

Emirates Telecommunications Group Company PJSC

Review reports and condensed consolidated interim financial information
for the nine month period ended 30 September 2022



Emirates Telecommunications Group Company PJSC

Review reports and condensed consolidated interim financial information for the nine month period ended 30 September 2022

Contents	Page(s)
Management report	1
Independent auditors' report on review of condensed consolidated interim financial information	2 - 3
Condensed consolidated interim statement of profit or loss	4
Condensed consolidated interim statement of profit or loss and other comprehensive income	5
Condensed consolidated interim statement of financial position	6
Condensed consolidated interim statement of changes in equity	7
Condensed consolidated interim statement of cash flows	8
Notes to the condensed consolidated interim financial information	9 - 22

Emirates Telecommunications Group Company PJSC

Management report on the condensed consolidated interim financial information for the nine month period ended 30 September 2022

Financial Review

1. Revenue, profit and earnings per share

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

- i) Consolidated revenue amounted to AED 39,300 million, representing a decrease of AED 430 million (1.1 %) compared to the corresponding period in the prior year.
- ii) Profit attributable to the Owners of the Company amounted to AED 7,349 million, representing an increase of AED 167 million (2.3 %) 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 9,191 million to AED 48,373 million as at 30 September 2022.

3. Capital expenditure

The Group incurred AED 5,087 million capital expenditure in the nine month period ended 30 September 2022 (AED 5,425 million in the nine month period ended 30 September 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").



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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

Introduction

We have reviewed the accompanying 30 September 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 September 2022;

the condensed consolidated interim statement of profit or loss for the three-month and nine-month periods ended 30 September 2022;

the condensed consolidated interim statement of profit or loss and other comprehensive income for the three-month and nine-month periods ended 30 September 2022;

the condensed consolidated interim statement of changes in equity for the nine-month period ended 30 September 2022;

the condensed consolidated interim statement of cash flows for the nine-month period ended 30 September 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.



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 September 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: 1 November 2022

Emirates Telecommunications Group Company PJSC

Condensed consolidated interim statement of profit or loss for the period

(Unaudited)

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2022	2021	2022	2021
		AED'000	AED'000	AED'000	AED'000
Revenue	4	12,972,876	13,293,943	39,299,705	39,729,394
Operating expenses	5	(8,021,071)	(8,351,473)	(24,416,971)	(25,055,914)
Impairment loss on trade receivables and contract assets		(193,866)	(312,592)	(669,695)	(741,414)
Impairment loss on other assets and other losses (net)		(103)	(356)	(87)	(468)
Share of results of associates and joint ventures	6	126,694	78,248	227,094	208,183
Operating profit before federal royalty		4,884,530	4,707,770	14,440,046	14,139,781
Federal royalty	5	(1,564,880)	(1,435,154)	(4,441,771)	(4,237,944)
Operating profit		3,319,650	3,272,616	9,998,275	9,901,837
Finance and other income - net		507,234	364,712	1,010,709	849,668
Finance and other costs - net		(581,489)	(271,247)	(1,880,113)	(847,403)
Profit before tax		3,245,395	3,366,081	9,128,871	9,904,102
Income tax expenses		(457,893)	(494,667)	(1,290,532)	(1,391,426)
Profit for the period		2,787,502	2,871,414	7,838,339	8,512,676
Profit attributable to:					
Owners of the Company		2,483,514	2,436,337	7,348,502	7,181,496
Non-controlling interests		303,988	435,077	489,837	1,331,180
		2,787,502	2,871,414	7,838,339	8,512,676
Earnings per share					
Basic and diluted	8	AED 0.29	AED 0.28	AED 0.84	AED 0.83

