

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

**Review report and condensed consolidated financial information
for the nine-month period ended 30 September 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 – 21



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 30 September 2022 and the related condensed consolidated statements of comprehensive income for the three-month and nine-month then periods ended, and condensed consolidated statements of changes in equity and cash flows for the nine-month period then ended and notes, comprising a summary of significant accounting policies 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
31 October 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 nine-month period ended 30 September 2022

		Reviewed 30 September 2022 AED 000	Audited 31 December 2021 AED 000
	Note		
ASSETS			
Non-current assets			
Property, plant and equipment	3	9,341,752	9,068,070
Right-of-use assets	4	1,480,890	1,649,765
Intangible assets and goodwill	5	889,959	859,195
Lease receivable		120,972	139,422
Investments accounted for using the equity method	6	18,265	24,272
Financial asset at fair value through other comprehensive income	7	7,391	18,368
Contract assets	8	352,527	273,410
Trade and other receivables	9	81,422	83,338
Total non-current assets		<u>12,293,178</u>	<u>12,115,840</u>
Current assets			
Inventories		49,770	58,469
Lease receivable		19,918	16,371
Contract assets	8	417,270	462,841
Trade and other receivables	9	2,155,012	1,961,542
Due from related parties	10	69,500	48,655
Term deposits		699,616	1,374,248
Cash and bank balances	11	240,996	641,380
Total current assets		<u>3,652,082</u>	<u>4,563,506</u>
Total assets		<u>15,945,260</u>	<u>16,679,346</u>
EQUITY AND LIABILITIES			
Equity			
Share capital		4,532,906	4,532,906
Share premium		232,332	232,332
Other reserves		2,100,842	2,018,485
Retained earnings		1,590,923	1,748,164
Total equity		<u>8,457,003</u>	<u>8,531,887</u>
Non-current liabilities			
Lease liabilities	12	1,380,891	1,553,484
Contract liabilities	8	224,140	247,073
Provision for employees' end of service benefits		224,399	238,438
Other provisions		205,584	198,588
Total non-current liabilities		<u>2,035,014</u>	<u>2,237,583</u>
Current liabilities			
Trade and other payables	14	4,225,600	4,592,913
Lease liabilities	12	721,038	671,502
Contract liabilities	8	501,121	438,734
Due to a related party	10	5,484	6,727
Borrowings	13	-	200,000
Total current liabilities		<u>5,453,243</u>	<u>5,909,876</u>
Total liabilities		<u>7,488,257</u>	<u>8,147,459</u>
Total equity and liabilities		<u>15,945,260</u>	<u>16,679,346</u>

To the best of our knowledge, the financial information included in these condensed consolidated financial information fairly presents in all material respects the financial position, 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 31 October 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 nine-month period ended 30 September 2022

	Note	Reviewed nine-month period ended 30 September		Reviewed three-month period ended 30 September	
		2022 AED 000	2021 AED 000	2022 AED 000	2021 AED 000
Revenue	21	9,439,770	8,612,245	3,174,743	2,874,140
Operating expenses	15	(7,032,474)	(6,630,509)	(2,343,018)	(2,260,043)
Expected credit losses (net off recoveries)		(115,938)	(117,880)	(48,423)	(24,440)
Other income		423	418	221	240
Federal royalty	16	(1,300,150)	(1,023,347)	(444,145)	(282,409)
Finance income	17	21,323	20,872	7,412	4,446
Finance costs	17	(73,615)	(77,343)	(25,882)	(26,713)
Share of loss from investments accounted for using equity method	6	(6,007)	(4,228)	(1,566)	(1,990)
Profit for the period		933,332	780,228	319,342	283,231
<i>Items that will not be re-classified to profit or loss</i>					
Fair value changes on financial asset at fair value through other comprehensive income	7	(10,976)	-	(5,776)	-
Other comprehensive income for the period		(10,976)	-	(5,776)	-
Total comprehensive income for the period attributable to shareholders of the Company		922,356	780,228	313,566	283,231
Basic and diluted earnings per share (AED)	18	0.21	0.17	0.07	0.06

