

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

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

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

**Condensed consolidated financial statements
for the six-month period ended 30 June 2024**

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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 30 June 2024 and the related condensed consolidated statements of comprehensive income for the three-month and six-month periods then ended, and condensed consolidated statements of changes in equity and cash flows for the six-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
22 July 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 June 2024

	Notes	Reviewed 30 June 2024 AED 000	Audited 31 December 2023 AED 000
ASSETS			
Non-current assets			
Property, plant and equipment	3	9,603,441	9,722,700
Right-of-use assets	4	1,503,552	1,597,185
Intangible assets and goodwill	5	1,166,981	1,110,769
Lease receivable		101,460	109,612
Investments accounted for using the equity method	6	3,481	5,143
Financial asset at fair value through other comprehensive income	7	3,030	2,946
Trade receivables, contract assets and other assets	8	265,047	257,390
Contract costs		314,191	222,233
Total non-current assets		12,961,183	13,027,978
Current assets			
Inventories		182,556	101,695
Lease receivable		18,554	18,098
Trade receivables, contract assets and other assets	8	2,236,800	2,224,031
Contract costs		327,711	341,863
Due from related parties	9	47,866	53,449
Term deposits		74,959	1,326,586
Cash and bank balances	10	580,617	610,036
Total current assets		3,469,063	4,675,758
Total assets		16,430,246	17,703,736
EQUITY AND LIABILITIES			
EQUITY			
Share capital		4,532,906	4,532,906
Share premium		232,332	232,332
Other reserves		2,251,107	2,251,031
Retained earnings		2,458,797	2,226,944
Total equity		9,475,142	9,243,213
LIABILITIES			
Non-current liabilities			
Lease liabilities	11	1,337,893	1,455,374
Contract liabilities		209,188	217,254
Provision for employees' end of service benefits		213,895	208,471
Other provisions		214,971	210,778
Total non-current liabilities		1,975,947	2,091,877
Current liabilities			
Trade and other payables	12	3,018,333	5,247,287
Federal royalty on profit and corporate income tax	13	914,913	-
Lease liabilities	11	545,738	649,585
Contract liabilities		491,203	465,710
Due to related parties	9	8,970	6,064
Total current liabilities		4,979,157	6,368,646
Total liabilities		6,955,104	8,460,523
Total equity and liabilities		16,430,246	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 22 July 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 six-month period ended 30 June 2024

	Notes	Reviewed six-month period ended 30 June		Reviewed three-month period ended 30 June	
		2024	2023	2024	2023
		AED 000	AED 000	AED 000	AED 000
Revenue	19	7,173,596	6,787,305	3,592,163	3,346,627
Operating expenses	14	(4,944,782)	(4,874,087)	(2,490,891)	(2,355,070)
Expected credit losses (net of recoveries)		(128,429)	(138,199)	(65,977)	(69,411)
Other income		2,530	550	1,626	507
Federal royalty on regulated revenue		-	(696,341)	-	(350,654)
Finance income	15	46,603	27,941	13,959	7,662
Finance costs	15	(49,187)	(55,737)	(20,345)	(31,912)
Share of loss of associate and joint venture	6	(1,662)	(1,161)	(162)	(526)
Profit before federal royalty on profit and corporate income tax		2,098,669	1,050,271	1,030,373	547,223
Federal royalty on regulated profit		-	(282,583)	-	(150,017)
Federal royalty on profit		(797,570)	-	(391,631)	-
Corporate income tax		(117,336)	-	(57,895)	-
Profit for the period		1,183,763	767,688	580,847	397,206
<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	84	(1,204)	(2,549)	(1,388)
Corporate income tax		(8)	-	229	-
Other comprehensive income/(loss) for the period		76	(1,204)	(2,320)	(1,388)
Total comprehensive income for the period attributable to shareholders of the Company		1,183,839	766,484	578,527	395,818
Basic and diluted earnings per share (AED)	16	0.26	0.17	0.13	0.09

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Condensed consolidated statement of changes in equity for the six-month period ended 30 June 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	-	-	-	767,688	767,688
Other comprehensive loss for the period	-	-	(1,204)	-	(1,204)
Total comprehensive (loss)/ income for the period	-	-	(1,204)	767,688	766,484
Transfer to other reserves	-	-	76,769	(76,769)	-
Final cash dividend paid	-	-	-	(589,278)	(589,278)
At 30 June 2023	4,532,906	232,332	2,202,155	1,979,965	8,947,358
At 1 January 2024	4,532,906	232,332	2,251,031	2,226,944	9,243,213
Profit for the period	-	-	-	1,183,763	1,183,763
Other comprehensive income for the period - net of tax	-	-	76	-	76
Total comprehensive income for the period	-	-	76	1,183,763	1,183,839
Transfer to other reserves	-	-	-	-	-
Final cash dividend paid ⁽¹⁾	-	-	-	(951,910)	(951,910)
At 30 June 2024	4,532,906	232,332	2,251,107	2,458,797	9,475,142

⁽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.