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

	Notes	Unaudited			
		Three months ended 30 September		Nine months ended 30 September	
		2022	2021	2022	2021
		AED'000	AED'000	AED'000	AED'000
Profit for the period		2,787,502	2,871,414	7,838,339	8,512,676
Other comprehensive (loss) / income					
Items that will not be reclassified to profit or loss:					
Remeasurement of defined benefit obligation - net of tax		(16,940)	11,710	11,213	(26,306)
Items that are or may be reclassified subsequently to profit or loss:					
Exchange differences on translation of foreign operations		(2,069,085)	(795,962)	(5,401,940)	(803,288)
Gain on net investment hedge during the period	18	744,395	301,943	1,402,689	584,502
Fair value gain arising on cash flow hedges during the period	18	47,827	10,960	190,401	56,760
Loss on revaluation of financial assets during the period		(4,605,327)	(1,376)	(5,084,259)	(3,826)
Total other comprehensive loss		(5,899,130)	(472,725)	(8,881,896)	(192,158)
Total comprehensive (loss) / income for the period		(3,111,628)	2,398,689	(1,043,557)	8,320,518
Total comprehensive (loss) / income attributable to:					
Owners of the Company		(2,733,551)	2,412,417	299,337	7,469,606
Non-controlling interests		(378,077)	(13,728)	(1,342,894)	850,912
		(3,111,628)	2,398,689	(1,043,557)	8,320,518

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 September	31 December
		2022	2021
		AED'000	AED'000
Non-current assets			
Goodwill and other intangible assets	9	21,276,595	25,830,041
Property, plant and equipment	10	38,582,520	43,715,088
Right-of-use assets	23	1,828,793	2,436,921
Investments in associates and joint ventures	6	8,035,050	4,452,409
Other investments	19	14,473,230	3,597,210
Other receivables	11	518,457	459,899
Finance lease receivables		638,327	123,448
Derivative financial instruments		211,315	5,171
Contract assets		547,318	460,317
Deferred tax assets		184,506	136,863
		86,296,111	81,217,367
Current assets			
Inventories		932,551	748,786
Trade and other receivables	11	14,974,566	14,288,386
Current income tax assets		428,576	725,836
Finance lease receivables		74,543	25,505
Due from related parties	16	146,135	82,026
Contract assets		1,637,182	1,389,614
Other investments		90,216	434,192
Cash and bank balances	12	26,024,332	28,575,372
Assets held for sale		-	709,982
		44,308,101	46,979,699
Total assets		130,604,212	128,197,066
Non-current liabilities			
Other payables	13	1,253,264	1,365,500
Borrowings	17	33,596,400	19,176,107
Payables related to investments and licenses		387,763	512,945
Deferred tax liabilities		1,660,857	2,155,977
Lease liabilities	24	2,166,131	2,109,273
Provisions		382,437	377,561
Provision for employees' end of service benefits	22	1,108,889	1,223,883
Contract liabilities		40,464	42,426
		40,596,205	26,963,672
Current liabilities			
Trade and other payables	13	26,210,569	28,701,904
Contract liabilities		2,758,503	3,016,756
Borrowings	17	6,543,897	6,556,178
Payables related to investments and licenses		28,470	111,272
Current income tax liabilities		337,562	312,264
Lease liabilities	24	525,388	544,777
Provisions		5,115,343	4,270,082
Provision for employees' end of service benefits	22	115,524	110,946
Derivative financial instruments	18	-	40,660
Due to related parties	16	-	4,733
		41,635,256	43,669,572
Total liabilities		82,231,461	70,633,244
Net assets		48,372,751	57,563,822
Equity			
Share capital	25	8,696,754	8,696,754
Reserves		21,552,805	28,598,188
Retained earnings		10,675,754	10,291,094
Equity attributable to the owners of the Company		40,925,313	47,586,036
Non-controlling interests		7,447,438	9,977,786
Total equity		48,372,751	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 nine month period ended 30 September 2022 (Unaudited)