Emirates Integrated Telecommunications Company PJSC and its subsidiaries
Condensed consolidated statement of changes in equity
For the nine-month period ended 30 September 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	-	-	-	780,228	780,228
Other comprehensive income	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total comprehensive income for the period	-	-	-	780,228	780,228
Transfer to Other reserves	-	-	78,023	(78,023)	-
Final cash dividend paid	-	-	-	(679,936)	(679,936)
Interim cash dividend paid	<u>-</u>	<u>-</u>	<u>-</u>	<u>(453,291)</u>	<u>(453,291)</u>
At 30 September 2021	<u>4,532,906</u>	<u>232,332</u>	<u>1,986,434</u>	<u>1,464,741</u>	<u>8,216,413</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	-	-	-	933,332	933,332
Other comprehensive income	<u>-</u>	<u>-</u>	<u>(10,976)</u>	<u>-</u>	<u>(10,976)</u>
Total comprehensive income for the period	-	-	(10,976)	933,332	922,356
Transfer to Other reserves	-	-	93,333	(93,333)	-
Final cash dividend paid *	-	-	-	(498,620)	(498,620)
Interim cash dividend paid**	<u>-</u>	<u>-</u>	<u>-</u>	<u>(498,620)</u>	<u>(498,620)</u>
At 30 September 2022	<u>4,532,906</u>	<u>232,332</u>	<u>2,100,842</u>	<u>1,590,923</u>	<u>8,457,003</u>

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

**For the year 2022, an interim cash dividend of AED 0.11 per share amounting to AED 498,620 thousand was paid on 17 August 2022.

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Condensed consolidated statement of cash flows For the nine-month period ended 30 September 2022

		Reviewed nine-month period ended 30 September	
	Note	2022 AED 000	2021 AED 000
Cash flows from operating activities			
Profit for the period		933,332	780,228
Adjustments for:			
Depreciation and impairment of property, plant and equipment	15	1,163,910	1,073,902
Depreciation of right-of-use assets	15	262,889	274,962
Amortisation and impairment of intangible assets	15	120,069	136,845
Loss/(Gain) on disposal of property, plant and equipment		1,093	(119)
Provision for employees' end of service benefits		16,001	20,950
Release of provision for employees' end of service benefits		-	(27,674)
Release of allowance for inventory obsolescence		(4,554)	(3,149)
Loss allowances		132,981	131,525
Finance income	17	(21,323)	(20,872)
Finance costs		68,233	77,343
Unwinding of discount on asset retirement obligations		4,998	5,612
Share of loss from investments accounted for using equity method	6	6,007	4,228
Changes in working capital	19	1,052,448	773,451
Cash generated from operations		3,736,084	3,227,232
Royalty paid	16	(1,412,796)	(1,507,186)
Payment of employees' end of service benefits		(33,658)	(16,362)
Net cash generated from operating activities		2,289,630	1,703,684
Cash flows from investing activities			
Purchase of property, plant and equipment		(1,729,521)	(1,494,440)
Purchase of intangible assets		(181,918)	(54,706)
Proceeds from disposal of property, plant and equipment		291	214
Interest received		17,385	29,843
Margin on guarantees released		157	-
Term deposits released (net)		675,000	1,130,000
Net cash used investing activities		(1,218,606)	(389,089)
Cash flows from financing activities			
Repayment of lease liabilities		(217,071)	(180,215)
Proceeds from borrowings		-	200,000
Payment of borrowings upfront fee		-	(18,112)
Repayment of borrowings		(200,000)	-
Dividend paid		(997,240)	(1,133,227)
Interest paid on lease liabilities		(53,818)	(63,056)
Interest paid others		(3,122)	(8,644)
Net cash used in financing activities		(1,471,251)	(1,203,254)
Net (decrease)/ increase in cash and cash equivalents		(400,227)	111,341
Cash and cash equivalents at 1 January		638,877	210,872
Cash and cash equivalents at 30 September		238,650	322,213

Non-cash transactions are disclosed in Note 19.

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Notes to the condensed consolidated financial information for the nine-month period ended 30 September 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 nine-month period ended 30 September 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 nine-month period ended 30 September 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 nine-month period ended 30 September 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 nine-month period ended 30 September 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 nine-month period ended 30 September 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 nine-month period ended 30 September 2022 (continued)

3 Property, plant and equipment

	AED 000
Cost	
At 1 January 2022	23,117,309
Additions	1,435,058
Addition: asset retirement obligations	3,918
Disposals/write-offs	<u>(363,646)</u>
At 30 September 2022	<u>24,192,639</u>
Depreciation / impairment	
At 1 January 2022	14,049,239
Depreciation and impairment for the period (Note 15)	1,163,910
Disposals/write-offs	<u>(362,262)</u>
At 30 September 2022	<u>14,850,887</u>
Net book value	
At 30 September 2022	<u><u>9,341,752</u></u>
At 31 December 2021	<u><u>9,068,070</u></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 528,596 thousand as of 30 September 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 nine-month period ended 30 September 2022 (continued)

