

**Emirates Integrated Telecommunications
Company PJSC and its subsidiaries**

**Review report and condensed consolidated financial information
for the nine-month period ended 30 September 2020**

**Emirates Integrated Telecommunications
Company PJSC and its subsidiaries**

Condensed consolidated financial information

	Pages
Report on review of condensed consolidated financial information	1
Condensed consolidated statement of financial position	2
Condensed consolidated statement of comprehensive income	3
Condensed consolidated statement of changes in equity	4
Condensed consolidated statement of cash flows	5
Notes to the condensed consolidated financial information	6 – 24

Report on review of condensed consolidated financial information

To the Board of Directors of
Emirates Integrated Telecommunications Company PJSC
Dubai, United Arab Emirates

Introduction

We have reviewed the accompanying condensed consolidated statement of financial position of Emirates Integrated Telecommunications Company PJSC (“the Company”) and its subsidiaries (collectively referred to as “the Group”) as of 30 September 2020 and the related condensed consolidated statements of comprehensive income, changes in equity and cash flows for the nine-month period then ended. Management is responsible for the preparation and presentation of this condensed consolidated financial information in accordance with International Accounting Standards 34, ‘Interim Financial Reporting’ (‘IAS 34’) as issued by International Accounting Standards Board (IASB). Our responsibility is to express a conclusion on this condensed consolidated financial information based on our review.

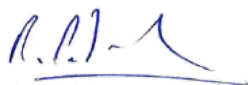
Scope of review

We conducted our review in accordance with the International Standard on Review Engagements 2410, “*Review of interim financial information performed by the independent auditor of the entity*”. A review of condensed consolidated financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated financial information is not prepared, in all material respects, in accordance with IAS 34.

Deloitte & Touche (M.E.)



Signed by:
Rama Padmanabha Acharya
Registration number 701
21 October 2020
Dubai
United Arab Emirates

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

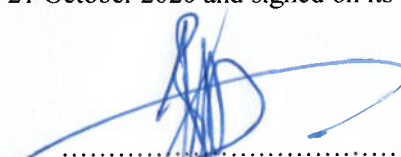
Condensed consolidated statement of financial position

		Reviewed 30 September 2020 AED 000	Audited 31 December 2019 AED 000
	Notes		
ASSETS			
Non-current assets			
Property, plant and equipment	4	7,965,751	7,741,119
Right-of-use assets	5	2,100,442	1,699,651
Intangible assets and goodwill	6	1,013,887	1,051,446
Investments accounted for using the equity method	7	1,359	268,948
Financial asset at fair value through other comprehensive income		18,368	18,368
Contract assets	8	173,024	208,994
Total non-current assets		11,272,831	10,988,526
Current assets			
Inventories		44,308	111,795
Derivative financial instruments		-	520
Contract assets	8	440,821	473,195
Trade and other receivables	9	1,934,213	1,870,556
Due from related parties	10	110,360	164,995
Term deposits	11	724,581	2,948,701
Cash and bank balances	12	997,387	268,695
Total current assets		4,251,670	5,838,457
Total assets		15,524,501	16,826,983
EQUITY AND LIABILITIES			
Equity			
Share capital		4,532,906	4,532,906
Share premium		232,332	232,332
Other reserves	17	1,903,575	1,764,640
Retained earnings		1,832,786	2,118,877
Total equity		8,501,599	8,648,755
Non-current liabilities			
Lease liabilities	13	1,774,882	1,396,800
Contract liabilities	8	185,087	193,095
Provision for employees' end of service benefits		272,888	258,740
Other provisions	15	179,833	169,832
Total non-current liabilities		2,412,690	2,018,467
Current liabilities			
Trade and other payables	16	3,645,414	4,600,332
Lease liabilities	13	582,176	460,005
Contract liabilities	8	378,271	377,019
Due to related parties	10	4,351	6,073
Borrowings	14	-	716,332
Total current liabilities		4,610,212	6,159,761
Total liabilities		7,022,902	8,178,228
Total equity and liabilities		15,524,501	16,826,983

To the best of our knowledge, the financial information included in these condensed consolidated interim financial information fairly presents in all material respects the financial condition, results of operation and cash flows of the Group as of, and for, the periods presented therein. The condensed consolidated financial information was approved by the Board of Directors on 21 October 2020 and signed on its behalf by:



Sara Awad Issa Musallam
Board Member



Kais Ben Hamida
Chief Financial Officer

The notes on pages 6 to 24 form an integral part of these condensed consolidated financial information. (2)

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Condensed consolidated statement of comprehensive income

