

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

**Review report and condensed consolidated financial information
for the three-month period ended 31 March 2022**

**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 – 22



Review report on condensed consolidated interim financial information to the board of directors of Emirates Integrated Telecommunications Company PJSC

Introduction

We have reviewed the accompanying condensed consolidated statement of financial position of Emirates Integrated Telecommunications Company PJSC and its subsidiaries (the 'Group') as at 31 March 2022 and the related condensed consolidated statements of comprehensive income, changes in equity and cash flows for the three-month period then ended and other explanatory notes. Management is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with International Accounting Standard 34 'Interim Financial Reporting' ('IAS 34'). Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, 'Review of interim financial information performed by the independent auditor of the entity'. A review of interim 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 interim financial information is not prepared, in all material respects, in accordance with IAS 34.

PricewaterhouseCoopers
28 April 2022

Murad Alnsour
Registered Auditor Number 1301
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Jacques Fakhoury, Douglas O'Mahony, Murad Alnsour and Rami Sarhan are registered as practising auditors with the UAE Ministry of Economy

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Condensed consolidated statement of financial position For the three-month period ended 31 March 2022

	Notes	Reviewed 31 March 2022 AED 000	Audited 31 December 2021 AED 000
ASSETS			
Non-current assets			
Property, plant and equipment	3	8,955,191	9,068,070
Right-of-use assets	4	1,603,496	1,649,765
Intangible assets and goodwill	5	854,866	859,195
Lease receivable		128,134	139,422
Investments accounted for using the equity method	6	21,700	24,272
Financial asset at fair value through other comprehensive income		18,368	18,368
Contract assets	7	327,726	273,410
Trade and other receivables	8	82,691	83,338
Total non-current assets		11,992,172	12,115,840
Current assets			
Inventories		64,526	58,469
Lease receivable		19,623	16,371
Contract assets	7	456,678	462,841
Trade and other receivables	8	2,093,287	1,961,542
Due from related parties	9	58,345	48,655
Term deposits		1,674,082	1,374,248
Cash and bank balances	10	786,167	641,380
Total current assets		5,152,708	4,563,506
Total assets		17,144,880	16,679,346
EQUITY AND LIABILITIES			
Equity			
Share capital		4,532,906	4,532,906
Share premium		232,332	232,332
Other reserves		2,049,604	2,018,485
Retained earnings		1,529,613	1,748,164
Total equity		8,344,455	8,531,887
Non-current liabilities			
Lease liabilities	11	1,507,001	1,553,484
Contract liabilities	7	238,703	247,073
Provision for employees' end of service benefits		239,114	238,438
Other provisions		202,122	198,588
Total noncurrent liabilities		2,186,940	2,237,583
Current liabilities			
Trade and other payables	13	5,232,630	4,592,913
Lease liabilities	11	722,718	671,502
Contract liabilities	7	449,225	438,734
Due to related parties	9	8,912	6,727
Borrowings	12	200,000	200,000
Total current liabilities		6,613,485	5,909,876
Total liabilities		8,800,425	8,147,459
Total equity and liabilities		17,144,880	16,679,346

To the best of our knowledge, the financial information included in these condensed consolidated 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 28th April 2022 and signed on its behalf by:

.....
Sara Awad Issa Musallam
Board Member

.....
Kais Ben Hamida
Chief Financial Officer

Emirates Integrated Telecommunications Company PJSC and its subsidiaries
Condensed consolidated statement of comprehensive income
For the three-month period ended 31 March 2022

	Notes	Reviewed three-month period ended 31 March	
		2022	2021
		AED 000	AED 000
Revenue	20	3,128,105	2,883,294
Operating expenses	14	(2,346,000)	(2,190,042)
Expected credit losses (net off recoveries)		(27,158)	(48,114)
Other income		155	67
Federal royalty	15	(426,320)	(372,159)
Finance income	16	8,636	11,048
Finance costs	16	(23,658)	(26,130)
Share of loss from investments accounted for using equity method	6	(2,572)	(815)
Profit for the period		311,188	257,149
Other comprehensive income for the period		-	-
Total comprehensive income for the period attributable to shareholders of the Company		311,188	257,149
Basic and diluted earnings per share (AED)	17	0.07	0.06

Emirates Integrated Telecommunications Company PJSC and its subsidiaries
Condensed consolidated statement of changes in equity
For the three-month period ended 31 March 2022

