

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

**Review report and condensed consolidated financial statements
for the three-month period ended 31 March 2024**

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

Condensed consolidated financial statements

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Review report on condensed consolidated interim financial statements 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 2024 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 these condensed consolidated interim financial statements in accordance with International Accounting Standard 34 'Interim Financial Reporting' ('IAS 34'). Our responsibility is to express a conclusion on these condensed consolidated interim financial statements 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 statements are not prepared, in all material respects, in accordance with IAS 34.

PricewaterhouseCoopers Limited Partnership Dubai Branch
29 April 2024

A handwritten signature in black ink, appearing to read 'Virendra', with a long horizontal line extending to the right.

Virendra Dhirajlal Lodhia
Registered Auditor Number 5443
Dubai, United Arab Emirates

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Condensed consolidated statement of financial position as at 31 March 2024

		Reviewed 31 March 2024 AED 000	Audited 31 December 2023 AED 000
	Notes		
ASSETS			
Non-current assets			
Property, plant and equipment	3	9,625,420	9,722,700
Right-of-use assets	4	1,533,283	1,597,185
Intangible assets and goodwill	5	1,136,585	1,110,769
Lease receivable		100,452	109,612
Investments accounted for using the equity method	6	3,643	5,143
Financial asset at fair value through other comprehensive income	7	5,579	2,946
Trade receivables, contract assets and other assets	8	287,611	257,390
Contract costs	9	297,847	222,233
Total non-current assets		12,990,420	13,027,978
Current assets			
Inventories		251,165	101,695
Lease receivable		18,369	18,098
Trade receivables, contract assets and other assets	8	2,237,326	2,224,031
Contract costs	9	310,497	341,863
Due from related parties	10	31,797	53,449
Term deposits		1,554,304	1,326,586
Cash and bank balances	11	1,093,287	610,036
Total current assets		5,496,745	4,675,758
Total assets		18,487,165	17,703,736
EQUITY AND LIABILITIES			
Equity			
Share capital		4,532,906	4,532,906
Share premium		232,332	232,332
Other reserves		2,253,427	2,251,031
Retained earnings		1,877,950	2,226,944
Total equity		8,896,615	9,243,213
Non-current liabilities			
Lease liabilities	12	1,365,323	1,455,374
Contract liabilities	13	216,358	217,254
Provision for employees' end of service benefits		211,041	208,471
Other provisions		212,523	210,778
Total non-current liabilities		2,005,245	2,091,877
Current liabilities			
Trade and other payables	14	6,060,815	5,247,287
Federal royalty on profit and corporate income tax	17	465,617	-
Lease liabilities	12	593,790	649,585
Contract liabilities	13	457,444	465,710
Due to related parties	10	7,639	6,064
Total current liabilities		7,585,305	6,368,646
Total liabilities		9,590,550	8,460,523
Total equity and liabilities		18,487,165	17,703,736

To the best of our knowledge, the financial information included in these condensed consolidated financial statements fairly present in all material respects the financial position, results of operation and cash flows of the Group as at, and for, the periods presented therein. The condensed consolidated financial statements were approved by the Board of Directors on 29 April 2024 and signed on its behalf by:

.....
Abdulla Mohammed Ahmad Albasti Almarri
Board Member

.....
Kais Ben Hamida
Chief Financial Officer

The notes on pages 6 to 21 form an integral part of these condensed consolidated financial statements.

