

Driven by **stc's** strong position in the Telecom market and our commitment to create value to company's shareholders, it is privilege to announce unprecedented distributions of cash dividends 60 fils per share and 100% bonus shares for the year 2021.



Chairman's statement

Dr. Mahmoud Ahmed Abdulrahman

Dear shareholders,

I am pleased to present Kuwait Telecommunications Company's (**stc**) Annual Report for the year ended 31 December 2021, which demonstrates **stc's** exceptional performance during the COVID-19 crisis and the recovery period. Despite the fact that the global health has been gradually improving since the onset of 2021 after completing the vaccination process in most of the countries worldwide, many sectors are still struggling to overcome the economic consequences resulted from the crisis. In this regard, it is worth mentioning the crucial role of the return back to the normal life plan adopted by the Kuwaiti government in alleviating the negative impacts on the local society in addition to spreading the sense of security and stability on the individual and corporate levels.

In addition to **stc's** sustainability and business continuity plans that were developed internally to help the company combat the challenges of the COVID-19 crisis, this report also sheds the light on **stc's** refreshed strategy, which has been updated in FY2021 to enable **stc's** viability and maintain its market position throughout the most critical economic conditions. This was combined with the great efforts of **stc's** executive management, dedicated employees and the company's specialized arm (**solutions by stc**) in order to provide the most innovative high quality products, services and solutions aimed at adding value to our customers and achieving good returns.

Accordingly, in adherence to the local regulations and in line with the Kuwaiti government's plan of the gradual return to the normal life in Kuwait, **stc** is proud to

announce its ability to remain viable over the unprecedented periods accompanied with the global uncertain economic conditions. Whereby, **stc** has managed to meet the aspirations of its shareholders, recording a net profit of KD 44.9 million.

The telecommunications market and socio-economic recovery

The past years had a substantial effect on the telecommunications market in Kuwait, which demonstrated its resilience and flexibility in dealing with the unexpected economic hazards. Throughout FY2021, **stc** has done its utmost to leverage on the societal needs for digitization to expand its IT infrastructure and ensure its operational and financial business continuity. With an attempt to provide the local society with a wide range of cutting-edge technologies that would enable continued business operations, people's connectivity as well as educational and public services functionality, **stc** ensured hiring specialized ICT talents to enhance the team's capabilities and capture business opportunities.

Throughout the tough operating environment, which was forced by the COVID-19 crisis during FY2021, **stc** was keen on leveraging on the 5G network to support its operational and financial performance through providing the most advanced digital products and services beyond the traditional telecommunication services. **stc** also ensured updating its business model to meet the tremendous constant growth in the digital communications services by offering integrated technical solutions as well as

enterprise database solutions that would enable and support the economic and social recovery processes of COVID-19 crisis. This would, in turn, improve **stc's** operational and financial performance with a forward looking to achieve performance excellence in the future periods.

Despite the stiff market competition in the telecom sector, **stc's** business model's integration with that of **solutions by stc** represents a key cornerstone that enabled the company to maintain its strong position in the telecom market as a leader in providing digital solutions. As a result, **stc** has been better able to cope with the rapid developments of the integrated technical solutions and digital tools on a global scale in addition to supporting the Kuwaiti government to implement the necessary recovery steps through delivering the essential digital products and services for the individual, enterprise, public and private sectors.

Creating shareholders value

At **stc**, we are committed to create shareholders value through investing in our capabilities to achieve the desired growth, efficiency in our business environment, and long-term value proposition. **stc** has extensively relied on its solid corporate strategy, effective business continuity plans and potential growth opportunities to realize long-term growth in sustainable profits and attain good returns that are in the best interests of the company's shareholders. As we believe in the critical role of our working teams on company's operational efficiency and effectiveness, **stc** strives to expand its digital operating framework in the internal working environment aimed at enhancing employees' productivity and increase their motivation towards working in more digitized areas.

All the way through the recovery phase, **stc** embraced innovation, monitored developments and worked hard on developing the optimal business solutions that would alleviate the negative repercussions and facilitate the recovery process for the local community.

stc's 2021 outcomes emphasized company's strong financial solvency position and the implementation of its flexible strategy. Whereby, **stc's** strong performance has been obvious in its operational efficiency, financial stability, and product developments, in addition to its distinct and well-established brand in the telecommunications sector.

With the global gradual recovery from COVID-19 crisis across different sectors, **stc** managed to achieve a total revenue of KD 296.3 mn, where EBITDA reached KD 79.6 mn with an EBITDA margin of 27%. As a result, **stc** recorded a net profit of KD 44.9 mn. On the other hand, shareholders' equity increased by 7% at the end of 2021, reaching a book value of 475 fils per share.

stc's Board of Directors has recommended distributing cash dividends to respective shareholders of 60 fils representing 60% of the share's nominal value for the year ended 2021. **stc's** Board of Directors has also recommended distributing 100% free bonus shares from the issued and paid in capital by issuing 499,366,852 new shares to be distributed as free grant shares to the shareholders. This recommendation is subject to the approval of the Annual General Assembly.

These results reflect the dedication of **stc's** employees and their sincerity in implementing company's refreshed corporate strategy aimed at empowering **stc** and distinguishing it among its competitors in the telecom and ICT industries. 2021 results, also demonstrate the efficient role and devotion of **stc's** Board of Directors and executive management to improve company's financial and operational efficiency in order to preserve its market position as a leader in the telecom industry.

With an aim to deliver the best quality and increase customer satisfaction, **stc** is committed to the continuous update and implementation of our corporate strategy in addition to keeping the corporate's purpose and values going forward.

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

As a responsible company, **stc** puts the interest of its customers, employees, suppliers, community and environment, all of which have contributed to the company's success since its inception in 2008, above everything else. **stc's** long history of supporting and contributing to our local community, in addition to expanding its commercial activities and market share demonstrate its dedication to continue to develop high-value, innovative, and high-quality products over the long-term. The past two years have witnessed a genuine commitment from **stc** towards not only improving the local community's health but also lowering the environmental impact through participating in and initiating a number of activities that contribute to the healthcare, sports, education, and entrepreneurship sectors. With its unceasing focus on adhering to the Kuwaiti government's rules and regulations, **stc's** corporate social responsibility programs are created in the best way to leave a positive footprint on Kuwait's existing and future generations. Accordingly, **stc** has been working towards reducing the environmental impact on the local society by collaborating with non-profit organizations such as Trahum Volunteer Team for the biggest cleaning up campaign in Kuwait. **stc** has also worked with 'Omnia', one of the largest recycling firms in Kuwait to encourage the internal and external recycling process. Likewise, **stc** is currently implementing the paperless office transformation process within the company premises and its branches to achieve the entire electronic paperless framework at **stc** in the near future.

In FY2021, **stc** found a great opportunity in supporting the Kuwaiti government to fasten the recovery process of COVID-19 pandemic through lending a helping hand to a number of governmental agencies and SMEs, leveraging on its advanced digital services and partnerships with high-tech enterprises.

Appreciation

On behalf of the Board of Directors, I would like to thank His Highness, the Amir Sheikh Nawaf Al Ahmed Al Jaber Al Sabah, H.H. the Crown Prince Sheikh Meshaal Al Ahmed Al Jaber Al Sabah, H.H. the Prime Minister Sheikh Sabah Al Khalid 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 2021. 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.