	Notes	Reviewed nine-month period ended 30 September		Reviewed three-month period ended 30 September	
		2020	2019	2020	2019
		AED 000	AED 000	AED 000	AED 000
Revenue	24	8,343,958	9,395,618	2,687,521	3,066,554
Operating expenses	18	(6,081,828)	(6,377,898)	(1,972,946)	(2,162,260)
Expected credit losses on contract assets, trade receivables and due from related parties (net of recoveries)		(196,783)	(218,123)	(47,542)	(50,967)
Other income		7,778	1,000	4,229	207
Operating profit before federal royalty		<u>2,073,125</u>	<u>2,800,597</u>	<u>671,262</u>	<u>853,534</u>
Federal royalty	19	(1,170,913)	(1,514,728)	(346,235)	(473,056)
Operating profit		<u>902,212</u>	<u>1,285,869</u>	<u>325,027</u>	<u>380,478</u>
Finance income	20	39,424	98,941	3,474	26,882
Finance costs	20	(79,081)	(99,883)	(29,162)	(28,984)
Share of profit of investments accounted for using equity method	7	12,623	9,537	5,428	2,810
Gain on disposal of investment accounted for using equity method	7.1	519,374	-	519,374	-
Profit for the period		<u>1,394,552</u>	<u>1,294,464</u>	<u>824,141</u>	<u>381,186</u>
Other comprehensive income					
<i>Items that may be re-classified subsequently to profit or loss</i>					
Fair value changes on cash flow hedge	17	(520)	(9,779)	-	(1,629)
Total comprehensive income for the period attributable to shareholders of the Company		<u>1,394,032</u>	<u>1,284,685</u>	<u>824,141</u>	<u>379,557</u>
Basic and diluted earnings per share (AED)	21	<u>0.31</u>	<u>0.29</u>	<u>0.18</u>	<u>0.08</u>

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Condensed consolidated statement of changes in equity For the nine-month period ended 30 September 2020

	Share capital AED 000	Share premium AED 000	Other reserves (Note 17) AED 000	Retained earnings AED 000	Total AED 000
At 1 January 2019	4,532,906	232,332	1,601,993	2,144,507	8,511,738
Profit for the period	-	-	-	1,294,464	1,294,464
Other comprehensive loss	-	-	(9,779)	-	(9,779)
Total comprehensive income for the period	-	-	(9,779)	1,294,464	1,284,685
Transfer to statutory reserve	-	-	129,446	(129,446)	-
Final cash dividend paid	-	-	-	(997,239)	(997,239)
Interim cash dividend paid	-	-	-	(589,278)	(589,278)
At 30 September 2019	4,532,906	232,332	1,721,660	1,723,008	8,209,906
At 1 January 2020	4,532,906	232,332	1,764,640	2,118,877	8,648,755
Profit for the period	-	-	-	1,394,552	1,394,552
Other comprehensive loss	-	-	(520)	-	(520)
Total comprehensive income for the period	-	-	(520)	1,394,552	1,394,032
Transfer to statutory reserve	-	-	139,455	(139,455)	-
Final cash dividend paid*	-	-	-	(951,910)	(951,910)
Interim cash dividend paid**	-	-	-	(589,278)	(589,278)
At 30 September 2020	4,532,906	232,332	1,903,575	1,832,786	8,501,599

*For the year 2019, a final cash dividend of AED 0.21 per share amounting to AED 951,910 thousand was approved by the shareholders at the Annual General Meeting held on 14 April 2020 and was paid in May 2020.

**For the year 2020, an interim cash dividend of AED 0.13 per share amounting to AED 589,278 thousand was proposed on 21 July 2020 and paid in August 2020.

Emirates Integrated Telecommunications Company PJSC and its subsidiaries
Condensed consolidated statement of cash flows

		Reviewed nine-month period ended 30 September	
		2020	2019
	Note	AED 000	AED 000
Cash flows from operating activities			
Profit for the period		1,394,552	1,294,464
Adjustments for:			
Depreciation and impairment of property, plant and equipment		994,940	1,026,264
Depreciation of right-of-use assets		268,518	236,308
Amortisation and impairment of intangible assets		139,478	160,726
Loss on disposal of property, plant and equipment		762	-
Provision for employees' end of service benefits		22,681	25,416
Loss allowance release on contract assets		3,426	(1,130)
Loss allowance on trade receivables		179,590	223,922
Loss allowance on due from related parties		34,007	-
Finance income		(39,424)	(98,941)
Finance costs		79,081	99,883
Unwinding of discount on asset retirement obligations		5,193	4,702
Share of profit of investments accounted for using equity method		(12,623)	(9,537)
Gain on disposal of investment accounted for using equity method		(519,374)	-
Changes in working capital	22	948,848	1,033,367
Cash generated from operations		3,499,655	3,995,444
Royalty paid		(1,959,363)	(2,057,635)
Payment of employees' end of service benefits		(14,835)	(25,445)
Net cash generated from operating activities		1,525,457	1,912,364
Cash flows from investing activities			
Purchase of property, plant and equipment		(1,271,779)	(761,575)
Purchase of intangible assets		(99,901)	(125,830)
Proceeds from disposal of property, plant and equipment		181	-
Payment for additional investments accounted for using equity method		-	(36,920)
Proceeds from disposal of investment accounted for using equity method		800,000	-
Interest received		111,770	130,163
Margin on guarantees released		1,535	1,350
Term deposits released		2,224,120	2,010,870
Net cash from investing activities		1,765,926	1,218,058
Cash flows from financing activities			
Repayment of lease liabilities		(230,553)	(115,924)
Repayment of borrowings		(716,332)	(1,446,991)
Interest paid on borrowings and lease liabilities		(73,083)	(92,687)
Dividend paid		(1,541,188)	(1,586,517)
Net cash used in financing activities		(2,561,156)	(3,242,119)
Net increase/(decrease) in cash and cash equivalents		730,227	(111,697)
Cash and cash equivalents at 1 January		264,657	496,698
Cash and cash equivalents at 30 September		994,884	385,001