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Condensed consolidated statement of comprehensive income for the three-month period ended 31 March 2024

		Reviewed three-month period ended 31 March	
		2024	2023
		AED 000	AED 000
Notes			
Revenue	21	3,581,433	3,440,678
Operating expenses	15	(2,453,891)	(2,519,017)
Expected credit losses (net of recoveries)		(62,452)	(68,788)
Other income		904	43
Federal royalty on regulated revenue		-	(345,687)
Finance income	16	32,644	20,279
Finance costs	16	(28,842)	(23,825)
Share of loss of associate and joint venture	6	(1,500)	(635)
Profit before federal royalty on profit and corporate income tax		1,068,296	503,048
Federal royalty on regulated profit		-	(132,566)
Federal royalty on profit		(405,939)	-
Corporate income tax		(59,441)	-
Profit for the period		602,916	370,482
<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	2,633	184
Corporate income tax		(237)	-
Other comprehensive income for the period		2,396	184
Total comprehensive income for the period attributable to shareholders of the Company		605,312	370,666
Basic and diluted earnings per share (AED)	18	0.13	0.08

The notes on pages 6 to 21 form an integral part of these condensed consolidated financial statements.

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Condensed consolidated statement of changes in equity for the three-month period ended 31 March 2024

	Share capital AED 000	Share premium AED 000	Other reserves AED 000	Retained earnings AED 000	Total AED 000
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
Other comprehensive gain for the period	-	-	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 ⁽¹⁾	-	-	-	(589,278)	(589,278)
At 31 March 2023	4,532,906	232,332	2,163,822	1,622,480	8,551,540
At 1 January 2024	4,532,906	232,332	2,251,031	2,226,944	9,243,213
Profit for the period	-	-	-	602,916	602,916
Other comprehensive gain for the period - net of tax	-	-	2,396	-	2,396
Total comprehensive income for the period	-	-	2,396	602,916	605,312
Transfer to other reserves	-	-	-	-	-
Final cash dividend declared ⁽²⁾	-	-	-	(951,910)	(951,910)
At 31 March 2024	4,532,906	232,332	2,253,427	1,877,950	8,896,615

⁽¹⁾ For the year 2022, a final cash dividend of AED 0.13 per share was paid.

⁽²⁾ For the year 2023, a final cash dividend of AED 0.21 per share amounting to AED 951,910 thousand was approved by the shareholders at the Annual General Meeting held on 21 March 2024 and paid on 18 April 2024.

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Condensed consolidated statement of cash flows for the three-month period ended 31 March 2024

	Notes	Reviewed three-month period ended 31 March	
		2024 AED 000	2023 AED 000
Cash flows from operating activities			
Profit for the period		602,916	370,482
Adjustments for:			
Depreciation and impairment of property, plant and equipment	15	381,211	379,644
Depreciation of right-of-use assets	15	91,357	94,021
Amortisation of intangible assets	15	48,866	39,441
Loss on disposal of property, plant and equipment		808	746
Provision for employees' end of service benefits		5,164	4,989
Charge of allowance for inventory obsolescence		73	235
Loss allowances		69,000	78,836
Finance income	16	(32,644)	(20,279)
Finance costs	16	28,842	23,825
Share of loss of associate and joint venture	6	1,500	635
Federal royalty on profit and corporate income tax		465,380	-
Changes in working capital	19	(327,565)	63,711
Cash generated from operations		1,334,908	1,036,286
Payment of employees' end of service benefits		(4,520)	(6,610)
Net cash generated from operating activities		1,330,388	1,029,676
Cash flows from investing activities			
Purchase of property, plant and equipment		(327,681)	(489,200)
Purchase of intangible assets		(118,870)	(68,380)
Proceeds from disposal of property, plant and equipment		204	7
Interest received		11,597	7,223
Term deposits (placed)/matured - net		(227,852)	100,000
Net cash used in investing activities		(662,602)	(450,350)
Cash flows from financing activities			
Repayment of lease liabilities		(168,295)	(81,630)
Interest paid on lease liabilities		(16,240)	(17,809)
Net cash used in financing activities		(184,535)	(99,439)
Net increase in cash and cash equivalents		483,251	479,887
Cash and cash equivalents at 1 January		607,690	868,735
Cash and cash equivalents at 31 March		1,090,941	1,348,622

Non-cash transactions are disclosed in Note 19.

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Notes to the condensed consolidated financial statements for the three-month period ended 31 March 2024

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 statements for the three-month period ended 31 March 2024 include the financial statements of the Company and its subsidiaries (together the “Group”).