4 Right-of-use assets

	AED 000
Cost	
At 1 January 2022	2,625,243
Additions	40,834
Remeasurement	61,306
Disposals	(92,835)
At 30 September 2022	<u>2,634,548</u>
Depreciation	
At 1 January 2022	975,478
Charge for the period (Note 15)	262,889
Disposals	(84,709)
At 30 September 2022	<u>1,153,658</u>
Net book value	
At 30 September 2022	<u>1,480,890</u>
At 31 December 2021	<u>1,649,765</u>

5 Intangible assets and goodwill

	Reviewed 30 September 2022 AED 000	Audited 31 December 2021 AED 000
Goodwill*	413,220	413,220
Intangible assets	<u>476,739</u>	<u>445,975</u>
	<u>889,959</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 nine-month period ended 30 September 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	150,833
Disposals/write-offs	(3,668)
At 30 September 2022	<u>2,984,386</u>
Amortisation/impairment	
At 1 January 2022	2,391,246
Amortization and impairment for the period (Note 15)	120,069
Disposals/write-offs	(3,668)
At 30 September 2022	<u>2,507,647</u>
Net book value	
At 30 September 2022	<u>476,739</u>
At 31 December 2021	<u>445,975</u>

The cost includes capital work in progress balance amounting to AED 199,321 thousand as of 30 September 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 nine-month period ended 30 September 2022 (continued)

6 Investments accounted for using the equity method

Investments	Principal activities	Shareholding		Country of incorporation
		2022	2021	
Dubai Smart City Accelerator FZCO (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	(361)	(5,646)	(6,007)
At 30 September 2022	2,131	16,134	18,265
	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 Financial asset at fair value through other comprehensive income

	Reviewed 30 September 2022 AED 000	Audited 31 December 2021 AED 000
Anghami	7,391	18,368

During the period, loss of AED 10,976 thousand was recognised in other comprehensive income.

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Notes to the condensed consolidated financial information for the nine-month period ended 30 September 2022 (continued)

8 Contract assets and contract liabilities

	Current		Non-current	
	Reviewed 30 September 2022 AED 000	Audited 31 December 2021 AED 000	Reviewed 30 September 2022 AED 000	Audited 31 December 2021 AED 000
Contract assets*	483,843	519,524	383,944	295,723
Less: loss allowance	(66,573)	(56,683)	(31,417)	(22,313)
	<u>417,270</u>	<u>462,841</u>	<u>352,527</u>	<u>273,410</u>

*Contract assets include unamortised subscriber acquisition costs (contract costs) amounting to AED 451,416 thousand (31 December 2021: AED 376,144 thousand).

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

	Reviewed 30 September 2022 AED 000	Audited 31 December 2021 AED 000
Opening balance	78,996	54,454
Charge during the period/year	18,994	24,542
Closing balance	<u>97,990</u>	<u>78,996</u>

	Current		Non-current	
	Reviewed 30 September 2022 AED 000	Audited 31 December 2021 AED 000	Reviewed 30 September 2022 AED 000	Audited 31 December 2021 AED 000
Contract liabilities	<u>501,121</u>	<u>438,734</u>	<u>224,140</u>	<u>247,073</u>

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Notes to the condensed consolidated financial information for the nine-month period ended 30 September 2022 (continued)

9 Trade and other receivables

	Reviewed 30 September 2022 AED 000	Audited 31 December 2021 AED 000
Trade receivables	1,882,899	1,822,391
Due from other telecommunications operators*	245,406	205,341
Less: provision for impairment of trade receivables and due from other telecommunications operators	(598,949)	(633,801)
Trade receivables, net	<u>1,529,356</u>	<u>1,393,931</u>
Advances to suppliers	319,353	397,445
Prepayments **	302,894	147,611
Other receivables	<u>84,831</u>	<u>105,893</u>
Total trade and other receivables	<u>2,236,434</u>	<u>2,044,880</u>
Non-current***	81,422	83,338
Current	<u>2,155,012</u>	<u>1,961,542</u>
Total trade and other receivables	<u>2,236,434</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 1,384,901 thousand (31 December 2021 AED 1,133,698 thousand).

** Prepayments include unamortised loan fees amounting to AED 14,902 thousand (31 December 2021: AED 16,818 thousand) related to the borrowings secured in 2021 (Note 13).

