

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

**Review report and condensed consolidated financial information
for the three-month period ended 31 March 2023**

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

Condensed consolidated financial information

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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 2023 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
02 May 2023

Murad Alnsour
Registered Auditor Number 1301
Dubai, United Arab Emirates

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Jacques Fakhoury, Douglas O'Mahony, Wassim El Afchal, 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
as at 31 March 2023

		Reviewed 31 March 2023 AED 000	Audited 31 December 2022 AED 000
	Notes		
ASSETS			
Non-current assets			
Property, plant and equipment	3	9,406,877	9,425,711
Right-of-use assets	4	1,377,007	1,415,750
Intangible assets and goodwill	5	970,053	962,204
Lease receivable		116,397	125,111
Investments accounted for using the equity method	6	7,228	7,863
Financial asset at fair value through other comprehensive income	7	4,701	4,517
Trade receivables, contract assets and other assets	8	201,954	239,546
Contract costs	8A	212,748	198,665
Total non-current assets		<u>12,296,965</u>	<u>12,379,367</u>
Current assets			
Inventories		154,846	95,235
Lease receivable		17,471	17,213
Trade receivables, contract assets and other assets	8	2,440,772	2,153,779
Contract costs	8A	292,044	283,752
Due from related parties	9	62,147	94,597
Term deposits		574,680	674,628
Cash and bank balances	10	1,350,968	871,081
Total current assets		<u>4,892,928</u>	<u>4,190,285</u>
Total assets		<u>17,189,893</u>	<u>16,569,652</u>
EQUITY AND LIABILITIES			
Equity			
Share capital		4,532,906	4,532,906
Share premium		232,332	232,332
Other reserves		2,163,822	2,126,590
Retained earnings		1,622,480	1,878,324
Total equity		<u>8,551,540</u>	<u>8,770,152</u>
Non-current liabilities			
Lease liabilities	11	1,270,059	1,321,259
Contract liabilities	12	220,241	218,211
Provision for employees' end of service benefits		197,559	197,166
Other provisions		211,419	208,801
Total non-current liabilities		<u>1,899,278</u>	<u>1,945,437</u>
Current liabilities			
Trade and other payables	13	5,514,965	4,642,888
Lease liabilities	11	762,800	737,952
Contract liabilities	12	454,105	467,489
Due to a related party	9	7,205	5,734
Total current liabilities		<u>6,739,075</u>	<u>5,854,063</u>
Total liabilities		<u>8,638,353</u>	<u>7,799,500</u>
Total equity and liabilities		<u>17,189,893</u>	<u>16,569,652</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 2 May 2023 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 2023

		Reviewed three-month period ended 31 March	
		2023	2022
		AED 000	AED 000
	Notes		
Revenue	20	3,440,678	3,128,105
Operating expenses	14	(2,519,017)	(2,346,000)
Expected credit losses (net of recoveries)		(68,788)	(27,158)
Other income		43	155
Federal royalty on regulated revenue*	15	(345,687)	(313,770)
Finance income	16	20,279	8,636
Finance costs	16	(23,825)	(23,658)
Share of loss of associate and joint venture	6	(635)	(2,572)
Profit before royalty on regulated profit		503,048	423,738
Federal royalty on regulated profit*	15	(132,566)	(112,550)
Profit for the period		370,482	311,188
<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	184	-
Other comprehensive income for the period		184	-
Total comprehensive income for the period attributable to shareholders of the Company		370,666	311,188
Basic and diluted earnings per share (AED)	17	0.08	0.07

*Refer to Note 15 regarding presentation of comparative for federal royalty.

