Emirates Telecommunications Group Company PJSC

Review reports and condensed consolidated interim financial information

for the three month period ended 31 March 2021

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Management report on the condensed consolidated interim financial information for the three month period ended 31 March 2021

Financial Review

1. Revenue, profit and earnings per share

The Group's financial performance for the three month period ended 31 March 2021 is summarised below:

i) Consolidated revenue amounted to AED 13,220 million, representing an increase of AED 106 million (0.8 %) compared to the corresponding period in the prior year.

ii) Profit attributable to the Owners of the Company amounted to AED 2,350 million, representing an increase of AED 171 million (7.9 %) when compared to the corresponding period in the prior year.

iii) Earnings per share increased by AED 0.02 when compared to the corresponding period in the prior year."

2. Net assets

As compared to 31 December 2020, the Group's net assets decreased by AED 4,111 million to AED 56,439 million as at 31 March 2021.

3. Capital expenditure

The Group incurred AED 1,078 million capital expenditure in the three month period ended 31 March 2021 (AED 1,079 million in the three month period ended 31 March 2020).

4. Dividends

A final dividend for the year 2020 at the rate of AED 0.40 per share was approved for distribution to the shareholders registered at the close of business on 31 March 2021. In addition a one-time special dividend of AED 0.40 per share was also approved. This brought the total dividend for the year 2020 to AED 1.20 per share.

Emirates Telecommunications Group Company PJSC

Condensed consolidated interim statement of profit or loss for the period

		(Reviewed) Three months ended 31 March	
		2021	2020
	Notes	AED'000	AED'000
Revenue	4	13,219,734	13,113,445
Operating expenses	5	(8,351,455)	(8,027,767)
Impairment loss on trade receivables and contract assets		(182,143)	(354,040)
Impairment loss on other assets - net		(266)	(96)
Share of results of associates and joint ventures	6	61,480	30,712
Operating profit before federal royalty		**4,747,350**	**4,762,254**
Federal royalty	5	(1,386,691)	(1,455,177)
Operating profit		**3,360,659**	**3,307,077**
Finance and other income		201,057	90,844
Finance and other costs		(373,832)	(505,319)
Profit before tax		**3,187,884**	**2,892,602**
Income tax expenses		(366,645)	(357,702)
Profit for the period		**2,821,239**	**2,534,900**
Profit attributable to:			
Owners of the Company		2,349,982	2,178,616
Non-controlling interests		471,257	356,284
		2,821,239	**2,534,900**
Earnings per share			
Basic and diluted	8	AED 0.27	AED 0.25

The accompanying notes on pages 9 to 21 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 profit or loss and other comprehensive income for the period

		(Reviewed) Three months ended 31 March	
		2021	2020
	Notes	AED'000	AED'000
Profit for the period		2,821,239	2,534,900
Other comprehensive (loss) / income			
Items that will not be reclassified to profit or loss:			
Remeasurement of defined benefit obligation - net of tax		(29,891)	5,497
Items that are or may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		(283,862)	(882,204)
Gain on net investment hedge during the period	18	481,610	382,715
Fair value gain / (loss) arising on cash flow hedges during the period		38,102	(83,305)
Loss on revaluation of financial assets during the period		(6,491)	(5,350)
Total other comprehensive income / (loss)		**199,468**	**(582,647)**
Total comprehensive income for the period		**3,020,707**	**1,952,253**
Total comprehensive income / (loss) attributable to:			
Owners of the Company		2,577,603	1,978,495
Non-controlling interests		443,104	(26,242)
		3,020,707	**1,952,253**

The accompanying notes on pages 9 to 21 form an integral part of the condensed consolidated interim financial information.
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Emirates Telecommunications Group Company PJSC