	Attributable to owners of the Company						Non- controlling interests	Total equity
	Notes	Share capital AED'000	Reserves AED'000	Retained earnings AED'000	Owners' equity 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		-	-	7,181,496	7,181,496	1,331,180	8,512,676	
Other comprehensive (loss) / income for the period		-	294,216	(6,106)	288,110	(480,268)	(192,158)	
Total comprehensive income for the period		-	294,216	7,175,390	7,469,606	850,912	8,320,518	
Other movements in equity		-	604	(18)	586	(142)	444	
<i>Transaction with owners of the Company:</i>								
Repayment of advance to non-controlling interest		-	-	-	-	(67,274)	(67,274)	
Dividends	7	-	-	(10,431,594)	(10,431,594)	(1,239,884)	(11,671,478)	
Balance at 30 September 2021		8,696,754	28,695,400	8,680,383	46,072,537	11,059,694	57,132,231	
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		-	-	7,348,502	7,348,502	489,837	7,838,339	
Other comprehensive (loss) / income for the period		-	(7,060,355)	11,190	(7,049,165)	(1,832,731)	(8,881,896)	
Total comprehensive (loss) / income for the period		-	(7,060,355)	7,359,692	299,337	(1,342,894)	(1,043,557)	
Transfer of fair value reserve of equity instruments designated at FVOCI			15,855	(15,855)	-	-	-	
Other movements in equity		-	(883)	(4,781)	(5,664)	(21,374)	(27,038)	
<i>Transaction with owners of the Company:</i>								
Dividends	7	-	-	(6,954,396)	(6,954,396)	(1,166,080)	(8,120,476)	
Balance at 30 September 2022		8,696,754	21,552,805	10,675,754	40,925,313	7,447,438	48,372,751	

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 cash flows for the period

	Notes	Unaudited nine months ended 30 September	
		2022	2021
		AED'000	AED'000
Cash flows from operating activities			
Operating profit		9,998,275	9,901,837
<i>Adjustments for:</i>			
Depreciation		4,359,719	4,657,177
Amortisation		1,309,945	1,352,391
Impairment loss on other assets and other losses (net)		103	468
Share of results of associates and joint ventures		(227,094)	(208,183)
Provisions and allowances		(1,313,434)	98,257
Unrealised currency translation (gain)		(1,147,219)	(748,662)
Operating cash flows before changes in working capital		12,980,295	15,053,285
<i>Changes in working capital:</i>			
Inventories		(255,386)	(51,559)
Due from associates and joint ventures		(64,108)	(137,180)
Trade and other receivables including contract assets		(2,618,518)	(1,229,163)
Trade and other payables including contract liabilities		51,274	(1,073,187)
Cash generated from operations		10,093,557	12,562,196
Income taxes paid		(1,308,266)	(1,701,269)
Payment of employees' end of service benefits		(74,791)	(65,894)
Net cash generated from operating activities		8,710,500	10,795,033
Cash flows from investing activities			
Acquisition of a subsidiary (net of cash)	26	(54,054)	-
Investment in an associate	6	(638,889)	-
(Acquisition) of/ proceeds from investment classified as FVTOCI		(16,088,797)	1,655
Acquisition of investment classified as FVPTL		(896)	(761,691)
Proceeds from disposal of investment classified as fair value through profit or loss		347,701	1,842,915
Acquisition of other investments		(54,836)	(70,657)
Acquisition of investments at amortised cost		(92,018)	(649,278)
Disposal of investments at amortised cost		129,538	183,958
Purchase of property, plant and equipment		(4,163,890)	(3,618,302)
Proceeds from disposal of property, plant and equipment		65,487	22,455
Purchase of intangible assets		(923,424)	(1,807,079)
Proceeds from disposal of intangible assets		1,062	645
Dividend income received from associates and other investments		332,770	124,340
Term deposits made with maturities over three months	12	(25,666,816)	(9,863,710)
Term deposits matured with maturities over three months	12	10,468,766	20,992,376
Cash flows from unwinding of derivative financial instruments		(22,549)	3,413
Finance and other income received		756,479	693,685
Net cash (used in) / generated from investing activities		(35,604,366)	7,094,725
Cash flows from financing activities			
Proceeds from borrowings		22,991,762	8,053,679
Repayments of borrowings		(5,706,832)	(9,193,755)
Payment of lease liabilities		(484,765)	(449,562)
Equity repayment to non-controlling interests for acquisition of a subsidiary		-	(67,274)
Dividends paid		(7,973,465)	(11,568,574)
Finance and other costs paid		(546,197)	(704,070)
Net cash generated from / (used in) financing activities		8,280,503	(13,929,556)
Net (decrease) / increase in cash and cash equivalents		(18,613,363)	3,960,202
Cash and cash equivalents at the beginning of the period		19,911,520	13,205,530
Effect of exchange rate fluctuations on cash held		1,104,442	781,396
Cash and cash equivalents at the end of the period	12	2,402,599	17,947,128

