

Emirates Telecommunications Group Company PJSC

Review reports and condensed consolidated interim financial information

for the six month period ended 30 June 2022



Emirates Telecommunications Group Company PJSC

Review reports and condensed consolidated interim financial information for the six month period ended 30 June 2022

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Emirates Telecommunications Group Company PJSC

Management report on the condensed consolidated interim financial information for the six month period ended 30 June 2022

Financial Review

1. Revenue, profit and earnings per share

The Group's financial performance for the six month period ended 30 June 2022 is summarised below:

- i) Consolidated revenue amounted to AED 26,327 million, representing a decrease of AED 109 million (0.4 %) compared to the corresponding period in the prior year.
- ii) Profit attributable to the Owners of the Company amounted to AED 4,865 million, representing an increase of AED 120 million (2.5 %) when compared to the corresponding period in the prior year.
- iii) Earnings per share from continuing operations increased by AED 0.01 when compared to the corresponding period in the prior year.

2. Net assets

As compared to 31 December 2021, the Group's net assets decreased by AED 2,559 million to AED 55,005 million as at 30 June 2022.

3. Capital expenditure

The Group incurred AED 3,474 million capital expenditure in the six month period ended 30 June 2022 (AED 2,698 million in the six month period ended 30 June 2021).

4. Dividends

On 5 April 2022, a final dividend for the year 2021 at the rate of AED 0.40 per share was approved for distribution to the shareholders registered at the close of business on 15 April 2022.

On 1 August 2022, the Board of Directors declared the first interim dividend for the year 2022 at the rate of AED 0.40 per share.

5. International operations

(i) On 17 March 2022, the Group announced that it has approached its associate, Etihad Etisalat Co. ("Mobily"), to discuss increasing its shareholding in Mobily to 50% plus one share, by means of a preconditional partial tender offer (the "Potential Offer") pursuant to the Merger and Acquisition Regulations issued by the Saudi Arabian Capital Market Authority (the "M&A Regulations").

(ii) On 16 March 2022, Emirates Cable TV and Multimedia (E-Vision), a subsidiary of the Group, and ADQ, an Abu Dhabi based investment and holding company, signed a binding agreement to acquire circa 57% of STARZPLAY ARABIA, a leading Subscription Video on Demand (SVOD) and streaming service provider in the Middle East and North Africa. The consortium, of which E-Vision will own 66.7%, will acquire a controlling stake in STARZPLAY ARABIA based on a post-money valuation of USD 420 million via a combination of primary cash and in-kind contribution. E-Vision will pay up to USD 132 million including a component linked to an earn-out.

Completion of this transaction remains subject to regulatory approvals and certain administrative procedures.



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Independent Auditors' Report on Review of Condensed Consolidated Interim Financial Information

**To the Shareholders of the Emirates Telecommunications Group
Company PJSC**

Review of Condensed Consolidated Interim Financial Information

Introduction

We have reviewed the accompanying 30 June 2022 condensed consolidated interim financial information of Emirates Telecommunications Group Company PJSC ("the Company") and its subsidiaries (together referred to as "the Group"), which comprises:

- the condensed consolidated interim statement of financial position as at 30 June 2022;
- the condensed consolidated interim statement of profit or loss for the three-month and six-month periods ended 30 June 2022;
- the condensed consolidated interim statement of profit or loss and other comprehensive income for the three-month and six-month periods ended 30 June 2022;
- the condensed consolidated interim statement of changes in equity for the six-month period ended 30 June 2022;
- the condensed consolidated interim statement of cash flows for the six-month period ended 30 June 2022; and
- notes to the condensed consolidated interim financial information.

Management is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with IAS 34, 'Interim Financial Reporting'. Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.



Emirates Telecommunications Group Company PJSC
Independent Auditors' Report on
Review of Condensed Consolidated Interim Financial Information
30 June 2022

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of condensed 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 30 June 2022 condensed consolidated interim financial information is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting'.

KPMG Lower Gulf Limited

Richard Ackland
Registration No: 1015
Abu Dhabi, United Arab Emirates

Date: 01 August 2022

Emirates Telecommunications Group Company PJSC

Condensed consolidated interim statement of profit or loss for the period

	Note	(Unaudited)			
		Three months ended 30 June		Six months ended 30 June	
		2022	2021	2022	2021
		AED'000	AED'000	AED'000	AED'000
Revenue	4	12,995,619	13,215,717	26,326,829	26,435,451
Operating expenses	5	(8,130,443)	(8,352,986)	(16,395,900)	(16,704,441)
Impairment loss on trade receivables and contract assets		(242,117)	(246,679)	(475,829)	(428,822)
Impairment reversal / (loss) on other assets and other losses (net)		16	154	16	(112)
Share of results of associates and joint ventures	6	89,420	68,455	100,400	129,935
Operating profit before federal royalty		4,712,495	4,684,661	9,555,516	9,432,011
Federal royalty	5	(1,449,669)	(1,416,099)	(2,876,891)	(2,802,790)
Operating profit		3,262,826	3,268,562	6,678,625	6,629,221
Finance and other income - net		291,532	283,899	503,475	484,956
Finance and other costs - net		(814,016)	(202,324)	(1,298,624)	(576,156)
Profit before tax		2,740,342	3,350,137	5,883,476	6,538,021
Income tax expenses		(441,050)	(530,114)	(832,639)	(896,759)
Profit for the period		2,299,292	2,820,023	5,050,837	5,641,262
Profit attributable to:					
Owners of the Company		2,431,165	2,395,177	4,864,988	4,745,159
Non-controlling interests		(131,873)	424,846	185,849	896,103
		2,299,292	2,820,023	5,050,837	5,641,262
Earnings per share					
Basic and diluted	8	AED 0.28	AED 0.28	AED 0.56	AED 0.55

The accompanying notes on pages 9 to 22 form an integral part of the condensed consolidated interim financial information. The independent auditors' review report is set out on pages 2 to 3.

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Emirates Telecommunications Group Company PJSC

Condensed consolidated interim statement of profit or loss and other comprehensive income for the period

	Note	Unaudited			
		Three months ended 30 June		Six months ended 30 June	
		2022	2021	2022	2021
		AED'000	AED'000	AED'000	AED'000
Profit for the period		2,299,292	2,820,023	5,050,837	5,641,262
Other comprehensive (loss) / income					
Items that will not be reclassified to profit or loss:					
Remeasurement of defined benefit obligation - net of tax		8,859	(8,125)	28,153	(38,016)
Items that are or may be reclassified subsequently to profit or loss:					
Exchange differences on translation of foreign operations		(1,431,157)	276,536	(3,332,855)	(7,326)
Gain / (Loss) on net investment hedge during the period	18	527,940	(199,051)	658,294	282,559
Fair value gain arising on cash flow hedges during the period		39,083	7,698	142,574	45,800
(Loss) / Gain on revaluation of financial assets during the period		(484,500)	4,041	(478,932)	(2,450)
Total other comprehensive (loss) / income		(1,339,775)	81,099	(2,982,766)	280,567
Total comprehensive income for the period		959,517	2,901,122	2,068,071	5,921,829
Total comprehensive income attributable to:					
Owners of the Company		1,682,809	2,479,586	3,032,888	5,057,189
Non-controlling interests		(723,292)	421,536	(964,817)	864,640
		959,517	2,901,122	2,068,071	5,921,829

The accompanying notes on pages 9 to 22 form an integral part of the condensed consolidated interim financial information. The independent auditors' review report is set out on pages 2 to 3.