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Notes to the condensed consolidated financial information for the nine-month period ended 30 September 2020

1 General information

Emirates Integrated Telecommunications Company PJSC the (“Company”) is a public joint stock company with limited liability. The Company was incorporated according to Ministerial Resolution No. 479 of 2005 issued on 28 December 2005. The Company is registered in the commercial register under No. 77967. The principal address of the Company is P.O Box 502666 Dubai, United Arab Emirates (UAE). These condensed consolidated financial information for the nine-month period ended 30 September 2020 include the financial information of the Company and its subsidiaries (together the “Group”).

The Company’s principal objective is to provide fixed, mobile, wholesale, broadcasting and associated telecommunication services in the UAE.

The Company has either directly or indirectly the following subsidiaries:

Subsidiaries	Principal activities	Shareholding		Country of incorporation
		2020	2019	
EITC Investment Holdings Limited	Holding investments in new business i.e content, media, data and value added services for telecommunications	100%	100%	UAE
Telco Operations FZ-LLC	Outsourcing services	100%	100%	UAE
Smart Dubai Platform Project Company LLC	Software development, IT infrastructure, public networking and computer systems housing services	100%	100%	UAE
EITC Singapore PTE. LTD.	Telecommunications resellers/third party telecommunications providers (including value added network services)	100%	100%	Singapore

During the year 2019, the Group signed a Shareholder Agreement (“SHA”) with Bahrain Telecommunications Company (B.S.C.) to form a limited liability private company (“investee company”) with an estimated Group’s capital commitment share of AED 31 million, which will be paid in three tranches over a period of 24 months. The investee company has been incorporated with the name of Advanced Regional Communication Solutions Holding Limited in UAE. The principal activity of the investee company will be provision of connectivity and data centre services.

2 Basis of preparation

i. Statement of compliance

These condensed consolidated financial information have been prepared in accordance with the requirements of IAS 34, interim financial reporting. Selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the last annual consolidated financial statements for the year ended 31 December 2019. The condensed consolidated financial information do not include all the information and disclosures required for full annual consolidated financial statements prepared in accordance with International Financial Reporting Standards (IFRS), as issued by International Accounting Standard Board (IASB). In addition, results for the nine-month period ended 30 September 2020 may not necessarily be indicative of the results that may be expected for the financial year ending 31 December 2020.

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Notes to the condensed consolidated financial information for the nine-month period ended 30 September 2020 (continued)

2 Basis of preparation (continued)

ii New standards, amendments and interpretations

- (a) *Amendment to standards and interpretations issued and effective during the financial year beginning 1 January 2020.*
- *Amendments to references to the Conceptual Framework in IFRS standards*
Amendments to References to the Conceptual Framework in IFRS Standards related IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32 to update those pronouncements with regard to references to and quotes from the framework or to indicate where they refer to a different version of the Conceptual Framework.
 - *Definition of Business - amendments to IFRS 3*
The amendments clarify that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. IASB also clarify that a business can exist without including all of the inputs and processes needed to create outputs. That is, the inputs and processes applied to those inputs must have ‘the ability to contribute to the creation of outputs’ rather than ‘the ability to create outputs’.
 - *Definition of Material – amendments to IAS 1 and IAS 8*
The new definition states that, ‘Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.’
 - *Interest Rate Benchmark Reform – amendments to IFRS 9, IAS 39 and IFRS 7*
The amendments in Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7) clarify that entities would continue to apply certain hedge accounting requirements assuming that the interest rate benchmark on which the hedged cash flows and cash flows from the hedging instrument are based will not be altered as a result of interest rate benchmark reform.
 - *Covid-19-Related Rent Concessions – amendments to IFRS 16*
The amendment provides lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification. This is effective for periods beginning on or after 1 June 2020.
- (b) *New standards and amendments issued but not yet effective*
- Classification of Liabilities as Current or Non-Current – amendments to IAS 1 (effective from 1 January 2023);
 - Property, Plant and Equipment – Proceeds before Intended Use – amendments to IAS 16 (effective from 1 January 2022);
 - Onerous Contracts — Cost of Fulfilling a Contract – amendments to IAS 37 (effective from 1 January 2022);
 - IFRS 17: Insurance Contracts (effective from 1 January 2021).

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Notes to the condensed consolidated financial information for the nine-month period ended 30 September 2020 (continued)

2 Basis of preparation (continued)

ii New standards, amendments and interpretations (continued)

The above stated new standards and amendments are not expected to have any significant impact on condensed consolidated financial information of the Group.