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

Notes to the condensed consolidated interim financial information for the nine month period ended 30 September 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 nine months ended 30 September 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 November 2022.

Emirates Telecommunications Group Company PJSC

Notes to the condensed consolidated interim financial information for the nine month period ended 30 September 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.

On 20 September 2021, the UAE Federal Decree Law No. (32) of 2021 was issued and came into effect on 2 January 2022 which repealed the UAE Federal Law No. (2) of 2015. Companies have (1) one year from 2 January 2022 to comply with the provisions of the UAE Federal Decree Law No. (32) of 2021. The Company's annual general assembly approved in its last meeting held on 5th April 2022 the amendments to its Articles of Association, in order to be compliant with the UAE Federal Decree Law No. (32) of 2021, and such amendments were also approved by Telecommunications and Digital Government Regulatory Authority (TDRA) via its Chairman resolution No. 18 of 2022 dated 27 June 2022 and published in the Official Gazette No 730 issued on 30 June 2022.

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.

Emirates Telecommunications Group Company PJSC

Notes to the condensed consolidated interim financial information for the nine month period ended 30 September 2022

3. Significant accounting policies (continued)

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.

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.

Emirates Telecommunications Group Company PJSC

Notes to the condensed consolidated interim financial information for the nine month period ended 30 September 2022

4. Segmental information *(continued)*

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").

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 nine month period ended 30 September 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		
Nine months ended 30 September 2022							
Revenue							
External revenue	23,800,363	4,783,239	3,759,724	1,968,850	4,987,529	-	39,299,705
Inter-segment revenue	190,420	338,988	42,433	87,166	73,919	(732,926)	-
Total revenue	23,990,783	5,122,227	3,802,157	2,056,016	5,061,448	(732,926)	39,299,705
Segment result	10,265,896	1,854,161	1,018,834	(174,638)	1,475,793	-	14,440,046
Federal royalty							(4,441,771)
Finance and other income							1,010,709
Finance and other costs							(1,880,113)
Profit before tax							9,128,871
Income tax expenses							(1,290,532)
Profit for the period							7,838,339
Total assets at 30 September 2022	79,038,903	27,052,474	9,634,623	10,128,332	15,700,973	(10,951,093)	130,604,212

Nine months ended 30 September 2021

Revenue							
External revenue	22,947,039	5,568,014	3,623,586	2,310,221	5,280,534	-	39,729,394
Inter-segment revenue	196,334	254,148	36,841	58,003	77,251	(622,577)	-
Total revenue	23,143,373	5,822,162	3,660,427	2,368,224	5,357,785	(622,577)	39,729,394
Segment result	9,926,802	1,968,117	943,609	44,821	1,256,432	-	14,139,781
Federal royalty							(4,237,944)
Finance and other income							849,668
Finance and other costs							(847,403)
Profit before tax							9,904,102
Taxation							(1,391,426)
Profit for the period							8,512,676
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