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Emirates Telecommunications Group Company PJSC
Condensed consolidated interim statement of financial position

	Notes	(Unaudited)	(Audited)
		30 June	31 December
		2022	2021
		AED'000	AED'000
Non-current assets			
Goodwill and other intangible assets	9	23,172,211	25,830,041
Property, plant and equipment	10	40,267,537	43,715,088
Right-of-use assets	23	1,883,792	2,436,921
Investments in associates and joint ventures	6	8,087,770	4,452,409
Other investments	19	16,677,189	3,597,210
Other receivables	11	549,065	459,899
Finance lease receivables		664,864	123,448
Derivative financial instruments		152,590	5,171
Contract assets		536,808	460,317
Deferred tax assets		163,137	136,863
		92,154,963	81,217,367
Current assets			
Inventories		994,360	748,786
Trade and other receivables	11	17,783,036	14,288,386
Current income tax assets		490,901	725,836
Finance lease receivables		88,244	25,505
Due from related parties	16	81,810	82,026
Contract assets		1,593,330	1,389,614
Other investments		97,221	434,192
Cash and bank balances	12	25,197,431	28,575,372
Assets held for sale		-	709,982
		46,326,333	46,979,699
Total assets		138,481,296	128,197,066
Non-current liabilities			
Other payables	13	1,353,008	1,365,500
Borrowings	17	34,471,531	19,176,107
Payables related to investments and licenses		538,581	512,945
Deferred tax liabilities		1,815,738	2,155,977
Lease liabilities	24	2,252,623	2,109,273
Provisions		389,682	377,561
Provision for employees' end of service benefits	22	1,141,141	1,223,883
Contract liabilities		70,673	42,426
		42,032,977	26,963,672
Current liabilities			
Trade and other payables	13	25,992,075	28,701,904
Contract liabilities		2,869,819	3,016,756
Borrowings	17	5,207,879	6,556,178
Payables related to investments and licenses		395,943	111,272
Current income tax liabilities		303,858	312,264
Lease liabilities	24	470,275	544,777
Provisions		6,100,326	4,270,082
Provision for employees' end of service benefits	22	102,886	110,946
Derivative financial instruments	18	-	40,660
Due to related parties	16	-	4,733
		41,443,061	43,669,572
Total liabilities		83,476,038	70,633,244
Net assets		55,005,258	57,563,822
Equity			
Share capital	25	8,696,754	8,696,754
Reserves		26,742,229	28,598,188
Retained earnings		11,697,826	10,291,094
Equity attributable to the owners of the Company		47,136,809	47,586,036
Non-controlling interests		7,868,449	9,977,786
Total equity		55,005,258	57,563,822

To the best of our knowledge, the financial information included in this condensed consolidated interim financial information presents fairly, in all material respects, the financial position, results of operations and cash flows of the Group as of, and for, the periods presented therein.

The accompanying notes on pages 9 to 22 form an integral part of the condensed consolidated interim financial information. The independent auditors' review report is set out on pages 2 to 3.

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Emirates Telecommunications Group Company PJSC

Condensed consolidated interim statement of changes in equity for the six month period ended 30 June 2022 (Unaudited)

	Notes	Attributable to owners of the Company				Non-controlling interests	Total equity
		Share capital	Reserves	Retained earnings	Owners' equity		
		AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
Balance at 1 January 2021		8,696,754	28,400,580	11,936,605	49,033,939	11,516,082	60,550,021
Profit for the period		-	-	4,745,159	4,745,159	896,103	5,641,262
Other comprehensive (loss) / income for the period		-	329,846	(17,816)	312,030	(31,463)	280,567
Total comprehensive income/loss for the period		-	329,846	4,727,343	5,057,189	864,640	5,921,829
Other movements in equity		-	501	(1,424)	(923)	(1,549)	(2,472)
<i>Transaction with owners of the Company:</i>							
Repayment of advance to non-controlling interest		-	-	-	-	(66,309)	(66,309)
Dividends	7	-	-	(6,954,396)	(6,954,396)	(1,091,151)	(8,045,547)
Balance at 30 June 2021		8,696,754	28,730,927	9,708,128	47,135,809	11,221,713	58,357,522
Balance at 1 January 2022		8,696,754	28,598,188	10,291,094	47,586,036	9,977,786	57,563,822
Profit for the period		-	-	4,864,988	4,864,988	185,849	5,050,837
Other comprehensive income / (loss) for the period		-	(1,860,461)	28,361	(1,832,100)	(1,150,666)	(2,982,766)
Total comprehensive income/loss for the period		-	(1,860,461)	4,893,349	3,032,888	(964,817)	2,068,071
Other movements in equity		-	4,502	(9,419)	(4,917)	(23,307)	(28,224)
<i>Transaction with owners of the Company:</i>							
Dividends	7	-	-	(3,477,198)	(3,477,198)	(1,121,213)	(4,598,411)
Balance at 30 June 2022		8,696,754	26,742,229	11,697,826	47,136,809	7,868,449	55,005,258

The accompanying notes on pages 9 to 22 form an integral part of the condensed consolidated interim financial information. The independent auditors' review report is set out on pages 2 to 3.

Emirates Telecommunications Group Company PJSC
Condensed consolidated interim statement of cash flows for the period

	Note	Unaudited six months ended 30 June	
		2022 AED'000	2021 AED'000
Cash flows from operating activities			
Operating profit		6,678,625	6,629,221
<i>Adjustments for:</i>			
Depreciation		2,954,941	3,095,444
Amortisation		884,843	914,920
Impairment loss on other assets and other losses (net)		(16)	112
Share of results of associates and joint ventures		(100,400)	(129,935)
Provisions and allowances		191,685	125,141
Unrealised currency translation (gain)		(474,384)	(409,736)
Operating cash flows before changes in working capital		10,135,294	10,225,167
<i>Changes in working capital:</i>			
Inventories		(283,240)	(16,632)
Due from associates and joint ventures		216	(139,029)
Trade and other receivables including contract assets		(4,667,062)	(993,859)
Trade and other payables including contract liabilities		(1,378,172)	(3,964,934)
Cash generated from operations		3,807,036	5,110,713
Income taxes paid		(861,303)	(1,071,176)
Payment of employees' end of service benefits		(47,670)	(40,380)
Net cash generated from operating activities		2,898,063	3,999,157
Cash flows from investing activities			
Acquisition of a subsidiary (net of cash)	26	(60,554)	-
Investment in an associate	6	(638,889)	-
(Acquisition) of/ proceeds from investment classified as fair value through OCI		(13,572,852)	2,039
Acquisition of investment classified as fair value through profit or loss		(72)	(2,206)
Proceeds from disposal of investment classified as fair value through profit or loss		314,181	1,061,029
Acquisition of other investments		(91,452)	(12,047)
Acquisition of investments at amortised cost		(92,018)	(467,849)
Disposal of investments at amortised cost		129,098	183,958
Purchase of property, plant and equipment		(2,747,981)	(2,190,373)
Proceeds from disposal of property, plant and equipment		115,138	14,891
Purchase of intangible assets		(726,244)	(507,158)
Proceeds from disposal of intangible assets		345	638
Dividend income received from associates and other investments	5	22,247	31,928
Term deposits made with maturities over three months	12	(14,956,811)	(8,143,570)
Term deposits matured with maturities over three months	12	6,602,349	17,031,283
Cash flows from unwinding of derivative financial instruments		(17,699)	3,413
Finance and other income received		444,348	402,016
Net cash (used in) / generated from investing activities		(25,276,866)	7,407,992
Cash flows from financing activities			
Proceeds from borrowings		21,105,674	6,243,939
Repayments of borrowings		(5,585,023)	(8,063,853)
Payment of lease liabilities		(251,400)	(337,071)
Equity repayment to non-controlling interests for acquisition of a subsidiary		-	(66,309)
Dividends paid		(3,898,511)	(7,281,126)
Finance and other costs paid		(870,428)	(477,943)
Net cash generated from / (used in) financing activities		10,500,312	(9,982,363)
Net (decrease) / increase in cash and cash equivalents			
		(11,878,491)	1,424,786
Cash and cash equivalents at the beginning of the period		19,911,520	13,205,530
Effect of exchange rate fluctuations on cash held		280,417	392,246
Cash and cash equivalents at the end of the period	12	8,313,446	15,022,562