There are no other applicable new standards and amendments to published standards or IFRIC interpretations that have been issued that would be expected to have a material impact on the condensed consolidated financial information of the Group.

iii Basis of consolidation

A subsidiary is an entity controlled by the Company. The financial statements of a subsidiary are included in the condensed consolidated financial information from the date that control commences until the date that control ceases.

iv Basis of measurement

These condensed consolidated financial information have been prepared under the historical cost convention except for a financial asset at fair value through other comprehensive income (FVOCI) and derivative financial instruments that have been measured at fair value.

v Functional and presentation currency

These condensed consolidated financial information are presented in United Arab Emirates Dirham (“AED”) rounded to the nearest thousand except when otherwise stated. This is the Group’s functional and presentation currency.

vi Earnings per share

The Group presents basic earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit attributable to the ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is calculated by adjusting the weighted average number of equity shares outstanding to assume conversion of all dilutive potential ordinary shares. The Group does not have any dilutive potential ordinary shares.

vii Use of estimates and judgements

The preparation of these condensed consolidated financial information, in conformity with IFRS, requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

The significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the Group's annual consolidated financial statements for the year ended 31 December 2019 except as given below.

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Notes to the condensed consolidated financial information for the nine-month period ended 30 September 2020 (continued)

2 Basis of preparation (continued)

vii Use of estimates and judgements (continued)

COVID-19 Updates

In January 2020, the World Health Organization (“WHO”) announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the “COVID-19 Outbreak”). Subsequently (March 2020), the WHO classified COVID-19 Outbreak as a pandemic based on the rapid increase in exposure and infections across the world. The pandemic nature of this virus resulted in global travel restrictions and total lockdown in most countries of the world between March and May 2020. Due to the unprecedented adverse effect of the lockdown on the global economy and some success in the efforts to flatten the infection curve, many countries started easing the lock down restrictions at the end of Q2 2020.

In Q3 2020, the UAE government started re-opening the economy with gradual resumption of international flights, re-opening of offices, malls, etc. with some additional safety measures around social distancing, use of masks, increased COVID-19 testing (including tests at airport arrivals), etc. These measures allowed first signs of the start of recovery in several business activities. However, full recovery remains distant as we continue to experience the pandemic inflicted global economic recession with negative GDP growth across the world to date and manage the risk of a potential second wave.

Although the Group has been able to gradually improve its assessment of the COVID-19 impact on the business, the surge in the number of infections since mid-September 2020 introduced a new element of volatility. Also, the complete impact of the pandemic on the UAE population and economy in general requires further data, time and analysis. The Group will continue monitoring the evolution of the situation and adjust its operations in a dynamic manner to cope with an acceleration or a deceleration of the recovery.

From accounting perspective, the Group continued to assess the Expected Credit Loss (ECL) from trade receivables and contract assets and accounted for such in the condensed consolidated financial statements in accordance with the requirements of IFRS 9. The Group also assessed the potential impacts of the current situation across all relevant areas of the business; specifically relating to going concern, impairment of assets and inventory, subsidiary accounting, etc., with no material impact. The management will continue to monitor the situation and make the necessary judgements and estimates as may be required.

3 Significant accounting policies

The same accounting policies and methods of computation have been followed in these condensed consolidated financial information as compared with the Group’s recent annual audited consolidated financial statements as at and for the year ended 31 December 2019.

There are no changes in the accounting policies during the nine-month period ended 30 September 2020.

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Notes to the condensed consolidated financial information for the nine-month period ended 30 September 2020 (continued)

4 Property, plant and equipment

	Reviewed 30 September 2020 AED 000
Cost	
At 1 January 2020	19,437,704
Additions	1,214,311
Addition: asset retirement obligations	7,327
Disposals/write-offs	<u>(63,877)</u>
At 30 September 2020	<u>20,595,465</u>
Depreciation / impairment	
At 1 January 2020	11,696,585
Depreciation charge for the period	989,614
Impairment charge for the period	5,326
Disposals/write-offs	<u>(61,811)</u>
At 30 September 2020	<u>12,629,714</u>
Net book value	
At 30 September 2020	<u>7,965,751</u>
At 31 December 2019	<u>7,741,119</u>

The carrying amount of the Group's property, plant and equipment includes a nominal amount of AED 2 (31 December 2019: AED 2) in relation to plots of land granted to the Group by the UAE Government.

The cost includes capital work in progress amounting to AED 584,517 thousand, as of 30 September 2020 (31 December 2019: AED 606,846 thousand).

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Notes to the condensed consolidated financial information for the nine-month period ended 30 September 2020 (continued)

5 Right-of-use assets

	Reviewed 30 September 2020 AED 000
Cost	
At 1 January 2020	2,003,475
Additions	668,450
Remeasurement	14,678
Disposals	(41,605)
At 30 September 2020	2,644,998
Depreciation	
At 1 January 2020	303,824
Charge for the period	268,518
Disposals	(27,786)
At 30 September 2020	544,556
Net book value	
At 30 September 2020	2,100,442
At 31 December 2019	1,699,651

6 Intangible assets and goodwill

	Reviewed 30 September 2020 AED 000	Audited 31 December 2019 AED 000
Goodwill	549,050	549,050
Intangible assets	464,837	502,396
	1,013,887	1,051,446

Goodwill

The Group acquired the business of three wholly owned subsidiaries/divisions of Tecom Investments FZ LLC with effect from 31 December 2005. Goodwill represents the excess of purchase consideration paid over the fair value of net assets acquired.