*** Total non-current includes the non-current portion for the unamortised loan fees amounting to AED 12,315 thousand (31 December 2021: AED 14,231 thousand) and receivable amounting to AED 69,107 thousand (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 30 September 2022 AED 000	Audited 31 December 2021 AED 000
At 1 January	633,801	646,099
Charge during the period/year	113,603	153,497
Write-off during the period/year	(148,455)	(199,486)
Transfer of provision from due from related parties	-	33,691
Closing balance	<u>598,949</u>	<u>633,801</u>

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Notes to the condensed consolidated financial information for the nine-month period ended 30 September 2022 (continued)

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. 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 2022 AED 000	Audited 31 December 2021 AED 000
Due from related parties	<u>69,500</u>	<u>48,655</u>
Due to a related party	<u>5,484</u>	<u>6,727</u>

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

	Reviewed 30 September 2022 AED 000	Audited 31 December 2021 AED 000
At 1 January	-	33,691
Reclassified to trade and other receivables	-	(33,691)
Closing balance	<u>-</u>	<u>-</u>

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 2022 AED 000	2021 AED 000
Net revenue	529,665	525,501
Rent and services	31,418	57,563
Recharge of operating expenses incurred on behalf of a related party	719	2,307

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Notes to the condensed consolidated financial information for the nine-month period ended 30 September 2022 (continued)

10 Related party balances and transactions (continued)

Key management compensation

	Reviewed nine-month period ended 30 September	
	2022	2021
	AED 000	AED 000
Short term employee benefits	23,300	24,820
Employees' end of service benefits	370	282
Post-employment benefits	835	828
Long term incentives	2,676	3,000
	<u>27,181</u>	<u>28,930</u>

Board of Directors fee recorded during the period was AED 8,316 thousand (30 September 2021: AED 8,322 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.

11 Cash and bank balances

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

	Reviewed 30 September 2022	Audited 31 December 2021
	AED 000	AED 000
Cash at bank*	240,171	640,564
Cash on hand	825	816
	<u>240,996</u>	<u>641,380</u>
Less: margin on guarantees (Note 20)	(2,346)	(2,503)
Cash and cash equivalents	<u>238,650</u>	<u>638,877</u>

* Cash at bank represented net off loss allowance.

12 Lease liabilities

	Reviewed 30 September 2022	Audited 31 December 2021
	AED 000	AED 000
Opening balance	2,224,986	2,308,623
Lease liabilities for the period/year	40,834	143,608
Interest expense during the period/year	53,818	82,767
Payments made during the period/year	(271,457)	(334,617)
Re-measurement during the period/year	61,306	33,063
Disposals during the period/year	(7,558)	(8,458)
Closing balance	<u>2,101,929</u>	<u>2,224,986</u>

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Notes to the condensed consolidated financial information for the nine-month period ended 30 September 2022 (continued)

12 Lease liabilities (continued)

	Current		Non-current	
	Reviewed 30 September 2022 AED 000	Audited 31 December 2021 AED 000	Reviewed 30 September 2022 AED 000	Audited 31 December 2021 AED 000
Lease liabilities	721,038	671,502	1,380,891	1,553,484

13 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		Non-current	
	Reviewed 30 September 2022 AED 000	Audited 31 December 2021 AED 000	Reviewed 30 September 2022 AED 000	Audited 31 December 2021 AED 000
Bank borrowings	-	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 September 2022 is presented within Note 9 as a prepayment. In September 2022, the Group voluntarily paid the outstanding amounts under the revolving credit facility, totalling AED 200 million.

14 Trade and other payables

	Reviewed 30 September 2022 AED 000	Audited 31 December 2021 AED 000
Trade payables and accruals	2,081,852	2,259,681
Accrued federal royalty (Note 16)	1,386,894	1,499,540
Due to other telecommunications operators*	397,371	443,533
Value Added Tax (VAT) payable	22,962	20,622
Other payables and accruals	336,521	369,537
	<u>4,225,600</u>	<u>4,592,913</u>

*Due to other telecommunications operators are presented after netting of receivable balances (where right to set off exists) amounting to AED 1,384,901 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 nine-month period ended 30 September 2022 (continued)

15 Operating expenses

	Reviewed nine-month period ended 30 September	
	2022	2021
	AED 000	AED 000
Interconnect costs	2,063,626	2,122,216
Depreciation and impairment on property, plant and equipment (Note 3)	1,163,910	1,073,902
Product costs	943,812	806,278
Staff costs	781,689	729,397
Network operation and maintenance	656,936	574,058
Commission	338,841	293,709
Telecommunication license and related fees	289,760	275,032
Depreciation on right-of-use assets (Note 4)	262,889	274,962
Marketing	150,840	137,815
Amortisation and impairment on intangible assets (Note 5)	120,069	136,845
Outsourcing and contracting	84,450	78,586
Others	175,652	127,709
	<u>7,032,474</u>	<u>6,630,509</u>

