of the company's success in achieving its goals. Based on this belief, the board of directors has adopted a policy to define the professional and ethical behavior standards within the company, as well as the responsibilities of each of the company, the board of directors and the management Executive and staff. The policy also stipulates that the responsibility to report if an incorrect or unsafe matter is observed, rests with everyone without exception.

The policy also addressed other important aspects, such as the relationship with commercial partners, the integrity of financial statements, information security and environmental health and safety. All the Board of Directors Members, executive management and employees should abide by it in all their work tasks, regardless of the place and conditions of work.

A summary of the policies and mechanisms on reducing cases of conflict of interest:

The company has a conflict of interest policy that aims to ensure that appropriate procedures are in place to effectively detect and address conflicts of fundamental interest, in addition to ensuring that the Board of Directors deals with existing, potential and expected conflict of interest cases and that all decisions are taken in the interests of the company. This policy is an integral part of the company's full commitment to integrity and justice in dealing with stakeholders. This policy also clarifies the basis for dealing and managing cases of conflict of interest, the concept of conflict of interest, and the parties whose interests conflict with the company's interest, in addition to the role of the Board of Directors and the Executive Management. And the Department of Compliance, Internal Audit, and the Company's General Assembly regarding conflict of interest. The policy also reviewed the procedures for dealing with cases of conflict of interest and the disclosure mechanism.

The report issued by the company's auditors indicated a statement on the balances and transactions with related parties, as the parties are considered related parties when the party has the ability, directly or indirectly through one or more intermediaries, to control the other party or the possibility of influencing it in a way Great when making financial and operating decisions.

Related parties principally include major shareholders of the Company, members of the Board of Directors, members of senior management and companies over which they can exercise significant influence. In addition to the above, the Company has also entered into some other transactions related to the normal course of business with the Parent Company, which are included in operating expenses. The balance due to the Parent Company is disclosed as on the statement of financial position date on December 31, 2022. The following are the significant transactions with the Parent Company that are included in the statement of profit or loss and comprehensive income:

Year	2021	2022
Currency	Thousand Kuwaiti Dinars	Thousand Kuwaiti Dinars
Management Fees	10,385	11,773
Other Revenue Expenses	13,716	15,785
Other Operational Expenses	9,254	24,221

Rule (7): Disclosure and transparency

Accurately and in a timely manner

Disclosure and transparency

A summary of the application of the screening as well as the accurate and transparent disclosure mechanism that determine the aspects, areas and characteristics of disclosure:

Commitment to the principle of transparency in work is one of the main keys to encourage shareholder confidence. Therefore, the company is committed to a policy of disclosure and transparency by following all laws, regulations, and instructions related to disclosure issued by various supervisory authorities in a timely manner, believing in the importance of transparency in enhancing the confidence of shareholders and stakeholders and maintaining the company's reputation in Labor market.

In compliance with the regulations and laws regulating the process of disclosure and transparency issued by the concerned supervisory authorities, the company shall disclose accurate and appropriate financial statements, profit reports, audit reports and other information accurately, transparently and clearly, as well as the material information related to the company, while adhering to maintaining its strict confidentiality and taking the necessary measures to ensure that that Dealing with documents and data related to that information remains regulated to a minimum, in addition to providing more effective communication tools with all stakeholders and stakeholders for the purpose of providing comprehensive reports, which in turn is consistent with one of the company's objectives, which is commitment to the transparency policy.

The company's management confirms that all data provided in this regard are accurate, correct and not misleading. Also, all the company's annual financial reports are in compliance with International Accounting Standards for Financial Reporting and its requirements.

The company, through the Compliance and Governance Department, maintains a special record that includes all the company's disclosures with the Kuwait Stock Exchange and the Capital Markets Authority during the previous five years. The total number of disclosures made by the company during the year 2022 is 46 disclosures, as the company believes in promoting the principle of transparency, the material information disclosures are also available on the company's official website on the Internet, in compliance with the requirements of the Kuwait Capital Markets Authority.

A brief on the application of the requirements of the register of disclosures made by the Board Members and Executive Management:

The company has a special record for the disclosures made by the Board of Directors Members and Executive Management, provided that this record is available for perusal by all the company's shareholders. The company also confirms that company's shareholders have the right to see this record without any fee or charge, with its commitment to update the data of this register periodically to reflect the real situation of the related parties.

A brief statement about the requirements of the formation of a unit for organizing investors' Affairs:

The company has established the Investor Relations Department, and this department is responsible for the process of communicating with current and potential shareholders in addition to providing the necessary data, information and financial reports. The Investor Relations Department has an appropriate independence reporting line, in a way that allows it to provide data, information and reports in a timely and accurate manner through the recognized means of disclosure, including the company's website.

A statement of how to develop the information technology's infrastructure and to rely heavily on it in disclosures:

The company follows a policy of accreditation and expansion in the use of information technology to communicate with shareholders, investors and stakeholders, through the establishment of a section dedicated to corporate governance on its website. The corporate governance page displays all the updated information and data that helps shareholders, current and potential investors to exercise their rights and assess the performance of the company. In addition, there is an investor relations page that is also available on the company's website and the investor relations mobile application.

Rule (8): Shareholders' and Stakeholders' Right

Protecting Shareholders' Equity

Summary of the application of the requirements for identification and protection of public rights of shareholders, to ensure justice and equality among all shareholders:

The company is committed, through the Investor Relations Department, to its responsibility towards the shareholders in adopting the highest standards of transparency and fair treatment in the process of communicating with them. The company believes that the proper application of Corporate Governance enhances the value for its shareholders and provide appropriate guidelines for each of the Board of Directors, and its committees, and Executive Management to carry out their duties in order to serve the interests of the company and its shareholders. Therefore, the company seeks to achieve the highest levels of transparency, accountability and effective management through adopting, and following-up the execution of strategies, objectives and policies aimed at compliance with its regulatory and ethical responsibilities.

It is worth noting that we have activated and strengthened the channels of communication with investors and financial analysts, after listing the company's shares in Boursa Kuwait. The company is also committed to transparency and providing financial information about the company through different communication channels, according to the best professional practices in disclosure and transparency. In addition, the company was keen to communicate with local and foreign investors as well as financial analysts in order to meet with them and answer their queries. The company also participated in conferences held for investors to enhance communication with all categories of shareholders and the financial community.

In addition, the website and the Investor Relations mobile app. provide a range of information about the company's stock, financial data and reports on the company's performance. The company has also adopted a special policy to protect shareholders' rights.

Furthermore, the company guarantees to all shareholders the right to access all information and relevant disclosures through publishing it on the website and the annual reports available to all shareholders, in addition to enabling them to obtain all information pertaining to the Board Members, their qualifications, their stock ownership in the company, their chairmanship or membership in the boards of other companies, as well as the information on company's executives. It is also available to all stakeholders to obtain all relevant information.

Summary on the establishment of a special registry to be kept with the clearing agency, as part of the requirements of ongoing follow-up for data of shareholders:

The company has, since its inception, created a special registry to be kept with the clearing agency to keep a record of shareholders names and the number of shares owned by each one of them. This register is updated on a daily basis, and any changes to the data recorded in the shareholder register are also modified according to the data received by the company or clearing agency in this regard. A brief on how to encourage shareholders to participate and vote at the assembly meetings of the company:

- Initially, the company discloses the date of the General Assembly Meeting after the date has been determined by the Board of Directors.
- The company directs a public invitation to shareholders to attend and participate in the General Assembly Meeting, (whatever type of meeting it might be), including the agenda. The invitation is made through the announcement in, at least, two daily newspapers published in Arabic, twice. The first ad should be published two weeks prior to the General Assembly Meeting while the second ad should be published one week prior to the General Assembly Meeting. The second ad must be published in the official Newspaper.
- The company also announces the date of its General Assembly Meeting through the web page of Bursa Kuwait in addition to the Investor Relations web page on the company's official website.
- The company has recently launched a mobile application for Investor Relations so that respective investors can follow all company news and have access to all financial disclosures, invitations, reports, as well as information related to the performance of the company's share

Rule (9): Understanding the Role of Stakeholders

Realizing the role of stakeholders

A brief on the systems and policies that ensure the protection and recognition of the rights of stakeholders:

The company respects and protects stakeholder's rights in all its internal and external dealing and transactions, as the contributions of stakeholders constitute a critical resource for building the company's competitiveness and enhancing its levels of profitability. In order that the stakeholders' transactions, whether contracts or deals with the company, do not conflict with the interests of the shareholders, the company has taken into consideration the following:

- That none of the stakeholder obtains any advantage by dealings in contracts and transactions that are included in the company's normal activities.
- The company should develop internal policies and regulations that identify a clear mechanism for documenting contracts and deals of different types.

The company also adopted a number of policies, including, but not limited to:

- Stakeholder Protections Rights Policy.
- Conflict of Interest Policy.
- Whistleblowing policy.
- Related Parties Transaction Policy.

About how to encourage stakeholders to participate in the follow-up of the company's various activities:

The company is committed dealing with the Board of Directors Members and stakeholders on the same conditions that the company applies with the different stakeholders without any discrimination or preferential terms, in addition to making sure to review the deals and transactions proposed by the company with related parties and to make appropriate recommendations in this regard to the Board of Directors.

The company is also committed to providing stakeholders with information and data related to their activities on a regular basis in accordance with the contracts concluded with them and in a manner that does not violate the confidentiality of information policy applied within the company. All contracts concluded with stakeholders are included in contractual clauses that guarantee the confidentiality of the information provided to them to perform the tasks assigned to them.

On the other hand, the company is committed to ensuring the rights of stakeholders in accordance with the laws in force in the State of Kuwait that regulate the relationship between the company and its stakeholders, including, for example, the Kuwaiti National Labor Law, the Companies Law and its Executive Regulations, the Commercial Law, and instructions issued by the Authority Financial markets and other regulatory authorities.

Rule (10): Promote and Enhance the Performance

Performance Enhancement

Summary on the requirements for developing mechanisms that will allow all of the Board Members and Executive Management to, continuously, obtain training programs and courses:

The company is committed to perform a continuous training and qualification, which provides the board of directors members and the executive management with the appropriate understanding and knowledge of all topics related to the company's activities, and makes them aware of the latest developments in the relevant administrative, financial and economic fields, in addition to the ability to strategically plan according to the company's needs and then achieve the company's goals.

A brief on the method of evaluating the performance of the Board of Directors as a whole as well as the performance of each member of the Board of Directors and the Executive Management:

The company has developed systems and mechanisms to periodically evaluate the performance of each member of the Board of Directors and the Executive Management. This is achieved through developing a set of performance indicators linked to the extent of achieving the strategic goals of the company, the quality of the Risk Management and the adequacy of the internal control systems. The Board of Directors has also adopted the performance indicators to measure the performance of both the Board of Directors and the Executive Management.

A brief on the Board's efforts on (Value Creation) within the employees of the company, through the achievement of strategic objectives and improving performance rates:

The Board of Directors and the Executive Management are keen to create corporate values within the company by following the highest standards of the Code of Professional Conduct, in addition to applying the Employee Guide. This shall enable achieving higher levels of applying work ethics, achieve the strategic goals of the company, and improve performance rates, which in turn contributes effectively to creating institutional values among employees and motivates them for continued work to maintain the financial soundness of the company.