The Group performs its annual impairment test at the end of every financial year (December) and when circumstance indicates that the carrying value may be impaired. The Group's impairment test for goodwill is based on value-in-use calculations. The key assumptions used to determine the recoverable amount for the different cash generating units were disclosed in the annual consolidated financial statements for the year ended 31 December 2019. During the period, the Group's management has not noted any indicators of impairment and accordingly, no separate impairment assessment was carried out as of 30 September 2020.

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Notes to the condensed consolidated financial information for the nine-month period ended 30 September 2020 (continued)

6 Intangible assets and goodwill (continued)

Intangible assets

The net book value of the other intangible assets is as follows:

	Reviewed 30 September 2020 AED 000
Cost	
At 1 January 2020	2,817,703
Additions	101,923
Disposals	(54)
At 30 September 2020	2,919,572
Amortisation	
At 1 January 2020	2,315,307
Charge for the period	139,478
Disposals	(50)
At 30 September 2020	2,454,735
Net book value	
At 30 September 2020	464,837
At 31 December 2019	502,396

The cost includes capital work in progress balance amounting to AED 163,903 thousand as of 30 September 2020 (31 December 2019: AED 97,371 thousand).

7 Investments accounted for using the equity method

Dubai Smart City Accelerator FZCO

During the year 2017, the Group acquired 23.53% shares in Dubai Smart City Accelerator FZCO ("the Associate"), a Free Zone Company with limited liability established in Dubai Silicon Oasis Free Zone, in the Emirate of Dubai. The business of the Associate is to run accelerator programs with the purpose of sourcing innovation and technology applicable to the Smart City Industry.

Khazna Data Center Limited

The Group has 26% ownership shares in Khazna Data Center Limited ("the Associate"), a limited liability company established in the Masdar City Free Zone, in the Emirate of Abu Dhabi. The business of the Associate is providing wholesale data centre services.

	Reviewed 30 September 2020 AED 000	Audited 31 December 2019 AED 000
Opening balance	268,948	188,179
Investments during the period/year	-	70,256
Share of profit for the period/year	12,623	10,513
Disposal of investment during the period (Note 7.1)	(280,212)	-
Closing balance	1,359	268,948

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Notes to the condensed consolidated financial information for the nine-month period ended 30 September 2020 (continued)

7 Investments accounted for using the equity method (continued)

7.1 Gain on disposal of investment accounted for using equity method

On 14 September 2020, EITC Investment Holding, a fully owned subsidiary of EITC Group, signed with Technology Holding Company, a fully owned subsidiary of Mubadala, a sale and purchase agreement to sell its 26% shareholding (including its interest in shareholder loans) in Khazna Data Center Limited for a consideration of AED 800 million.

On 30 September 2020 the transaction was concluded and EITC Group received the AED 800 million cash consideration. The impact of this transaction on the financial statements is reflected as per the below:

	Reviewed 30 September 2020 AED 000	Audited 31 December 2019 AED 000
Consideration received in cash	800,000	-
Less: carrying value of the investment	(280,212)	-
Less: transaction cost	(414)	-
Gain on disposal	<u>519,374</u>	<u>-</u>

8 Contract assets and contract liabilities

	Current		Non-current	
	Reviewed 30 September 2020 AED 000	Audited 31 December 2019 AED 000	Reviewed 30 September 2020 AED 000	Audited 31 December 2019 AED 000
Contract assets*	478,057	509,191	184,569	218,353
Less: loss allowance	<u>(37,236)</u>	<u>(35,996)</u>	<u>(11,545)</u>	<u>(9,359)</u>
	<u>440,821</u>	<u>473,195</u>	<u>173,024</u>	<u>208,994</u>

*Contract assets include unamortised subscriber acquisition costs (contract costs) amounting to AED 305,905 thousands (31 December 2019: AED 304,097 thousands).

