

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.