Emirates Integrated Telecommunications Company PJSC and its subsidiaries
Condensed consolidated statement of changes in equity
for the three-month period ended 31 March 2023

	Share capital AED 000	Share premium AED 000	Other reserves AED 000	Retained earnings AED 000	Total AED 000
At 1 January 2022	4,532,906	232,332	2,018,485	1,748,164	8,531,887
Profit for the period	-	-	-	311,188	311,188
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the period	-	-	-	311,188	311,188
Transfer to other reserves	-	-	31,119	(31,119)	-
Final cash dividend declared*	-	-	-	(498,620)	(498,620)
At 31 March 2022	4,532,906	232,332	2,049,604	1,529,613	8,344,455
At 1 January 2023	4,532,906	232,332	2,126,590	1,878,324	8,770,152
Profit for the period	-	-	-	370,482	370,482
Fair value changes on financial asset at fair value through other comprehensive income	-	-	184	-	184
Total comprehensive income for the period	-	-	184	370,482	370,666
Transfer to other reserves	-	-	37,048	(37,048)	-
Final cash dividend declared**	-	-	-	(589,278)	(589,278)
At 31 March 2023	4,532,906	232,332	2,163,822	1,622,480	8,551,540

*For the year 2021, a final cash dividend of AED 0.11 per share was paid.

**For the year 2022, a final cash dividend of AED 0.13 per share amounting to AED 589,278 thousand was approved by the shareholders at the Annual General Meeting held on 13 March 2023 and paid on 6 April 2023.

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Condensed consolidated statement of cash flows for the three-month period ended 31 March 2023

	Notes	Reviewed three-month period ended 31 March	
		2023 AED 000	2022 AED 000
Cash flows from operating activities			
Profit for the period		370,482	311,188
Adjustments for:			
Depreciation and impairment on property, plant and equipment	14	379,644	384,859
Depreciation on right-of-use assets	14	94,021	90,426
Amortisation of intangible assets	14	39,441	38,512
Loss on disposal of property, plant and equipment		746	213
Provision for employees' end of service benefits		4,989	5,630
Charge/(Release) of allowance for inventory obsolescence		235	(876)
Loss allowances		78,836	32,734
Finance income		(20,279)	(8,636)
Finance costs		22,014	23,658
Unwinding of discount on asset retirement obligations		1,811	1,734
Share of loss of associate and joint venture	6	635	2,572
Changes in working capital	18	63,711	170,587
Cash generated from operations		1,036,286	1,052,601
Payment of employees' end of service benefits		(6,610)	(6,160)
Net cash generated from operating activities		1,029,676	1,046,441
Cash flows from investing activities			
Purchase of property, plant and equipment		(489,200)	(502,502)
Purchase of intangible assets		(68,380)	(41,825)
Proceeds from disposal of property, plant and equipment		7	41
Interest received		7,223	3,104
Term deposits released/(placed) - net		100,000	(300,000)
Net cash used investing activities		(450,350)	(841,182)
Cash flows from financing activities			
Repayment of lease liabilities		(81,630)	(39,290)
Interest paid on lease liabilities		(17,809)	(17,854)
Interest paid others		-	(3,328)
Net cash used in financing activities		(99,439)	(60,472)
Net increase in cash and cash equivalents		479,887	144,787
Cash and cash equivalents at 1 January		868,735	638,877
Cash and cash equivalents at 31 March		1,348,622	783,664

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 2023

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 2023 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
		2023	2022	
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

UAE Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses was published on 9 December 2022. Cabinet decisions will be issued to specify the implementation of certain provisions in the corporate tax law (the Law). Current taxes will be applicable for financial years beginning on or after 1 June 2023. The Group will be subject to current tax in the financial year beginning 1 January 2024.

Management is in the process of assessing the impact of the Law in light of the additional information including but not limited to future Cabinet decisions and further clarifications/precisions, and, impact if any, will be accordingly reflected in the Group’s financial statements when such additional information will be substantively issued.

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Notes to the condensed consolidated financial information for the three-month period ended 31 March 2023 (continued)

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 2022. 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 2023 may not necessarily be indicative of the results that may be expected for the financial year ending 31 December 2023.

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 2022.