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

As at 31 March 2024, the Company has direct or indirect ownership in the following subsidiaries:

Subsidiaries	Principal activities	Shareholding		Country of incorporation
		2024	2023	
EITC Investment Holdings Limited	Holding investments in various businesses.	100%	100%	UAE
Telco Operations FZ-LLC	Outsourcing services	100%	100%	UAE
Smart Dubai Platform Project Company LLC	Software development, IT infrastructure, IT network and computer systems housing services.	100%	100%	UAE
EITC Singapore Pte. Ltd.	Telecommunications resellers/third party telecommunications providers.	100%	100%	Singapore
EITC Solutions LLC	Computer network & infrastructure installation, project management, IT network and datacenter colocation services.	100%	100%	UAE
EITC Financial Services LLC	Financial services company hosting digital wallet, retail payment, service provision brokerage and loyalty card services.	100%	100%	UAE

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Notes to the condensed consolidated financial statements for the three-month period ended 31 March 2024 (continued)

2 Basis of preparation

i Statement of compliance

These condensed consolidated financial statements 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 2023. The condensed consolidated financial statements do not include all the information and disclosures required for full annual consolidated financial statements prepared in accordance with IFRS Accounting Standards. In addition, results for the three-month period ended 31 March 2024 may not necessarily be indicative of the results that may be expected for the financial year ending 31 December 2024.

Except as described below, the same accounting policies and methods of computation have been followed in these condensed consolidated financial statements as compared with the Group's recent annual audited consolidated financial statements as at and for the year ended 31 December 2023.

The income tax expense for the period is the tax payable on the estimated average annual tax rate applied on current period's taxable profits. The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the condensed consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

ii New standards, amendments and interpretations

(a) Amendment to standards and interpretations issued and effective during the financial year beginning 1 January 2024.

- Amendments to IAS 1- Classification of Liabilities as Current or Non-Current;
- Amendment to IFRS 16- Lease liability in a Sale and Leaseback;
- Amendments to IAS 1- Non-current liabilities with covenants; and
- Amendments to IAS 7 and IFRS 7- Supplier Finance Arrangements.

(b) New standards and amendments issued but not yet effective.

- Amendments to IAS 21 – Lack of Exchangeability (effective from 1 January 2025).

The above stated new standards and amendments issued but not yet effective have not been early 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 consolidated financial statements as and when they become effective.

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Notes to the condensed consolidated financial statements for the three-month period ended 31 March 2024 (continued)

2 Basis of preparation (continued)

iii Basis of consolidation

A subsidiary is an entity controlled by the Company in accordance with IFRS 10. The financial statements of a subsidiary are included in the condensed consolidated financial statements from the date that control commences until the date that control ceases.

iv Basis of measurement

These condensed consolidated financial statements have been prepared under the historical cost convention except for a financial asset at fair value through other comprehensive income.

v Functional and presentation currency

These condensed consolidated financial statements 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 Use of estimates and judgements

The preparation of these condensed consolidated financial statements, 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 2023, except for the estimation of income tax (see note 17).

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Notes to the condensed consolidated financial statements for the three-month period ended 31 March 2024 (continued)

3 Property, plant and equipment

	AED 000
Cost	
At 1 January 2024	26,415,110
Additions	283,961
Addition: asset retirement obligations	982
Disposals/write-offs	(21,162)
At 31 March 2024	<u>26,678,891</u>
Depreciation / impairment	
At 1 January 2024	16,692,410
Depreciation and impairment for the period (Note 15)	381,211
Disposals/write-offs	(20,150)
At 31 March 2024	<u>17,053,471</u>
Net book value	
At 31 March 2024	<u>9,625,420</u>
At 31 December 2023	<u>9,722,700</u>

The carrying amount of the Group's property, plant and equipment includes a nominal amount of AED 1 (31 December 2023: AED 1) in relation to plot of land granted to the Group by the UAE Government.