	Share capital AED 000	Share premium AED 000	Other reserves AED 000	Retained earnings AED 000	Total AED 000
At 1 January 2021	<u>4,532,906</u>	<u>232,332</u>	<u>1,908,411</u>	<u>1,895,763</u>	<u>8,569,412</u>
Profit for the period	-	-	-	257,149	257,149
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the period	-	-	-	257,149	257,149
Transfer to statutory reserve			25,715	(25,715)	
Final cash dividend declared	-	-	-	(679,936)	(679,936)
At 31 March 2021	<u>4,532,906</u>	<u>232,332</u>	<u>1,934,126</u>	<u>1,447,261</u>	<u>8,146,625</u>
At 1 January 2022	<u>4,532,906</u>	<u>232,332</u>	<u>2,018,485</u>	<u>1,748,164</u>	<u>8,531,887</u>
Profit for the period	-	-	-	311,188	311,188
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the period	-	-	-	311,188	311,188
Transfer to statutory reserve	-	-	31,119	(31,119)	-
Final cash dividend declared*	-	-	-	(498,620)	(498,620)
At 31 March 2022	<u>4,532,906</u>	<u>232,332</u>	<u>2,049,604</u>	<u>1,529,613</u>	<u>8,344,455</u>

*For the year 2021, a final cash dividend of AED 0.11 per share amounting to AED 498,620 (Note 13) was approved by the shareholders at the Annual General Meeting held on 21 March 2022 and paid on 18 April 2022.

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Condensed consolidated statement of cash flows For the three-month period ended 31 March 2022

	Note	Reviewed three-month period ended 31 March	
		2022 AED 000	2021 AED 000
Cash flows from operating activities			
Profit for the period		311,188	257,149
Adjustments for:			
Depreciation and impairment of property, plant and equipment		384,859	341,492
Depreciation of right-of-use assets		90,426	91,303
Amortisation and impairment of intangible assets		38,512	42,028
(Gain)/loss on disposal of property, plant and equipment		213	(85)
Provision for employees' end of service benefits		5,630	7,513
Release of allowance for inventory obsolescence		(876)	(281)
Loss allowances		32,734	52,890
Finance income		(8,636)	(11,048)
Finance costs		23,658	26,130
Unwinding of discount on asset retirement obligations		1,734	1,976
Share of loss from investments accounted for using equity method		2,572	815
Changes in working capital	18	170,587	239,111
Cash generated from operations		1,052,601	1,048,993
Payment of employees' end of service benefits		(6,160)	(6,721)
Net cash generated from operating activities		1,046,441	1,042,272
Cash flows from investing activities			
Purchase of property, plant and equipment		(502,502)	(595,640)
Purchase of intangible assets		(41,825)	(38,852)
Proceeds from disposal of property, plant and equipment		41	26
Interest received		3,104	1,879
Term deposits released		(300,000)	-
Net cash used in investing activities		(841,182)	(632,587)
Cash flows from financing activities			
Repayment of lease liabilities		(39,290)	(42,931)
Interest paid on lease liabilities		(17,854)	(21,718)
Interest paid others		(3,328)	(2,991)
Net cash used in financing activities		(60,472)	(67,640)
Net increase in cash and cash equivalents		144,787	342,045
Cash and cash equivalents at 1 January		638,877	210,872
Cash and cash equivalents at 31 March		783,664	552,917

Non-cash transactions are disclosed in Note 18.

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Notes to the condensed consolidated financial information for the three-month period ended 31 March 2022

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 three-month period ended 31 March 2022 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
		2022	2021	
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

2 Basis of preparation

i. Statement of compliance

These condensed consolidated financial information have been prepared in accordance with the requirements of IAS 34. 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 2021. The condensed consolidated financial information does not include all the information and disclosures required for full annual consolidated financial statements prepared in accordance with International Financial Reporting Standards (IFRS). In addition, results for the three-month period ended 31 March 2022 may not necessarily be indicative of the results that may be expected for the financial year ending 31 December 2022.

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Notes to the condensed consolidated financial information for the three-month period ended 31 March 2022 (continued)

2 Basis of preparation (continued)

i. Statement of compliance (continued)

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 2021.

There are no changes in the accounting policies during the three-month period ended 31 March 2022.

ii New standards, amendments and interpretations

(a) Amendment to standards and interpretations issued and effective during the financial year beginning 1 January 2022.