The accompanying notes on pages 9 to 22 form an integral part of the condensed consolidated interim financial information.
The independent auditors' review report is set out on pages 2 to 3.

Emirates Telecommunications Group Company PJSC

Notes to the condensed consolidated interim financial information for the six month period ended 30 June 2022

1. General information

Emirates Telecommunications Group Company PJSC (“the Company”), formerly known as Emirates Telecommunications Corporation (“the Corporation”) was incorporated in the United Arab Emirates (“UAE”), with limited liability, in 1976 by UAE Federal Government decree No. 78, which was revised by the UAE Federal Act No. (1) of 1991 (Etisalat Law) and further amended by Decretal Federal Code No. 3 of 2003 concerning the regulation of the telecommunications sector in the UAE. In accordance with Federal Law No. 267/10 for 2009, the Federal Government of the UAE transferred its 60% holding in the Corporation to the Emirates Investment Authority with effect from 1 January 2008, which is ultimately controlled by the UAE Federal Government.

The Federal-Decree Law No. 3 of 2015 (“the New Law”) has amended certain provisions of Etisalat Law and new articles of association of Emirates Telecommunications Group Company PJSC (the “New AoA”) have been issued. Subsequent to the New Law and the New AoA, Emirates Telecommunications Corporation has been converted from a corporation to a public joint stock company and is subject to the provisions of UAE Federal Law no. 2 of 2015 on Commercial Companies (the “Companies Law”) unless otherwise stated in the Etisalat Law or New AoA. Accordingly, the name of the corporation has been changed to Emirates Telecommunications Group Company PJSC. Etisalat Law was further amended by Federal Decree -Law No. 1 of 2021, which increased the Non-UAE nationals ownership cap from 20% to 49% of the Company share capital

Federal Decree - Law No. 26 of 2020 which amends certain provisions of Federal Law No. 2 of 2015 on Commercial Companies was issued on 27 September 2020 and the amendments came into effect on 2 January 2021 with one-year grace period for the existing companies which are subject to its provisions to adjust their status. The Group held a General Assembly meeting on 8th December 2021, which approved all the necessary amendments to the Articles of Association to be aligned with Federal-Decree Law No. 26 of 2020.

Under the New Law and the New AoA: i) Two types of share have been introduced, i.e. ordinary shares and one Special Share held by the Emirates Investment Authority (“the Special Shareholder”) which carries certain preferential rights related to the passing of certain decisions by the Company. ii) The minimum number of ordinary shares held by any UAE government entity in the Company has been reduced from at least 60% of the Company’s share capital to not less than 51%, unless the Special Shareholder decides otherwise. iii) Shareholders, natural or legal person, who are Non-UAE National may own up to 20% of the Company’s ordinary shares, however, the shares owned by such persons / entities shall not hold any voting rights in the Company’s general assembly, although holders of such shares may attend such meeting. On 11 October 2018, the Board of Directors of the Group approved by circulation to lift the restrictions on voting rights of foreign shareholders so that they shall enjoy the same voting rights of UAE citizens. Accordingly, a special resolution was passed during the Annual General Meeting held on 20 March 2019 to that effect, all required approvals were obtained and all necessary amendments were incorporated in the New AoA to put the afore-said resolution in place. The Group’s Board of Directors, in its meeting on 20 January 2021, recommended to increase the foreign ownership limit from 20% to 49% of the Company’s share capital subject to the approval of the Group’s General Assembly scheduled on 17 March 2021 and the approval of the competent authorities. On 29 August 2021, the Group secured the required approvals for increasing the foreign ownership limit in its share capital to 49% and accordingly, the new foreign ownership limits have come into effect.

The address of the registered office of the Company is P.O. Box 3838, Abu Dhabi, United Arab Emirates. The Company’s shares are listed on the Abu Dhabi Securities Exchange.

This condensed consolidated interim financial information as at and for the six months ended 30 June 2022 comprise the Company and its subsidiaries (together referred to as ‘the Group’).

This condensed consolidated interim financial information was approved by the Board of Directors and authorised for issue on 1 August 2022.

Emirates Telecommunications Group Company PJSC

Notes to the condensed consolidated interim financial information for the six month period ended 30 June 2022

2. Basis of preparation

This condensed consolidated interim financial information has been prepared in accordance with IAS 34 *Interim Financial Reporting* and the applicable requirements of the UAE Federal Law No. 32 of 2021. The information presented herein should be read in conjunction with the Group's last annual consolidated financial statements as at and for the year ended 31 December 2021. This condensed consolidated interim financial information does not include all the information required for a complete set of IFRS financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual financial statements.

The preparation of financial information in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. Actual results may differ from these estimates and judgments. The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual financial statements.

This condensed consolidated interim financial information is prepared under the historical cost convention except for the revaluation of certain financial instruments and in accordance with the Group's accounting policies as described in the last annual financial statements as at and for the year ended 31 December 2021.

The accounting policies applied in the condensed consolidated financial information are the same as those applied in the Group's consolidated financial statements as at and for the year ended 31 December 2021.

The condensed consolidated interim financial information is presented in UAE Dirhams (AED) which is the Company's functional and presentation currency, rounded to the nearest thousand except where otherwise indicated.

3. Significant accounting policies

The accounting policies and the methods of computation adopted in the preparation of this condensed consolidated interim financial information are the same as those applied in the preparation of preceding annual published financial statements of the Group for the year ended 31 December 2021.

a) New and amended standards adopted by the Group

The following revised new and amended standards have been adopted in the condensed consolidated interim financial information.

- COVID-19-Related Rent Concessions beyond 30 June 2021 (*Amendment to IFRS 16*)
- Onerous Contracts – Cost of Fulfilling a Contract (*Amendments to IAS 37*)
- Annual Improvements to IFRS Standards 2018-2020
- Property, Plant and Equipment: Proceeds before Intended Use (*Amendments to IAS 16*)
- Reference to the Conceptual Framework (*Amendments to IFRS 3*)

There has been no material impact on the condensed consolidated interim financial information of the Group upon adoption of the above new and amended standards.