The cost includes capital work in progress amounting to AED 524,917 thousand as at 31 March 2024 (31 December 2023: AED 504,241 thousand).

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Notes to the condensed consolidated financial statements for the three-month period ended 31 March 2024 (continued)

4 Right-of-use assets

	AED 000
Cost	
At 1 January 2024	3,139,654
Additions	23,902
Remeasurement	5,380
Disposals	(26,358)
At 31 March 2024	<u>3,142,578</u>
Depreciation	
At 1 January 2024	1,542,469
Charge for the period (Note 15)	91,357
Disposals	(24,531)
At 31 March 2024	<u>1,609,295</u>
Net book value	
At 31 March 2024	<u>1,533,283</u>
At 31 December 2023	<u>1,597,185</u>

5 Intangible assets and goodwill

	Reviewed 31 March 2024 AED 000	Audited 31 December 2023 AED 000
Goodwill	413,220	413,220
Intangible assets	723,365	697,549
	<u>1,136,585</u>	<u>1,110,769</u>

Goodwill

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.

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Notes to the condensed consolidated financial statements for the three-month period ended 31 March 2024 (continued)

5 Intangible assets and goodwill (continued)

Intangible assets

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

	AED 000
Cost	
At 1 January 2024	3,447,317
Additions	74,682
At 31 March 2024	<u>3,521,999</u>
Amortisation	
At 1 January 2024	2,749,768
Amortisation for the period (Note 15)	48,866
At 31 March 2024	<u>2,798,634</u>
Net book value	
At 31 March 2024	<u>723,365</u>
At 31 December 2023	<u>697,549</u>

The cost includes capital work in progress amounting to AED 478,297 thousand as at 31 March 2024 (31 December 2023: AED 447,130 thousand).

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Notes to the condensed consolidated financial statements for the three-month period ended 31 March 2024 (continued)

6 Investments accounted for using the equity method

Investments	Principal activities	Shareholding		Country of incorporation
		2024	2023	
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

	2024		
	Associate AED 000	Joint venture AED 000	Total AED 000
At 1 January 2024	1,810	3,333	5,143
Share of loss for the period	(1,015)	(485)	(1,500)
At 31 March 2024	795	2,848	3,643
	2023		
	Associate AED 000	Joint venture AED 000	Total AED 000
At 31 December 2023	1,810	3,333	5,143

7 Financial assets at fair value through other comprehensive income

	Reviewed 31 March 2024 AED 000	Audited 31 December 2023 AED 000
Listed shares		
Anghami Inc.	5,579	2,946

During the period, gain of AED 2,633 thousand was recognised in other comprehensive income (31 March 2023: gain of AED 184 thousand).

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Notes to the condensed consolidated financial statements for the three-month period ended 31 March 2024 (continued)

8 Trade receivables, contract assets and other assets

	Reviewed 31 March 2024 AED 000	Audited 31 December 2023 AED 000
Trade receivables	1,930,644	2,057,319
Due from other telecommunication operators ⁽¹⁾	302,112	258,433
Contract assets	470,447	463,770
<i>Less: provision for impairment</i>	<i>(769,961)</i>	<i>(756,993)</i>
Net amount	<u>1,933,242</u>	<u>2,022,529</u>
Prepayments ⁽²⁾	377,197	131,462
Advances to suppliers	118,772	195,845
Other receivables	95,726	131,585
Total trade receivables, contract assets and other assets	<u>2,524,937</u>	<u>2,481,421</u>
Non-current ⁽³⁾	287,611	257,390
Current	<u>2,237,326</u>	<u>2,224,031</u>
Total trade receivables, contract assets and other assets	<u>2,524,937</u>	<u>2,481,421</u>

⁽¹⁾ Due from other telecommunications operators are presented after netting off payable balances (where right to set off exists) amounting to AED 1,774,531 thousand (31 December 2023 AED 1,686,315 thousand).