- Property, Plant and Equipment - Proceeds Before Intended Use - Amendments to IAS 16 (effective from 1 January 2022).
- Reference to the Conceptual Framework – Amendments to IFRS 3 (effective from 1 January 2022).
- Onerous Contracts – Cost of Fulfilling a Contract Amendments to IAS 37 (effective from 1 January 2022).
- Annual Improvements to IFRS Standards 2018–2020 (effective from 1 January 2022).

(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).
- Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2 (effective from 1 January 2023).
- Definition of Accounting Estimates - Amendments to IAS 8 (effective from 1 January 2023).
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS 12 (effective from 1 January 2023).

The above stated new standards and amendments issued but not yet effective have not been adopted by the Group. The management is in the process of assessing the impact of these new standards and amendments which will be adopted in the Group's financial statement as and when they are applicable.

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Notes to the condensed consolidated financial information for the three-month period ended 31 March 2022 (continued)

2 Basis of preparation (continued)

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).

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 2021.

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Notes to the condensed consolidated financial information for the three-month period ended 31 March 2022 (continued)

3 Property, plant and equipment

	AED 000
Cost	
At 1 January 2022	23,117,309
Additions	269,961
Addition: asset retirement obligations	2,273
Disposals/write-offs	(31,747)
At 31 March 2022	<u>23,357,796</u>
Depreciation / impairment	
At 1 January 2022	14,049,239
Depreciation and impairment for the period (Note 14)	384,859
Disposals/write-offs	(31,493)
At 31 March 2022	<u>14,402,605</u>
Net book value	
At 31 March 2022	<u>8,955,191</u>
At 31 December 2021	<u>9,068,070</u>

The carrying amount of the Group's property, plant and equipment includes a nominal amount of AED 2 (31 December 2021: 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 666,081 thousand, as of 31 March 2022 (31 December 2021: AED 573,509 thousand).

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Notes to the condensed consolidated financial information for the three-month period ended 31 March 2022 (continued)

4 Right-of-use assets

	AED 000
Cost	
At 1 January 2022	2,625,243
Additions	27,141
Remeasurement	23,205
Disposals	(7,485)
At 31 March 2022	<u>2,668,104</u>
Depreciation	
At 1 January 2022	975,478
Charge for the period (Note 14)	90,426
Disposals	(1,296)
At 31 March 2022	<u>1,064,608</u>
Net book value	
At 31 March 2022	<u>1,603,496</u>
At 31 December 2021	<u>1,649,765</u>

5 Intangible assets and goodwill

	Reviewed 31 March 2022 AED 000	Audited 31 December 2021 AED 000
Goodwill*	413,220	413,220
Intangible assets	<u>441,646</u>	<u>445,975</u>
	<u>854,866</u>	<u>859,195</u>

*The Group acquired the business and assets 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. Carrying amount of the goodwill is allocated to fixed line business Cash Generating Unit ("CGU").

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Notes to the condensed consolidated financial information for the three-month period ended 31 March 2022 (continued)

5 Intangible assets and goodwill (continued)

Intangible assets

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

	AED 000
Cost	
At 1 January 2022	2,837,221
Additions	34,183
At 31 March 2022	<u>2,871,404</u>
Amortisation/impairment	
At 1 January 2022	2,391,246
Amortization and impairment for the period (Note 14)	38,512
At 31 March 2022	<u>2,429,758</u>
Net book value	
At 31 March 2022	<u>441,646</u>
At 31 December 2021	<u>445,975</u>

The cost includes capital work in progress balance amounting to AED 169,934 thousand as of 31 March 2022 (31 December 2021: AED 158,831 thousand).

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Notes to the condensed consolidated financial information for the three-month period ended 31 March 2022 (continued)

6 Investments accounted for using the equity method

Investments	Principal activities	Shareholding		Country of incorporation
		2022	2021	
Dubai Smart City AcceleratorFZCO (Associate)	To run accelerator programs with the purpose of sourcing innovation and technology applicable to the Smart City Industry	23.53%	23.53%	UAE
Advanced Regional Communications Solutions Holding Limited (Joint Venture)	Provision of connectivity and data centre services	50%	50%	UAE

Movement in investments in associate and joint venture

	2022		
	Associate AED 000	Joint venture AED 000	Total AED 000
At 1 January 2022	2,492	21,780	24,272
Share of loss for the period	(357)	(2,215)	(2,572)
At 31 March 2022	2,135	19,565	21,700
	2021		
	Associate AED 000	Joint venture AED 000	Total AED 000
At 1 January 2021	1,356	28,479	29,835
Share of profit/(loss) for the year	1,136	(6,699)	(5,563)
At 31 December 2021	2,492	21,780	24,272