For the period 2024, an interim cash dividend AED 0.20 per share amounting to AED 906,581 thousand is proposed.

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Condensed consolidated statement of cash flows for the six-month period ended 30 June 2024

	Notes	Reviewed six-month period ended 30 June	
		2024 AED 000	2023 AED 000
Cash flows from operating activities			
Profit for the period		1,183,763	767,688
Adjustments for:			
Depreciation and impairment of property, plant and equipment	14	778,552	757,785
Depreciation of right-of-use assets	14	187,282	252,600
Amortisation of intangible assets	14	88,257	97,791
Loss on disposal of property, plant and equipment		1,035	1,714
Provision for employees' end of service benefits		11,069	9,978
Charge of allowance for inventory obsolescence		7,636	9,563
Impairment losses on financial assets		140,967	154,556
Finance income	15	(46,603)	(27,941)
Finance costs	15	49,187	55,737
Share of loss of associate and joint venture	6	1,662	1,161
Federal royalty on profit and corporate income tax		914,906	-
Changes in working capital	17	(475,879)	266,107
Cash generated from operations		2,841,834	2,346,739
Royalty paid on regulated activities	13.1	(1,928,938)	(1,687,900)
Payment of employees' end of service benefits		(9,497)	(11,621)
Net cash generated from operating activities		903,399	647,218
Cash flows from investing activities			
Purchase of property, plant and equipment		(763,527)	(927,171)
Purchase of intangible assets		(191,011)	(155,412)
Proceeds from disposal of property, plant and equipment		592	35
Interest received		62,100	33,931
Margin on guarantees placed		(66)	-
Term deposits matured - net		1,252,319	675,000
Net cash generated/(used) in investing activities		360,407	(373,617)
Cash flows from financing activities			
Dividend paid		(951,910)	(589,278)
Repayment of lease liabilities		(309,220)	(127,696)
Interest paid on lease liabilities		(31,848)	(44,763)
Interest paid others		(313)	-
Net cash used in financing activities		(1,293,291)	(761,737)
Net decrease in cash and cash equivalents		(29,485)	(488,136)
Cash and cash equivalents at 1 January		607,690	868,735
Cash and cash equivalents at 30 June		578,205	380,599

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 six-month period ended 30 June 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 six-month period ended 30 June 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 six-month period ended 30 June 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 six-month period ended 30 June 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. 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.

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 corporate income tax (Note 13).

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

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

3 Property, plant and equipment

	AED 000
Cost	
At 1 January 2024	26,415,110
Additions	659,045
Addition: asset retirement obligations	1,875
Disposals/write-offs	<u>(168,745)</u>
At 30 June 2024	<u><u>26,907,285</u></u>
Depreciation and impairment	
At 1 January 2024	16,692,410
Depreciation and impairment for the period (Note 14)	778,552
Disposals/write-offs	<u>(167,118)</u>
At 30 June 2024	<u><u>17,303,844</u></u>
Net book value	
At 30 June 2024	<u><u>9,603,441</u></u>
At 31 December 2023	<u><u>9,722,700</u></u>

4 Right-of-use assets

	AED 000
Cost	
At 1 January 2024	3,139,654
Additions	27,550
Remeasurement	68,094
Disposals	<u>(26,574)</u>
At 30 June 2024	<u><u>3,208,724</u></u>
Depreciation	
At 1 January 2024	1,542,469
Charge for the period (Note 14)	187,282
Disposals	<u>(24,579)</u>
At 30 June 2024	<u><u>1,705,172</u></u>
Net book value	
At 30 June 2024	<u><u>1,503,552</u></u>
At 31 December 2023	<u><u>1,597,185</u></u>