Emirates Telecommunications Group Company PJSC

Notes to the condensed consolidated interim financial information for the six month period ended 30 June 2022

3. Significant accounting policies (continued)

b) New and amended standards not effective and not yet adopted by the Group

At the date of the condensed consolidated interim financial information, the following other standards, amendments and Interpretations have not been effective and have not been early adopted by the Group:

New and amended standards not effective and not yet adopted by the Group	Effective date
IFRS 17 Insurance contracts	1 January 2023
Amendments to IFRS 17	1 January 2023
Classification of liabilities as current or non-current (<i>Amendments to IAS 1</i>)	1 January 2023
Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction (<i>Amendments to IAS 12</i>)	1 January 2023
Disclosure of Accounting Policies (<i>Amendments to IAS 1 and IFRS Practice Statement 2</i>)	1 January 2023
Definition of Accounting Estimate (<i>Amendments to IAS 8</i>)	1 January 2023

These new and amended standards are not expected to have a significant impact on the Group's condensed consolidated interim financial information.

4. Segmental information

Information regarding the Group's operating segments is set out below in accordance with IFRS 8 *Operating Segments*. IFRS 8 requires operating segments to be identified on the basis of internal reports that are regularly reviewed by the Group's chief operating decision maker and used to allocate resources to the segments and to assess their performance.

a) Products and services from which reportable segments derive their revenues

The Group is engaged in a single line of business, being the supply of telecommunications services and related products. The majority of the Group's revenues, profits and assets relate to its operations in the UAE. Outside of the UAE, the Group operates through its subsidiaries and associates in sixteen countries which are divided into the following operating segments:

- Morocco
- Egypt
- Pakistan
- International - others

Revenue is attributed to an operating segment based on the location of the associated companies reporting the revenue. Inter-segment sales are charged at agreed terms and prices.

The Group's share of results from associates and joint ventures has been allocated to the segments based on the geographical location of the operations of the associate and joint venture investments. The allocation is in line with how results from investments in associates and joint ventures are reported to the Group's Board of Directors ("Board of Directors").

Emirates Telecommunications Group Company PJSC

Notes to the condensed consolidated interim financial information for the six month period ended 30 June 2022

4. Segmental information *(continued)*

b) Segment revenues and results

Segment results represent operating profit earned by each segment without allocation of finance income, finance costs and federal royalty. This is the measure reported to the Board of Directors for the purposes of resource allocation and assessment of segment performance.

c) Segment assets

For the purposes of monitoring segment performance and allocating resources between segments, the Board of Directors monitors the total and non-current assets attributable to each segment. Goodwill is allocated based on separately identifiable Cash Generating Units. Assets used jointly by reportable segments are allocated on the basis of the revenues earned by individual reportable segments.

The segment information has been provided on the following page.

Emirates Telecommunications Group Company PJSC

Notes to the condensed consolidated interim financial information for the six month period ended 30 June 2022

4. Segmental information (continued)

	UAE AED'000	International				Eliminations AED'000	Consolidated AED'000
		Morocco AED'000	Egypt AED'000	Pakistan AED'000	Others AED'000		
Six months ended 30 June 2022							
Revenue							
External revenue	15,911,729	3,326,476	2,498,619	1,365,431	3,224,574	-	26,326,829
Inter-segment revenue	127,262	153,407	24,702	58,213	49,082	(412,666)	-
Total revenue	16,038,991	3,479,883	2,523,321	1,423,644	3,273,656	(412,666)	26,326,829
Segment result	6,838,253	1,187,551	641,450	(111,554)	999,816	-	9,555,516
Federal royalty							(2,876,891)
Finance and other income							503,475
Finance and other costs							(1,298,624)
Profit before tax							5,883,476
Income tax expenses							(832,639)
Profit for the period							5,050,837
Total assets at 30 June 2022	84,773,460	29,308,453	9,879,116	11,272,496	17,210,607	(13,962,836)	138,481,296

Six months ended 30 June 2021

Revenue							
External revenue	15,361,702	3,653,484	2,335,515	1,559,391	3,525,359	-	26,435,451
Inter-segment revenue	130,298	170,922	21,528	37,956	50,136	(410,840)	-
Total revenue	15,492,000	3,824,406	2,357,043	1,597,347	3,575,495	(410,840)	26,435,451
Segment result	6,687,724	1,257,401	566,426	39,225	881,235	-	9,432,011
Federal royalty							(2,802,790)
Finance and other income							484,956
Finance and other costs							(576,156)
Profit before tax							6,538,021
Taxation							(896,759)
Profit for the period							5,641,262
Total assets at 31 December 2021	68,087,168	30,625,852	11,008,944	12,606,834	17,767,603	(11,899,335)	128,197,066

Breakdown of external revenue:

The following is an analysis of the Group's external revenue

Six months ended 30 June 2022

Mobile	5,655,405	1,790,992	2,044,704	444,857	2,988,216	-	12,924,174
Fixed	5,565,619	1,294,349	166,330	661,776	219,552	-	7,907,626
Equipment	898,808	111,595	38,739	7,114	7,489	-	1,063,745
Others	3,791,897	129,540	248,846	251,685	9,316	-	4,431,284
Total	15,911,729	3,326,475	2,498,619	1,365,432	3,224,574	-	26,326,829

Six months ended 30 June 2021

Mobile	5,263,816	2,005,995	1,918,093	549,965	3,242,714	-	12,980,583
Fixed	5,561,414	1,402,963	143,053	750,090	244,610	-	8,102,130
Equipment	1,034,600	112,618	38,276	8,055	8,076	-	1,201,625
Others	3,501,872	131,908	236,093	251,281	29,959	-	4,151,112
Total	15,361,702	3,653,484	2,335,515	1,559,391	3,525,359	-	26,435,451

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Notes to the condensed consolidated interim financial information for the six month period ended 30 June 2022

5. Operating expenses and federal royalty		Three months ended 30 June		Six months ended 30 June	
		2022	2021	2022	2021
a) Operating expenses					
	Note	AED'000	AED'000	AED'000	AED'000
Direct cost of sales		3,206,534	3,251,982	6,443,890	6,420,750
Staff costs		1,109,003	1,149,945	2,247,252	2,355,806
Depreciation		1,434,257	1,513,955	2,954,941	3,095,444
Network and other related costs		650,469	705,309	1,387,082	1,392,166
Amortisation		431,845	486,603	884,843	914,920
Regulatory expenses	(i)	363,999	354,963	753,866	755,749
Marketing expenses		201,556	248,296	439,242	473,223
Consultancy cost		153,435	170,920	309,386	319,060
Operating lease rentals		16,184	11,114	27,491	21,001
IT costs		100,719	84,509	204,982	176,281
Foreign exchange loss		155,058	24,347	150,213	93,852
Other operating expenses		307,384	351,043	592,712	686,189
Operating expenses (before federal royalty)		8,130,443	8,352,986	16,395,900	16,704,441

i) Regulatory expenses:

Regulatory expenses include ICT fund contributions required to be paid by the Company to the UAE Telecommunications Regulatory Authority (TRA) at 1% of its net regulated revenue annually.

b) Federal royalty

In accordance with the Cabinet decision No. 558/1 for the year 1991, the Company was required to pay a federal royalty, equivalent to 40% of its annual net profit before such federal royalty, to the UAE Government for use of federal facilities. With effect from 1 June 1998, Cabinet decision No. 325/28M for 1998, it was increased to 50%.