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Notes to the condensed consolidated financial information for the nine-month period ended 30 September 2020 (continued)

8 Contract assets and contract liabilities (continued)

8.1 The movement in loss allowance for contract assets is as follows:

	Reviewed 30 September 2020 AED 000	Audited 31 December 2019 AED 000
Opening balance	45,355	42,915
Expected credit losses during the period/year	<u>3,426</u>	<u>2,440</u>
Closing balance	<u><u>48,781</u></u>	<u><u>45,355</u></u>

	Current		Non-current	
	Reviewed 30 September 2020 AED 000	Audited 31 December 2019 AED 000	Reviewed 30 September 2020 AED 000	Audited 31 December 2019 AED 000
Contract liabilities	378,271	377,019	185,087	193,095

9 Trade and other receivables

	Reviewed 30 September 2020 AED 000	Audited 31 December 2019 AED 000
Trade receivables	1,898,224	1,941,223
Due from other telecommunications operators*	127,781	201,176
Less: loss allowance for trade receivables and due from other telecommunications operators	(670,445)	(662,358)
Trade receivables, net	1,355,560	1,480,041
Prepayments	226,320	95,355
Advances to suppliers	240,115	178,544
Other receivables	112,218	116,616
Total trade and other receivables	1,934,213	1,870,556

*Due from other telecommunications operators are presented after netting off payable balances (where right to set off exists) amounting to AED 893,490 thousand (31 December 2019: AED 833,130 thousand).

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Notes to the condensed consolidated financial information for the nine-month period ended 30 September 2020 (continued)

9 Trade and other receivables (continued)

The movement in loss allowances for trade receivables and due from other telecommunications operators is as follows:

	Reviewed 30 September 2020 AED 000	Audited 31 December 2019 AED 000
Opening balance	662,358	759,281
Expected credit losses during the period/year	179,590	215,414
Write-off during the period/year	(162,819)	(312,337)
Reclassified to due from related parties	(8,684)	-
Closing balance	<u>670,445</u>	<u>662,358</u>

10 Related party balances and transactions

Related parties comprise the shareholders of the Company, entities under common shareholding, its directors, key management personnel and entities over which they exercise control, joint control or significant influence. The founding shareholders are Emirates Investment Authority, Mamoura Diversified Global Holding PJSC & Emirates International Telecommunications Company L.L.C. Transactions with related parties are in the ordinary course of business and are approved by the Group's management or by the Board of Directors.

Related party balances

	Reviewed 30 September 2020 AED 000	Audited 31 December 2019 AED 000
Due from related parties	153,051	164,995
Less: Loss allowance	(42,691)	-
	<u>110,360</u>	<u>164,995</u>
Due to related parties	<u>4,351</u>	<u>6,073</u>

The movement in loss allowances for due from related parties is as follows:

	Reviewed 30 September 2020 AED 000	Audited 31 December 2019 AED 000
Reclassified from trade and other receivables	8,684	-
Expected credit losses during the period	34,007	-
Closing balance	<u>42,691</u>	<u>-</u>

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Notes to the condensed consolidated financial information for the nine-month period ended 30 September 2020 (continued)

10 Related party balances and transactions (continued)

Related party transactions

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. All transactions with related parties referred to below are in the ordinary course of business. The following table reflects the gross value of transactions with related parties.

	Reviewed nine-month period ended 30 September	
	2020	2019
	AED 000	AED 000
Net revenue	728,435	1,005,592
Infrastructure cost	-	1,000
Rent and services	139,439	94,981
Additional funding to associates	-	39,520
Recharge of operating expenses incurred on behalf of a related party	2,184	-

Key management compensation

	Reviewed nine-month period ended 30 September	
	2020	2019
	AED 000	AED 000
Short term employee benefits	25,914	30,215
Employees' end of service benefits	151	706
Post-employment benefits	934	999
Long term incentives	3,000	7,227
	<u>29,999</u>	<u>39,147</u>

Board of Directors fee recorded during the period was AED 7,500 thousand (30 September 2019: AED 7,500 thousand). No loan has been provided to Directors, their spouses, children and relatives of the second degree and any corporates in which they own 20% or more.

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Notes to the condensed consolidated financial information for the nine-month period ended 30 September 2020 (continued)

11 Term deposits

	Reviewed 30 September 2020 AED 000	Audited 31 December 2019 AED 000
Term deposits	725,000	2,950,000
Less: loss allowance	(419)	(1,299)
	<u>724,581</u>	<u>2,948,701</u>

Term deposits represent bank deposits with maturity periods exceeding 3 months from the date of acquisition. These term deposits denominated primarily in UAE Dirham, with banks. Interest is earned on these term deposits at prevailing market rates. The carrying amount of these term deposits approximates to their fair value.

12 Cash and bank balances

For the purposes of the condensed consolidated statement of cash flows, cash and cash equivalents comprise:

	Reviewed 30 September 2020 AED 000	Audited 31 December 2019 AED 000
Cash at bank (on deposit and call accounts)	997,091	268,095
Cash on hand	784	716
Less: loss allowance	(488)	(116)
	<u>997,387</u>	<u>268,695</u>
Less: margin on guarantees (Note 23)	(2,503)	(4,038)
Cash and cash equivalents	<u>994,884</u>	<u>264,657</u>

13 Lease liabilities

Opening balance	1,856,805	2,137,074
Lease liabilities for the period/year	729,948	122,521
Remeasurement during the period/year	14,678	51,752
Payments made during the period/year	(230,553)	(128,448)
Disposals during the period/year	(13,820)	(326,094)
Closing balance	<u>2,357,058</u>	<u>1,856,805</u>

	Current		Non-current	
	Reviewed 30 September 2020 AED 000	Audited 31 December 2019 AED 000	Reviewed 30 September 2020 AED 000	Audited 31 December 2019 AED 000
Lease liabilities	<u>582,176</u>	<u>460,005</u>	<u>1,774,882</u>	<u>1,396,800</u>

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Notes to the condensed consolidated financial information for the nine-month period ended 30 September 2020 (continued)

14 Borrowings

	Current		Non-current	
	Reviewed 30 September 2020 AED 000	Audited 31 December 2019 AED 000	Reviewed 30 September 2020 AED 000	Audited 31 December 2019 AED 000
Bank borrowings	-	716,332	-	-

The borrowings were fully repaid during the period.