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

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

5 Intangible assets and goodwill

	Reviewed 30 June 2024 AED 000	Audited 31 December 2023 AED 000
Goodwill	413,220	413,220
Intangible assets	<u>753,761</u>	<u>697,549</u>
	<u>1,166,981</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	144,469
Disposals/write-offs	(30)
At 30 June 2024	<u>3,591,756</u>
Amortisation and impairment	
At 1 January 2024	2,749,768
Amortisation for the period (Note 14)	88,257
Disposals/write-offs	(30)
At 30 June 2024	<u>2,837,995</u>
Net book value	
At 30 June 2024	<u>753,761</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	<u>(1,019)</u>	<u>(643)</u>	<u>(1,662)</u>
At 30 June 2024	<u>791</u>	<u>2,690</u>	<u>3,481</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 six-month period ended 30 June 2024 (continued)

7 Financial assets at fair value through other comprehensive income

	Reviewed 30 June 2024 AED 000	Audited 31 December 2023 AED 000
Listed shares		
Anghami Inc.	3,030	2,946

During the period, gain of AED 84 thousand was recognised in other comprehensive income (30 June 2023: loss of AED 1,204 thousand).

8 Trade receivables, contract assets and other assets

	Reviewed 30 June 2024 AED 000	Audited 31 December 2023 AED 000
Trade receivables	2,092,996	2,057,319
Due from other telecommunication operators ⁽¹⁾	262,736	258,433
Contract assets	477,959	463,770
Less: provision for impairment	(784,117)	(756,993)
Net amount	2,049,574	2,022,529
Prepayments ⁽²⁾	305,666	131,462
Advances to suppliers	68,576	195,845
Other receivables	78,031	131,585
Total trade receivables, contract assets and other assets	2,501,847	2,481,421
Non-current ⁽³⁾	265,047	257,390
Current	2,236,800	2,224,031
Total trade receivables, contract assets and other assets	2,501,847	2,481,421

⁽¹⁾ Due from other telecommunications operators are presented after netting off payable balances (where right to set off exists) amounting to AED 1,558,148 thousand (31 December 2023: AED 1,686,315 thousand).

⁽²⁾ Prepayments include unamortised loan fees amounting to AED 5,203 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 3,875 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 six-month period ended 30 June 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 June 2024 AED 000	Audited 31 December 2023 AED 000
Due from related parties	<u>47,866</u>	<u>53,449</u>
Due to related parties	<u>8,970</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 six-month period ended 30 June	
	2024 AED 000	2023 AED 000
Sale of goods and services	260,280	332,981
Rent and services	18,431	18,844

Key management compensation

Board of Directors fee recorded during the period was AED 6,665 thousand (30 June 2023: AED 4,954 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 2,938 thousand (30 June 2023: released AED 7,250 thousand).

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Notes to the condensed consolidated financial statements for the six-month period ended 30 June 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 June 2024 AED 000	Audited 31 December 2023 AED 000
Bank balances ⁽¹⁾	579,991	609,341
Cash on hand	<u>626</u>	<u>695</u>
Cash and bank balances	580,617	610,036
Less: margin on guarantees (Note 18)	<u>(2,412)</u>	<u>(2,346)</u>
Cash and cash equivalents	<u>578,205</u>	<u>607,690</u>

⁽¹⁾ Bank balances is net of loss allowance.

11 Lease liabilities

	Reviewed 30 June 2024 AED 000	Audited 31 December 2023 AED 000
At 1 January	2,104,959	2,059,211
Lease liabilities for the period/year	27,550	517,465
Interest expense during the period/year	31,848	78,696
Payments made during the period/year	(341,068)	(672,386)
Re-measurement during the period/year	68,094	133,395
Disposals during the period/year	<u>(7,752)</u>	<u>(11,422)</u>
Closing balance	<u>1,883,631</u>	<u>2,104,959</u>
Non-current	1,337,893	1,455,374
Current	<u>545,738</u>	<u>649,585</u>
Total lease liabilities	<u>1,883,631</u>	<u>2,104,959</u>

12 Trade and other payables

	Reviewed 30 June 2024 AED 000	Audited 31 December 2023 AED 000
Trade payables and accruals	1,832,410	2,135,354
Due to other telecommunications operators ⁽¹⁾	718,908	641,140
Accrued federal royalty on regulated activities (Note 13.1)	104,234	2,033,172
Valued Added Tax (VAT) payable	31,945	24,674
Other payables and accruals	<u>330,836</u>	<u>412,947</u>
	<u>3,018,333</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 AED 1,558,148 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 six-month period ended 30 June 2024 (continued)

13 Federal royalty and corporate income tax

		Reviewed 30 June 2024 AED 000	Audited 31 December 2023 AED 000
Federal royalty on profit	13.1	797,570	-
Corporate income tax	13.2	117,343	-
		<u>914,913</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 June 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 for the period/year (net)	-	1,890,650
Closing balance	<u>104,234</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 43.6% (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 six-month period ended 30 June 2024 (continued)