7 Contract assets and contract liabilities

	Current		Non-current	
	Reviewed 31 March 2022 AED 000	Audited 31 December 2021 AED 000	Reviewed 31 March 2022 AED 000	Audited 31 December 2021 AED 000
Contract assets*	515,556	519,524	356,653	295,723
Less: loss allowance	(58,878)	(56,683)	(28,927)	(22,313)
	<u>456,678</u>	<u>462,841</u>	<u>327,726</u>	<u>273,410</u>

*Contract assets include unamortised subscriber acquisition costs (contract costs) amounting to AED 402,391 thousands (31 December 2021: AED 376,144 thousands).

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Notes to the condensed consolidated financial information for the three-month period ended 31 March 2022 (continued)

7 Contract assets and contract liabilities (continued)

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

	Reviewed 31 March 2022 AED 000		Audited 31 December 2021 AED 000	
Opening balance	78,996		54,454	
Charge during the period/year	8,809		24,542	
Closing balance	<u>87,805</u>		<u>78,996</u>	

	Current		Non-current	
	Reviewed 31 March 2022 AED 000	Audited 31 December 2021 AED 000	Reviewed 31 March 2022 AED 000	Audited 31 December 2021 AED 000
Contract liabilities	<u>449,225</u>	<u>438,734</u>	<u>238,703</u>	<u>247,073</u>

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Notes to the condensed consolidated financial information for the three-month period ended 31 March 2022 (continued)

8 Trade and other receivables

	Reviewed 31 March 2022 AED 000	Audited 31 December 2021 AED 000
Trade receivables	1,693,280	1,822,391
Due from other telecommunications operators*	227,906	205,341
Less: provision for impairment of trade receivables and due from other telecommunications operators	(606,400)	(633,801)
Trade receivables, net	<u>1,314,786</u>	<u>1,393,931</u>
Prepayments **	382,195	147,611
Advances to suppliers	366,987	397,445
Other receivables	<u>112,010</u>	<u>105,893</u>
Total trade and other receivables	<u>2,175,978</u>	<u>2,044,880</u>
Non-current***	82,691	83,338
Current	<u>2,093,287</u>	<u>1,961,542</u>
Total trade and other receivables	<u>2,175,978</u>	<u>2,044,880</u>

*Due from other telecommunications operators are presented after netting of payable balances (where right to set off exists) amounting to AED 1,184,746 thousand (31 December 2021 AED 1,133,698 thousand).

** Prepayments include unamortised loan fees amounting to AED 16,171 thousand (31 December 2021: AED 16,818 thousands) related to the borrowings secured in 2021 (Note 12).

*** Total non-current includes the non-current portion for the unamortised loan fees amounting to AED 13,584 thousand (31 December 2021: AED14,231 thousand) and receivable amounting to AED 69,107 (31 December 2021: AED 69,107 thousand) against settlement of a legal dispute which will be collected over period of three years.

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

	Reviewed 31 March 2022 AED 000	Audited 31 December 2021 AED 000
At 1 January	633,801	646,099
Charge during the period/year	23,759	153,497
Write-off during the period/year	(51,160)	(199,486)
Transfer of provision from due from related parties	-	33,691
Closing balance	<u>606,400</u>	<u>633,801</u>

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Notes to the condensed consolidated financial information for the three-month period ended 31 March 2022 (continued)

9 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. 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 31 March 2022 AED 000	Audited 31 December 2021 AED 000
Due from related parties	58,345	48,655
Due to a related party	8,912	6,727

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

	Reviewed 31 March 2022 AED 000	Audited 31 December 2021 AED 000
As at 1 st January	-	33,691
Reclassified to trade and other receivables	-	(33,691)
Expected credit losses during the period/year	-	-
Closing balance	-	-

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 three-month period ended 31 March 2022 AED 000	2021 AED 000
Net revenue	181,000	163,491
Rent and services	9,132	34,566
Recharge of operating expenses incurred on behalf of a related party	561	831

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Notes to the condensed consolidated financial information for the three-month period ended 31 March 2022 (continued)

9 Related party balances and transactions (continued)

Key management compensation

	Reviewed three-month period ended 31 March	
	2022	2021
	AED 000	AED 000
Short term employee benefits	8,666	10,065
Employees' end of service benefits	201	69
Post-employment benefits	336	289
Long term incentives	1,500	2,000
	<u>10,703</u>	<u>12,423</u>

Board of Directors fee recorded during the period was AED 2,770 thousand (31 March 2021: AED 2,982 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.