There are no changes in the accounting policies during the three-month period ended 31 March 2023.

ii New standards, amendments and interpretations

(a) Amendment to standards and interpretations issued and effective during the financial year beginning 1 January 2023.

- Disclosure of Accounting Policies - amendments to IAS 1 and IFRS Practice Statement 2
- Definition of Accounting Estimates - amendments to IAS 8
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction – amendments to IAS 12

(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 2024).
- Lease liabilities in a Sale and Leaseback - Amendment to IFRS 16 (effective from 1 January 2024)
- Non-current liabilities with covenants - amendments to IAS 1 (effective from 1 January 2024).

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 statements as and when they are applicable.

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).

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Notes to the condensed consolidated financial information for the three-month period ended 31 March 2023 (continued)

2 Basis of preparation (continued)

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 2022.

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Notes to the condensed consolidated financial information for the three-month period ended 31 March 2023 (continued)

3 Property, plant and equipment

	AED 000
Cost	
At 1 January 2023	24,707,742
Additions	360,288
Addition: asset retirement obligations	1,275
Disposals/write-offs	(53,534)
At 31 March 2023	<u>25,015,771</u>
Depreciation / impairment	
At 1 January 2023	15,282,031
Depreciation and impairment for the period (Note 14)	379,644
Disposals/write-offs	(52,781)
At 31 March 2023	<u>15,608,894</u>
Net book value	
At 31 March 2023	<u>9,406,877</u>
At 31 December 2022	<u>9,425,711</u>

The carrying amount of the Group's property, plant and equipment includes a nominal amount of AED 2 (31 December 2022: 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 356,290 thousand as of 31 March 2023 (31 December 2022: AED 343,115 thousand).

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Notes to the condensed consolidated financial information for the three-month period ended 31 March 2023 (continued)

4 Right-of-use assets

	AED 000
Cost	
At 1 January 2023	2,656,541
Additions	12,429
Remeasurement	46,387
Disposals	(8,002)
At 31 March 2023	<u>2,707,355</u>
Depreciation	
At 1 January 2023	1,240,791
Charge for the period (Note 14)	94,021
Disposals	(4,464)
At 31 March 2023	<u>1,330,348</u>
Net book value	
At 31 March 2023	<u>1,377,007</u>
At 31 December 2022	<u>1,415,750</u>

5 Intangible assets and goodwill

	Reviewed 31 March 2023 AED 000	Audited 31 December 2022 AED 000
Goodwill*	413,220	413,220
Intangible assets	<u>556,833</u>	<u>548,984</u>
	<u>970,053</u>	<u>962,204</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 2023 (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 2023	3,090,282
Additions	47,290
At 31 March 2023	<u>3,137,572</u>
Amortisation	
At 1 January 2023	2,541,298
Amortisation for the period (Note 14)	39,441
At 31 March 2023	<u>2,580,739</u>
Net book value	
At 31 March 2023	<u>556,833</u>
At 31 December 2022	<u>548,984</u>

The cost includes capital work in progress amounting to AED 283,888 thousand as of 31 March 2023 (31 December 2022: AED 257,526 thousand).

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Notes to the condensed consolidated financial information for the three-month period ended 31 March 2023 (continued)

6 Investments accounted for using the equity method

Investments	Principal activities	Shareholding 2023	2022	Country of incorporation
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

	2023		
	Associate AED 000	Joint venture AED 000	Total AED 000
At 1 January 2023	2,128	5,735	7,863
Share of loss for the period	(1)	(634)	(635)
At 31 March 2023	2,127	5,101	7,228
	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 year	(364)	(7,549)	(7,913)
Impairment loss	-	(8,496)	(8,496)
At 31 December 2022	2,128	5,735	7,863

7 Financial asset at fair value through other comprehensive income

	Reviewed 31 March 2023 AED 000	Audited 31 December 2022 AED 000
Listed shares		
Anghami Inc.	4,701	4,517

During the period, gain of AED 184 thousand was recognised in other comprehensive income (31 March 2022: Nil).

