

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.