Rule (11): Focusing on Corporate Social Responsibility

Corporate Social Responsibility

A brief of a policy development that ensures a balance between societal and corporate goals:

Kuwait Telecommunications Company (**stc**) always aspires to be one of Kuwait's leading and dedicated companies to play an active and fundamental role in establishing and applying its corporate social responsibility (CSR) agenda consisting of key pillars that benefit and contribute positively to the local community, in line with Kuwait's 2035 vision.

stc seeks an integrated and modern approach in implementing its CSR initiatives, with the participation of members of the **stc** family, voluntary teams and third parties, creating a friendly, cooperative and result-oriented atmosphere that yields to the development of the society and pours into the benefit of the State of Kuwait as a whole. As a Kuwaiti company, we invest in the synergetic relationship that focuses on giving back to our society, as we believe that giving is the essence of success.

stc also holds responsibility towards the community which lies at the top of its priorities. Ever since its establishment more than 14 years ago, **stc** has made every effort to highlight and affirm its commitment to society, playing an active role in supporting the Kuwaiti community in its various sectors and categories in the fields of environment, entrepreneurship, health, and education. It also aims to invest in sustainable initiatives that support and benefit the local community, backed by ethical values and principles of governance, neutrality and transparency.

An overview of **stc's** CSR agenda:

For further details on **stc's** most recent CSR initiatives, please refer to the CSR section published on the Company's website and the Annual Report for 2022.

Audit

Committee Report

Committee Chairman Speech



Mr. Ameen Ben Fahad Ben Abdulaziz Al-Shiddi

Audit Committee Chairman

Peace, Mercy and Blessings of God be upon all of you

Dear shareholders,

On behalf of the colleagues and the audit committee, presenting to you the annual report of the audit committee, the report covers the most important tasks and activities carried out by the committee during the year 2022.

The audit committee, which is composed from the board of directors, is one of the most important internal control tools in the company within the framework of corporate governance and aims to establish a culture of commitment and accountability, and contributes to strengthening values and principles of governance that achieve the company's goals and protect the interests of shareholders.

During the year 2022, the audit committee continued to assist the board of directors in fulfilling its supervision and audit

responsibilities. The committee reviews the financial data on a regular basis before presenting it to the board of directors and provides opinions and recommendations to the BOD.

The audit committee plays a vital role in ensuring the quality of the financial statements. The committee reviews the financial position of the company, verifies the accuracy and integrity of the financial statements, and ensures the transparency and completeness of data disclosure. The committee also supports and enhances the independence of the external auditors to enable them to perform their duties fully and to express an impartial opinion on the fairness and accuracy of the financial data.

The existence of an effective internal control system is one of the main responsibilities of

the audit committee, where the committee ensures the adequacy and effectiveness of the internal control systems applied in the company. The company's management has designed and implemented high-efficiency internal control systems. This is done through its supervision role in carrying out inspection and evaluation procedures of internal control systems. The committee studies and reviews the audit reports on the internal controls systems, accounting systems, financial and administrative procedures, and proposed modifications to these areas.

The committee supervises the internal audit, supports its independence and provides necessary resources to enable it to perform its tasks and activate its role in assessing the adequacy and effectiveness of internal control systems.

The committee also monitors the company's compliance with laws, regulations, and professional standards, as well as its adherence to adopted internal policies and regulations. Finally, the audit committee concludes that the monitoring and supervision carried out along with reviewing of auditors' reports, and the applied internal control systems which indicate Kuwait Telecommunications Company **(stc)**, has an adequate control environment for its activities and an effective internal control system to a reasonable extent, and the company is continuously achieving improvement in designing and implementing effective internal control systems.

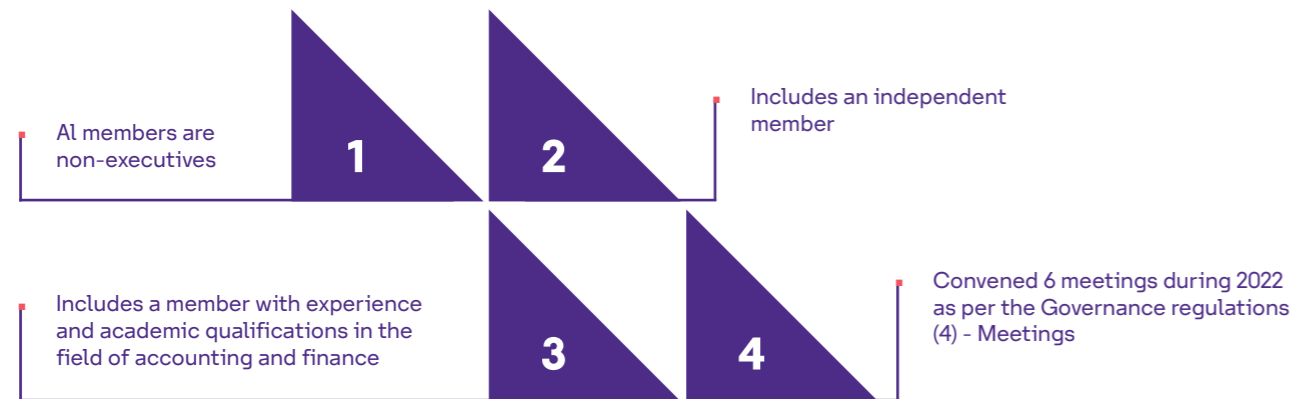
Objective

To strengthen the culture of compliance within the company by ensuring the validity and integrity of the company's financial reports, in addition to verifying the efficiency of the internal control systems implemented in the company.

Members

<p>Mr. Ameen Ben Fahad Ben Abdulaziz Al-Shiddi Committee Chairman - (Non-Executive) & Board Member - (Non-Executive)</p>	<p>Mrs. Iman Mohammed Al-Ahmed Committee Member - (Non-Executive) & Board Member - (Non-Executive)</p>
<p>Eng. Omar Abdullah Al Noamani Committee Member - (Non-Executive) & Board Member - (Non-Executive)</p>	<p>Mr. Salah Ahmad Al Fouzan Committee Member - (Independent) & Board Member - (Independent)</p>

Committee features








Roles and responsibilities

Roles and responsibilities assigned to the committee as per the committee charter and governance regulations are as follows:



2022 - Snapshot

	<p style="text-align: center;">Financial Statements</p> <ul style="list-style-type: none"> ✓ Periodic review of FS (Quarterly & Year-end) before presenting it to the board. ✓ Discussing external auditor's opinion on the FS and insure its independency. ✓ Discussing significant changes in IFRS and its impact on the FS. ✓ Ensuring the Financial statements are correctly Consolidated.
	<p style="text-align: center;">Internal Control</p> <ul style="list-style-type: none"> ✓ Reviewing the ICR report that is conducted by independent external auditor. ✓ Discussing the quarterly and annual internal Shari'a audit reports and Shari'a Supervisory Board reports before submitting its recommendation to the board of directors. ✓ Assigning the ICR project to an independent and approved firm to review the internal control system and then send it to the CMA. ✓ Inforce the whistle blowing policy and insure the compliance of it laws.
	<p style="text-align: center;">Internal Audit</p> <ul style="list-style-type: none"> ✓ Approving the internal audit charter and the risk based plan. ✓ Discussing the IA reports and follow-up reports submitted by the IA department to close the raised points. ✓ Ensuring the independency of the Chief Internal Audit. ✓ Discussing and reviewing IAD's objectives and KPIs. ✓ Assess the Chief Internal Audit's performance.
	<p style="text-align: center;">External Audit</p> <ul style="list-style-type: none"> ✓ Reviewing the scope of work and objectives of external auditor. ✓ Presenting proposals and recommendations related to assigning the external auditor by the board and General Assembly. ✓ Presenting proposals and recommendations related to assigning the Shari'a Supervisory by the Board.
	<p style="text-align: center;">Compliance</p> <ul style="list-style-type: none"> ✓ Following up with the management on the periodical reports sent to the regulators. ✓ Reviewing the compliance reports that reflect the company's compliance with external regulatory requirements and following up on the implementing the recommendations. ✓ Ensuring compliance with corporate governance to enhance regulatory compliance.

Financial Statements



Financial report

Balance sheet

Assets	
Current assets	1,734,826
Non-current assets	88,905
	1,823,731
Liabilities	
Current liabilities	166,630
Non-current liabilities	110,327
	276,957
Equity	
Paid-up capital	74,393
Retained earnings	72,821
	1,472

Equity statement

Current year		1,774,576
Comprehensive income		15,897
Issue of share capital		88,905
Dividends		23,853
Previous year		166,630
Comprehensive income		110,327
Issue of share capital		56,303
Dividends		67,676

Income statement

Revenue	12,978,516
Cost of sales	12,873,892
Operating profit	104,624
Finance income	6,372,535
Finance expense	1,385,395
Income tax expense	4,439,118
Profit	6,505,981

Cash flow statement

Operations		12,978,516
Net earnings		12,873,892
Depreciation		104,624
Investing		6,372,535
Real estate		1,385,395
Equipment		4,439,118
Financing		6,505,981
Notes payable		6,505,981

BUSINESS DASHBOARD



85%

Financial Statements Integrity for the Board of Directors Declaration

For the Fiscal Period Ended on 31st December 2022

I, undersigned, certify that we have reviewed the Company's financial statements for the fiscal period ended on 31st December 2022. Based on information available for us, we acknowledge that the present statements do not contain inaccurate information. No material information is omitted or withheld that could render these financial statements misleading in respect of the coverage period.

Therefore, the enclosed financial statements and other material information contained therein are fairly presented in all significant aspects such as the balance sheet, cash flows and operation outcomes of the reporting period.

In addition, we declare that we are responsible for developing the internal controls procedures of preparing the company's financial statements to reflect integrity and creditability in accordance with the related international financial standards.

Dr. Mahmoud Ahmad Abdulrahman

Chairman of the Board



**Kuwait Telecommunications Company K.S.C.P. and its
Subsidiaries**



CONSOLIDATED FINANCIAL STATEMENTS

31 December 2022

Consolidated Financial Statements

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF KUWAIT TELECOMMUNICATIONS COMPANY K.S.C.P.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Kuwait Telecommunications Company K.S.C.P. (the "Parent Company") and its subsidiaries (collectively the "Group"), which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). 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 Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA 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 our opinion thereon, and we do not provide a separate opinion on these matters. For the key audit matters below, our description of how our audit addressed the matters 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.



INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF KUWAIT TELECOMMUNICATIONS COMPANY K.S.C.P. (continued)

Report on the Audit of the Consolidated Financial Statements (continued)

Key Audit Matters (continued)

a) Recognition and measurement of revenue

The Group has recognized operating revenue amounting to KD 336,365 thousand for the year ended 31 December 2022.

There is an inherent risk around the accuracy of revenue recognised due to the complexity of Information Technology ("IT") environment in which billing, rating and other relevant support systems reside; changing tariff plans and multiple element contracts with customers, which may affect the timing and recognition of revenue. In addition, the revenue recognition under "IFRS 15 – Revenue from Contracts with Customers" ("IFRS 15") requires considerable judgment from management in determining the transaction price of contracts, stand-alone selling prices and their allocation to performance obligations under the contracts with customers.

Further, there are risks associated with registration and subscription of telecommunication services and the difficulty of verifying the existence of such operations, in addition to the materiality of the amounts and volume of transactions involved. Due to the complexities and judgments required in the revenue recognition process, we have considered this as a key audit matter.

Our audit procedures, among others, included assessment and testing of design and implementation of internal control systems related to revenue recognition. These audit procedures were particularly related to subscription fees for telecom and data packages, network usage and billing to customers, with the involvement of our IT specialists to assist us in the assessment of the Group's IT environment.