15 Other provisions

Asset retirement obligations

In the course of the Group's activities a number of sites and other commercial premises are utilised which are expected to have costs associated with exiting and ceasing their use. The associated cash outflows are expected to occur at the dates of exit of the assets to which they relate. These assets are long-term in nature, primarily in period up to 10 years from when the assets are brought into use.

	Reviewed 30 September 2020 AED 000	Audited 31 December 2019 AED 000
Opening balance	169,832	115,764
Additions during the period/year (net)	4,808	49,003
Adjustment for change in discount rate	-	259
Unwinding of discount	5,193	4,806
Closing balance	179,833	169,832

16 Trade and other payables

	Reviewed 30 September 2020 AED 000	Audited 31 December 2019 AED 000
Trade payables and accruals	1,473,633	1,675,211
Due to other telecommunications operators*	600,900	523,658
Accrued federal royalty (Note 19)	1,274,522	2,062,972
Value Added Tax (VAT) payable	20,544	8,987
Other payables and accruals	275,815	329,504
	3,645,414	4,600,332

*Due to other telecommunications operators are presented after netting off receivable balances (where right to set off exists) amounting to AED 893,490 thousand (31 December 2019: AED 833,130 thousand).

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Notes to the condensed consolidated financial information for the nine-month period ended 30 September 2020 (continued)

17 Other reserves

	Statutory reserve (Note 17.1) AED 000	Hedge reserve (Note 17.2) AED 000	Total AED 000
At 1 January 2019	1,591,025	10,968	1,601,993
Transfer to statutory reserve	129,446	-	129,446
Fair value changes on cash flow hedge	-	(9,779)	(9,779)
At 30 September 2019	1,720,471	1,189	1,721,660
At 1 January 2020	1,764,120	520	1,764,640
Transfer to statutory reserve	139,455	-	139,455
Fair value changes on cash flow hedge	-	(520)	(520)
At 30 September 2020	1,903,575	-	1,903,575

17.1 In accordance with the UAE Federal Law No. 2 of 2015 ("Companies Law") and the Company's Articles of Association, 10% of the net profit is required to be transferred annually to a non-distributable statutory reserve. Such transfers are required to be made until the balance of the statutory reserve equals one half of the Company's paid up share capital.

17.2 Hedge reserve is related to derivative financial instrument.

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Notes to the condensed consolidated financial information for the nine-month period ended 30 September 2020 (continued)

18 Operating expenses

	Reviewed nine-month period ended 30 September	
	2020	2019
	AED 000	AED 000
Interconnect costs	1,942,280	2,116,380
Product costs	547,846	614,276
Depreciation and impairment on property, plant and equipment (Note 4)	994,940	1,026,264
Depreciation on right-of-use assets (Note 5)	268,518	236,308
Amortisation and impairment on intangible assets (Note 6)	139,478	160,726
Staff costs	732,161	686,824
Network operation and maintenance	496,986	408,564
Outsourcing and contracting	134,933	267,456
Commission	271,799	293,990
Telecommunication license and related fees	289,265	284,514
Marketing	111,578	204,032
Others	152,044	78,564
	6,081,828	6,377,898

19 Federal royalty

The royalty rates payable to the UAE Ministry of Finance for the period from 2017 to 2021 are 15% on regulated revenue and 30% on regulated profit after deducting royalty on regulated revenue.

Movement in the federal royalty accruals is as follows:

	Reviewed 30 September 2020 AED 000	Audited 31 December 2019 AED 000
Opening balance	2,062,972	2,103,174
Payment made during the period/year	(1,959,363)	(2,069,210)
Charge for the period/year	1,170,913	2,029,008
Closing balance	1,274,522	2,062,972

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Notes to the condensed consolidated financial information for the nine-month period ended 30 September 2020 (continued)

20 Finance income and costs

	Reviewed nine-month period ended 30 September	
	2020	2019
	AED 000	AED 000
Finance income		
Interest income	39,424	98,941
Finance costs		
Interest expense on lease liabilities	63,307	61,136
Interest expense others*	15,916	38,824
Exchange differences	(142)	(77)
	<u>79,081</u>	<u>99,883</u>

*Interest expense others includes interest cost on defined benefit obligations amounted to AED 6,302 thousand (30 September 2019: AED 7,196 thousand).