⁽²⁾ Prepayments include unamortised loan fees amounting to AED 5,535 thousand (31 December 2023: AED 11,709 thousand) related to the revolving credit facility. In March 2024, the term loan facility has been cancelled and related unamortized loan fees have been recognized in profit or loss.

⁽³⁾ Total non-current includes the non-current portion for the unamortised loan fees amounting to AED 4,233 thousand (31 December 2023: AED 9,121 thousand) and receivable amounting to AED 24,031 thousand (31 December 2023: AED 24,031 thousand) against settlement of a legal dispute which will be collected within two years.

9 Contract costs

	Current		Non-current	
	Reviewed 31 March 2024 AED 000	Audited 31 December 2023 AED 000	Reviewed 31 March 2024 AED 000	Audited 31 December 2023 AED 000
Contract costs	<u>310,497</u>	<u>341,863</u>	<u>297,847</u>	<u>222,233</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.

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Notes to the condensed consolidated financial statements for the three-month period ended 31 March 2024 (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 31 March 2024 AED 000	Audited 31 December 2023 AED 000
Due from related parties	<u>31,797</u>	<u>53,449</u>
Due to related parties	<u>7,639</u>	<u>6,064</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 2024 AED 000	2023 AED 000
Sale of goods and services	119,616	176,865
Rent and services	10,446	9,765

Key management compensation

Board of Directors fee recorded during the period was AED 3,720 thousand (31 March 2023: AED 2,184 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 performance over a period of time. During the period, the Group estimation of long-term incentives amounting to AED 1,469 thousand (31 March 2023: released AED 8,100 thousand).

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Notes to the condensed consolidated financial statements for the three-month period ended 31 March 2024 (continued)

11 Cash and bank balances

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

	Reviewed 31 March 2024 AED 000	Audited 31 December 2023 AED 000
Cash at bank ⁽¹⁾	1,092,654	609,341
Cash on hand	633	695
Cash and bank balances	<u>1,093,287</u>	<u>610,036</u>
Less: margin on guarantees (Note 20)	<u>(2,346)</u>	<u>(2,346)</u>
Cash and cash equivalents	<u><u>1,090,941</u></u>	<u><u>607,690</u></u>

⁽¹⁾ Cash at bank is net of loss allowance.

12 Lease liabilities

	Reviewed 31 March 2024 AED 000	Audited 31 December 2023 AED 000
At 1 January	2,104,959	2,059,211
Lease liabilities for the period/year	23,902	517,465
Interest expense during the period/year	16,240	78,696
Payments made during the period/year	(184,535)	(672,386)
Re-measurement during the period/year	5,380	133,395
Disposals during the period/year	(6,833)	(11,422)
Closing balance	<u><u>1,959,113</u></u>	<u><u>2,104,959</u></u>

	Current		Non-current	
	Reviewed 31 March 2024 AED 000	Audited 31 December 2023 AED 000	Reviewed 31 March 2024 AED 000	Audited 31 December 2023 AED 000
Lease liabilities	<u>593,790</u>	<u>649,585</u>	<u>1,365,323</u>	<u>1,455,374</u>

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Notes to the condensed consolidated financial statements for the three-month period ended 31 March 2024 (continued)

13 Contract liabilities

	Current		Non-current	
	Reviewed 31 March 2024 AED 000	Audited 31 December 2023 AED 000	Reviewed 31 March 2024 AED 000	Audited 31 December 2023 AED 000
Contract liabilities	457,444	465,710	216,358	217,254

Revenue recognized during the period that was included in the contract liabilities balances at the beginning of 2024 was AED 209,899 thousand (31 March 2023: AED 196,897 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.