On 9 December 2012, the Cabinet of Ministers of UAE issued decision no. 320/15/23 of 2012 in respect of a new royalty mechanism applicable to the Company. Under this mechanism a distinction was made between revenue earned from services regulated by Telecommunications Regulatory Authority ("TRA") and non-regulated services as well as between foreign and local profits. The Company was required to pay 15% royalty fee on the UAE regulated revenues and 35% of net profit after deduction of the 15% royalty fee on the UAE regulated revenues. In respect of foreign profit, the 35% royalty was reduced by the amount that the foreign profit has already been subject to foreign taxes.

On 25 February 2015, the MoF issued revised guidelines (which were received by the Company on 1 March 2015) for the computation of federal royalty for the financial years ended 31 December 2014, 2015 and 2016 (the "Guidelines"). In accordance with the Guidelines, the royalty rate for 2016 was reduced to 30% of net profit after deduction of the 15% royalty fee on the UAE regulated revenues.

On 20 February 2017, the MoF announced the federal royalty scheme to be applied on the Group for the periods 2017 to 2021 ("the new royalty scheme"). According to the new royalty scheme, the Group will pay 15% royalty fees on the UAE regulated revenue and 30% royalty fees on profit generated from regulated services after deduction of the 15% royalty fees on the UAE regulated revenue. Royalty fees on profits from international operations shall be considered only if similar fees paid in the country of origin are less than the fees that could have been imposed in the UAE. Consequent to the issuance of the new royalty scheme, clarifications were obtained and correspondences were exchanged between the Group and MoF (the "Correspondence").

On 03 January 2022, the MoF issued new guidelines for the computation of federal royalty for the financial years 2022 to 2024 (the "new guidelines") with no changes to the guidelines issued previously in February 2017. Accordingly, there will be no change in the rates for payment of federal royalty by the Group in the financial years 2022 to 2024.

The mechanism for the computation of federal royalty payable for the period ended 30 June 2022 was in accordance with the new guidelines and the Correspondence.

The federal royalty has been classified as an operating expense in the consolidated interim statement of profit or loss on the basis that the expenses the Company would otherwise have had to incur for the use of the federal facilities would have been classified as operating expenses.

6. Share of results of associates and joint ventures

a) In 2019, the 15 % stake in Hutch has been classified as investment in associate on account of the significant influence Etisalat Group has over the financial and operational decisions making through its voting rights in Board meetings of Hutch.

b) On 9 December 2021 (the effective date), the Group has successfully completed the acquisition of Dubai Islamic Bank's stake in Digital Financial Services LLC (DFS) of 50.01%, increasing the Groups' ownership in DFS to 100% from 49.99%. DFS has been fully consolidated in the Group's financial statements since the effective date and equity method has been discontinued for previously held 49.99% interest in DFS from the same date.

c) On 11 February 2022, the Group signed an agreement with ADQ, Alpha Dhabi Holding and First Abu Dhabi Bank (FAB) to launch a new digital banking platform, "Wio" that received in principle approval from the Central Bank of UAE. Etisalat Group has contributed AED 639 million for exchange of a stake of 25%. The investment has been accounted for in this condensed consolidated financial information under equity method of accounting.

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Notes to the condensed consolidated interim financial information for the six month period ended 30 June 2022

6. Share of results of associates and joint ventures (continued)

d) On 20 October 2021, the Group signed a binding agreement with Group42 (G42) to combine their data centers businesses in the United Arab Emirates through creation of a new entity (JVCo) in which the Group will own 40% of shareholding while G42 will own the remaining 60% (the transaction). The transaction was completed on 29 April 2022 and the Group accounted for the investment in JVCo as an associate for an amount of AED 2,938 million.

e) On 20 May 2022 (the effective date), the Group has successfully completed the acquisition of an additional 50% stake in Smart Technology Services DWC LLC, increasing the Group's ownership to 100% from 50%. Smart Technology Services DWC LLC has been fully consolidated in the Group's consolidated financial statements since the effective date and equity method has been discontinued for the previously held 50% interest in Smart Technology Services DWC LLC from the same date. Please refer to note 26 for more information.

7. Dividends

Amounts recognised as distribution to equity holders: AED'000

Six months ended 30 June 2022

Final dividend for the year ended 31 December 2021 of AED 0.40 per share	3,477,198
	3,477,198

Six months ended 30 June 2021

Final dividend for the year ended 31 December 2020 of AED 0.40 per share	3,477,198
One-time special dividend for the year ended 31 December 2020 of AED 0.40 per share	3,477,198
	6,954,396

8. Earnings per share

	Three months ended 30 June		Six months ended 30 June	
	2022	2021	2022	2021
Earnings (AED'000)				
Earnings for the purposes of basic earnings per share being the profit attributable to the owners of the Company	2,431,165	2,395,177	4,864,988	4,745,159
Number of shares ('000)				
Weighted average number of ordinary shares for the purposes of basic earnings per share	8,696,754	8,696,754	8,696,754	8,696,754
Earnings per share				
Basic and diluted	AED 0.28	AED 0.28	AED 0.56	AED 0.55

The Group does not have potentially dilutive shares and accordingly, diluted earnings per share equals to basic earnings per share.

9. Goodwill and other intangible assets

The movement in the goodwill and other intangible assets is provided below:

	30 June 2022	31 December 2021
	AED'000	AED'000
Opening balance	25,830,041	26,276,442
Additions	726,244	1,918,098
Transfers from property, plant and equipment	-	596,810
Acquisition of a subsidiary	37,474	140,428
Disposals	(345)	(2,332)
Amortisation and impairment losses	(900,716)	(1,934,095)
Exchange difference	(2,520,488)	(1,165,310)
Closing balance	23,172,211	25,830,041

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Notes to the condensed consolidated interim financial information for the six month period ended 30 June 2022

10. Property, plant and equipment	30 June 2022	31 December 2021
	AED'000	AED'000
Opening balance	43,715,088	45,803,436
Additions	2,747,981	6,446,212
Transfer to intangible assets	-	(596,810)
Reclassified as held for sale	-	(654,940)
Disposals	(854,066)	(42,827)
Depreciation	(2,657,060)	(5,792,016)
Impairment (reversals) / charge - net	16	(68,316)
Acquisition of a subsidiary	1,330	10,124
Exchange difference	(2,685,767)	(1,390,549)
Other movements	15	774
Closing balance	40,267,537	43,715,088

11. Trade and other receivables	30 June 2022	31 December 2021
	AED'000	AED'000
Amount receivable for services rendered	11,083,659	10,878,178
Amounts due from other telecommunication operators/carriers	2,869,591	2,561,479
Total gross carrying amount	13,953,250	13,439,657
Lifetime expected credit loss	(3,648,214)	(3,373,088)
Net trade receivables	10,305,036	10,066,569
Prepayments	1,099,157	627,835
Accrued income	495,863	835,020
Advances to suppliers	1,172,516	949,028
Indirect taxes receivable	353,731	387,181
Other receivables	4,905,798	1,882,652
Net trade and other receivables	18,332,101	14,748,285
Total trade and other receivables	18,332,101	14,748,285
of which current trade and other receivables	17,783,036	14,288,386
of which non-current other receivables	549,065	459,899

12. Cash and cash equivalents	30 June 2022	31 December 2021
	AED'000	AED'000
Maintained in UAE	22,510,629	23,544,580
Maintained overseas, unrestricted in use	2,618,157	4,958,828
Maintained overseas, restricted in use	68,644	71,964
Cash and bank balances	25,197,430	28,575,372
Less: Deposits with maturities exceeding three months from the date of deposit	(16,883,984)	(8,663,852)
Cash and cash equivalents from continuing operations	8,313,446	19,911,520

Cash and cash equivalents comprise cash on hand and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. These are denominated primarily in UAE Dirham, with financial institutions and banks. Interest is earned on these investments at prevailing market rates. The carrying amount of these assets approximates to their fair value.