16 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 30 September 2022 AED 000	Audited 31 December 2021 AED 000
Opening balance	1,499,540	1,624,832
Payment made during the period/year	(1,412,796)	(1,507,186)
Charge for the period/year	<u>1,300,150</u>	<u>1,381,894</u>
Closing balance	<u>1,386,894</u>	<u>1,499,540</u>

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Notes to the condensed consolidated financial information for the nine-month period ended 30 September 2022 (continued)

17 Finance income and costs

	Reviewed nine-month period ended 30 September	
	2022	2021
	AED 000	AED 000
Finance income		
Interest income	16,889	16,051
Finance income on lease receivable	4,434	4,821
	<u>21,323</u>	<u>20,872</u>
Finance costs		
Interest expense on lease liabilities	53,818	63,056
Interest expense others*	19,797	14,287
	<u>73,615</u>	<u>77,343</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.

18 Earnings per share

	Reviewed nine-month period ended 30 September	
	2022	2021
Profit for the period (AED 000)	933,332	780,228
Weighted average number of shares ('000')	4,532,906	4,532,906
Basic and diluted earnings per share (AED)	<u>0.21</u>	<u>0.17</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.

19 Changes in working capital

	Reviewed nine-month period ended 30 September	
	2022	2021
	AED 000	AED 000
Change in:		
Inventories	13,251	9,288
Contract assets	(52,540)	(184,247)
Trade and other receivables	(292,189)	(205,073)
Trade and other payables	1,366,560	1,066,669
Contract liabilities	39,454	(4,466)
Due from related parties	(20,845)	94,933
Due to a related party	(1,243)	(3,653)
Net changes in working capital	<u>1,052,448</u>	<u>773,451</u>
Non-cash transactions:		
Accruals for property, plant and equipment	(292,545)	53,869
Accruals for intangible assets	(31,085)	(2,434)
Additions to right-of-use assets	102,140	53,990

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Notes to the condensed consolidated financial information for the nine-month period ended 30 September 2022 (continued)

20 Contingencies and commitments

The Group has outstanding bank guarantees amounting to AED 64,368 thousand (31 December 2021: AED 71,837 thousand). Bank guarantees are secured against margin of AED 2,346 thousand (31 December 2021: AED 2,503 thousand) (Note 11).

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 1,073,111 thousand (31 December 2021: AED 1,033,232 thousand).

21 Segment analysis

The Group has operations mainly in the UAE. The Group is organized 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 installment 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 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.

30 September 2022

	Mobile AED 000	Fixed AED 000	Wholesale AED 000	Others AED 000	Total AED 000
Segment revenue					
Timing of revenue recognition					
Over time	4,251,796	2,559,102	1,343,176	681,594	8,835,668
At a point in time	582,128	3,250	-	18,724	604,102
	<u>4,833,924</u>	<u>2,562,352</u>	<u>1,343,176</u>	<u>700,318</u>	<u>9,439,770</u>
Segment contribution	<u>2,439,853</u>	<u>2,124,178</u>	<u>1,072,835</u>	<u>461,179</u>	<u>6,098,045</u>
Unallocated costs					(3,806,687)
Other income					423
Federal royalty					(1,300,150)
Finance income/costs and share of loss from investments accounted for using equity method (net)					(58,299)
Profit for the period					<u>933,332</u>

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Notes to the condensed consolidated financial information for the nine-month period ended 30 September 2022 (continued)

21 Segment analysis (continued)

30 September 2021

	Mobile AED 000	Fixed AED 000	Wholesale AED 000	Others AED 000	Total AED 000
Segment revenue					
Timing of revenue recognition					
Over time	3,911,253	2,077,353	1,437,983	632,476	8,059,065
At a point in time	538,718	3,755	-	10,707	553,180
	<u>4,449,971</u>	<u>2,081,108</u>	<u>1,437,983</u>	<u>643,183</u>	<u>8,612,245</u>
Segment contribution	<u>2,260,068</u>	<u>1,781,640</u>	<u>1,010,205</u>	<u>341,278</u>	<u>5,393,191</u>
Unallocated costs					(3,529,335)
Other income					418
Federal royalty					(1,023,347)
Finance income/costs and share of loss from investments accounted for using equity method (net)					(60,699)
Profit for the period					<u><u>780,228</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.