14 Trade and other payables

	Reviewed 31 March 2024 AED 000	Audited 31 December 2023 AED 000
Trade payables and accruals	2,092,136	2,135,354
Accrued federal royalty on regulated activities (Note 17.1)	2,033,172	2,033,172
Dividend payable	951,910	-
Due to other telecommunications operators ⁽¹⁾	664,667	641,140
Valued Added Tax (VAT) payable	34,488	24,674
Other payables and accruals	284,442	412,947
	<u>6,060,815</u>	<u>5,247,287</u>

⁽¹⁾ "Due to other telecommunications operators" are presented after netting off receivable balances (where right to set off exists) amounting to AED1,774,531 thousand (31 December 2023: AED 1,686,315 thousand).

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Notes to the condensed consolidated financial statements for the three-month period ended 31 March 2024 (continued)

15 Operating expenses

	Reviewed three-month period ended 31 March	
	2024	2023
	AED 000	AED 000
Interconnect costs	686,987	705,346
Product costs	400,348	457,367
Depreciation and impairment of property, plant and equipment (Note 3)	381,211	379,644
Staff costs	239,655	255,694
Network operation and maintenance	226,768	222,495
Commission	138,945	126,752
Telecommunication license and related fees	105,549	104,711
Depreciation of right-of-use assets (Note 4)	91,357	94,021
Marketing	50,231	52,561
Amortisation of intangible assets (Note 5)	48,866	39,441
Outsourcing and contracting	31,907	17,533
Others	52,067	63,452
	<u>2,453,891</u>	<u>2,519,017</u>

16 Finance income and costs

	Reviewed three-month period ended 31 March	
	2024	2023
	AED 000	AED 000
Finance income		
Interest income	31,427	18,924
Interest income on lease receivable	1,217	1,355
	<u>32,644</u>	<u>20,279</u>
Finance costs		
Interest expense on lease liabilities	16,240	17,809
Interest expense others ⁽¹⁾	12,602	6,016
	<u>28,842</u>	<u>23,825</u>

⁽¹⁾ "Interest expense others" mainly include interest paid and commitment fees on borrowings, interest cost on defined benefit obligations and unwinding of discount on asset retirement obligations.

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Notes to the condensed consolidated financial statements for the three-month period ended 31 March 2024 (continued)

17 Federal royalty and corporate income tax

		Reviewed 31 March 2024 AED 000	Audited 31 December 2023 AED 000
Federal royalty on profit	17.1	405,939	-
Corporate income tax	17.2	59,678	-
		<u>465,617</u>	<u>-</u>

17.1 Federal royalty

Federal royalty on profit

As per Cabinet of Ministers of UAE decision no. 8/38 of 2023 and the UAE Ministry of Finance (“the MoF”) royalty guidelines, the federal royalty, effective from 2024 to 2026, is equal to 38% of yearly total regulated and non-regulated UAE profits (calculated before royalty and corporate income tax) of the Group. The total amount of federal royalty on profit and corporate income tax payable by the Group shall not be lower than AED 1.8 billion per year.

Federal royalty on regulated activities

In year 2023, the federal royalty was calculated as 15% on regulated revenue and 30% on regulated profit after deducting royalty on regulated revenue according to the guidelines issued for the relevant period by the MoF.

Movement in the accrued federal royalty on regulated activities is as follows:

	Reviewed 31 March 2024 AED 000	Audited 31 December 2023 AED 000
At 1 January	2,033,172	1,830,421
Payment made during the period/year	-	(1,687,899)
Charge for the period/year (net)	-	1,890,650
Closing balance	<u>2,033,172</u>	<u>2,033,172</u>

17.2 Corporate income tax

UAE Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses was published on 9 December 2022. Cabinet decisions are issued to specify the implementation of certain provisions in the corporate tax law (“the Law”). The Group is subject to corporate income tax at 9% in the financial year beginning 1 January 2024.

Federal royalty on profit and corporate income tax expense are recognised based on management’s estimate of the weighted average effective annual tax rate expected for the full financial year. The estimated average annual tax rate is based on estimation of the amount of federal royalty on profit and corporate income tax expressed as a percentage of expected total annual earnings. The estimated average annual effective income tax rate used for the period is 43.6% (2023: Nil). Amounts accrued for tax expense in an interim period may have to be adjusted in subsequent interim period if the estimate of the annual income tax rate changes.