Further, we have assessed the appropriateness of management's processes and judgments relating to determination of transaction price of contracts, stand-alone selling prices and their allocation to performance obligations under IFRS 15. We have also tested the revenue reconciliation, prepared by the management, between the primary billing systems and the general ledger. Further, we performed substantive analytical procedures that included a detailed comparison of revenue with the previous year and the budgets, as well as category wise detailed analysis carried out on a monthly basis. We have also assessed the adequacy of the Group's disclosures regarding accounting policies for revenue recognition.

The accounting policy and the related disclosures for revenue recognition are set out in Notes 2.3 and 14 to the consolidated financial statements, respectively.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF KUWAIT TELECOMMUNICATIONS COMPANY K.S.C.P. (continued)

Report on the Audit of the Consolidated Financial Statements (continued)

Key Audit Matters (continued)

b) Capitalisation and useful lives of property and equipment

The Group has property and equipment with carrying value of KD 171,199 thousand as at 31 December 2022, which represents both infrastructure, as well as the assets in relation to network and related equipment. The capital projects often contain a combination of enhancement and maintenance activities that are difficult to separate, and therefore, determining the eligibility of the costs for capitalization depends on the management's judgments and estimates. Further, the timing of capitalisation of these assets, as well as the assessment of useful lives depends significantly on the judgement of the management. Due to this subjectivity and the materiality of the amounts involved, we have considered this as a key audit matter.

Our audit procedures, among others, included evaluating the Group's capitalisation policy for compliance with relevant accounting standards, as well as, testing the key controls in place over the capitalisation of property and equipment. Further, on a sample basis, we have verified the capitalisation of project expenses against the Group's capitalisation policy and the relevant accounting framework.

We have also carried out an assessment of useful lives of property and equipment as compared to the guidelines in the Group's policies and procedures with respect to the assessment of useful lives of property and equipment. We have also assessed the adequacy of the Group's disclosures regarding accounting policies for property and equipment.

The accounting policy and related disclosures for property and equipment are set out in Note 2.3 and 5 to the consolidated financial statements, respectively.

c) Accounting for business combination

During the year, the Group acquired 100% equity interest in E-Portal Holding Company K.S.C. (Closed) ("E-Portal") for a purchase consideration of KD 22,030 thousand. This transaction has been accounted for in accordance with IFRS 3 Business Combinations ("IFRS 3") using the acquisition method.

The Group, assisted by an external expert, has accounted for the cost of the acquisition by determining the provisional fair values of the assets and liabilities acquired including intangible assets of KD 19,841 thousand, with the balance resulting in a preliminary goodwill of KD 2,189 thousand. The purchase price allocation is still provisional as at 31 December 2022 given the time that has elapsed between the transaction date and the approval of the consolidated financial statements. The preliminary goodwill arising from the acquisition and the relating carrying amounts of assets and liabilities will be adjusted on a retrospective basis upon finalisation of the purchase price allocation process during 2023.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF KUWAIT TELECOMMUNICATIONS COMPANY K.S.C.P. (continued)

Report on the Audit of the Consolidated Financial Statements (continued)

Key Audit Matters (continued)

c) Accounting for business combination (continued)

We have determined this to be a key audit matter based on the quantitative materiality of the acquisition and considering that significant judgments and estimates are involved in the determination of the provisional values of the acquired assets and liabilities, including the identification and the provisional valuation of the newly identified intangible assets.

Our audit procedures included, among others, reviewing the relevant Board and Annual General Assembly Meeting minutes as well as the regulatory approvals, and obtaining an understanding of the acquisition transaction, in order to assess whether the accounting treatment in accordance with IFRS 3 Business Combinations, has been appropriately applied. In this connection, we assessed the criteria used for recognition of the transaction as a business combination and the determination of the acquisition date and the consideration paid. We also verified that the results of operations of E-Portal were included in the consolidated financial statements of the Group from the date of acquisition, as defined by IFRS 3.

We evaluated whether the external expert appointed by management to assist them with the purchase price allocation exercise has the necessary competency, capabilities and objectivity for audit purposes. We assessed the reasonableness of the provisional fair valuation of the acquired assets and liabilities, which included challenging the valuation methodology used.

With respect to the intangible assets recognised as part of the purchase price allocation exercise, we evaluated methodology and approach for the identification of the cash generating units and provisional fair valuation of the assets based on our understanding of the business of the acquired entity (E-Portal) and discussed the business rationale for the acquisition and assessment with management.

We have assessed the adequacy of the related disclosures in Note 4 to the consolidated financial statements. The Group's policy on accounting for business combinations is disclosed in Note 2.3 to the consolidated financial statements.

Other Information included in the Group's 2022 Annual Report

Management is responsible for the other information. Other information consists of the information included in the Group's 2022 Annual Report, other than the consolidated financial statements and our auditor's report thereon. We obtained the report of the Parent Company's Board of Directors, prior to the date of our auditor's report, and we expect to obtain the remaining sections of the Group's Annual Report after the date of our auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF KUWAIT TELECOMMUNICATIONS COMPANY K.S.C.P. (continued)

Report on the Audit of the Consolidated Financial Statements (continued)

Other Information included in the Group's 2022 Annual Report (continued)

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above 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. If, based on the work we have performed on other information that we have obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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 IFRSs, 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, the 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 are 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 ISAs 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.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF KUWAIT TELECOMMUNICATIONS COMPANY K.S.C.P. (continued)

Report on the Audit of the Consolidated Financial Statements (continued)

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)

As part of an audit in accordance with ISAs, 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.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF KUWAIT TELECOMMUNICATIONS COMPANY K.S.C.P. (continued)

Report on the Audit of the Consolidated Financial Statements (continued)

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence and 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 year 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.

Report on Other Legal and Regulatory Requirements

Furthermore, in our opinion proper books of accounts have been kept by the Parent Company and the consolidated financial statements, together with the contents of the report of the Parent Company's Board of Directors relating to these consolidated financial statements, are in accordance therewith. We further report that we obtained all the information and explanations that we required for the purpose of our audit and that the consolidated financial statements incorporate all information that is required by the Companies Law No. 1 of 2016, as amended, and its executive regulation, as amended, and by the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, that an inventory was duly carried out and that, to the best of our knowledge and belief, no violations of the Companies Law No. 1 of 2016, as amended, and its executive regulation, as amended, nor of the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, have occurred during the year ended 31 December 2022 that might have had a material effect on the business of the Parent Company or on its financial position.

We further report that, during the course of our audit, we have not become aware of any material violations of the provisions of Law No. 7 of 2010 concerning the Capital Markets Authority and its related regulations during the year ended 31 December 2022 that might have had a material effect on the business of the Parent Company or on its financial position.



ABDULKARIM ALSAMDANI
LICENCE NO. 208 A
EY
AL AIBAN, AL OSAIMI & PARTNERS

8 February 2023
Kuwait

Kuwait Telecommunications Company K.S.C.P. and its Subsidiaries

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

	Notes	2022 KD'000	2021 KD'000
ASSETS			
Non-current assets			
Property and equipment	5	171,199	185,016
Goodwill and intangible assets	6	42,076	27,238
Trade and other receivables	7	5,079	15,960
		<u>218,354</u>	<u>228,214</u>
Current assets			
Inventories		7,890	10,814
Prepayments and other current assets		9,086	7,771
Trade and other receivables	7	47,263	32,420
Contract assets	8	62,778	49,429
Cash, bank balances and deposits	9	79,003	65,154
		<u>206,020</u>	<u>165,588</u>
TOTAL ASSETS		<u>424,374</u>	<u>393,802</u>
EQUITY AND LIABILITIES			
Equity			
Share capital	10	99,874	49,937
Statutory reserve	10	52,483	26,242
Voluntary reserve	10	-	26,241
Other reserves		210	(766)
Retained earnings		88,850	135,540
Total equity		<u>241,417</u>	<u>237,194</u>
Non-current liabilities			
Employees' end of service benefits	11	12,108	11,217
Islamic financing facilities	12	23,000	2,308
Trade and other payables	13	6,437	4,930
		<u>41,545</u>	<u>18,455</u>
Current liabilities			
Islamic financing facilities	12	-	2,692
Trade and other payables	13	141,412	135,461
		<u>141,412</u>	<u>138,153</u>
Total liabilities		<u>182,957</u>	<u>156,608</u>
TOTAL EQUITY AND LIABILITIES		<u>424,374</u>	<u>393,802</u>



Dr. Mahmoud Ahmad Abdulrahman
Chairman

The attached notes 1 to 26 form part of these consolidated financial statements.

Kuwait Telecommunications Company K.S.C.P. and its Subsidiaries
CONSOLIDATED STATEMENT OF INCOME
For the year ended 31 December 2022



	Notes	2022 KD'000	2021 KD'000
Revenue	14	336,365	296,314
Operating expenses	15	(189,288)	(158,807)
Staff costs		(27,151)	(24,593)
Expected credit losses on trade and other receivables and contract assets	7,8	(10,995)	(7,847)
Depreciation, amortization and write offs	5,6	(50,840)	(45,981)
General and administrative expenses	16	(27,470)	(25,997)
Finance costs		(962)	(2,987)
Impairment of goodwill	6	-	(2,046)
Share of results from associate		-	(50)
Other income	17	5,304	19,046
PROFIT BEFORE CONTRIBUTION TO KUWAIT FOUNDATION FOR ADVANCEMENT OF SCIENCES ("KFAS"), NATIONAL LABOR SUPPORT TAX ("NLST"), ZAKAT AND BOARD OF DIRECTORS' REMUNERATION		34,963	47,052
KFAS	18	(350)	(422)
NLST	18	(894)	(1,147)
Zakat	18	(358)	(458)
Board of Directors' remuneration		(152)	(152)
NET PROFIT FOR THE YEAR		33,209	44,873
BASIC AND DILUTED EARNINGS PER SHARE (FILS)	19	33	45

The attached notes 1 to 26 form part of these consolidated financial statements.

Kuwait Telecommunications Company K.S.C.P. and its Subsidiaries
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2022



	Note	2022 KD'000	2021 KD'000
Net profit for the year		33,209	44,873
Other comprehensive income:			
<i>Items that will not be reclassified subsequently to the consolidated statement of income:</i>			
Re-measurement income on employees' end of service benefits	11	886	86
Other comprehensive income for the year		886	86
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		34,095	44,959

The attached notes 1 to 26 form part of these consolidated financial statements.