13. Trade and other payables	30 June 2022	31 December 2021
	AED'000	AED'000
Current		
Federal royalty	2,876,778	5,541,492
Trade payables	7,580,744	7,150,225
Amounts due from other telecommunication operators/carriers	2,972,218	3,045,623
Accruals	7,298,657	8,110,678
Other taxes payable	1,791,791	1,876,610
Advances from customers	364,706	355,462
Deferred income	226,732	304,418
Other payables and accruals	2,880,449	2,317,396
	25,992,075	28,701,904
Non-current		
Other payables	1,353,008	1,365,500
	1,353,008	1,365,500

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Notes to the condensed consolidated interim financial information for the six month period ended 30 June 2022

14. Contingent liabilities

(i) The Group and its associates are disputing certain charges from the governmental and telecom regulatory agencies and telecom operators in certain International jurisdictions but do not expect any material adverse effect on the Group's financial position and results from resolution of these disputes.

ii) In 2010, Pakistan Telecommunication Employees Trust ("PTET") board approved the pension increase which was less than the increase notified by the Government of Pakistan ("GoP"). Thereafter, pensioners filed several Writ Petitions. After a series of hearings, on 12 June 2015 the Apex Court decided the case in the interest of pensioners.

On 13 July 2015, Review Petitions were filed in Supreme Court of Pakistan by PTCL, the PTET and the GoP (together, the "Review Petitioners") against the Supreme Court Judgment.

The Supreme Court disposed the Review Petitions and directed the Review Petitioners to seek remedy under section 12(2) of the Civil Procedure Code (the "CPC"), and to pursue all grounds of law and fact in other cases pending before High Courts. The Review Petitioners have filed the applications under section 12(2) CPC before respective High Courts.

The decision of the Appeals bench of the Supreme Court on 10 May 2018 clarified that voluntary separation scheme ("VSS") pensioners are excluded from any obligation on PTCL to pay them any additional increase in pension. Notwithstanding this development, many retirees, including VSS pensioners, have continued to submit petitions before the Supreme Court. The Chief Justice of Pakistan has decided to bring the matter back for a rehearing by the Supreme Court.

Separately, the Islamabad High Court (IHC) issued a decision on 3 March 2020, in which it upheld the rights of certain retirees ("T&T retirees") to benefit from periodic government increases in pensions and additional benefits, although it also held that the same did not apply to the VSS pensioners.

In response, PTCL and PTET raised an Intra Court Appeal against the exemption granted to the T&T retirees before the Divisional Bench at the Islamabad High Court. On 24 September 2020, the Intra Court appeals were adjourned for consolidation of all Intra court Intra Court appeals before one bench. On 16 December 2020, the Islamabad High Court granted a stay of execution in favour of PTCL and PTET and postponed the case until 14 July 2021.

Islamabad High Court on 2nd November, 2021, has decided that the GOP increases are not allowed to VSS optees, PTC pensioners and to the workmen. To the extent of Civil Servants the Islamabad High Court allowed the GOP increase. However, to the same extent appeal has been filed before Apex court within the limitation.

The management of PTCL, on the advice of their lawyers, believes that PTCL's obligations against benefits is restricted to the extent of pension increases as determined solely by the Board of Trustees of the PTET in accordance with the Pakistan Telecommunications (Re-Organization) Act, 1996 and the Pension Trust rules of 2012 and accordingly, no provision has been recognized in this condensed consolidated interim financial information in respect of these proceedings.

iii) Pursuant to the restatement of Etihad Etisalat Company (Mobily) of its 2014 Financial statement, aggrieved shareholders have submitted 93 claims totaling SAR 1.907 billion (US\$508million) against the 2013/2014 members of the Mobily Board (the "Defendants") and Mobily executives (the "Executives"), and these have been filed with the CRSD.

Some of the named Defendants were nominated, by Etisalat to the 2013/14 Mobily Board. Pursuant to such nomination, these individuals are entitled to be indemnified by Etisalat for any loss or damages due to third parties made against them.

The first substantial decision in relation to such claims was issued by the CRSD in November 2020, and subsequently upheld at the Appellate level (ACRSD) in a final and binding decision issued in late December 2020. The decision exonerated the Defendants and found former members of the Mobily executives liable to compensate shareholders for violating article 49a of the Capital Market Law.

This ruling has been reflected in further shareholder cases being dismissed and the CRSD finding that the former members of the board were not liable for any losses claimed by the shareholders.

Latest developments:

- 49 shareholders claims have been dismissed (final decisions) by the CRSD/ACRSD during 2021 for a total value of SAR 1.37 billion (US\$ 366.5 million)
- There are still 11 claims pending decision before the CRSD (no decision yet) for a total value of SAR 210 million (US\$ 56 million)

(iv) On 16 December 2021, Maroc Telecom received a notice from the Commercial Court of Rabat regarding a complaint filed by Wana on unbundling and claiming MAD 6,845 million. The case is ongoing and two hearings have taken place, on 27 December 2021 and 7 February 2022.

(v) Under the REMACOTEM dispute (association of consumers of mobile networks in Mali), the Civil Court had dismissed the plaintiff in 2013, for the alleged damages suffered.

On 3 November 2021, the Bamako Court of Appeal set the total amount of damages claimed by REMACOTEM from 2011 to 2020 at MAD 2,823 million, including MAD 933 million for Sotelma, a subsidiary 51% owned by Maroc Telecom. Sotelma replied through its lawyers and a hearing was requested to annul the said judgment as well as its execution. Proceedings are ongoing before the Supreme Court.

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Notes to the condensed consolidated interim financial information for the six month period ended 30 June 2022

15. Capital Commitments

The Group has approved future capital projects and investment commitments to the extent of AED 3,499 million 2021: AED 4,755 million). The Group has issued letters of credit amounting to AED 594 million (2021: AED 489 million).

16. Related party transactions and balances

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. Transactions between the Group and other related parties are disclosed below.

a) Federal Government and state controlled entities

As stated in Note 1, in accordance with Federal Law No. 267/10 for 2009, the Federal Government of the UAE transferred its 60% holding in the Company to the Emirates Investment Authority with effect from 1 January 2008, which is ultimately controlled by the UAE Federal Government. The Group provides telecommunication services to the Federal Government (including Ministries and local bodies). These transactions are at agreed terms. The principal management and other services provided to the Group's associates are set out below based on agreed contractual terms and conditions. The credit period allowed to Government customers ranges from 90 to 120 days. Trade receivables include an amount of AED 1,732 million (31 December 2021: AED 1,586 million), which are net of allowance for doubtful debts of AED 471 million (31 December 2021: AED 424 million), receivable from Federal Ministries and local bodies. See Note 5 for disclosure of the royalty payable to the Federal Government of the UAE.