10 Cash and bank balances

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

	Reviewed 31 March 2022 AED 000	Audited 31 December 2021 AED 000
Cash at bank	785,340	640,564
Cash on hand	<u>827</u>	<u>816</u>
	786,167	641,380
Less: margin on guarantees (Note 19)	<u>(2,503)</u>	<u>(2,503)</u>
Cash and cash equivalents	<u>783,664</u>	<u>638,877</u>

* Cash at bank represented net off loss allowance.

11 Lease liabilities

	Reviewed 31 March 2022 AED 000	Audited 31 December 2021 AED 000
Opening balance	2,224,986	2,308,623
Lease liabilities for the period/year	27,141	143,608
Interest expense during the period/year	17,854	82,767
Payments made during the period/year	(57,144)	(334,617)
Re-measurement during the period/year	23,205	33,063
Disposals during the period/year	(6,323)	(8,458)
Closing balance	<u>2,229,719</u>	<u>2,224,986</u>

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Notes to the condensed consolidated financial information for the three-month period ended 31 March 2022 (continued)

11 Lease liabilities (continued)

	Current		Non-current	
	Reviewed 31 March 2022 AED 000	Audited 31 December 2021 AED 000	Reviewed 31 March 2022 AED 000	Audited 31 December 2021 AED 000
Lease liabilities	722,718	671,502	1,507,001	1,553,484

12 Borrowings

On 29 April 2021, the Group signed a long term financing agreement with a group of local and international banks for an unsecured credit facility (the “Financing”) of AED 3,769 million equivalent. The Financing is composed of (a) a term loan facility of AED 1,788 million equivalent and a maturity of 7 years; and (b) a revolving credit facility of AED 1,981 million equivalent and a maturity of 5 years extendable to 7 years. The Financing proceeds will be used for general corporate purposes.

The details of borrowings are as follows:

	Current	
	Reviewed 31 March 2022 AED 000	Audited 31 December 2021 AED 000
Bank borrowings	200,000	200,000
	200,000	200,000

The transaction costs allocated to the Financing have been capitalised and will be amortised on a straight line basis over the term of the agreement. Unamortised transaction costs as at 31 March 2022 is presented within Note 8 as a prepayment. Carrying value of borrowings as at 31 March 2022 approximate fair value.

13 Trade and other payables

	Reviewed 31 March 2022 AED 000	Audited 31 December 2021 AED 000
Trade payables and accruals	2,126,174	2,259,681
Dividend payable	498,620	-
Due to other telecommunications operators*	398,631	443,533
Accrued federal royalty (Note 15)	1,925,860	1,499,540
Value Added Tax (VAT) payable	20,736	20,622
Other payables and accruals	262,609	369,537
	5,232,630	4,592,913

*Due to other telecommunications operators are presented after netting of receivable balances (where right to set off exists) amounting to AED 1,184,746 thousand (31 December 2021: AED 1,133,698 thousand).

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Notes to the condensed consolidated financial information for the three-month period ended 31 March 2022 (continued)

14 Operating expenses

	Reviewed three-month period ended 31 March	
	2022 AED 000	2021 AED 000
Interconnect costs	703,601	696,452
Depreciation and impairment on property, plant and equipment (Note 3)	384,859	341,492
Product costs	318,641	285,204
Staff costs	254,982	258,090
Network operation and maintenance	219,347	167,390
Commission	110,206	96,196
Telecommunication license and related fees	93,795	92,150
Depreciation on right-of-use assets (Note 4)	90,426	91,303
Marketing	55,065	43,976
Amortisation and impairment on intangible assets (Note 5)	38,512	42,028
Outsourcing and contracting	28,366	23,061
Others	48,200	52,700
	<u>2,346,000</u>	<u>2,190,042</u>

In order to conform with current period presentation, the items “network operation and maintenance”, “marketing”, “outsourcing and contracting” and “other expenses” for the three-month period ended 31 March 2021 were presented reflecting certain reclassifications to ensure comparability with 2022 figures. Without these reclassifications the figures should have been AED 190,382 thousand, AED 33,542 thousand, AED 11,951 thousand and AED 51,252 thousand respectively.