	Share capital KD'000	Statutory reserve KD'000	Voluntary reserve KD'000	Other reserves KD'000	Retained earnings KD'000	Total KD'000
Balance at 1 January 2022	49,937	26,242	26,241	(766)	135,540	237,194
Net profit for the year	-	-	-	886	33,209	33,209
Other comprehensive income for the year	-	-	-	-	-	886
Total comprehensive income for the year	-	-	-	886	33,209	34,095
Share-based payment transaction (Note 10)	-	-	-	90	-	90
Transfer of reserves (Note 10)	-	26,241	(26,241)	-	-	-
Cash dividends (Note 10)	-	-	-	-	(29,962)	(29,962)
Issue of bonus shares (Note 10)	49,937	-	-	-	(49,937)	-
Balance at 31 December 2022	99,874	52,483	-	210	88,850	241,417
Balance at 1 January 2021	49,937	26,242	26,241	(876)	120,629	222,173
Net profit for the year	-	-	-	-	44,873	44,873
Other comprehensive income for the year	-	-	-	86	-	86
Total comprehensive income for the year	-	-	-	86	44,873	44,959
Share-based payment transaction (Note 10)	-	-	-	24	-	24
Cash dividends (Note 10)	-	-	-	-	(29,962)	(29,962)
Balance at 31 December 2021	49,937	26,242	26,241	(766)	135,540	237,194

The attached notes 1 to 26 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2022

	Notes	2022 KD'000	2021 KD'000
OPERATING ACTIVITIES			
Profit before contribution to KFAS, provision for NLST, Zakat and Board of Directors' remuneration		34,963	47,052
Non-cash adjustments to reconcile profit for the year to net cash flows:			
Depreciation, amortization & write offs	5,6	50,772	45,898
Impairment of goodwill	6	-	2,046
Income from claim against Ministry of Communications	17	-	(17,927)
Finance costs		962	2,987
Expected credit loss - trade and other receivables	7	2,570	1,278
Expected credit loss - contract assets	8	8,425	6,569
Provision for employees' end of service benefits	11	2,226	2,138
Gain on derecognition of leases		-	(39)
Provision no longer required written back	17	1,293	-
Provision for slow moving inventories		307	53
Operating profit before working capital change:		101,518	90,055
Decrease (increase) in inventories			
		2,677	(1,590)
Increase in prepayments and other assets		(496)	(774)
Decrease (increase) in trade and other receivables		3,094	(4,019)
Increase in contract assets		(21,774)	(18,145)
(Decrease) increase in trade and other payables		(4,093)	3,936
Cash flows from operating activities		80,926	69,463
Employees' end of service benefits paid	11	(1,479)	(908)
Net cash flows from operating activities		79,447	68,555
INVESTING ACTIVITIES			
Acquisition of property and equipment	5	(18,512)	(27,353)
Acquisition of intangible assets	6	(6,474)	(9,937)
Net cash outflow on business combination	4	(18,901)	-
Proceeds from write-off of property and equipment		68	178
Net movement in islamic deposits	9	(2,889)	(7,605)
Net cash flows used in investing activities		(46,708)	(44,717)
FINANCING ACTIVITIES			
Cash dividends paid		(27,570)	(27,170)
Payment of lease obligations	13	(9,433)	(8,979)
Proceeds from Islamic financing facilities	12	23,000	-
Repayments of Islamic financing facilities	12	(5,000)	(5,000)
Repayment of bank borrowings		(2,014)	-
Finance costs paid		(762)	(173)
Net cash flows used in financing activities		(21,779)	(41,322)
NET INCREASE (DECREASE) IN CASH, BANK BALANCES AND DEPOSITS			
		10,960	(17,484)
Cash, banks balances and deposits at the beginning of the year		52,043	69,527
CASH, BANK BALANCES AND DEPOSITS AT THE END OF THE YEAR	9	63,003	52,043
NON-CASH ITEMS			
Adjustment to trade and other payables on adoption of IFRS 16	13	10,012	8,199
Adjustment to property and equipment on adoption of IFRS 16	5	(10,012)	(8,199)
TOTAL NON-CASH ITEMS		-	-

The attached notes 1 to 26 form part of these consolidated financial statements.

1 CORPORATION INFORMATION

Kuwait Telecommunications Company K.S.C.P. (the "Parent Company") is a Kuwaiti Shareholding Company incorporated pursuant to Amiri decree No. 187 on 22 July 2008 to operate and manage the third GSM mobile network in Kuwait as per Law No. 2 of 2007. The shares of the Parent Company were listed on Boursa Kuwait on 14 December 2014 and it is a subsidiary of Saudi Telecommunications Company ("STC" or the "Ultimate Parent Company"), which is listed on the Saudi Stock Exchange.

The Parent Company was registered in the commercial register on 9 November 2008 under registration number 329673 and commenced its commercial operations branded as VIVA on 3 December 2008. The Parent Company has changed its brand name on 19 December 2019 from VIVA to STC.

The objectives for which the Parent Company is incorporated are the provision of all cellular mobile telecommunication and calling system services in State of Kuwait in accordance with the provisions of Islamic Shari'a and as per the criteria set by Ministry of Communications. In this regard, the Parent Company shall carry on the following business activities:

- a. Purchase, supply, install, operate and maintain wireless telecommunications devices and equipment (mobile telecommunications, calling system and other wireless services);
- b. Import and export the necessary devices, equipment and tools for the purpose of its objectives;
- c. Purchase or lease telecommunication lines and necessary facilities for providing the services in coordination with and with no overlap or conflict with the services provided by the State;
- d. Buy the manufacturing concessions that are directly related to the services from manufacturers or manufacture the same in State of Kuwait (following the approval of Public Authority for Industry in connection with the manufacturing);
- e. Introduce or manage other services of similar or supplementary nature to the wireless telecommunication services with a view to developing or integrating such services;
- f. Conduct technical research related to the business in order to improve and develop the services in cooperation with the relevant authorities inside State of Kuwait and abroad;
- g. Construct, buy, build and acquire the necessary lands and facilities for achieving the objectives (to the extent permitted by law);
- h. Purchase all necessary materials and machines to carry on its objectives and conduct maintenance for the same using all possible up-to-date techniques; and
- i. Utilize the monetary surpluses available with the Parent Company through investing the same in portfolios managed by specialized companies and entities and authorize the Board of Directors to undertake the same.
- j. Provide wireless data transfer service.
- k. International telephone calling service via special cards.
- l. Marketing, leasing and purchasing electronic communication devices and internal communication networks.
- m. Development of computer systems and systems for the localization of computers and their accessories.
- n. Buying, Selling, renting, installing computer systems and software, electronic communication devices and internal communication networks, marketing them and providing services for their operation and maintenance.
- o. Building and operating computer communication networks connected to databases.
- p. Design and equipping electronic computer centers and information systems for the benefit of the company.
- q. Manufacture, production and operation of smart cards to cover the demand in the field of communication and prepayment.
- r. Provide and implement all works and networks in the field of wireless communications.

1 CORPORATION INFORMATION (continued)

- s. Providing technical consultation, design, supervision, operation and maintenance of wireless communications and representing the companies carrying out these works.
- t. Bring, importing, selling and leasing devices and equipment related to communications and their spare parts.
- u. Buying and selling shares, papers and financial instruments for the company's account only.
- v. Manage, operate and provide public telecommunications services on:
 - i. Landline broadcasting facilities.
 - ii. Terrestrial radio broadcasting facilities.
 - iii. Mobile base station facilities.
 - iv. Submarine cable facilities.
 - v. International gateway service facilities.
 - vi. Facilities of the space ground station.
 - vii. Other satellite facilities located in the State of Kuwait that provide broadcasting capabilities for public telecommunication services.
- w. Establish, manage and lease internet infrastructure for the public telecommunications network.
- x. Operation and leasing of data centers, information centers and the cloud.
- y. Providing and developing digital payment systems, payment services and electronic transfer of funds.

The Company may have an interest or participate in any way with the bodies that carry out business similar to its business or that may help to achieve its purposes in Kuwait and abroad and may purchase or attach such bodies to them.

The Parent Company owns 100% shares of Quality Net General Trading & Contracting Company W.L.L. and E-Portal Holding Company K.S.C. (Closed) (hereinafter, the Parent Company and its subsidiaries are referred to as the "Group").

The Parent Company is domiciled in the State of Kuwait and its registered address is Olympia Building, P.O. Box. 181, Salmiya 22002, State of Kuwait.

The consolidated financial statements of the Group were authorized for issue by the Board of Directors of the Parent Company on 8 February 2023. The shareholders of the Parent Company have the power to amend these consolidated financial statements at the Annual General Assembly meeting after issuance.

Details of the subsidiaries are given in Note 2.3.

2.1 BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The consolidated financial statements are prepared under the historical cost convention.

The consolidated financial statements have been presented in Kuwaiti Dinars ("KD"), which is also the Parent Company's functional and presentation currency, and all values are rounded to the nearest KD thousand except when otherwise stated.

2.2 CHANGES IN ACCOUNTING POLICIES

The accounting policies used in the preparation of these consolidated financial statements are consistent with those used in the previous financial year, except as mentioned below:

New and amended standards and interpretations

The nature and the impact of each amendment is described below:

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

The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment, any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss.

In accordance with the transitional provisions, the Group applies the amendments retrospectively only to items of Property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment (the date of initial application).

These amendments had no impact on the consolidated financial statements of the Group as there were no sales of such items produced by property, plant and equipment made available for use on or after the beginning of the earliest period presented.

Other amendments to IFRSs which are effective for annual accounting period starting from 1 January 2022 did not have any material impact on the accounting policies, financial position or performance of the Group.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**Basis of consolidation**

The consolidated financial statements comprise the financial statement of the Parent Company and its subsidiaries (investee which is controlled by the Parent Company). Control is achieved 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; and
- ▶ The ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights result 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 with the other vote holders of the investee;
- ▶ Rights arising from other contractual arrangements; and
- ▶ The Group's voting rights and potential voting rights.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**Basis of consolidation (continued)**

The Group re-assesses at each reporting date whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiaries and ceases when the Group loses control of the subsidiaries. Assets, liabilities, income and expenses of a subsidiaries acquired during the period are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiaries.

A change in the ownership interest of a subsidiaries, 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 the consolidated statement of income. Any investment retained is recognised at fair value.

The details of the subsidiaries are as follows: -

Name of subsidiaries	Equity interest as at		Principal activities	Country of incorporation
	31 December 2022	31 December 2021		
Qualitynet General Trading and Contracting Company W.L.L. (Solutions by STC)	100%	100%	Internet and Data communication Services	Kuwait
E-Portal Holding Company K.S.C. (Closed)	100%	100%	IT systems license installation and its implementation related services	Kuwait

The financial statements of the subsidiaries are prepared for the same reporting dates as of the Parent Company using consistent accounting policies. All inter-group balances and transactions, including inter-group profits and unrealised profits and losses and dividends are eliminated on consolidation.

Business combination and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

The Group determines that it has acquired a business when the acquired set of activities and assets include an input and a substantive process that together significantly contribute to the ability to create outputs. The acquired process is considered substantive if it is critical to the ability to continue producing outputs, and the inputs acquired include an organised workforce with the necessary skills, knowledge, or experience to perform that process or it significantly contributes to the ability to continue producing outputs and is considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.

When the Group acquires a business, it assesses the financial 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 by the acquiree.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**Business combination and goodwill (continued)**

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9 Financial Instruments, is measured at fair value with the changes in fair value recognised in the statement of profit or loss in accordance with IFRS 9. Other contingent consideration that is not within the scope of IFRS 9 is measured at fair value at each reporting date with changes in fair value recognised in profit or loss.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, 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 to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit (CGU) and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

Revenue Recognition

The Group principally earns revenue from providing cellular mobile telecommunication and data services comprising access charges, airtime usage, messaging, data services, interconnect fees, connection fees and device sales. The services are rendered both on their own in separate identified contracts with customers and together as a bundled package of goods and services. The Group recognizes revenue when it transfers control over a product or services to a customer.

Under IFRS 15, the Group has concluded that performance obligations in contract are typically identified as for devices (mobile handsets and any other equipment) and for services provided to customers (data and voice) and revenue from these performance obligations are recognized either at a point in time or over time when the respective performance obligations in a contract are delivered to the customer.

The Group determines the stand-alone selling prices to be allocated to the performance obligations under the contracts based on observable sale prices. The Group performs an assessment of whether a contract meets the criteria under IFRS 15; and when the criteria is not met, the revenue is recognized when the consideration is received and it is non-refundable based on the contractual terms.

Telecommunication Services

Telecommunication services include voice, data and text services. The Group recognizes revenues as and when these services are provided (i.e. actual usage by the customer).