14 Operating expenses

	Reviewed six-month period ended 30 June	
	2024	2023
	AED 000	AED 000
Interconnect costs	1,402,462	1,377,138
Depreciation and impairment of property, plant and equipment (Note 3)	778,552	757,785
Cost of devices and direct services	768,326	704,711
Staff costs	496,908	506,946
Network operation and maintenance	457,172	434,858
Commission	276,812	259,116
Telecommunication license and related fees	210,072	210,000
Depreciation of right-of-use assets (Note 4)	187,282	252,600
Marketing	97,382	102,728
Amortisation of intangible assets (Note 5)	88,257	97,791
Outsourcing and contracting	67,375	36,795
Others	114,182	133,619
	<u>4,944,782</u>	<u>4,874,087</u>

15 Finance income and costs

	Reviewed six-month period ended 30 June	
	2024	2023
	AED 000	AED 000
Finance income		
Interest income	44,192	25,238
Interest income on lease receivable	2,411	2,703
	<u>46,603</u>	<u>27,941</u>
Finance costs		
Interest expense on lease liabilities	31,848	44,763
Interest expense others ⁽¹⁾	17,339	10,974
	<u>49,187</u>	<u>55,737</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 six-month period ended 30 June 2024 (continued)

16 Earnings per share

	Reviewed six-month period ended 30 June	
	2024	2023
Profit for the period (AED 000)	1,183,763	767,688
Weighted average number of shares ('000')	4,532,906	4,532,906
Basic and diluted earnings per share (AED)	<u>0.26</u>	<u>0.17</u>

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

17 Changes in working capital

	Reviewed six-month period ended 30 June	
	2024	2023
	AED 000	AED 000
Change in:		
Inventories	(88,497)	(45,173)
Contract costs	(77,807)	(35,991)
Trade receivables, contract assets and other assets	(177,747)	(329,346)
Trade and other payables ⁽¹⁾	(157,743)	667,847
Contract liabilities	17,427	(14,756)
Due from related parties	5,583	26,021
Due to related parties	2,905	(2,495)
Net changes in working capital	<u>(475,879)</u>	<u>266,107</u>

Non-cash transactions:

Accruals for property, plant and equipment	104,482	148,960
Accruals for intangible assets	46,542	21,090
Additions and remeasurement to right-of-use assets	95,644	534,606

⁽¹⁾ For the year 2023, trade and other payables include federal royalty on regulated activities AED 104,234 thousand.

18 Contingencies and commitments

The Group has outstanding bank guarantees amounting to AED 96,509 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 969,568 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 six-month period ended 30 June 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.

Six-month period ended 30 June 2024

	Mobile AED 000	Fixed AED 000	Wholesale AED 000	Others AED 000	Total AED 000
Segment revenue					
Timing of revenue recognition					
Over time	3,213,776	1,943,395	907,754	604,197	6,669,122
At a point in time	-	-	-	504,474	504,474
	<u>3,213,776</u>	<u>1,943,395</u>	<u>907,754</u>	<u>1,108,671</u>	<u>7,173,596</u>
Segment contribution	<u>1,860,940</u>	<u>1,647,443</u>	<u>788,999</u>	<u>420,980</u>	4,718,362
Unallocated costs					(2,617,977)
Other income					2,530
Finance income/(costs) and share of loss of associate and joint venture					(4,246)
Federal royalty on profit					(797,570)
Corporate income tax					<u>(117,336)</u>
Profit for the period					<u>1,183,763</u>

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

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

19 Segment analysis (continued)

Six-month period ended 30 June 2023

	Mobile AED 000	Fixed AED 000	Wholesale AED 000	Others AED 000	Total AED 000
Segment revenue					
Timing of revenue recognition					
Over time	3,003,757	1,882,910	886,037	519,711	6,292,415
At a point in time	-	-	-	494,890	494,890
	<u>3,003,757</u>	<u>1,882,910</u>	<u>886,037</u>	<u>1,014,601</u>	<u>6,787,305</u>
Segment contribution	<u>1,790,789</u>	<u>1,533,507</u>	<u>734,221</u>	<u>378,259</u>	4,436,776
Unallocated costs					(2,661,757)
Other income					550
Finance income/(costs) and share of loss of associate and joint venture					(28,957)
Federal royalty on regulated activities					<u>(978,924)</u>
Profit for the period					<u>767,688</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.