Condensed consolidated interim statement of financial position

	Notes	(Reviewed) 31 March 2021 AED'000	(Audited) 31 December 2020 AED'000
Non-current assets			
Goodwill and other intangible assets	9	25,512,687	26,276,442
Property, plant and equipment	10	45,299,725	45,803,436
Right-of-use assets	22	2,651,679	2,700,102
Investments in associates and joint ventures		4,311,487	4,250,007
Other investments		3,341,577	3,160,512
Other receivables	11	372,380	343,459
Finance lease receivables		163,950	159,535
Contract assets		451,950	450,242
Deferred tax assets		178,367	175,489
		82,283,802	**83,319,224**
Current assets			
Inventories		822,403	704,908
Trade and other receivables	11	14,969,898	14,572,812
Current income tax assets		653,025	630,896
Other investments		1,058,270	1,074,823
Due from related parties		203,386	75,300
Contract assets		1,365,526	1,295,065
Cash and bank balances	12	33,530,186	31,344,883
		52,602,694	**49,698,687**
Total assets		**134,886,496**	**133,017,911**
Non-current liabilities			
Other payables	13	1,412,109	1,407,792
Borrowings	17	13,346,395	13,819,946
Payables related to investments and licenses		73,634	73,155
Derivative financial instruments	18	4,620	16,027
Deferred tax liabilities		2,447,246	2,540,592
Lease liabilities	23	2,163,191	2,211,130
Provisions		343,658	345,572
Provision for employees' end of service benefits	21	1,259,004	1,194,993
Contract liabilities		34,917	30,885
		21,084,774	**21,640,092**
Current liabilities			
Trade and other payables	13	36,336,752	29,040,664
Contract liabilities		3,195,515	3,055,458
Borrowings	17	11,975,268	12,881,074
Payables related to investments and licenses		32,796	11,022
Current income tax liabilities		316,135	278,074
Lease liabilities	23	560,409	573,748
Provisions		4,735,102	4,652,246
Provision for employees' end of service benefits	21	102,880	102,376
Derivative financial instruments	18	104,864	149,053
Due to related parties		3,084	84,083
		57,362,805	**50,827,798**
Total liabilities		**78,447,579**	**72,467,890**
Net assets		**56,438,917**	**60,550,021**
Equity			
Share capital	24	8,696,754	8,696,754
Reserves		28,638,291	28,400,580
Retained earnings		7,329,278	11,936,605
Equity attributable to the owners of the Company		**44,664,323**	**49,033,939**
Non-controlling interests		11,774,594	11,516,082
Total equity		**56,438,917**	**60,550,021**

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 21 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 changes in equity for the three month period ended 31 March 2021 (Reviewed)

		Attributable to owners of the Company					
		Share capital	Reserves	Retained earnings	Owners' equity	Non-controlling interests	Total equity
	Notes	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
Balance at 1 January 2020		**8,696,754**	**27,812,896**	**10,101,659**	**46,611,309**	**11,155,790**	**57,767,099**
Profit for the period		-	-	2,178,616	2,178,616	356,284	2,534,900
Other comprehensive (loss) / income for the period		-	(205,618)	5,497	(200,121)	(382,526)	(582,647)
Other movements in equity		-	-	903	903	4,149	5,052
Transactions with owners of the Company:							
Dividends	7	-	-	(3,477,198)	(3,477,198)	(173,401)	(3,650,599)
Balance at 31 March 2020		**8,696,754**	**27,607,278**	**8,809,477**	**45,113,509**	**10,960,296**	**56,073,805**
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		-	-	2,349,982	2,349,982	471,257	2,821,239
Other comprehensive income / (loss) for the period		-	237,994	(10,373)	227,621	(28,153)	199,468
Other movements in equity		-	(283)	7,460	7,177	(1,107)	6,070
Transactions with owners of the Company:							
Dividends	7	-	-	(6,954,396)	(6,954,396)	(183,485)	(7,137,881)
Balance at 31 March 2021		**8,696,754**	**28,638,291**	**7,329,278**	**44,664,323**	**11,774,594**	**56,438,917**

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Emirates Telecommunications Group Company PJSC

Condensed consolidated interim statement of cash flows for the three month period ended 31 March 2021