Bundled packages

For bundled contracts, the revenue is allocated to the sale of devices and services separately if they are distinct, that is, if a product or service is separately identifiable from other items in the bundled contract and if a customer can benefit from it. The Group recognizes the amount allocated for the sale of the device as revenue when it transfers control of the device and correspondingly creation of contract asset. The Group recognizes the allocated revenue to service as revenue over time when the services are rendered.

Sale of Devices

The Group recognizes revenues when the control of the device is transferred to the customer. This usually occurs at the contract inception when the customer takes the possession of the device.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**Contract costs**

Under IFRS 15, incremental cost incurred in acquiring a contract with a customer are deferred and amortized over the life of the related contract. Such deferred costs are classified as an asset in the consolidated statement of financial position.

Value added services - Principal vs. agent

The Group provides certain value added services to its customers which are of direct carrier billing in nature. The Group determines whether it will be acting as a principal or an agent on these types of services and accordingly recognizes gross revenue if it is a principal, and net revenue if it is an agent.

Customer loyalty program

Credit awards resulting from sale proceeds is deferred until the customer redeems or the obligation in respect of the credit award is fulfilled.

Deferred revenue is released to consolidated statement of income when it is no longer considered probable that the credit awards will be redeemed.

Contract assets and liabilities

The Group records a contract asset when the goods and services have been provided to the customer however, the Group's right related to consideration for the performance obligation is conditional on satisfying other performance obligations within the contract. Contract assets primarily relate to the Group's rights to consideration for provision of goods and services in the future.

The Group records a contract liability when the payments have been received from the customer in advance of providing goods and services. The Group accounts for contract assets and liabilities on a contract-by-contract basis, with each contract presented as either a net contract asset or a net contract liability accordingly.

Current versus non-current classification

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

- ▶ Expected to be realised or intended to be sold or consumed in the normal operating cycle
- ▶ Held primarily for the purpose of trading
- ▶ Expected to be realised 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

All other assets are classified as non-current.

A liability is current when:

- ▶ It is expected to be settled in the 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

The Group classifies all other liabilities as non-current.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**Fair value measurements**

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 to 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.

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 financial instruments carried at amortised cost, the fair value is estimated by discounting future cash flows at the current market rate of return for similar financial instruments.

Property and equipment**Recognition and measurement**

Property and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the following:

- the cost of materials and direct labour.
- any other costs directly attributable to bringing the assets to a working condition for their intended use; and
- when the Group has an obligation to remove the asset or restore the site, an estimate of the costs of dismantling and removing the items and restoring the site on which they are located.

Purchased software, that is integral to the functionality of the related equipment, is capitalized as part of that equipment.

When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

Any gain or loss on disposal of an item of property and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognized in the consolidated statement of income. Capital work in progress is stated at cost less impairment losses, if any. Depreciation of these assets commences when the assets are ready for their intended use in accordance with the Group's policies.

Subsequent expenditure

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Group. Ongoing repairs and maintenance are expensed as incurred.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**Property and equipment (continued)****Depreciation**

Items of property and equipment are depreciated from the date they are ready for use. Depreciation is calculated to write off the cost of items of property and equipment less their estimated residual values using straight-line basis over their estimated useful lives.

Depreciation is recognized in the consolidated statement of income. The estimated useful lives of significant items of property and equipment are as follows:

Network equipment and infrastructure	5 – 25 years
IT related assets	3 – 8 years
Furniture and fixtures	3 – 6 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

The useful lives are reviewed periodically and are reassessed and adjusted, if appropriate, at each reporting date to ensure that the period of depreciation is consistent with the expected pattern of economic benefits from items of property and equipment. A change in the estimated useful life of property and equipment is applied at the beginning of the period of change with no retrospective effect.

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses if any. Cost includes the purchase cost and directly associated costs of being the asset for its intended use.

The useful lives of the intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised to their residual values over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the consolidated statement of income.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the consolidated statement of income when the asset is derecognised.

The summary of the policies applied to the Group's intangible assets are as follows:

	<i>Telecommunication License</i>	<i>Customer relationships</i>	<i>Software licenses</i>	<i>Others</i>
Useful lives	20 years	7 – 11 years	5 years	1-15 years
Amortisation method used	Straight line	Straight line	Straight line	Straight line
Internally generated or acquired	Acquired	Acquired	Acquired	Acquired

Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is based on the weighted-average principle and includes expenditure incurred in bringing them to their existing location and condition. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated cost necessary to make the sale.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**Financial instruments****Classification and measurement of financial assets and financial liabilities*****Financial assets***

Under IFRS 9, the Group determines the classification of financial assets based on the business model it uses to manage the financial assets and the contractual cashflow characteristics of the financial assets.

Business model assessment

The Group determines its business model at the level that best reflects how it manages financial assets to achieve its business objective. The information considered includes:

- ▶ The stated policies and objectives for the financial assets and the operation of those policies in practice;
- ▶ The risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Group's original expectations, the Group does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

Assessment of whether contractual cash flows are solely payments of principal and interest (SPPI test)

The Group assesses the contractual terms of financial assets to identify whether they meet the SPPI test. 'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset. Interest is defined as consideration for time value of money and for the credit risk associated with the principal and for other basic lending risks and costs, as well as, a profit margin. In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

The Group has determined the classification of its financial assets, being contract assets, trade and other receivables and cash, bank balances and deposits and has concluded that these are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest. The Group analyzed the contractual cash flow characteristics of those instruments and concluded that they meet the criteria for measurement under the amortized cost method.

The subsequent measurement of contract assets and trade receivables will be at undiscounted original invoiced amount less any expected credit losses.

The Group derecognizes a financial asset when the contractual rights to the cash flows from the asset expires, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks of ownership of the financial asset are transferred. Any interest in such transferred financial assets that is created or retained by the Group is recognized as a separate asset or liability. Any gain or loss upon derecognition is recognized in the consolidated statement of income.

Financial liabilities

All financial liabilities are recognized initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognizes a financial liability when its contractual obligations are discharged, cancelled or expire.

The Group classifies non-derivative financial liabilities into the other financial liability category. Such financial liabilities are recognized initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective profit method. Financial liabilities comprise of Islamic financing facilities and trade and other payables.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**Impairment*****Non-derivative financial assets***

For contract assets and trade and other receivables, the Group has applied the simplified approach and has calculated ECLs based on lifetime expected credit losses. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the receivables and the Group's economic environment. The management has considered the segmentations in respect to the trade receivables and contract assets based on demographic factors of the underlying portfolios.

The management considers a financial asset in default when the contractual payments are 120 days past due. However, in certain cases, the management may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full.

Further, the Group writes off trade receivables when there is relevant information to assess that the customer is in severe financial difficulty and there is no realistic prospect of recovery.

Non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment. An impairment loss is recognized if the carrying amount of an asset or cash-generating unit (CGU) exceeds its recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Goodwill acquired in a business combination is allocated to groups at CGUs that are expected to benefit from the synergies of the combination.

Impairment losses are recognized in consolidated statement of income. An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. A reversal of an impairment loss is recognized immediately in the consolidated statement of income.

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 of their net realizable value. For individually significant amounts, this estimation is performed on an individual basis. Amounts 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 historical selling prices.

Employee benefits

Pensions and other social benefits for Kuwaiti employees are covered by the Public Institution for Social Security Scheme, to which employees and employers contribute monthly on a fixed-percentage-of-salaries basis. The Group's share of contributions to this scheme is charged to the consolidated statement of income in the year to which they relate.

The employees are entitled to an end of service indemnity payable under the Kuwait Labor Law and the Group's by-laws based on the employees' accumulated periods of service and latest entitlements of salaries and allowances. The present value of end of service indemnity payable, which is unfunded, is determined annually by actuarial valuations using the projected unit credit method. An actuarial valuation involves making various assumptions such as determination of the discount rate, future salary increases and mortality rates. These assumptions are reviewed at each reporting date.

Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount presented in the consolidated statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**Finance cost**

Finance costs comprise of expense on Islamic financing facilities, lease liabilities. The expense is recognized on the effective yield method in the consolidated statement of income.

Provisions

A provision is recognized if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value where the effect is material.

Leases

At inception of a contract, the Group assesses whether the contract is a lease. A contract is a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for a consideration. If the contract is identified as a lease, the Group recognises a right-of-use asset representing right to use the underlying assets and a lease liabilities to make the lease payments at the lease commencement date.

Right-of-use assets

The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the period of lease. The right-of-use assets are also subject to impairment. Refer to the accounting policies in section Impairment- *Non-financial assets*.

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 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 the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of property and equipment (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 office equipment 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.

Share-based payment

The share based payment expense is included as part of employees benefits expense over the period in which the service and the performance obligations 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 recognised 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 equity instruments that will ultimately vest. The expense or credit in the consolidated statement of income for a period represents the movement in cumulative expense recognised as at the beginning and end of that year.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**Contingencies**

Contingent liabilities are not recognised in the consolidated statement of financial position, but are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

Contingent assets are not recognised in the consolidated statement of financial position, but are disclosed when an inflow of economic benefits is probable.

Foreign currency transactions

The consolidated financial statements are presented in Kuwaiti Dinars, which is the Parent Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions and balances

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date. All differences are taken to the consolidated statement of income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. 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 operations and translated at closing rate.

2.4 STANDARDS ISSUED BUT NOT YET EFFECTIVE

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's consolidated financial statements are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

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

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- ▶ What is meant by a right to defer settlement;
- ▶ That a right to defer must exist at the end of the reporting period;
- ▶ That classification is unaffected by the likelihood that an entity will exercise its deferral right;
- ▶ That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively. The Group is currently assessing the impact the amendments will have on current practices.

Definition of Accounting Estimates - Amendments to IAS 8

In February 2021, the IASB issued amendments to IAS 8, in which it introduces a definition of 'accounting estimates'. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted as long as this fact is disclosed. The amendments are not expected to have a material impact on the consolidated financial statements of the Group.

2.4 STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)**Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2**

In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements, in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments to IAS 1 are applicable for annual periods beginning on or after 1 January 2023 with earlier application permitted. Since the amendments to the Practice Statement 2 provide non-mandatory guidance on the application of the definition of material to accounting policy information, an effective date for these amendments is not necessary.

The Group is currently assessing the impact of the amendments to determine the impact on the Group's accounting policy disclosures.

Other new or amended standards which are issued but not yet effective, are not relevant to the Group and have no impact on the accounting policies, financials position or performance of the Group.

3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Impairment of inventories

Inventories are held at the lower of cost and net realisable value. When inventories become old or obsolete, an estimate is made of their net realisable value. This estimation is performed on an individual basis for items of inventory.

Impairment of property and equipment and intangible assets

The carrying amounts of the Group's assets are reviewed at each reporting date to determine whether there is any indication or objective evidence of impairment or when annual impairment testing for an asset is required. If any such indication or evidence exists, the asset's recoverable amount is estimated and an impairment loss is recognised in the consolidated statement of income whenever the carrying amount of an asset exceeds its recoverable amount.

Useful lives of property and equipment and intangible assets

The Group's management determines the estimated useful lives of its property, plant and equipment and intangible assets for calculating depreciation and amortisation respectively. This estimate is determined after considering the expected usage of the asset or physical wear and tear. Management reviews the residual value and useful lives annually and future depreciation and amortisation charge would be adjusted when the management believes the useful lives differ from previous estimates. The useful lives are reviewed periodically and are reassessed and adjusted, if appropriate, at each reporting date to ensure that the period of depreciation is consistent with the expected pattern of economic benefits from items of property and equipment. A change in the estimated useful life of property and equipment is applied at the beginning of the period of change with no retrospective effect.

