

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

**Review report and condensed consolidated financial statements
for the nine-month period ended 30 September 2024**

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

**Condensed consolidated financial statements
for the nine-month period ended 30 September 2024**

	Page(s)
Review report on condensed consolidated financial statements	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 statements	6 – 17



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 30 September 2024 and the related condensed consolidated statements of comprehensive income for the three-month and nine-month periods then ended, and condensed consolidated statements of changes in equity and cash flows for the nine-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
28 October 2024

A handwritten signature in black ink, appearing to read 'Virendra', with a horizontal line underneath.

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 30 September 2024

	Notes	Reviewed 30 September 2024 AED 000	Audited 31 December 2023 AED 000
ASSETS			
Non-current assets			
Property, plant and equipment	3	9,610,936	9,722,700
Right-of-use assets	4	1,449,695	1,597,185
Intangible assets and goodwill	5	1,222,889	1,110,769
Lease receivable		91,921	109,612
Investments accounted for using the equity method	6	3,550	5,143
Financial asset at fair value through other comprehensive income	7	2,407	2,946
Trade receivables, contract assets and other assets	8	235,930	257,390
Contract costs		328,068	222,233
Total non-current assets		12,945,396	13,027,978
Current assets			
Inventories		123,762	101,695
Lease receivable		18,835	18,098
Trade receivables, contract assets and other assets	8	2,156,519	2,224,031
Contract costs		342,092	341,863
Due from related parties	9	28,551	53,449
Term deposits		724,604	1,326,586
Cash and bank balances	10	386,681	610,036
Total current assets		3,781,044	4,675,758
Total assets		16,726,440	17,703,736
EQUITY AND LIABILITIES			
EQUITY			
Share capital		4,532,906	4,532,906
Share premium		232,332	232,332
Other reserves		2,250,541	2,251,031
Retained earnings		2,271,303	2,226,944
Total equity		9,287,082	9,243,213
LIABILITIES			
Non-current liabilities			
Lease liabilities	11	1,312,249	1,455,374
Contract liabilities		202,097	217,254
Provision for employees' end of service benefits		213,214	208,471
Other provisions		217,804	210,778
Total non-current liabilities		1,945,364	2,091,877
Current liabilities			
Trade and other payables	12	3,021,047	5,247,287
Federal royalty on profit and corporate income tax	13	1,436,453	-
Lease liabilities	11	539,508	649,585
Contract liabilities		486,585	465,710
Due to related parties	9	10,401	6,064
Total current liabilities		5,493,994	6,368,646
Total liabilities		7,439,358	8,460,523
Total equity and liabilities		16,726,440	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 28 October 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 17 are 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 nine-month period ended 30 September 2024

	Notes	Reviewed nine-month period ended 30 September		Reviewed three-month period ended 30 September	
		2024 AED 000	2023 AED 000	2024 AED 000	2023 AED 000
Revenue	19	10,763,087	10,078,239	3,589,491	3,290,934
Operating expenses	14	(7,275,673)	(7,175,589)	(2,330,891)	(2,301,502)
Expected credit losses (net of recoveries)		(195,797)	(195,279)	(67,368)	(57,080)
Other income		2,695	1,279	165	729
Federal royalty on regulated revenue		-	(1,037,586)	-	(341,245)
Finance income	15	58,646	38,783	12,043	10,842
Finance costs	15	(67,783)	(79,533)	(18,596)	(23,796)
Share of (loss)/profit of associate and joint venture	6	(1,593)	(1,416)	69	(255)
Profit before federal royalty on profit and corporate income tax		3,283,582	1,628,898	1,184,913	578,627
Federal royalty on regulated profit		55,770	(357,451)	55,770	(74,868)
Federal royalty on profit		(1,247,875)	-	(450,305)	-
Corporate income tax		(188,627)	-	(71,291)	-
Profit for the period		1,902,850	1,271,447	719,087	503,759
<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	(539)	(2,588)	(623)	(1,384)
Corporate income tax		49	-	57	-
Other comprehensive loss for the period		(490)	(2,588)	(566)	(1,384)
Total comprehensive income for the period attributable to shareholders of the Company		1,902,360	1,268,859	718,521	502,375
Basic and diluted earnings per share (AED)	16	0.42	0.28	0.16	0.11