	Notes	Reviewed three-month ended 31 March 2021 AED'000	2020 AED'000
Cash flows from operating activities			
Operating profit		3,360,659	3,307,077
Adjustments for:			
Depreciation		1,581,489	1,545,013
Amortisation		428,317	404,534
Impairment and other losses		266	96
Share of results of associates and joint ventures		(61,480)	(30,712)
Provisions and allowances		74,082	(1,267,484)
Unrealised currency translation gain		(548,069)	(324,077)
Operating cash flows before changes in working capital		**4,835,264**	**3,634,447**
Changes in working capital:			
Inventories		(115,131)	2,066
Due from associates and joint ventures		(128,078)	(145,931)
Trade and other receivables including contract assets		(499,185)	23,965
Trade and other payables including contract liabilities		249,578	1,070,501
Cash generated from operations		**4,342,448**	**4,585,047**
Income taxes paid		(401,376)	(402,032)
Payment of end of service benefits		(16,422)	(9,141)
Net cash generated from operating activities		**3,924,650**	**4,173,875**
Cash flows from investing activities			
Acquisition of a subsidiary (net of cash)	25	-	(153,059)
Acquisition of investment classified as fair value through profit or loss		(2,041)	(142,065)
Proceeds from disposal of investment classified as fair value through profit or loss		1,223	-
Acquisition of other investments		(8,392)	-
Acquisition of investments at amortised cost		(247,817)	-
Disposal of investments at amortised cost		401	-
Purchase of property, plant and equipment		(915,217)	(788,406)
Proceeds from disposal of property, plant and equipment		376,527	21,647
Purchase of intangible assets		(163,276)	(290,797)
Proceeds from disposal of intangible assets		679	33,460
Dividend income received from associates and other investments		23,672	49,555
Term deposits made with maturities over three months	12	(2,106,511)	(5,955,787)
Term deposits matured with maturities over three months	12	10,287,227	19,000,080
Cash flows from unwinding of derivative financial instruments		(5,796)	8,139
Finance and other income received		210,671	364,486
Net cash generated from investing activities		**7,451,350**	**12,147,254**
Cash flows from financing activities			
Proceeds from borrowings		739,660	1,946,673
Repayments of borrowings		(1,493,747)	(1,032,990)
Payment of lease liabilities		(223,944)	(247,461)
Dividends paid		(4,836)	(13,773)
Finance and other costs paid		(238,785)	(213,129)
Net cash (used in) / generated from financing activities		**(1,221,652)**	**439,320**
Net increase in cash and cash equivalents		**10,154,348**	**16,760,447**
Cash and cash equivalents at the beginning of the period		13,205,530	2,827,314
Effect of exchange rate fluctuations on cash held		184,183	227,844
Cash and cash equivalents at the end of the period	12	**23,544,061**	**19,815,605**

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The independent auditors' review report is set out on pages 2 to 3.

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 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 Decree by Federal Law no. 3 of 2015 ("the New Law") has amended certain provisions of the Federal Law No. (1) of 1991 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 New Law or New AoA. Accordingly, the name of the corporation has been changed to Emirates Telecommunications Group Company PJSC.

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. The Group is in the process of reviewing the new provisions and will apply the applicable requirements thereof no later than one year from the date on which the amendments came into effect.

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 or the ownership of the UAE telecommunication network. 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 Etisalat 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. Etisalat 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 which was approved in Etisalat Group's Annual General Meeting held on 17 March 2021 subject to the approval of competent authorities.

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 three months ended 31 March 2021 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 28 April 2021.

2. Basis of preparation

This condensed consolidated interim financial information has been prepared in accordance with IAS 34 *Interim Financial Reporting*. 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 2020. 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.

2. Basis of preparation *(continued)*

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 2020.

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 2020.

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 2020.

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.