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Notes to the condensed consolidated financial information for the three-month period ended 31 March 2022 (continued)

15 Federal royalty

The royalty rates payable to the UAE Ministry of Finance for the period from 2022 to 2024 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 31 March 2022 AED 000	Audited 31 December 2021 AED 000
Opening balance	1,499,540	1,624,832
Payment made during the period/year	-	(1,507,186)
Charge for the period/year	426,320	1,381,894
Closing balance	<u>1,925,860</u>	<u>1,499,540</u>

16 Finance income and costs

	Reviewed three-month period ended 31 March 2022 AED 000	2021 AED 000
Finance income		
Interest income	7,146	9,433
Finance income on lease receivable	1,490	1,615
	<u>8,636</u>	<u>11,048</u>
Finance costs		
Interest expense on lease liabilities	17,854	21,718
Interest expense others*	5,804	4,412
	<u>23,658</u>	<u>26,130</u>

*Interest expense others mainly include interest and commitment fees on borrowings, interest cost on defined benefit obligations and unwinding of discount on asset retirement obligations.

17 Earnings per share

	Reviewed three-month period ended 31 March 2022	2021
Profit for the period (AED 000)	311,188	257,149
Weighted average number of shares ('000')	4,532,906	4,532,906
Basic and diluted earnings per share (AED)	<u>0.07</u>	<u>0.06</u>

There were no potentially dilutive shares outstanding at any time during the period and, therefore, the dilutive earnings per share is equal to the basic earnings per share.

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Notes to the condensed consolidated financial information for the three-month period ended 31 March 2022 (continued)

18 Changes in working capital

	Reviewed three-month period ended 31 March	
	2022	2021
	AED 000	AED 000
Change in:		
Inventories	(5,181)	(55,881)
Contract assets	(56,962)	(122,685)
Trade and other receivables	(149,325)	(99,042)
Trade and other payables	387,439	488,435
Contract liabilities	2,121	(17,494)
Due from related parties	(9,690)	43,780
Due to a related party	2,185	1,998
Net changes in working capital	170,587	239,111
Non-cash transactions:		
Accruals for property, plant and equipment	(232,541)	(61,149)
Accruals for intangible assets	(7,642)	(4,222)
Additions to right-of-use assets	50,346	2,859
Dividend payable	(498,620)	(679,936)

19 Contingencies and commitments

The Group has outstanding bank guarantees amounting to AED 63,695 thousand (31 December 2021: AED 71,837 thousand). Bank guarantees are secured against margin of AED 2,503 thousand (31 December 2021: AED 2,503 thousand) (Note 10).

The Group is subject to 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 condensed consolidated financial information. 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 1,093,410 thousand (31 December 2021: AED 1,033,232 thousand).

20 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.

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Notes to the condensed consolidated financial information for the three-month period ended 31 March 2022 (continued)

20 Segment analysis (continued)

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.

31 March 2022

	Mobile AED 000	Fixed AED 000	Wholesale AED 000	Others AED 000	Total AED 000
Segment revenue					
Timing of revenue recognition					
Over time	1,402,168	813,844	467,492	221,680	2,905,184
At a point in time	216,170	1,077	-	5,674	222,921
	<u>1,618,338</u>	<u>814,921</u>	<u>467,492</u>	<u>227,354</u>	<u>3,128,105</u>
Segment contribution	<u>800,298</u>	<u>675,857</u>	<u>374,428</u>	<u>145,950</u>	<u>1,996,533</u>
Unallocated costs					(1,241,586)
Other income					155
Federal royalty					(426,320)
Finance income/costs and share of loss from investments accounted for using equity method (net)					(17,594)
Profit for the period					<u><u>311,188</u></u>

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Notes to the condensed consolidated financial information for the three-month period ended 31 March 2022 (continued)

20 Segment analysis (continued)

31 March 2021

	Mobile AED 000	Fixed AED 000	Wholesale AED 000	Others AED 000	Total AED 000
Segment revenue					
Timing of revenue recognition					
Over time	1,312,008	662,160	476,516	215,769	2,666,453
At a point in time	210,412	1,314	-	5,115	216,841
	<u>1,522,420</u>	<u>663,474</u>	<u>476,516</u>	<u>220,884</u>	<u>2,883,294</u>
Segment contribution	<u>770,696</u>	<u>563,507</u>	<u>341,671</u>	<u>129,847</u>	<u>1,805,721</u>
Unallocated costs					(1,160,583)
Other income					67
Federal royalty					(372,159)
Finance income/costs and share of loss from investments accounted for using equity method (net)					(15,897)
Profit for the period					<u>257,149</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.