During the previous year, the Group's management has reassessed its estimates with respect to the useful lives of property and equipment. As a result, the expected useful lives of property and equipment was amended.

3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)**Estimates and assumptions (continued)****Allowance for expected credit losses of trade and other receivables and contract assets**

The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the receivables and the Group's economic environment. The management has considered the segmentations in respect to the trade receivables and contract assets based on demographic factors of the underlying portfolios. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed. For instance, if forecast economic conditions are expected to deteriorate over the next year which can lead to an increased number of defaults in a particular sector, the historical default rates are adjusted.

The assessment of the correlation between historical observed default rates, forecast economic conditions and expected credit losses is a significant estimate. The amount of expected credit losses is sensitive to changes in circumstances and of forecast economic conditions.

Revenue recognition

The process of recognizing revenue requires the following judgments and estimates:

- ▶ Determining the transaction price of contracts requires estimating the amount or revenue which the Group expects to be entitled to for delivering the performance obligations within a contract; and
- ▶ Determining the stand-alone selling price of performance obligations and the allocation of the transaction price between performance obligations.

i. Determining the transaction price

The transaction price is the amount of consideration that is enforceable and to which the management expects to be entitled in exchange for goods and services promised to the customer. The management determines the transaction price by considering the terms of the contract and business practices that are customary. Discounts, rebates, refunds, credits, price concessions, incentives, penalties, and other similar items are reflected in the transaction price at contract inception.

ii. Determining stand-alone selling price and the allocation of transaction price

The transaction price is allocated to performance obligations based on the relative stand-alone selling prices of the distinct goods or services in the contract. The best evidence of a stand-alone selling price is the observable price of a good or service when the entity sells that good or service separately in similar circumstances and to similar customers. If a stand-alone selling price is not directly observable, we estimate the stand-alone selling price taking into account the reasonably available information relating to the market conditions, entity-specific factors and class of customer.

ii. Determining stand-alone selling price and the allocation of transaction price (continued)

In determining the stand-alone selling price, we allocate revenue between performance obligations based on expected minimum enforceable amounts to which the Group is entitled.

iii. Distinct goods and services

The management makes judgment in determining whether a promise to deliver goods or services is considered distinct. The management accounts for individual products and services separately if they are distinct (i.e. if a product or service is separately identifiable from other items in the bundled package and if the customer can benefit from it). The consideration is allocated between separate products and services in a bundle based on their stand-alone selling prices. For items that are not sold separately, the management estimates the stand-alone selling prices using the adjusted market assessment approach.

Leases - Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in the lease, 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 (for example, when leases are not in the subsidiaries functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiaries stand-alone credit rating).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 December 2022

4 BUSINESS COMBINATION

On 6 April 2022, the Parent Company acquired 100% equity interest in E-Portal Holding Company K.S.C. (Closed) ("E-Portal"), a company domiciled in Kuwait.

The purchase consideration of the acquisition has been allocated to the acquired assets and liabilities using their preliminary fair values at the acquisition date. The computation of the purchase consideration and its allocation to the net assets of the entity based on their respective fair values as of acquisition date, and the resulting goodwill is presented below. Goodwill recognised based on provisional purchase price allocation, represents the difference between purchase consideration and fair value of identifiable net assets. The allocation of the purchase price may be modified within a period of twelve months from the date of business combination, as more information is obtained about the fair value of assets acquired and liabilities assumed, including alignment in business model, if needed.

The provisional fair values of assets acquired, and liabilities assumed are summarized as follows:

	KD'000
Assets	
Property and equipment (Note 5)	679
Prepayments and other current assets	819
Cash, bank balances and deposits	4,310
Trade and other receivables	9,626
Inventories	60
	<u>15,494</u>
Liabilities	
Employees' end of service benefits (Note 11)	1,030
Bank borrowings	2,014
Trade and other payables	4,940
Bank overdrafts	2,511
	<u>10,495</u>
Total identifiable net assets at fair value	<u>4,999</u>
Provisional identified intangibles (Note 6)	14,842
Provisional goodwill arising on acquisition (Note 6)	2,189
	<u>22,030</u>
Purchase consideration	<u>22,030</u>
Cash flows on business combination	
Cash and bank balances in subsidiary acquired	1,799
Cash consideration paid	(20,700)
	<u>(18,901)</u>

The original purchase consideration was KD 23,000 thousand, which was reduced to KD 22,030 thousand, based on the agreed terms. Subsequent to the reporting date, remaining consideration has been paid.

Had the business combination taken place at the beginning of the year, revenue of the Group would have been higher by KD 6,713 thousand.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 December 2022

5 PROPERTY AND EQUIPMENT

	Network equipment and infrastructure KD'000	IT related assets KD'000	Furniture and fixtures KD'000	Capital work in progress KD'000	Right-of-use Sites KD'000	Right-of-use Buildings KD'000	Total KD'000
Cost:							
At 1 January 2022	395,566	45,786	4,360	10,368	16,086	7,197	479,363
Additions	-	6	34	18,472	5,343	4,669	28,524
Transfers	15,743	5,145	548	(21,436)	-	-	-
Arising from business combination (Note 4)	-	266	32	-	-	381	679
Derecognition	-	-	-	-	(4,151)	(220)	(4,371)
Assets written off	(27,019)	(2,881)	(344)	-	-	-	(30,244)
Cancellations	-	-	-	(830)	-	-	(830)
Reclassification	822	(822)	-	-	-	-	-
At 31 December 2022	385,112	47,500	4,630	6,574	17,278	12,027	473,121
Depreciation:							
At 1 January 2022	(249,026)	(32,595)	(1,520)	-	(8,156)	(3,049)	(294,346)
Charge for the year	(23,259)	(5,776)	(384)	-	(6,117)	(2,893)	(38,429)
Derecognition	-	-	-	-	4,151	202	4,353
Assets written off	23,621	2,594	285	-	-	-	26,500
Reclassification	(740)	740	-	-	-	-	-
At 31 December 2022	(249,404)	(35,037)	(1,619)	-	(10,122)	(5,740)	(301,922)
Carrying amount							
At 31 December 2022	135,708	12,463	3,011	6,574	7,156	6,287	171,199

5 PROPERTY AND EQUIPMENT (continued)

	Network equipment and infrastructure KD'000	IT related assets KD'000	Furniture and fixtures KD'000	Capital work in progress KD'000	Right-of-use Sites KD'000	Right-of-use Buildings KD'000	Total KD'000
Cost:							
At 1 January 2021	378,510	41,469	1,344	13,928	14,139	7,462	456,852
Additions	-	-	-	27,353	6,328	1,871	35,552
Transfers	21,204	6,616	3,120	(30,940)	-	-	-
Derecognition	-	-	-	-	(4,379)	(2,138)	(6,517)
Write-offs	(4,120)	(2,299)	(105)	-	-	-	(6,524)
At 31 December 2021	395,594	45,786	4,359	10,341	16,088	7,195	479,363
Depreciation:							
At 1 January 2021	(225,500)	(31,227)	(1,055)	-	(6,301)	(2,382)	(266,465)
Charge for the year	(27,563)	(3,642)	(583)	-	(6,194)	(2,325)	(40,307)
Relating to derecognition	-	-	-	-	4,338	1,658	5,996
Relating to write-offs	4,037	2,296	96	-	-	-	6,429
At 31 December 2021	(249,026)	(32,573)	(1,542)	-	(8,157)	(3,049)	(294,347)
Carrying amount							
At 31 December 2021	146,568	13,213	2,817	10,341	7,931	4,146	185,016

Capital work in progress comprise of cellular and other equipment. Such assets are not subject to depreciation until the network is tested and is ready for use.

The depreciation and amortisation included in the consolidated statement of income as follows:

	2022 KD'000	2021 KD'000
Depreciation on Amortisation (Note 6)	38,429 8,667 47,096	40,307 5,674 45,981

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 December 2022

6 GOODWILL AND INTANGIBLE ASSETS

2022	Goodwill KD'000	License KD'000	Customer relationships KD'000	Software license KD'000	Others KD'000	Total KD'000
Cost						
At 1 January	3,400	19,235	1,816	4,110	12,035	40,596
Arising on business combination (Note 4)	2,189	-	-	-	14,842	17,031
Additions	-	-	-	-	6,474	6,474
At 31 December	5,589	19,235	1,816	4,110	33,351	64,101
Amortization charge						
At 1 January	-	(2,565)	(435)	(1,028)	(9,330)	(13,358)
Charge for the year	-	(962)	(163)	(1,068)	(6,474)	(8,667)
At 31 December	-	(3,527)	(598)	(2,096)	(15,804)	(22,025)
Net carrying amount:						
At 31 December	5,589	15,708	1,218	2,014	17,547	42,076
2021						
Cost						
At 1 January	5,446	19,235	1,816	-	6,208	32,705
Additions	-	-	-	4,110	5,827	9,937
Impairment	(2,046)	-	-	-	-	(2,046)
At 31 December	3,400	19,235	1,816	4,110	12,035	40,596
Amortization charge						
At 1 January	-	(1,603)	(272)	-	(5,809)	(7,684)
Charge for the year	-	(962)	(163)	(1,028)	(3,521)	(5,674)
At 31 December	-	(2,565)	(435)	(1,028)	(9,330)	(13,358)
Net carrying amount:						
At 31 December	3,400	16,670	1,381	3,082	2,705	27,238

The intangible assets are having finite life and is amortized on a straight-line basis over its useful life.

Goodwill

The carrying value of the goodwill amounting to KD 3,400 thousand (31 December 2021: KD 3,400 thousand) pertains to investment in Qualitynet General Trading and Contracting Company W.L.L. ("Qualitynet").

The carrying value of provisional goodwill amounting to KD 2,189 thousand (31 December 2021: KD nil) pertains to investment in E-Portal (Note 4).

6 GOODWILL AND INTANGIBLE ASSETS (continued)**Impairment testing for goodwill**

The carrying value of goodwill is tested for impairment on an annual basis (or more frequently if evidence exists that goodwill might be impaired) by estimating the recoverable amount of the cash generating unit (CGU) to which these items are allocated using value-in-use calculations unless fair value based on an active market price is higher than the carrying value of the CGU. The value in use calculations use pre-tax cash flow projections based on financial budgets approved by management over a five years' period and a relevant terminal growth rate. These cash flows are then discounted to derive a net present value which is compared to the carrying value. The discount rate used is pre-tax and reflects specific risks relating to the relevant cash generating unit.

Recoverable amount of goodwill calculated using value-in-use method based on following inputs. The goodwill in respect of Qualitynet is allocated to a single CGU which consists of identifiable net assets. Based on goodwill impairment assessment performed by the management, the recoverable amount of goodwill is higher than the carrying value as at the reporting date. Accordingly, no impairment is recognised (2021: an impairment loss amounting to KD 2,046 thousand was recorded) in the consolidated statement of income.

Key assumptions used in value in use calculations and sensitivity to changes in assumptions**Qualitynet***Discount rate*

Discount rates represent the current market assessment of the risks specific to each CGU, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Group and is derived from its weighted average cost of capital (WACC). A discount rate of 13% (2021: 12%) is used to estimate the recoverable amount of this cash generating unit.

Terminal growth rate

Terminal growth rate is based on the long-term inflation forecast for the State of Kuwait. A terminal growth rate of 2.6% (2021: 2.5%) is used to estimate the recoverable amount of this cash generating unit.

The Group has also performed a sensitivity analysis by varying these inputs factors by a reasonable margin (1% for discount rate and 0.5% for terminal growth rates). Based on such analysis, there are no indications that goodwill is impaired.