- Interest Rate Benchmark Reform – *Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)*

- IFRS 16 Leases – *COVID 19 Rent Concessions – Relief for Lessees*

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

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**
Onerous Contracts – *Cost of Fulfilling a Contract (Amendments to IAS 37)*	1 January 2022
Annual Improvements to IFRS Standards 2018-2020	1 January 2022
Property, Plant and Equipment: Proceeds before Intended Use *(Amendments to IAS 16)*	1 January 2022
Reference to the Conceptual Framework *(Amendments to IFRS 3)*	1 January 2022
IFRS 17 Insurance contracts	1 January 2023
Amendments to IFRS 17	1 January 2023
Classification of liabilities as current or non-current *(Amendments to IAS 1)*	1 January 2023
Sale or contribution of assets between an investor and its associate or joint venture *(Amendments to IFRS 10 and IAS 28)*	Optional

Management anticipates that the application of the above amendments in future periods will have no material impact on the condensed consolidated interim financial information of the Group in the period of initial application.

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").

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.

4. Segmental information *(continued)*

		International					
	UAE	Morocco	Egypt	Pakistan	Others	Eliminations	Consolidated
	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
Three months ended 31 March 2021							
Revenue							
External revenue	7,737,875	1,820,875	1,124,747	769,543	1,766,694	-	13,219,734
Inter-segment revenue	63,796	128,437	5,797	19,412	23,744	(241,186)	-
Total revenue	**7,801,671**	**1,949,312**	**1,130,544**	**788,955**	**1,790,438**	**(241,186)**	**13,219,734**
Segment result	**3,415,137**	**617,974**	**255,168**	**26,448**	**432,623**	**-**	**4,747,350**
Federal royalty							(1,386,691)
Finance and other income							201,057
Finance and other costs							(373,832)
Profit before tax							**3,187,884**
Income tax expenses							(366,645)
Profit for the period							**2,821,239**
Total assets at 31 March 2021	74,307,811	33,009,098	10,692,002	12,352,536	18,458,496	(13,933,447)	134,886,496
Three months ended 31 March 2020							
Revenue							
External revenue	7,937,861	1,821,253	986,241	724,953	1,643,137	-	13,113,445
Inter-segment revenue	53,958	128,086	17,186	22,425	21,261	(242,916)	-
Total revenue	**7,991,819**	**1,949,339**	**1,003,427**	**747,378**	**1,664,398**	**(242,916)**	**13,113,445**
Segment result	**3,558,832**	**656,245**	**206,006**	**(32,680)**	**373,851**	**-**	**4,762,254**
Federal royalty							(1,455,177)
Finance and other income							90,844
Finance and other costs							(505,319)
Profit before tax							**2,892,602**
Taxation							(357,702)
Profit for the period							**2,534,900**
Total assets at 31 December 2020	71,411,942	34,083,374	10,328,705	11,890,144	18,950,804	(13,647,058)	133,017,911
Breakdown of external revenue;							
The following is an analysis of the Group's external revenue							
Three months ended 31 March 2021							
Mobile	2,637,589	994,652	921,809	272,120	1,624,408	-	6,450,578
Fixed	2,783,016	704,907	68,120	367,831	122,952	-	4,046,826
Equipment	526,514	53,415	19,279	3,976	3,981	-	607,165
Others	1,790,756	67,901	115,539	125,616	15,353	-	2,115,165
Total	**7,737,875**	**1,820,875**	**1,124,747**	**769,543**	**1,766,694**	**-**	**13,219,734**
Three months ended 31 March 2020							
Mobile	2,868,466	1,084,550	838,603	269,081	1,456,634	-	6,517,335
Fixed	2,780,267	626,937	49,765	340,602	120,044	-	3,917,615
Equipment	458,068	47,381	18,998	3,501	3,609	-	531,558
Others	1,831,060	62,385	78,875	111,769	62,849	-	2,146,937
Total	**7,937,861**	**1,821,253**	**986,241**	**724,953**	**1,643,137**	**-**	**13,113,445**

5. Operating expenses and federal royalty

a) Operating expenses

	Note	Three months ended 31 March 2021 AED'000	2020 AED'000
Direct cost of sales		3,168,768	3,033,351
Staff costs		1,205,861	1,229,792
Depreciation		1,581,489	1,545,013
Network and other related costs		686,857	639,519
Amortisation		428,317	404,534
Regulatory expenses	(i)	400,786	358,832
Marketing expenses		224,927	233,828
Consultancy cost		148,140	168,097
Operating lease rentals		9,887	9,411
IT costs		91,772	69,118
Foreign exchange loss		69,505	34,055
Other operating expenses		335,146	302,217
Operating expenses (before federal royalty)		**8,351,455**	**8,027,767**