The notes on pages 6 to 17 are 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 nine-month period ended 30 September 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	-	-	-	1,271,447	1,271,447
Other comprehensive loss for the period	-	-	(2,588)	-	(2,588)
Total comprehensive (loss)/ income for the period	-	-	(2,588)	1,271,447	1,268,859
Transfer to other reserves	-	-	126,012	(126,012)	-
Final cash dividend paid	-	-	-	(589,278)	(589,278)
Interim cash dividend paid	-	-	-	(589,278)	(589,278)
At 30 September 2023	4,532,906	232,332	2,250,014	1,845,203	8,860,455
At 1 January 2024	4,532,906	232,332	2,251,031	2,226,944	9,243,213
Profit for the period	-	-	-	1,902,850	1,902,850
Other comprehensive loss for the period - net of tax	-	-	(490)	-	(490)
Total comprehensive (loss)/ income for the period	-	-	(490)	1,902,850	1,902,360
Final cash dividend paid ⁽¹⁾	-	-	-	(951,910)	(951,910)
Interim cash dividend paid ⁽²⁾	-	-	-	(906,581)	(906,581)
At 30 September 2024	4,532,906	232,332	2,250,541	2,271,303	9,287,082

⁽¹⁾ For the year 2023, a final cash dividend of AED 0.21 (2022: AED 0.13) per share amounting to AED 951,910 thousand was paid on 18 April 2024.

⁽²⁾ For the period 2024, an interim cash dividend AED 0.20 (2023: AED 0.13) per share amounting to AED 906,581 thousand was paid on 19 August 2024.

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Condensed consolidated statement of cash flows for the nine-month period ended 30 September 2024

	Notes	Reviewed nine-month period ended 30 September	
		2024 AED 000	2023 AED 000
Cash flows from operating activities			
Profit for the period		1,902,850	1,271,447
Adjustments for:			
Depreciation and impairment of property, plant and equipment	14	1,166,152	1,160,360
Depreciation of right-of-use assets	14	281,219	347,647
Amortisation and impairment of intangible assets	14	149,561	152,973
Loss on disposal of property, plant and equipment		1,230	134
Provision for employees' end of service benefits		15,638	14,967
Charge of allowance for inventory obsolescence		18,029	4,203
Impairment losses on financial assets		217,890	217,759
Finance income	15	(58,646)	(38,783)
Finance costs	15	67,783	79,533
Share of loss of associate and joint venture	6	1,593	1,416
Federal royalty on profit and corporate income tax		1,436,502	-
Changes in working capital	17	(470,219)	1,036,142
Cash generated from operations		4,729,582	4,247,798
Royalty paid on regulated activities	13.1	(1,928,938)	(1,687,899)
Payment of employees' end of service benefits		(16,673)	(21,331)
Net cash generated from operating activities		2,783,971	2,538,568
Cash flows from investing activities			
Purchase of property, plant and equipment		(1,094,315)	(1,398,989)
Purchase of intangible assets		(300,629)	(224,627)
Proceeds from disposal of property, plant and equipment		669	610
Interest received		72,147	41,670
Margin on guarantees placed		(66)	-
Term deposits matured - net		602,319	47,915
Net cash used in investing activities		(719,875)	(1,533,421)
Cash flows from financing activities			
Dividend paid		(1,858,491)	(1,178,556)
Repayment of lease liabilities		(381,767)	(183,825)
Interest paid on lease liabilities		(46,946)	(61,984)
Interest paid others		(313)	-
Net cash used in financing activities		(2,287,517)	(1,424,365)
Net decrease in cash and cash equivalents		(223,421)	(419,218)
Cash and cash equivalents at 1 January		607,690	868,735
Cash and cash equivalents at 30 September		384,269	449,517

The notes on pages 6 to 17 are an integral part of these condensed consolidated financial statements.

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Notes to the condensed consolidated financial statements for the nine-month period ended 30 September 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 nine-month period ended 30 September 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.

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 nine-month period ended 30 September 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.