21 Earnings per share

	Reviewed nine-month period ended 30 September	
	2020	2019
Profit for the period (AED 000)	1,394,552	1,294,464
Weighted average number of shares ('000')	4,532,906	4,532,906
Basic and diluted earnings per share (AED)	<u>0.31</u>	<u>0.29</u>

Diluted earnings per share have not been presented separately as the Group has no commitments that would dilute earnings per share.

22 Changes in working capital

	Reviewed nine-month period ended 30 September	
	2020	2019
	AED 000	AED 000
Change in:		
Inventories	67,487	64,765
Contract assets	64,918	50,484
Trade and other receivables	(315,593)	(440,193)
Trade and other payables	1,119,886	1,367,744
Contract liabilities	(6,756)	(42,955)
Due from related parties	20,628	33,901
Due to related parties	(1,722)	(379)
Net changes in working capital	<u>948,848</u>	<u>1,033,367</u>

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Notes to the condensed consolidated financial information for the nine-month period ended 30 September 2020 (continued)

23 Contingencies and commitments

The Group has outstanding bank guarantees amounting to AED 85,234 thousand (31 December 2019: AED 70,626 thousand). Bank guarantees are secured against margin of AED 2,503 thousand (31 December 2019: AED 4,038 thousand) (Note 12).

The Group is subject to litigation with a party and expecting a reasonable prospect of success. If successful, this is going to have a favourable impact on the Group's consolidated financial statements. Other than the above, there are litigations in the normal course of business and the management is of the view that the outcome of these court cases will not have a material impact on the Group's consolidated financial statements. Details of these cases are not disclosed in order not to prejudice the Group's position in these litigations.

The Group has outstanding capital commitments amounting to AED 1,353,217 thousand (31 December 2019: AED 1,321,653 thousand).

24 Segment analysis

The Group has operations mainly in the UAE. The Group is organised into four major business segments as follows:

- Mobile segment offers mobility services to the enterprise and consumer markets. Services include mobile voice and data, mobile content and mobile broadband WIFI. Mobile handset sales, including instalment sales, are also included in this segment.
- Fixed segment provides wire line services to the enterprise and consumer markets. Services include broadband, IPTV, IP/VPN business internet and telephony.
- Wholesale segment provides voice and sms to national and international carriers and operators. Services include termination of inbound international voice traffic and international hubbing.
- Others. Others include broadcasting services, international roaming, site sharing etc

Segment contribution, referred to by the Group as Gross Margin, represents revenue less direct costs of sales. It is calculated before charging network operating costs, sales and general and administration expenses. This is the measure reported to the Group's Board of Directors for the purpose of resource allocation and assessment of segment performance.

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Notes to the condensed consolidated financial information for the nine-month period ended 30 September 2020 (continued)

24 Segment analysis (continued)

30 September 2020

	Mobile AED 000	Fixed AED 000	Wholesale AED 000	Others AED 000	Total AED 000
Segment revenue					
Timing of revenue recognition	4,138,802	1,918,356	1,385,592	605,736	8,048,486
Over time	282,187	4,854	-	8,431	295,472
At a point in time	<u>4,420,989</u>	<u>1,923,210</u>	<u>1,385,592</u>	<u>614,167</u>	<u>8,343,958</u>
Segment contribution	<u>2,635,144</u>	<u>1,646,098</u>	<u>950,834</u>	<u>341,570</u>	5,573,646
Unallocated costs					(3,508,299)
Other income					<u>7,778</u>
Operating profit before federal royalty					2,073,125
Federal royalty					<u>(1,170,913)</u>
Operating profit					902,212
Finance income/costs and share of profit of investments accounted for using equity method (net)					(27,034)
Gain on disposal of investment accounted for using equity method					<u>519,374</u>
Profit for the period					<u>1,394,552</u>

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Notes to the condensed consolidated financial information for the nine-month period ended 30 September 2020 (continued)

24 Segment analysis (continued)

30 September 2019

	Mobile AED 000	Fixed AED 000	Wholesale AED 000	Others AED 000	Total AED 000
Segment revenue					
Timing of revenue recognition					
Over time	4,956,414	1,844,299	1,554,196	666,719	9,021,628
At a point in time	318,328	7,186	-	48,476	373,990
	<u>5,274,742</u>	<u>1,851,485</u>	<u>1,554,196</u>	<u>715,195</u>	<u>9,395,618</u>
Segment contribution	<u>3,338,778</u>	<u>1,591,056</u>	<u>988,735</u>	<u>470,344</u>	6,388,913
Unallocated costs					(3,589,316)
Other income					<u>1,000</u>
Operating profit before federal royalty					2,800,597
Federal royalty					<u>(1,514,728)</u>
Operating profit					1,285,869
Finance income/costs and share of profit of investments accounted for using equity method (net)					<u>8,595</u>
Profit for the period					<u><u>1,294,464</u></u>

The Group's assets and liabilities have not been identified to any of the reportable segments as the majority of the operating fixed assets are fully integrated between segments. The Group believes that it is not practical to provide segment disclosure relating to total assets and liabilities since a meaningful segregation of available data is not feasible.

The Group's operations are subject to limited level of seasonality or cyclicity.