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Notes to the condensed consolidated financial information for the three-month period ended 31 March 2023 (continued)

8 Trade receivables, contract assets and other assets

	Reviewed 31 March 2023 AED 000	Audited 31 December 2022 AED 000
Trade receivables	1,794,240	1,732,395
Due from other telecommunication operators*	342,556	293,786
Contract assets	473,787	489,874
<i>Less: provision for impairment</i>	<i>(732,223)</i>	<i>(706,965)</i>
Net amount	<u>1,878,360</u>	<u>1,809,090</u>
Prepayments**	378,827	149,778
Advances to suppliers	286,044	352,470
Other receivables	<u>99,495</u>	<u>81,987</u>
Total trade receivables, contract assets and other assets	<u>2,642,726</u>	<u>2,393,325</u>
Non-current***	201,954	239,546
Current	<u>2,440,772</u>	<u>2,153,779</u>
Total trade receivables, contract assets and other assets	<u>2,642,726</u>	<u>2,393,325</u>

*Due from other telecommunications operators are presented after netting off payable balances (where right to set off exists) amounting to AED 1,535,190 thousand (31 December 2022 AED 1,417,486 thousand).

** Prepayments include unamortised loan fees amounting to AED 13,625 thousand (31 December 2022: AED 14,264 thousand) related to the borrowings secured in 2021.

***Total non-current includes the non-current portion for the unamortised loan fees amounting to AED 11,038 thousand (31 December 2022: AED 11,676 thousand) and receivable amounting to AED 47,074 thousand (31 December 2022: AED 47,074 thousand) against settlement of a legal dispute which will be collected over period of two years.

The movement in the allowance for expected credited losses of trade receivables, contract assets and due from other telecommunication operators is as follows:

	Reviewed 31 March 2023 AED 000	Audited 31 December 2022 AED 000
At 1 January	706,965	712,797
Charge during the period/year	78,836	195,294
Write-off during the period/year	<i>(53,578)</i>	<i>(201,126)</i>
Closing balance	<u>732,223</u>	<u>706,965</u>

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Notes to the condensed consolidated financial information for the three-month period ended 31 March 2023 (continued)

8A Contract costs

	Current		Non-current	
	Reviewed 31 March 2023 AED 000	Audited 31 December 2022 AED 000	Reviewed 31 March 2023 AED 000	Audited 31 December 2022 AED 000
Contract costs	<u>292,044</u>	<u>283,752</u>	<u>212,748</u>	<u>198,665</u>

Contract costs (subscriber acquisition cost) are incurred to obtain a contract to provide goods or services to the customer, which the Group capitalises as these costs are expected to be recovered.

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 2023 AED 000	Audited 31 December 2022 AED 000
Due from related parties	<u>62,147</u>	<u>94,597</u>
Due to a related party	<u>7,205</u>	<u>5,734</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 three-month period ended 31 March	
	2023 AED 000	2022 AED 000
Sale of goods and services	176,865	181,000
Rent and services	9,765	9,132
Recharge of operating expenses incurred on behalf of a related party	-	561

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Notes to the condensed consolidated financial information for the three-month period ended 31 March 2023 (continued)

9 Related party balances and transactions (continued)

Key management compensation

Board of Directors fee recorded during the period was AED 2,184 thousand (31 March 2022: AED 2,770 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.

The Group provides long-term incentives to senior management based on year of service. During the period, the Group revised the estimation of long-term incentives and released AED 8,100 thousand (31 March 2022: increased by AED 1,500 thousand).

10 Cash and bank balances

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

	Reviewed 31 March 2023 AED 000	Audited 31 December 2022 AED 000
Cash at bank*	1,350,157	870,266
Cash on hand	811	815
Cash and bank balances	1,350,968	871,081
Less: margin on guarantees (Note 19)	(2,346)	(2,346)
Cash and cash equivalents	1,348,622	868,735

* Cash at bank is net of loss allowance.