Nine months ended 30 September

2022							
Mobile	8,520,647	2,463,401	3,082,600	638,169	4,619,516	-	19,324,333
Fixed	8,356,749	1,892,636	238,712	954,326	324,683	-	11,767,106
Equipment	1,324,360	235,370	53,349	9,810	7,314	-	1,630,203
Others	5,598,607	191,832	385,063	366,545	36,016	-	6,578,063
Total	23,800,363	4,783,239	3,759,724	1,968,850	4,987,529	-	39,299,705

Nine months ended 30 September

2021							
Mobile	7,969,254	3,090,386	2,980,197	813,719	4,830,041	-	19,683,597
Fixed	8,340,039	2,098,746	223,211	1,109,368	361,109	-	12,132,473
Equipment	1,433,713	181,773	57,989	12,035	13,285	-	1,698,795
Others	5,204,033	197,109	362,189	375,099	76,099	-	6,214,529
Total	22,947,039	5,568,014	3,623,586	2,310,221	5,280,534	-	39,729,394

Emirates Telecommunications Group Company PJSC

Notes to the condensed consolidated interim financial information for the nine month period ended 30 September 2022

5. Operating expenses and federal royalty	Three months ended 30 September		Nine months ended 30 September	
	2022	2021	2022	2021
a) Operating expenses				
	Note	AED'000	AED'000	AED'000
Direct cost of sales		3,217,518	3,130,666	9,661,408
Staff costs		1,022,809	1,161,789	3,270,061
Depreciation		1,404,778	1,561,733	4,359,719
Network and other related costs		695,510	699,682	2,082,592
Amortisation		425,102	437,471	1,309,945
Regulatory expenses	(i)	364,217	408,314	1,118,083
Marketing expenses		191,703	251,986	630,945
Consultancy cost		133,033	141,074	442,419
Operating lease rentals		17,122	8,249	44,613
IT costs		105,855	113,118	310,837
Foreign exchange loss		126,713	112,208	276,926
Other operating expenses		316,711	325,183	909,423
Operating expenses (before federal royalty)		8,021,071	8,351,473	24,416,971

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 September 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 Group's 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 accounting 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.

Emirates Telecommunications Group Company PJSC

Notes to the condensed consolidated interim financial information for the nine month period ended 30 September 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
Nine months ended 30 September 2022	
First interim dividend for the year ending 31 December 2022 of AED 0.40 per share	3,477,198
Final dividend for the year ended 31 December 2021 of AED 0.40 per share	3,477,198
	6,954,396
Nine months ended 30 September 2021	
First interim dividend for the year ending 31 December 2021 of AED 0.40 per share	3,477,198
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
	10,431,594

8. Earnings per share

	Three months ended 30 September		Nine months ended 30 September	
	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	2,483,514	2,436,337	7,348,502	7,181,496
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 0.29	AED 0.28	AED 0.84	AED 0.83

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 September 2022	31 December 2021
	AED'000	AED'000
Opening balance	25,830,041	26,276,442
Additions	923,424	1,918,098
Transfers from property, plant and equipment	-	596,810
Acquisition of a subsidiary	37,474	140,428
Disposals	(1,062)	(2,332)
Amortisation and impairment losses	(1,333,459)	(1,934,095)
Exchange difference	(4,179,823)	(1,165,310)
Closing balance	21,276,595	25,830,041

Emirates Telecommunications Group Company PJSC

Notes to the condensed consolidated interim financial information for the nine month period ended 30 September 2022

10. Property, plant and equipment	30 September 2022	31 December 2021
	AED'000	AED'000
Opening balance	43,715,088	45,803,436
Additions	4,163,890	6,446,212
Transfer to intangible assets	-	(596,810)
Reclassified as held for sale	-	(654,940)
Disposals	(850,282)	(42,827)
Depreciation	(3,925,750)	(5,792,016)
Impairment (reversals) / charge - net	(87)	(68,316)
Acquisition of a subsidiary	1,330	10,124
Exchange difference	(4,521,706)	(1,390,549)
Other movements	37	774
Closing balance	38,582,520	43,715,088