7 TRADE AND OTHER RECEIVABLES

	2022 KD'000	2021 KD'000
Gross trade receivables	63,057	44,082
Allowance for expected credit losses	(16,426)	(12,254)
	<u>46,631</u>	<u>31,828</u>
Other receivables*	5,711	16,552
	<u>52,342</u>	<u>48,380</u>
Represented by:		
Non-current portion	5,079	15,960
Current portion	47,263	32,420
	<u>52,342</u>	<u>48,380</u>

* As at 31 December 2021, other receivables included a claim receivable from Ministry of Communications ("MOC") amounting to KD 15,960 thousand, which was received in the current year. The unwinding impact of discounting the balance to fair value is recognized as interest income under other income (Note 17).

7 TRADE AND OTHER RECEIVABLES (continued)

The movement in the allowance for expected credit losses on trade receivables during the year was as follows:

	2022 KD'000	2021 KD'000
At 1 January	12,254	14,031
Arising on business combination	2,333	-
Charge for the year	2,570	1,278
Write offs during the year	(731)	(3,055)
	<u>16,426</u>	<u>12,254</u>
At 31 December	<u>16,426</u>	<u>12,254</u>

8 CONTRACT ASSETS

Contract assets are initially recognized for revenue earned from rendering of telecom services, sale of devices, and construction contracts unbilled yet. Upon completion of billing cycle, the amounts recognized as contract assets are reclassified to trade receivables.

As at 31 December 2022, the Group has contract assets of KD 68,652 thousand (2021: KD 49,429 thousand) which is net of an allowance for expected credit losses of KD 5,874 thousand (2021: KD 7,997 thousand).

The movement in the allowance for expected credit losses of contract assets during the year was as follows:

	2022 KD'000	2021 KD'000
At 1 January	7,997	8,370
Charge for the year	8,425	6,569
Write offs during the year	(10,548)	(6,942)
	<u>5,874</u>	<u>7,997</u>
At 31 December	<u>5,874</u>	<u>7,997</u>

9 CASH, BANK BALANCES AND DEPOSITS

	2022 KD'000	2021 KD'000
Cash at banks	11,949	21,638
Cash in hand	1	25
Islamic deposits	67,053	43,491
	<u>79,003</u>	<u>65,154</u>
Cash, bank balances and deposits as per consolidated statement of financial position	79,003	65,154
Less: Islamic deposits with original maturity exceeding 3 months but less than 12 months	(16,000)	(13,111)
	<u>63,003</u>	<u>52,043</u>
Cash, bank balances and deposits in the consolidated statement of cash flows	<u>63,003</u>	<u>52,043</u>

Islamic deposits are placed with local Islamic financial institutions and carry an effective profit rate of 4% - 4.5% (2021: 2.25%) per annum and have an original maturity of less than one year.

10 EQUITY**Share capital**

The Parent Company's authorized, issued and fully paid-up share capital is KD 99,874 thousand (2021: KD 49,937 thousand) comprising of 998,733,704 (2021: 499,366,852) shares of 100 fils each and is fully paid in cash.

Statutory reserve

In accordance with the Companies Law No. 1 of 2016, as amended and its Executive Regulation, as amended, and the Parent Company's Articles of Association, 10% of the profit before contribution to KFAS, NLST, Zakat and Board of Directors' remuneration for the year is transferred to statutory reserve until the reserve totals 50% of the paid up share capital, after which such transfers can be discontinued by a resolution of the shareholders in the Annual General Assembly meeting upon recommendation by the Board of Directors.

Distribution of the reserve is limited to the amount required to enable the payment of a dividend of 5% of paid up share capital to be made in years when retained earnings are not sufficient for the payment of a dividend of that amount. During the previous year, the shareholders approved to discontinue such annual transfers as the reserve exceeded 50% of the share capital.

Voluntary reserve

In accordance with the Parent Company's Articles of Association, a percentage of profit before contribution to KFAS, NLST, Zakat and Board of Directors' remuneration for the year, as recommended by the Board of Directors and approved by the shareholders, must be deducted and transferred to a voluntary reserve. Such transfers may be discontinued by a resolution of the shareholders in the Annual General Assembly meeting upon recommendation by the Board of Directors. There are no restrictions on the distribution of this reserve. During the previous year, the shareholders have approved to discontinue transfers to voluntary reserve.

The shareholders in the Annual General Meeting ("AGM") held on 23 March 2022 approved the transfer of voluntary reserves to statutory reserves amounting to KD 26,241 thousand.

Share Based Payments

The Group has recognized the value of equity-settled share-based payment reserve as part of employee benefit expense amounting to KD 90 thousand (31 December 2021: KD 24 thousand).

Recommended cash dividends and Bonus Shares for the year 2022

The Parent Company's Board of Directors recommended to distribute cash dividends to the shareholders of the Parent Company of 30 fils per share amounting to KD 29,962 thousand for the year ended 31 December 2022.

The recommended cash dividends and bonus shares are only due when its approved by the shareholders' Annual General Assembly meeting, and to be distributed to shareholders after obtaining the necessary approvals from the regulatory authorities.

Approval of dividends for the year 2021

The Annual General Assembly meeting of the shareholders held on 23 March 2022 approved distribution of cash dividends of 60 fils per share (31 December 2020: 60 fils per share) amounting to KD 29,962 thousand (31 December 2020: KD 29,962 thousand) and distribution of bonus shares of 499,366,852 shares i.e., 100% of issued and paid-up share capital as at 31 December 2021. The cash dividend amounting to KD 29,962 thousand was paid subsequently and the bonus shares were distributed on 26 April 2022. The bonus shares increased the number of issued and fully paid-up shares by 499,366,852 shares and increase in share capital by KD 49,937 thousand.

11 EMPLOYEES' END OF SERVICE BENEFITS

The Group provides end of service benefits to its employees. The entitlement is based upon the employees' final salary and length of service, subject to the completion of a minimum service period, calculated under the provisions of the Labour Law applicable in the State of Kuwait, and is payable upon resignation or termination of the employee. The expected costs of these benefits are accrued over the period of employment.

11 EMPLOYEES' END OF SERVICE BENEFITS (continued)

The plan typically exposes the Group to actuarial risks such as: discount rate, salary risk and withdrawal risk.

Discount rate	A decrease in the discount rate will increase the plan liability.
Salary risk	The present value of the end of service benefit plan liability is calculated by reference to the estimated future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the plan's liability.
Withdrawal risk	Benefits are paid when an employee leaves employment either through resignation or retirement. The rate of withdrawal therefore affects the timing of the payment and consequently the liability at the reporting date.

The most recent actuarial valuation of the present value of the defined benefit obligation was carried out at 31 December 2022. The present value of the defined benefit obligation, and the related current service cost and past service cost were measured using the Projected Unit Credit Method. The principal assumptions in determining the end of service provisions are discount rate 4.75% (2021: 3.65%) and expected rate of salary increase in range of 3% to 4% (2021: 3% to 4%).

Movements in the present value of the end of service benefit obligation in the current year were as follows:

	2022 KD'000	2021 KD'000
At 1 January	11,217	10,073
Arising on business combination (Note 4)	1,030	-
Expenses recognized	2,226	2,138
Re-measurement gains*	(886)	(86)
Benefits paid during the year	(1,479)	(908)
At 31 December	<u>12,108</u>	<u>11,217</u>

* Re-measurement gains is comprised of actuarial changes arising from financial assumption and experience adjustments.

Sensitivity analysis:

The sensitivity analyses below have been determined based on reasonably possible changes of the below mentioned assumptions as at the reporting period, while holding all other assumptions constant.

- ▶ If discount rate is 25 basis point higher (lower), the end of service benefit obligation would decrease by KD 319 thousand (increase by KD 306 thousand).
- ▶ If the expected salary growth increases (decreases) by 25 basis points, the end of service benefit obligation would increase by KD 322 thousand (decrease by KD 311 thousand).

The sensitivity analysis presented above may not be representative of the actual change in the end of service benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

12 ISLAMIC FINANCING FACILITIES

In the prior years, the Parent Company entered into an Islamic financing arrangement amounting to KD 80,000 thousand (31 December 2021: KD 80,000 thousand) out of which KD 20,000 thousand was utilized, which is repayable over 3 years starting from April 2020 in equal quarterly installments. As at 31 December 2022, the amount has been fully repaid (31 December 2021: KD 5,000 thousand).

During the year, the Parent Company has entered into a new Islamic financing arrangement amounting to KD 50,000 thousand out of which KD 23,000 thousand was utilized, which is repayable over 4 years starting from March 2024 in equal quarterly installments. As at 31 December 2022, KD 23,000 thousand (31 December 2021: KD nil) is outstanding against these facilities.

The amount disclosed on the face of the consolidated statement of financial position is net of finance costs and processing fees paid in advance.

Islamic financing facilities are unsecured and carries profit rate in the range of 4.25% (31 December 2021: 2.25% per annum).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 December 2022

13 TRADE AND OTHER PAYABLES

	2022 KD'000	2021 KD'000
Trade and other payables*	24,801	19,445
Accruals and provisions	57,080	70,703
Other payables	40,671	34,915
Due to related parties (Note 21)	25,297	15,328
	<u>147,849</u>	<u>140,391</u>
Represented by:		
Current portion	141,412	135,461
Non-current portion	6,437	4,930
	<u>147,849</u>	<u>140,391</u>

* Trade and other payables include lease liabilities amounting to KD 11,150 thousand as at 31 December 2022 (31 December 2021: KD 9,860 thousand).

The movement is as follows: -

	2022 KD'000	2021 KD'000
At 1 January	9,860	10,906
Arising on business combination	365	-
Additions	10,012	8,199
Derecognition	(18)	(560)
Accretion of interest	364	294
Payments	(9,433)	(8,979)
At 31 December	<u>11,150</u>	<u>9,860</u>
Current lease liabilities	4,713	4,930
Non-current lease liabilities	6,437	4,930
	<u>11,150</u>	<u>9,860</u>

The Group's exposure to currency and liquidity risk related to trade and other payables is disclosed in Note 23.

Included within accruals and provisions are capital expenditure accruals (net of advances) amounting to KD 1,476 thousand (2021: KD 11,908 thousand) representing capital expenditure which have been incurred by the Group, but not yet invoiced by the suppliers.

Due to related parties mainly includes network related charges and management fees with the Ultimate Parent Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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14 REVENUE

The Group has disaggregated the revenue recognized from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. This did not result in any impact on the segment reporting given the Group only has one reporting segment accordingly, no reconciliation of the disaggregated revenue to the operating segments has been disclosed in the consolidated financial statements.

The following table disaggregates revenue by major sources and timing of revenue recognition.

	2022 KD'000	2021 KD'000
Sources of revenue		
Sale of goods	96,366	75,756
Rendering of services	239,999	220,558
	<u>336,365</u>	<u>296,314</u>
Timing of revenue recognition		
Products transferred at a point in time	96,366	75,756
Products and services transferred over time	239,999	220,558
	<u>336,365</u>	<u>296,314</u>

15 OPERATING EXPENSES

	2022 KD'000	2021 KD'000
Access charges	52,823	55,423
Roaming & interconnect expenses	14,321	13,527
Cost of inventory consumption	107,772	76,392
Repair & maintenance expenses	14,372	13,465
	<u>189,288</u>	<u>158,807</u>

16 GENERAL AND ADMINISTRATIVE EXPENSES

	2022 KD'000	2021 KD'000
Rent and utilities	2,078	1,998
Sales and marketing expenses	10,017	9,661
Consultancy fees	1,499	2,037
Other administrative expenses	13,876	12,301
	<u>27,470</u>	<u>25,997</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 December 2022

17 OTHER INCOME

	2022 KD'000	2021 KD'000
Interest income	3,894	897
Foreign exchange losses	(118)	(11)
Income from claim against Ministry of Communications	-	17,927
Provision no longer required written back	1,293	-
Others	235	233
	<u>5,304</u>	<u>19,046</u>

18 TAXES

Kuwait Foundation for Advancement of Sciences ("KFAS")

Contribution towards KFAS is computed at 1% of taxable profit of the Parent Company after deducting from net profit before taxes the Board of Directors' remuneration, and the amount transferred to statutory reserve.