In accordance with IAS 24 "Related Party Disclosures", the Group has elected to disclose qualitatively the transactions with the UAE Federal Government and other entities over which the Federal Government exerts control, joint control or significant influence. The nature of the transactions that the Group has with such related parties is the provision of telecommunication services and procurement of services.

b) Joint ventures and associates

	Associates		Joint Ventures	
	2022	2021	2022	2021
	AED '000	AED '000	AED '000	AED '000
Trading transactions for the six months ended 30 June				
Telecommunication services – sales	171,123	175,559	-	-
Telecommunication services – purchases	51,041	33,381	15,768	11,271
Management and other services	27,544	114,752	2,507	2,923
Due from related parties as at 30 June 2022 / 31 December 2021	59,651	59,934	22,159	22,092
Due to related parties as at 30 June 2022 / 31 December 2021	-	-	-	4,733

Sales to related parties comprise of provision of telecommunication products and services (primarily voice traffic and leased circuits) by the Group based on agreed terms. Purchases relate exclusively to the provision of telecommunication products and services by associates to the Group based on normal commercial terms. The net amount due from related parties are unsecured and will be settled in cash.

The principal management and other services provided to the Group's associates are set out below based on agreed contractual terms and conditions.

i. Etihad Etisalat Company

Pursuant to the Communications and Information Technology Commission's (CITC) licensing requirements, Mobily entered into a management agreement ("the Agreement") with the Company as its operator from 23 December 2004. Amounts invoiced by the Company relate to annual management fees, fees for staff secondments and other services provided under the Agreement. The term of the Agreement was for a period of seven years and could be automatically renewed for successive periods of five years unless the Company served a 12 month notice of termination or Mobily served a 6 month notice of termination prior to the expiry of the applicable period.

The Technical Services and Support Agreement (TSSA) between the Group and Mobily expired on 31 December 2021.

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Notes to the condensed consolidated interim financial information for the six month period ended 30 June 2022

17. Borrowings

	Carrying Amounts	
	30 June	31 December
	2022	2021
	AED'000	AED'000
Bank borrowings		
Short term bank borrowings	3,670,089	4,703,535
Bank loans	25,004,499	9,258,377
Other borrowings		
Bonds	10,165,856	10,898,562
Vendor financing	296,689	323,994
Others	-	5,541
	39,137,133	25,190,009
Advance from non-controlling interests	542,277	542,276
Total borrowings	39,679,410	25,732,285
of which due within 12 months	5,207,879	6,556,178
of which due after 12 months	34,471,531	19,176,107

The carrying values of the Group's bank and other borrowings, excluding bonds, approximate their fair values. Fair values of bonds are calculated using quoted market prices.

Advance from non-controlling interests represents advance paid by the minority shareholder of Etisalat International Pakistan LLC (EIP) towards the Group's acquisition of its 26% stake in PTCL, net of repayments. The amount is interest free and is not repayable within 12 months of the condensed consolidated interim statement of financial position date and accordingly the full amount is carried in non-current liabilities. The fair value of advance is not equivalent to its carrying value as it is interest-free.

The Group has listed a USD 7 billion (AED 25.7 billion) medium-term note programme which will be used to meet medium to long-term funding requirements. In 2014, the Group issued the inaugural bonds under the GMTN programme in USD and Euro tranches amounting to USD 1 billion and Euro 2.4 billion in total, respectively. Further, in May 2015, the Group issued additional bonds amounting to USD 400 million under the existing USD 5 year tranches.

During 2019, the Group fully repaid USD 900 million notes in accordance with their maturity profile.

In May 2021, the Group issued 7 and 12 years bonds under its established USD 10 billion GMTN Programme amounting to EUR 500 million each with annual yields of 0.375 % and 0.875% respectively. The net proceeds from the issuance of the bonds have been used for the repayment of the existing 7-year tranche amounting to EUR 1.2 billion which matured in June 2021.

As at 30 June 2022, the total amounts in issue under this programme split by currency are USD 0.5 billion (AED 1.84 billion) and Euro 2.2 billion (AED 8.3 billion) as follows:

	Nominal Value 2022	Fair Value 2022	Carrying Value 2022
	AED'000	AED'000	AED'000
Bonds			
3.500% US Dollar 500 million notes due 2024	1,836,250	1,825,490	1,829,402
Bonds in net investment hedge relationship			
0.375% Euro 500 million notes due 2028	1,912,561	1,656,163	1,902,836
0.875% Euro 500 million notes due 2033	1,912,561	1,502,412	1,878,555
2.750% Euro 1,200 million notes due 2026	4,590,146	4,582,664	4,555,063
At 30 June	10,251,518	9,566,729	10,165,856
of which due within 12 months			-
of which due after 12 months			10,165,856
	Nominal Value 2021	Fair Value 2021	Carrying Value 2021
	AED'000	AED'000	AED'000
Bonds			
3.500% US Dollar 500 million notes due 2024	1,837,000	1,946,168	1,828,068
Bonds in net investment hedge relationship			
0.375% Euro 500 million notes due 2028	2,197,260	2,094,904	2,072,095
0.875% Euro 500 million notes due 2033	2,197,260	2,077,736	2,044,932
2.750% Euro 1,200 million notes due 2026	5,263,680	5,587,933	4,953,467
At 31 December	11,495,200	11,706,741	10,898,562
of which due within 12 months			-
of which due after 12 months			10,898,562

During the period the group signed a bridge loan facility of USD 7.5 billion from a consortium of banks for an amount up to USD 7.5 billion.

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Notes to the condensed consolidated interim financial information for the six month period ended 30 June 2022

18. Hedge accounting and derivatives

In prior years, Euro bonds issued (refer to Note 17) and interest rate swap have been designated as net investment hedges and cash flow hedges respectively. The effective portion of the hedge instruments is reported in the other comprehensive income as follows:

	Six months ended 30 June	
	2022	2021
Effective part directly recognized in other comprehensive income / (loss)	AED'000	AED'000
Other comprehensive income on net investment hedge	658,294	282,559
Other comprehensive income on cash flow hedges	142,574	45,800
Total effective part directly recognised in other comprehensive income	800,868	328,359
	30 June	31 December
	2022	2021
Fair value of derivative financial instruments	AED'000	AED'000
Fair value of forward contracts and options	10,456	9,024
Fair value of derivative swaps	142,134	(44,513)
	152,590	(35,489)

19. Other investments

On 14 May 2022, the group announced the acquisition of 2,766 million shares in Vodafone Group Plc, representing 9.8% of its issued shared capital (excluding treasury shares). The fair value is GBP 1.267 per share as at 30 June 2022. The investment has been classified as FVOCI.

The acquisition was funded through a bridge loan facility of USD 7.5 billion from a consortium of banks for an amount up to USD 7.5 billion.

20. Seasonality and cyclical of interim operations

There are no items of seasonal or cyclical nature in the interim operations during the periods ended 30 June 2022 or 30 June 2021.

21. Fair value disclosures

The Group has Euro bonds and cross currency swaps which are designated as net investment hedges. The Group has in place cross currency USD-EUR swaps which were designated as hedges of net investment. The fair value of the cross currency swaps were calculated by discounting the future cash flows to the net present value using appropriate market interest and prevailing foreign currency rates. The fair value of cross currency swaps represent Level 2 fair values. The Group has quoted equity investments in listed equity securities. The fair values of these equity securities are derived from quoted prices in active markets for identical assets, which in accordance with IFRS 7 Financial Instruments: Disclosure, represent Level 1 fair values. There were no transfers between Level 1 and Level 2 of the fair value hierarchy during the period.