11. Trade and other receivables	30 September 2022	31 December 2021
	AED'000	AED'000
Amount receivable for services rendered	10,950,819	10,878,178
Amounts due from other telecommunication operators/carriers	2,884,938	2,561,479
Total gross carrying amount	13,835,757	13,439,657
Lifetime expected credit loss	(3,761,566)	(3,373,088)
Net trade receivables	10,074,191	10,066,569
Prepayments	888,471	627,835
Accrued income	580,374	835,020
Advances to suppliers	1,119,998	949,028
Indirect taxes receivable	349,318	387,181
Other receivables	2,480,671	1,882,652
Net trade and other receivables	15,493,023	14,748,285
Total trade and other receivables	15,493,023	14,748,285
of which current trade and other receivables	14,974,566	14,288,386
of which non-current other receivables	518,457	459,899

12. Cash and cash equivalents	30 September 2022	31 December 2021
	AED'000	AED'000
Maintained in UAE	23,805,447	23,544,580
Maintained overseas, unrestricted in use	2,154,405	4,958,828
Maintained overseas, restricted in use	64,480	71,964
Cash and bank balances	26,024,332	28,575,372
Less: Deposits with maturities exceeding three months from the date of deposit	(23,621,733)	(8,663,852)
Cash and cash equivalents from continuing operations	2,402,599	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 September 2022	31 December 2021
	AED'000	AED'000
Current		
Federal royalty	4,441,658	5,541,492
Trade payables	6,933,245	7,150,225
Amounts due from other telecommunication operators/carriers	3,051,490	3,045,623
Accruals	7,252,180	8,110,678
Other taxes payable	1,643,632	1,876,610
Advances from customers	337,021	355,462
Deferred income	270,334	304,418
Other payables and accruals	2,281,009	2,317,396
	26,210,569	28,701,904
Non-current		
Other payables	1,253,264	1,365,500
	1,253,264	1,365,500

Emirates Telecommunications Group Company PJSC

Notes to the condensed consolidated interim financial information for the nine month period ended 30 September 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 Supreme 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 9 claims pending decision before the CRSD (no decision yet) for a total value of (US\$ 42 million)
- There are 2 claims pending at ACRSD, for a value of US\$ 14 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 last hearing took place on 17 October 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.

Emirates Telecommunications Group Company PJSC

Notes to the condensed consolidated interim financial information for the nine month period ended 30 September 2022

15. Capital Commitments

The Group has approved future capital projects and investment commitments to the extent of AED 4,810 million (2021: AED 4,755 million). The Group has issued letters of credit amounting to AED 400 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 1,599 million (31 December 2021: AED 1,586 million), which are net of allowance for doubtful debts of AED 482 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 nine months ended 30 September				
Telecommunication services – sales	205,123	206,731	-	-
Telecommunication services – purchases	78,539	34,016	15,768	16,604
Management and other services	37,839	114,200	3,996	4,814
Due from related parties as at 30 September 2022 / 31 December 2021	121,195	59,934	24,940	22,092
Due to related parties as at 30 September 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.

Emirates Telecommunications Group Company PJSC

Notes to the condensed consolidated interim financial information for the nine month period ended 30 September 2022

17. Borrowings

	Carrying Amounts	
	30 September	31 December
	2022	2021
	AED'000	AED'000
Bank borrowings		
Short term bank borrowings	4,721,360	4,703,535
Bank loans	25,062,713	9,258,377
Other borrowings		
Bonds	9,522,758	10,898,562
Vendor financing	291,190	323,994
Others	-	5,541
	39,598,021	25,190,009
Advance from non-controlling interests	542,276	542,276
Total borrowings	40,140,297	25,732,285
of which due within 12 months	6,543,897	6,556,178
of which due after 12 months	33,596,400	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 September 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 7.77 billion) as follows:

	Nominal	Fair	Carrying
	Value	Value	Value
	2022	2022	2022
	AED'000	AED'000	AED'000
Bonds			
3.500% US Dollar 500 million notes due 2024	1,836,250	1,795,540	1,829,402
Bonds in net investment hedge relationship			
0.375% Euro 500 million notes due 2028	1,764,777	1,496,054	1,756,182
0.875% Euro 500 million notes due 2033	1,764,777	1,364,331	1,734,083
2.750% Euro 1,200 million notes due 2026	4,235,463	4,130,890	4,203,091
At 30 September	9,601,267	8,786,815	9,522,758
of which due within 12 months			-
of which due after 12 months			9,522,758
	Nominal	Fair	Carrying
	Value	Value	Value
	2021	2021	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.