11 Lease liabilities

	Reviewed 31 March 2023 AED 000	Audited 31 December 2022 AED 000
At 1 January	2,059,211	2,224,986
Lease liabilities for the period/year	12,429	57,809
Interest expense during the period/year	17,809	70,957
Payments made during the period/year	(99,780)	(354,072)
Re-measurement during the period/year	46,387	68,259
Disposals during the period/year	(3,197)	(8,728)
Closing balance	2,032,859	2,059,211

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Notes to the condensed consolidated financial information for the three-month period ended 31 March 2023 (continued)

11 Lease liabilities (continued)

	Current		Non-current	
	Reviewed 31 March 2023 AED 000	Audited 31 December 2022 AED 000	Reviewed 31 March 2023 AED 000	Audited 31 December 2022 AED 000
Lease liabilities	<u>762,800</u>	<u>737,952</u>	<u>1,270,059</u>	<u>1,321,259</u>

12 Contract liabilities

	Current		Non-current	
	Reviewed 31 March 2023 AED 000	Audited 31 December 2022 AED 000	Reviewed 31 March 2023 AED 000	Audited 31 December 2022 AED 000
Contract liabilities	<u>454,105</u>	<u>467,489</u>	<u>220,241</u>	<u>218,211</u>

Revenue recognized during the period that was included in the contract liabilities balances at the beginning of 2023 was AED 196,897 thousand (31 March 2022: AED 178,520 thousand)

There was no revenue recognised in the current reporting period that is related to performance obligations that were satisfied in the prior year. The Group's contracts with customers are for periods of one year or less or are billed based on service provided. As permitted under IFRS 15, the transaction price allocated to the unsatisfied contracts is not disclosed.

13 Trade and other payables

	Reviewed 31 March 2023 AED 000	Audited 31 December 2022 AED 000
Trade payables and accruals	2,005,597	2,087,312
Accrued federal royalty (Note 15)	2,308,674	1,830,421
Dividend payable	589,278	-
Due to other telecommunications operators*	333,800	340,454
Other payables and accruals	261,799	359,860
Value Added Tax (VAT) payable	<u>15,817</u>	<u>24,841</u>
	<u>5,514,965</u>	<u>4,642,888</u>

*Due to other telecommunications operators are presented after netting off receivable balances (where right to set off exists) amounting to AED 1,535,190 thousand (31 December 2022: AED 1,417,486 thousand).

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Notes to the condensed consolidated financial information for the three-month period ended 31 March 2023 (continued)

14 Operating expenses

	Reviewed three-month period ended 31 March	
	2023	2022
	AED 000	AED 000
Interconnect costs	705,346	703,601
Product costs	457,367	318,641
Depreciation and impairment on property, plant and equipment (Note 3)	379,644	384,859
Staff costs	255,694	254,982
Network operation and maintenance	222,495	219,347
Commission	126,752	110,206
Telecommunication license and related fees	104,711	93,795
Depreciation on right-of-use assets (Note 4)	94,021	90,426
Marketing	52,561	55,065
Amortisation of intangible assets (Note 5)	39,441	38,512
Outsourcing and contracting	17,533	28,366
Others	63,452	48,200
	<u>2,519,017</u>	<u>2,346,000</u>

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 2023 AED 000	Audited 31 December 2022 AED 000
At 1 January	1,830,421	1,499,540
Payment made during the period/year	-	(1,412,797)
Charge for the period/year	<u>478,253</u>	<u>1,743,678</u>
Closing balance	<u>2,308,674</u>	<u>1,830,421</u>

	Reviewed three-month period ended 31 March	
	2023	2022
	AED 000	AED 000
Federal royalty on regulated revenue	345,687	313,770
Federal royalty on regulated profit	<u>132,566</u>	<u>112,550</u>
	<u>478,253</u>	<u>426,320</u>

In 2023, presentation of federal royalty was disaggregated as federal royalty on regulated revenue and federal royalty on regulated profit. The disaggregation reflects components of the royalty regime for telecommunication operators in the UAE, as applicable to the Group's operations. The comparative amounts for the period ended 31 March 2022 are disaggregated to conform with current period presentation.