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Notes to the condensed consolidated financial statements for the three-month period ended 31 March 2024 (continued)

18 Earnings per share

	Reviewed three-month period ended 31 March	
	2024	2023
Profit for the period (AED 000)	602,916	370,482
Weighted average number of shares ('000')	4,532,906	4,532,906
Basic and diluted earnings per share (AED)	0.13	0.08

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 three-month period ended 31 March	
	2024 AED 000	2023 AED 000
Change in:		
Inventories	(149,543)	(59,846)
Contract costs	(44,248)	(22,375)
Trade receivables, contract assets and other assets	(90,102)	(309,391)
Trade and other payables ⁽¹⁾	(57,737)	432,756
Contract liabilities	(9,162)	(11,354)
Due from related parties	21,652	32,450
Due to related parties	1,575	1,471
Net changes in working capital	(327,565)	63,711

Non-cash transactions:

Accruals for property, plant and equipment	43,720	128,444
Accruals for intangible assets	44,188	21,090
Additions and remeasurement to right-of-use assets	29,282	58,816
Dividend payable	(951,910)	(589,278)

⁽¹⁾ For the year 2023, trade and other payables include federal royalty on regulated activities AED 478,253 thousand.

20 Contingencies and commitments

The Group has outstanding bank guarantees amounting to AED 85,551 thousand (31 December 2023: AED 90,993 thousand). Bank guarantees are secured against margin of AED 2,346 thousand (31 December 2023: AED 2,346 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 statements. 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 830,870 thousand (31 December 2023: AED 929,720 thousand).

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Notes to the condensed consolidated financial statements for the three-month period ended 31 March 2024 (continued)

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.
- Fixed segment provides fixed services to the enterprise and consumer markets. Services include broadband, IPTV, home wireless, 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, data centre co-location, multi-cloud, cybersecurity, IOT, international roaming, equipment & 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.

Three-month period ended 31 March 2024

	Mobile AED 000	Fixed AED 000	Wholesale AED 000	Others AED 000	Total AED 000
Segment revenue					
Timing of revenue recognition					
Over time	1,601,571	961,442	452,968	267,748	3,283,729
At a point in time	-	-	-	297,704	297,704
	<u>1,601,571</u>	<u>961,442</u>	<u>452,968</u>	<u>565,452</u>	<u>3,581,433</u>
Segment contribution	<u>930,587</u>	<u>819,508</u>	<u>394,380</u>	<u>210,604</u>	<u>2,355,079</u>
Unallocated costs					(1,289,989)
Other income					904
Federal royalty on profit					(405,939)
Finance income/(costs) and share of loss of associate and joint venture					2,302
Corporate income tax expense					<u>(59,441)</u>
Profit for the period					<u>602,916</u>

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Notes to the condensed consolidated financial statements for the three-month period ended 31 March 2024 (continued)

21 Segment analysis (continued)

Three-month period ended 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	1,490,804	934,552	459,877	260,439	3,145,672
At a point in time	-	-	-	295,006	295,006
	<u>1,490,804</u>	<u>934,552</u>	<u>459,877</u>	<u>555,445</u>	<u>3,440,678</u>
Segment contribution	<u>832,563</u>	<u>755,755</u>	<u>369,727</u>	<u>192,934</u>	<u>2,150,979</u>
Unallocated costs					(1,298,106)
Other income					43
Federal royalty on regulated activities					(478,253)
Finance income/(costs) and share of loss of associate and joint venture					<u>(4,181)</u>
Profit for the period					<u><u>370,482</u></u>

In order to conform with current period presentation, at a point in time revenue and segment contribution previously reported under mobile and fixed segment, have been re-presented under others based on the internal management reporting. Such re-presented figures did not affect the previously reported total revenue, profit, comprehensive income or equity.

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.