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Emirates Telecommunications Group Company PJSC

Notes to the condensed consolidated interim financial information for the nine month period ended 30 September 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 is as follow:

	Nine months ended 30 September	
	2022	2021
Effective part directly recognized in other comprehensive income	AED'000	AED'000
Other comprehensive income on net investment hedge	1,402,689	584,502
Other comprehensive income on cash flow hedges	190,401	56,760
Total effective part directly recognised in other comprehensive income	1,593,090	641,262
	30 September	31 December
	2022	2021
Fair value of derivative financial instruments	AED'000	AED'000
Fair value of forward contracts and options	10,043	9,024
Fair value of derivative swaps	201,272	(44,513)
	211,315	(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 1.0161 per share as at 30 September 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.

20. Seasonality and cyclicity of interim operations

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

	30 September	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	118,730	172,878
Payments - net of contributions received	(73,849)	(114,641)
Exchange difference	(157,616)	(65,748)
Unwinding of discounts	7,210	-
Remeasurement	(11,213)	44,972
Acquisition of a subsidiary	6,322	-
Closing balance	1,224,413	1,334,829
of which included in current liabilities	115,524	110,946
of which included in non-current liabilities	1,108,889	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	526,426	304,956	42,680	874,062
Disposals	(628,929)	(66,581)	(15,761)	(711,271)
Depreciation	(244,275)	(146,956)	(40,399)	(431,630)
Exchange difference	(132,742)	(189,984)	(16,563)	(339,289)
Balance at 30 September 2022	781,749	964,168	82,876	1,828,793

Emirates Telecommunications Group Company PJSC

Notes to the condensed consolidated interim financial information for the nine month period ended 30 September 2022

24. Lease liabilities

	Carrying Value	
	30 September 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	685,040	594,840
Between 2 and 5 years	2,084,981	1,756,965
After 5 years	1,396,282	2,012,210
Total undiscounted lease liabilities	4,166,303	4,364,015
Lease liabilities included in the consolidated statement of financial position		
of which due within 12 months	525,388	544,777
of which due after 12 months	2,166,131	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) eIGrocer DMCC

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

eIGrocer 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.

Emirates Telecommunications Group Company PJSC

Notes to the condensed consolidated interim financial information for the nine month period ended 30 September 2022

27. Significant events

Following the notification on 22 July 2022 of the decision of the ANRT's Management Committee relating to the liquidation of the penalty imposed on Maroc Telecom in connection with the 17 January 2020 decision relating to unbundling, Maroc Telecom proceeded to pay the amount of the penalty set at MAD 2.45 billion (AED 900 million). The appeal filed with the Court of Appeal against the said decision is still under investigation.

28. Subsequent events

On 17 October 2022, the consortium comprising Emirates Cable TV and Multimedia (E-Vision), subsidiary of e&, and ADQ, an Abu Dhabi-based investment and holding company, has successfully completed the acquisition of circa 57% of STARZPLAY ARABIA, a leading Subscription Video on Demand (SVOD) and streaming service provider in the Middle East and North Africa (MENA).

The consortium, of which E-Vision owns 66.7%, acquired the controlling stake in STARZPLAY ARABIA. E-Vision is committed to pay up to USD 130 million in cash and in-kind, including a component linked to an earn-out. STARZPLAY ARABIA will be consolidated into E-Vision's financial statements effective from October 2022.