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Notes to the condensed consolidated financial information for the three-month period ended 31 March 2023 (continued)

16 Finance income and costs

	Reviewed three-month period ended 31 March	
	2023	2022
	AED 000	AED 000
Finance income		
Interest income	18,924	7,146
Interest income on lease receivable	1,355	1,490
	<u>20,279</u>	<u>8,636</u>
Finance costs		
Interest expense on lease liabilities	17,809	17,854
Interest expense others*	6,016	5,804
	<u>23,825</u>	<u>23,658</u>

*Interest expense others mainly include 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	
	2023	2022
Profit for the period (AED 000)	370,482	311,188
Weighted average number of shares ('000')	4,532,906	4,532,906
Basic and diluted earnings per share (AED)	<u>0.08</u>	<u>0.07</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.

18 Changes in working capital

	Reviewed three-month period ended 31 March	
	2023	2022
	AED 000	AED 000
Change in:		
Inventories	(59,846)	(5,181)
Contract costs	(22,375)	(26,247)
Trade receivables, contract assets and other assets	(309,391)	(180,040)
Trade and other payables	432,756	387,439
Contract liabilities	(11,354)	2,121
Due from related parties	32,450	(9,690)
Due to a related party	1,471	2,185
Net changes in working capital	<u>63,711</u>	<u>170,587</u>
Non-cash transactions:		
Accruals for property, plant and equipment	128,444	(232,541)
Accruals for intangible assets	21,090	(7,642)
Additions to right-of-use assets	58,816	50,346
Dividend payable	(589,278)	(498,620)

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Notes to the condensed consolidated financial information for the three-month period ended 31 March 2023 (continued)

19 Contingencies and commitments

The Group has outstanding bank guarantees amounting to AED 61,303 thousand (31 December 2022: AED 60,624 thousand). Bank guarantees are secured against margin of AED 2,346 thousand (31 December 2022: AED 2,346 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 contractual capital expenditure commitments amounting to AED 906,123 thousand (31 December 2022: AED 1,166,993 thousand)

20 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.

31 March 2023

	Mobile AED 000	Fixed AED 000	Wholesale AED 000	Others AED 000	Total AED 000
Segment revenue					
Timing of revenue recognition					
Over time	1,490,803	934,553	459,877	260,439	3,145,672
At a point in time	281,971	1,196	-	11,839	295,006
	<u>1,772,774</u>	<u>935,749</u>	<u>459,877</u>	<u>272,278</u>	<u>3,440,678</u>
Segment contribution	<u>853,170</u>	<u>755,842</u>	<u>369,727</u>	<u>172,240</u>	2,150,979
Unallocated costs					(1,298,106)
Other income					43
Federal royalty					(478,253)
Finance income/(costs) and share of loss of associate and joint venture					<u>(4,181)</u>
Profit for the period					<u>370,482</u>

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Notes to the condensed consolidated financial information for the three-month period ended 31 March 2023 (continued)

20 Segment analysis (continued)

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	800,298	675,857	374,428	145,950	1,996,533
Unallocated costs					(1,241,586)
Other income					155
Federal royalty					(426,320)
Finance income/(costs) and share of loss of associate and joint venture					<u>(17,594)</u>
Profit for the period					<u>311,188</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 cyclicalities.

21. Comparatives

In order to conform with current period presentation, the comparative figures for the previous period have been re-presented, where necessary. Such re-presented figures did not affect the previously reported profit, comprehensive income or equity.