Zakat

Contribution towards Zakat is computed at 1% of the net profit in accordance with the requirements of Law No. 46 of 2006 and charged to the consolidated statement of income.

National Labour Support Tax ("NLST")

Contribution towards NLST is computed at 2.5% of the net profit in accordance with the requirements of Law No. 19 of 2006 and recognised in the consolidated statement of income.

19 BASIC AND DILUTED EARNINGS PER SHARE

Basic and diluted earnings per share is calculated by dividing the net profit for the year by the weighted average number of ordinary shares outstanding during the year.

	2022	2021
Net profit for the period (KD'000)	33,209	44,873
Weighted average number of shares	998,733,704	998,733,704
Basic and diluted earnings per share (fils)	33	45

Earnings per share for the year ended 31 December 2021 were 90 fils before retrospective adjustment to the number of shares following the bonus shares issuance of 499,366,852 shares (Note 10). The number of shares has been adjusted only for the purpose of computation of earnings per share.

20 INVESTMENT IN AN ASSOCIATE

Details of associate are as follows:

Name of associate	Country of incorporation	% equity interest as at 31 December		Principal activities
		2022	2021	
Connect Arabia W.L.L.	Kuwait	10%	10%	Provision of prepaid telecommunication services

Connect Arabia W.L.L. ("Virgin Mobile Kuwait" or "VMK") was established in 2021 as a mobile virtual network operator. As at 31 December 2022, the carrying value of investment is KD Nil (31 December 2021: KD nil)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 December 2022

21 RELATED PARTY BALANCES AND TRANSACTIONS

Parties are considered to be related if one party, directly or indirectly through one or more intermediaries, has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions.

Related parties primarily comprise of major shareholders of the Group, its Directors, key management personnel and entities over which they exercise significant influence.

In addition to the above, the Parent Company also has entered in certain other transactions in the normal course of business with Ultimate Parent Company, associate and affiliates.

Significant transactions with related parties included in the consolidated statement of income are as follows:

	2022 KD'000	2021 KD'000
Management fees*	11,773	10,385
Revenues - Ultimate Parent Company	15,473	13,716
Revenues - associate	312	-
Operating expenses - Ultimate Parent Company	3,139	3,202
Operating expenses - affiliate	21,082	6,052

* Management fees represents fees charged by the Ultimate Parent Company which is based on certain percentage of revenues.

Balances with related parties amounting to KD 25,297 thousand as at 31 December 2022 (31 December 2021: KD 15,328 thousand) are included in trade and other payables in the consolidated statement of financial position. Balance with related parties do not carry any profit and are repayable on demand.

Key management personnel comprise of the Board of Directors and key members of management having authority and responsibility for planning, directing and controlling the activities of the Group. The key management personnel compensation is as follows:

	2022 KD'000	2021 KD'000
Key management compensation		
Salaries, allowances and other benefits	2,767	2,302
End of service benefits	82	68
	<u>2,849</u>	<u>2,370</u>

Board of Directors' remuneration for the financial year 2022 is subject to approval of shareholders in the Annual General Assembly. The Annual General Assembly meeting of the shareholders held on 23 March 2022 approved the Board of Directors' remuneration for the financial year 2021.

22 COMMITMENTS AND CONTINGENT LIABILITIES

	2022 KD'000	2021 KD'000
Commitments		
Capital commitments	18,831	24,701
Contingent liabilities		
Letters of guarantee*	15,185	9,694

* The Group has contingent liabilities in respect of bank guarantee arising in the ordinary course of business from which it is anticipated that no material liabilities will arise.

23 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Group has an exposure to the following risks arising from financial instruments:

- ▶ Credit risk
- ▶ Liquidity risk
- ▶ Market risk

The Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk and the Group's management of capital are given below.

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework and for developing and monitoring the Group's risk management policies.

The Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Group's Risk Committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group.

Credit risk

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 the customers, balances with banks and Islamic deposits.

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows:

	2022 KD'000	2021 KD'000
Trade and other receivables	52,342	48,380
Contract assets	62,778	49,429
Cash at banks	11,949	21,638
Islamic deposits	67,053	43,491
	<u>194,122</u>	<u>162,938</u>

Trade and other receivables and contract assets

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the Group's customer base, including the default risk of the industry and country, in which customers operate, has less of an influence on credit risk.

The Group has established a credit policy under which each new customer is analyzed for creditworthiness before the Group's standard terms and conditions are offered. Credit exposure is controlled by counterparty limits that are annually reviewed and approved by the management. The Group does not have an internal credit rating of counter parties and considers all counter parties with which the Group deals to be having an equivalent credit rating. The Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The Group does not require collateral in respect of trade and other receivables.

23 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

The Group establishes a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e. by nationality, geographical region and customer type). The calculation reflects the probability weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecast of future economic conditions.

The table below provides information about the credit risk exposure on the Group's trade receivables and contract assets using a provision matrix:

31 December 2022	Contract assets KD'000	Trade receivables					Total KD'000
		Current KD'000	Days past due				
			1-30 days KD'000	30-60 days KD'000	61-90 days KD'000	>91 days KD'000	
Estimated total gross carrying amount at default	68,652	29,334	4,096	2,948	2,577	24,102	131,709
Estimated credit loss							22,300
Expected credit loss rate							17%

31 December 2021	Contract assets KD'000	Trade receivables					Total KD'000
		Current KD'000	Days past due				
			1-30 days KD'000	30-60 days KD'000	61-90 days KD'000	>91 days KD'000	
Estimated total gross carrying amount at default	57,426	26,189	3,677	1,696	1,204	11,316	101,508
Estimated credit loss							20,251
Expected credit loss rate							20%

Cash, bank balances and deposits

The Group limits its exposure to credit risk by only placing funds with counterparties with appropriate credit ratings. Given these credit ratings, management does not expect any counterparty to fail to meet its obligations.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

23 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Liquidity risk (continued)

The following are the contractual maturities of financial liabilities:

31 December 2022

	Contractual undiscounted cash flows				
	Carrying amount KD'000	1 year or less KD'000	1-2 years KD'000	More than 2 years KD'000	Total KD'000
Islamic financing facilities	23,000	-	5,983	19,432	25,415
Trade and other payables*	116,755	110,582	4,954	2,285	117,821
	<u>139,755</u>	<u>110,582</u>	<u>10,937</u>	<u>21,717</u>	<u>143,236</u>
<i>Commitments</i>					
Acquisition of property and equipment	18,831	-	18,831	-	18,831
	<u>18,831</u>	<u>-</u>	<u>18,831</u>	<u>-</u>	<u>18,831</u>

31 December 2021

	Contractual undiscounted cash flows				
	Carrying amount KD'000	1 year or less KD'000	1-2 years KD'000	More than 2 years KD'000	Total KD'000
Islamic financing facilities	5,000	2,793	2,484	-	5,277
Trade and other payables*	121,595	116,608	3,042	2,468	122,118
	<u>126,595</u>	<u>119,401</u>	<u>5,526</u>	<u>2,468</u>	<u>127,395</u>
<i>Commitments</i>					
Acquisition of property and equipment	24,701	24,701	-	-	24,701
	<u>24,701</u>	<u>24,701</u>	<u>-</u>	<u>-</u>	<u>24,701</u>

*Trade and other payables above exclude deferred revenue and advances from customers.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, profit rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

The Group's exposure to market risk arises from:

- ▶ Currency risk
- ▶ Profit rate risk

Currency risk

Currency risk is a risk that the fair values or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates.

23 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Market risk (continued)**Currency risk (continued)**

The Group is exposed to currency risks on trade and other payables, Islamic financing facilities and Islamic deposits that are denominated in a currency other than the KD, which is the functional currency of the Group. The currencies in which these transactions are primarily denominated in US Dollars ("US\$"). The Group's currency risk is managed by monitoring significant foreign currency exposures on a regular basis.

Exposure to currency risk

The Group's net exposure to foreign currency risk is as follows:

	2022 KD'000	2021 KD'000
US Dollars (short)	8,146	13,200

The following significant exchange rates applied during the year:

	2022		2021	
	Average rate	Reporting date Spot rate	Average rate	Reporting date Spot rate
US\$	0.30478	0.30630	0.30288	0.30250

Sensitivity analysis

A strengthening (weakening) of the KD, as indicated below, against US\$ at 31 December would have affected the measurement of financial instruments denominated in a foreign currency and increased (decreased) the equity and profit or loss by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the reporting date. The analysis assumes that all other variables remain constant.

	2022 KD'000	2021 KD'000
3% movement	244	396

Profit rate risk

Profit rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market profit rates.

Financial instruments, which potentially subject the Group to profit rate risk, consist principally of cash, bank balances and deposits and Islamic financing facilities.

The Group's Islamic deposits are for a short term period and are set at fixed rates and therefore management believes there is minimal risk of significant losses due to profit rate fluctuations.

The Group's Islamic financing facilities are obtained at a floating rate. The following table demonstrates the sensitivity of the consolidated statement of income to reasonably possible changes in interest rates, with all other variables held constant.

	Change in interest rates by 50 basis points Effect on profit	
	2022 KD'000	2021 KD'000
Kuwaiti Dinars	115	25

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24 FAIR VALUES OF FINANCIAL INSTRUMENTS

Financial instruments comprise financial assets and financial liabilities.

Financial assets consist of cash, bank balances and deposits, trade and other receivables and contract assets. Financial liabilities consist of trade and other payables and Islamic financing facilities.

The fair values of the financial assets and liabilities are not significantly different from their carrying value as at the reporting date. For financial assets and financial liabilities that are liquid or having short-term maturity (less than twelve months) it is assumed that the carrying amounts approximate to their fair valuation as these are re-priced immediately upon maturity.

25 CAPITAL MANAGEMENT

The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the Group performance in relation to its long range business plan and its long-term profitability objectives.

The Group's objectives for managing capital are:

- ▶ To safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- ▶ To provide an adequate return to shareholders by pricing products and services commensurate with the level of risk.

The Group manages its capital structure and makes adjustments to it in light of changes in business conditions. No changes were made in the objectives, policies or processes during the years ended 31 December 2022 and 2021.

The Group monitors capital using a gearing ratio, which is net debt divided by the total equity. The Parent Company includes within net debt, payables under Islamic financing facilities, trade and other payables, less cash, bank balances and deposits.

	<i>2022</i> <i>KD'000</i>	<i>2021</i> <i>KD'000</i>
Islamic financing facilities	23,000	5,000
Trade and other payables	147,849	140,391
Less: Cash, bank balances and deposits.	(79,003)	(65,154)
Net debt	91,846	80,237
Total equity	241,417	237,194
Gearing ratio	38%	34%

26 OPERATING SEGMENTS

The Group mainly provides telecommunication services in Kuwait from which it earns revenues and incurs expenses and whose results are regularly reviewed by the Board of Directors of the Group. Accordingly, the Group has only one reportable segment and information relating to the reporting segment is set out in the consolidated statement of financial position and consolidated statement of income.