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Notes to the condensed consolidated financial statements for the nine-month period ended 30 September 2024 (continued)

2 Basis of preparation (continued)

ii New standards, amendments and interpretations (continued)

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

- Amendments to IAS 21 – Lack of Exchangeability (effective from 1 January 2025);
- Amendments to IFRS 9 and IFRS 7 - Amendments to the Classification and Measurement of Financial Instruments (effective from 1 January 2026);
- IFRS 18 Presentation and Disclosure in Financial Statements (effective from 1 January 2027); and
- IFRS 19 Subsidiaries without Public Accountability: Disclosures (effective from 1 January 2027).

The above stated new standards and amendments issued but not yet effective have not been early adopted by the Group. 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.

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 Dirhams ("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 corporate income tax (Note 13).

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Notes to the condensed consolidated financial statements for the nine-month period ended 30 September 2024 (continued)

3 Property, plant and equipment

	AED 000
Cost	
At 1 January 2024	26,415,110
Additions	1,053,198
Addition: asset retirement obligations	3,089
Disposals/write-offs	<u>(210,542)</u>
At 30 September 2024	<u>27,260,855</u>
Depreciation and impairment	
At 1 January 2024	16,692,410
Depreciation and impairment for the period (Note 14)	1,166,152
Disposals/write-offs	<u>(208,643)</u>
At 30 September 2024	<u>17,649,919</u>
Net book value	
At 30 September 2024	<u>9,610,936</u>
At 31 December 2023	<u>9,722,700</u>

4 Right-of-use assets

	AED 000
Cost	
At 1 January 2024	3,139,654
Additions	33,452
Remeasurement	103,972
Disposals	<u>(32,611)</u>
At 30 September 2024	<u>3,244,467</u>
Depreciation	
At 1 January 2024	1,542,469
Charge for the period (Note 14)	281,219
Disposals	<u>(28,916)</u>
At 30 September 2024	<u>1,794,772</u>
Net book value	
At 30 September 2024	<u>1,449,695</u>
At 31 December 2023	<u>1,597,185</u>

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Notes to the condensed consolidated financial statements for the nine-month period ended 30 September 2024 (continued)

5 Intangible assets and goodwill

	Reviewed 30 September 2024 AED 000	Audited 31 December 2023 AED 000
Goodwill	413,220	413,220
Intangible assets	<u>809,669</u>	<u>697,549</u>
	<u>1,222,889</u>	<u>1,110,769</u>

Intangible assets

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

	AED 000
Cost	
At 1 January 2024	3,447,317
Additions	261,681
Disposals/write-offs	(177)
At 30 September 2024	<u>3,708,821</u>
Amortisation and impairment	
At 1 January 2024	2,749,768
Amortisation for the period (Note 14)	149,561
Disposals/write-offs	(177)
At 30 September 2024	<u>2,899,152</u>
Net book value	
At 30 September 2024	<u>809,669</u>
At 31 December 2023	<u>697,549</u>

6 Investments accounted for using the equity method

	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	(1,019)	(574)	(1,593)
At 30 September 2024	<u>791</u>	<u>2,759</u>	<u>3,550</u>
	2023		
	Associate AED 000	Joint venture AED 000	Total AED 000
At 31 December 2023	<u>1,810</u>	<u>3,333</u>	<u>5,143</u>

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Notes to the condensed consolidated financial statements for the nine-month period ended 30 September 2024 (continued)

7 Financial assets at fair value through other comprehensive income

	Reviewed 30 September 2024 AED 000	Audited 31 December 2023 AED 000
Listed shares		
Anghami Inc.	2,407	2,946

During the period, loss of AED 539 thousand was recognised in other comprehensive income (30 September 2023: loss of AED 2,588 thousand).

8 Trade receivables, contract assets and other assets

	Reviewed 30 September 2024 AED 000	Audited 31 December 2023 AED 000
Trade receivables	2,119,362	2,057,319
Due from other telecommunication operators ⁽¹⁾	204,476	258,433
Contract assets	486,397	463,770
<i>Less: provision for impairment</i>	<u>(799,803)</u>	<u>(756,993)</u>
Net amount	2,010,432	2,022,529
Prepayments ⁽²⁾	244,580	131,462
Advances to suppliers	61,095	195,845
Other receivables	<u>76,342</u>	<u>131,585</u>
Total trade receivables, contract assets and other assets	<u>2,392,449</u>	<u>2,481,421</u>
Non-current ⁽³⁾	235,930	257,390
Current	<u>2,156,519</u>	<u>2,224,031</u>
Total trade receivables, contract assets and other assets	<u>2,392,449</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 1,427,439 thousand (31 December 2023: AED 1,686,315 thousand).