22. Provision for employees' end of service benefits

	30 June	31 December
	2022	2021
The movement in the provision for employees' end of service benefits is provided below:	AED'000	AED'000
Opening balance	1,334,829	1,297,369
Additions	63,068	172,878
Payments - net of contributions received	(46,428)	(114,641)
Exchange difference	(89,109)	(65,748)
Unwinding of discounts	4,935	-
Remeasurement	(29,590)	44,972
Acquisition of a subsidiary	6,322	-
Closing balance	1,244,027	1,334,829
of which included in current liabilities	102,886	110,946
of which included in non-current liabilities	1,141,141	1,223,883

23. Right-of-use assets

	Land and buildings	Plant and equipment	Motor vehicles, computers, furniture	Total
	AED'000	AED'000	AED'000	AED'000
Balance at 1 January 2021	1,450,271	1,104,684	145,147	2,700,102
Additions	311,143	162,313	30,436	503,892
Disposals	(89,203)	(13,369)	(9,072)	(111,644)
Depreciation	(345,359)	(185,028)	(48,369)	(578,756)
Exchange difference	(65,583)	(5,867)	(5,223)	(76,673)
Balance at 31 December 2021 / 1 January 2022	1,261,269	1,062,733	112,919	2,436,921
Additions	454,409	180,969	19,672	655,050
Disposals	(646,416)	(65,919)	(606)	(712,941)
Depreciation	(138,367)	(93,864)	(23,201)	(255,432)
Exchange difference	(72,160)	(151,145)	(16,504)	(239,808)
Balance at 30 June 2022	858,735	932,774	92,280	1,883,792

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Emirates Telecommunications Group Company PJSC

Notes to the condensed consolidated interim financial information for the six month period ended 30 June 2022

24. Lease liabilities

	Carrying Value	
	30 June 2022	31 December 2021
	AED'000	AED'000
Details of the Group's lease liabilities are as follows:		
Contractual undiscounted cash flow		
Within one year	535,283	594,840
Between 2 and 5 years	1,587,279	1,756,965
After 5 years	1,713,384	2,012,210
Total undiscounted lease liabilities	3,835,946	4,364,015
Lease liabilities included in the consolidated statement of financial position		
of which due within 12 months	470,275	544,777
of which due after 12 months	2,252,623	2,109,273

25. Share capital

On 21 March 2018, the Etisalat Annual General Meeting approved the Company's buyback of its shares within a maximum of 5% of its paid-up capital, for the purpose of cancelling or re-selling such shares, after obtaining approval of competent authorities. The Company obtained the approval from the securities and commodities Authority on 24 September 2018 and subsequently renewed on 13 October 2019 to buyback 5% of the subscribed shares which amounted to 434,837,700 shares.

On 22 February 2021, the Board of Directors proposed the cancellation of the share buyback program and instead proposed a one-time special dividend of AED 0.40 per share which were both approved in the Etisalat Annual General Meeting held on 17 March 2021.

26. Acquisition of a subsidiary

(i) elGrocer DMCC

On 28 January 2022, the Group has completed the acquisition of 100% shareholding in elGrocer DMCC after satisfying all conditions precedent and completion deliverables pursuant to an agreement signed with elGrocer LTD against a consideration not exceeding AED 38 million.

elGrocer DMCC has been fully consolidated in this condensed consolidated financial information effective from the acquisition date of 28 January 2022.

Identifiable assets acquired and liabilities assumed

The following table summarizes the fair values of the assets acquired, liabilities assumed, as of the acquisition date on a provisional basis. The initial accounting for the business combination is under process as at the date of authorization of this condensed consolidated interim financial information which may result in identification of certain intangible assets during the purchase price allocation exercise. Accordingly, the full amount of consideration in excess of the net identifiable assets acquired has been provisionally allocated to goodwill.

	AED'000
Property, plant and equipment	193
Trade and other receivables	1,719
Bank and cash balances	2,076
Intangible assets	892
Trade and other payables	(1,499)
Net identifiable assets acquired	3,381
Goodwill recognised on the basis of fair valuation	33,705
Fair value of investment	37,086

(ii) Smart Technology Services DWC LLC "Smart World"

On 20 May 2022, Etisalat Group completed the acquisition of the remaining 50% shareholding in Smart World for an amount of AED 30 million.

The acquisition accounting has been done on a provisional basis as at the date of the authorization of these condensed consolidated interim financial information which may result in identification of certain intangible asset during the purchase price allocation exercise.

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Notes to the condensed consolidated interim financial information for the six month period ended 30 June 2022

27. Subsequent Events

a. On 22 July 2022, Maroc Telecom was notified regarding the decision of the National Telecommunications Regulatory Authority (ANRT) Management Committee relating to the liquidation of the penalty imposed on Maroc Telecom in the context of 17 January 2020's decision relating to unbundling. The amount of the penalty is set at MAD 2.45 billion (AED 900 million), and Maroc Telecom has 30 days to appeal to the Rabat Court of Appeal.

b. During the period, the Group has received letters from relevant authority in one of its jurisdictions regarding regulatory exposures which is currently being assessed.

28. Impact of COVID-19 pandemic

Business outlook since first quarter of 2020 has been affected by risks and uncertainties caused by a multitude of factors, some of which were beyond the Group's control.

In this context the Group highlights the health emergency due to the recent spread of the COVID-19 virus, which was declared a pandemic by the World Health Organization during the quarter ended 31 March 2020. To contain the adverse implications for humanity and businesses, governments around the world, including the majority of the countries where we operate and the United Arab Emirates, have in response to this outbreak announced various support measures and imposed to varying degrees restrictions on the movement of people and goods. Whilst the restriction of people and goods has adversely impacted some businesses, at present the extent of those future impacts is unclear as they will be determined by various factors, including the success of the support measures introduced by governments, businesses' ability to manage their operations during these times and the timing and manner of the easing of the restrictions.

The Group's existing documented business continuity plan was activated to ensure the safe and stable continuation of its business operations. Business Continuity Planning Committees have been formed to determine and oversee the implementation of all business continuity plans associated with the effects of COVID-19, including measures to address and mitigate any identified key operational and financial issues.

The Group has performed its assessment of the COVID-19 impact and noted that the lockdown measures led to mobility and travel restrictions. This impacted the way the Group conducts its business and put pressure on revenue as a result of stores closure, affecting the mobile prepaid segment and handset sales in addition to loss of roaming revenue due to the travel ban. Moreover, additional provisions related to trade receivables and contract assets were booked during the prior year. Based on the overall assessment, the Group has concluded that significant changes are not required as of 30 June 2022 in its key accounting judgements and estimates from those applied in the last annual consolidated financial statements as of 31 December 2021, except for updating the forward-looking assumptions relating to the macroeconomic environment used to determine the likelihood of credit losses and those underlying impairment testing computations for various CGUs.

In response to the top-line pressure, the Group was agile in implementing cost optimization initiatives to face the impact of COVID-19. At the same time, it remained focused on initiatives for the future.

Since the third and fourth quarters of 2020, as restrictions began to ease, commercial activities improved gradually. However, due to weaker macroeconomics that continue to pressure consumer and corporate spending, they generally remain below pre-COVID-19 levels. In 2020, along with other groups in Morocco, the Group's subsidiary, Maroc Telecom, contributed an amount of MAD 1.5 billion (AED 551 million) to the special fund dedicated to manage the coronavirus pandemic which is included in Finance and other costs.

The effects of COVID-19 on humanity and businesses continues to evolve, hence there are potential risks and uncertainties associated with its future impact on businesses, though the Group continues to update its plans to seek to respond to them.