⁽²⁾ Prepayments include unamortised loan fees amounting to AED 4,871 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 3,543 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.

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Notes to the condensed consolidated financial statements for the nine-month period ended 30 September 2024 (continued)

9 Related party balances and transactions

Related parties comprise the founding 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 2024 AED 000	Audited 31 December 2023 AED 000
Due from related parties	<u>28,551</u>	<u>53,449</u>
Due to related parties	<u>10,401</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 nine-month period ended 30 September	
	2024 AED 000	2023 AED 000
Sale of goods and services	322,083	436,789
Rent and services	24,917	25,456

Key management compensation

Board of Directors fee recorded during the period was AED 9,610 thousand (30 September 2023: AED 7,724 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's estimation of long-term incentives amounts to AED 4,406 thousand (30 September 2023: net released AED 4,594 thousand).

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Notes to the condensed consolidated financial statements for the nine-month period ended 30 September 2024 (continued)

10 Cash and bank balances

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

	Reviewed 30 September 2024 AED 000	Audited 31 December 2023 AED 000
Bank balances ⁽¹⁾	386,058	609,341
Cash on hand	623	695
Cash and bank balances	<u>386,681</u>	<u>610,036</u>
Less: margin on guarantees (Note 18)	<u>(2,412)</u>	<u>(2,346)</u>
Cash and cash equivalents	<u><u>384,269</u></u>	<u><u>607,690</u></u>

⁽¹⁾ Bank balances is net of loss allowance.

11 Lease liabilities

	Reviewed 30 September 2024 AED 000	Audited 31 December 2023 AED 000
At 1 January	2,104,959	2,059,211
Additions for the period/year	33,452	517,465
Interest expense during the period/year	46,946	78,696
Payments made during the period/year	(428,713)	(672,386)
Re-measurement during the period/year	103,972	133,395
Disposals during the period/year	(8,859)	(11,422)
Closing balance	<u><u>1,851,757</u></u>	<u><u>2,104,959</u></u>
Non-current	1,312,249	1,455,374
Current	<u>539,508</u>	<u>649,585</u>
Total lease liabilities	<u><u>1,851,757</u></u>	<u><u>2,104,959</u></u>

12 Trade and other payables

	Reviewed 30 September 2024 AED 000	Audited 31 December 2023 AED 000
Trade payables and accruals	1,964,504	2,135,354
Due to other telecommunications operators ⁽¹⁾	588,809	641,140
Accrued federal royalty on regulated activities (Note 13.1)	48,464	2,033,172
Valued Added Tax (VAT) payable	36,283	24,674
Other payables and accruals	<u>382,987</u>	<u>412,947</u>
	<u><u>3,021,047</u></u>	<u><u>5,247,287</u></u>

⁽¹⁾ "Due to other telecommunications operators" are presented after netting off receivable balances (where right to set off exists) amounting to AED 1,427,439 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 nine-month period ended 30 September 2024 (continued)

13 Federal royalty and corporate income tax

	Reviewed 30 September 2024 AED 000	Audited 31 December 2023 AED 000
Federal royalty on profit	1,247,875	-
Corporate income tax	188,578	-
	<u>1,436,453</u>	<u>-</u>

13.1 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 30 September 2024 AED 000	Audited 31 December 2023 AED 000
At 1 January	2,033,172	1,830,421
Payment made during the period/year	(1,928,938)	(1,687,899)
Charge/(release) for the period/year - net	<u>(55,770)</u>	<u>1,890,650</u>
Closing balance	<u>48,464</u>	<u>2,033,172</u>

13.2 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 43.7% (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 nine-month period ended 30 September 2024 (continued)

14 Operating expenses

	Reviewed nine-month period ended 30 September	
	2024	2023
	AED 000	AED 000
Interconnect costs	2,096,161	2,021,557
Depreciation and impairment of property, plant and equipment (Note 3)	1,166,152	1,160,360
Cost of devices and direct services	946,527	994,697
Staff costs	778,848	769,622
Network operation and maintenance	681,491	660,203
Commission	433,433	389,524
Telecommunication license and related fees	316,247	315,171
Depreciation of right-of-use assets (Note 4)	281,219	347,647
Marketing	156,518	150,799
Amortisation of intangible assets (Note 5)	149,561	152,973
Outsourcing and contracting	95,997	54,941
Others	173,519	158,095
	<u>7,275,673</u>	<u>7,175,589</u>

15 Finance income and costs

	Reviewed nine-month period ended 30 September	
	2024	2023
	AED 000	AED 000
Finance income		
Interest income	55,084	34,768
Interest income on lease receivable	3,562	4,015
	<u>58,646</u>	<u>38,783</u>
Finance costs		
Interest expense on lease liabilities	46,946	61,984
Interest expense others ⁽¹⁾	20,837	17,549
	<u>67,783</u>	<u>79,533</u>

⁽¹⁾ "Interest expense others" mainly include interest cost 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 nine-month period ended 30 September 2024 (continued)

16 Earnings per share

	Reviewed nine-month period ended 30 September	
	2024	2023
Profit for the period (AED 000)	1,902,850	1,271,447
Weighted average number of shares ('000')	4,532,906	4,532,906
Basic and diluted earnings per share (AED)	<u>0.42</u>	<u>0.28</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.

17 Changes in working capital

	Reviewed nine-month period ended 30 September	
	2024 AED 000	2023 AED 000
Change in:		
Inventories	(40,096)	1,384
Contract costs	(106,064)	(50,257)
Trade receivables, contract assets and other assets	(135,061)	(242,591)
Trade and other payables	(223,951)	1,290,668
Contract liabilities	5,718	(24,890)
Due from related parties	24,898	63,110
Due to related parties	4,337	(1,282)
Net changes in working capital	<u>(470,219)</u>	<u>1,036,142</u>
Non-cash transactions:		
Accruals for property, plant and equipment	(41,117)	(159,714)
Accruals for intangible assets	(38,948)	(22,549)
Additions and remeasurement to right-of-use assets	137,424	593,836

18 Contingencies and commitments

The Group has outstanding bank guarantees amounting to AED 110,028 thousand (31 December 2023: AED 90,993 thousand). Bank guarantees are secured against margin of AED 2,412 thousand (31 December 2023: 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 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 991,043 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 nine-month period ended 30 September 2024 (continued)

19 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.

Nine-month period ended 30 September 2024

	Mobile AED 000	Fixed AED 000	Wholesale AED 000	Others AED 000	Total AED 000
Segment revenue					
Timing of revenue recognition					
Over time	4,846,619	2,956,473	1,361,362	896,991	10,061,445
At a point in time	-	-	-	701,642	701,642
	<u>4,846,619</u>	<u>2,956,473</u>	<u>1,361,362</u>	<u>1,598,633</u>	<u>10,763,087</u>
Segment contribution	<u>2,977,220</u>	<u>2,510,396</u>	<u>1,182,447</u>	<u>598,874</u>	7,268,937
Unallocated costs					(3,977,320)
Other income					2,695
Finance income/(costs) and share of loss of associate and joint venture					(10,730)
Federal royalty on regulated profit					55,770
Federal royalty on profit					(1,247,875)
Corporate income tax					(188,627)
Profit for the period					<u>1,902,850</u>

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Notes to the condensed consolidated financial statements for the nine-month period ended 30 September 2024 (continued)

19 Segment analysis (continued)

Nine-month period ended 30 September 2023

	Mobile AED 000	Fixed AED 000	Wholesale AED 000	Others AED 000	Total AED 000
Segment revenue					
Timing of revenue recognition					
Over time	4,529,254	2,821,577	1,296,047	775,911	9,422,789
At a point in time	-	-	-	655,450	655,450
	<u>4,529,254</u>	<u>2,821,577</u>	<u>1,296,047</u>	<u>1,431,361</u>	<u>10,078,239</u>
Segment contribution	<u>2,666,792</u>	<u>2,330,828</u>	<u>1,103,787</u>	<u>566,852</u>	6,668,259
Unallocated costs					(3,960,888)
Other income					1,279
Finance income/(costs) and share of loss of associate and joint venture					(42,166)
Federal royalty on regulated activities					<u>(1,395,037)</u>
Profit for the period					<u><u>1,271,447</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.