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"). The mechanism for the computation of federal royalty payable for the period ended 31 March 2021 was in accordance with the new royalty scheme 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 23 September, 2018, Etisalat Group has entered into an agreement with Noor Bank PJSC for establishment of "Digital Financial Services LLC (DFS)", that will perform digital wallet services. Under this arrangement, Etisalat Group and Noor Bank PJSC are the owners of 49.99% and 50.01% respective shareholding in DFS. In accordance with the requirements of IAS 28 and based on review of the relevant agreements, it has been determined that Etisalat Group has significant influence over DFS. Accordingly, the shareholding in DFS has been classified as investment in associate.

7. Dividends

Amounts recognised as distribution to equity holders:	AED'000
Three months ended 31 March 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
Three months ended 31 March 2020	
Final dividend for the year ended 31 December 2019 of AED 0.40 per share	3,477,198
	3,477,198

8. Earnings per share

	Three months ended 31 March	
	2021	**2020**
Earnings (AED'000)		
Earnings for the purposes of basic earnings per share being the profit attributable to the owners		
of the Company	**2,349,982**	**2,178,616**
Number of shares ('000)		
Weighted average number of ordinary shares for the purposes of basic earnings per share	**8,696,754**	**8,696,754**
Earnings per share		
Basic and diluted	**AED 0.27**	**AED 0.25**

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:	31 March 2021 AED'000	31 December 2020 AED'000
Opening balance	**26,276,442**	**24,966,218**
Additions	163,276	1,021,819
Transfer	-	554,133
Acquisition of a subsidiary	-	164,296
Disposals	(679)	(1,998)
Amortisation and impairment losses	(436,203)	(2,060,038)
Exchange difference	(490,149)	1,632,012
Closing balance	**25,512,687**	**26,276,442**

10. Property, plant and equipment

		31 March 2021 AED'000	31 December 2020 AED'000
Opening balance		**45,803,436**	**45,069,729**
Additions		915,217	6,071,561
Transfer to intangible assets		-	(554,133)
Disposals		(372,036)	(99,642)
Depreciation		(1,440,319)	(5,628,654)
Impairment (reversals) / charge - net		(266)	37,937
Acquisition of a subsidiary	25	-	(4,816)
Exchange difference		393,693	909,116
Other movements		-	2,338
Closing balance		**45,299,725**	**45,803,436**

11. Trade and other receivables

	31 March 2021 AED'000	31 December 2020 AED'000
Amount receivable for services rendered	11,083,445	10,924,677
Amounts due from other telecommunication operators/carriers	2,267,776	2,211,372
Total gross carrying amount	**13,351,221**	**13,136,049**
Lifetime expected credit loss	(3,356,738)	(3,209,253)
Net trade receivables	**9,994,483**	**9,926,796**
Prepayments	988,229	583,630
Accrued income	812,099	800,326
Advances to suppliers	1,138,969	1,234,203
Indirect taxes receivable	430,395	472,280
Other receivables	1,978,103	1,899,036
Net trade and other receivables	**15,342,278**	**14,916,271**
Total trade and other receivables	**15,342,278**	**14,916,271**
of which current trade and other receivables	14,969,898	14,572,812
of which non-current other receivables	372,380	343,459

12. Cash and cash equivalents

	31 March 2021 AED'000	31 December 2020 AED'000
Maintained in UAE	27,327,894	25,413,663
Maintained overseas, unrestricted in use	6,126,264	5,858,376
Maintained overseas, restricted in use	76,028	72,844
Cash and bank balances	**33,530,186**	**31,344,883**
Less: Deposits with maturities exceeding three months from the date of deposit	(9,986,125)	(18,139,353)
Cash and cash equivalents	**23,544,061**	**13,205,530**

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

	31 March 2021 AED'000	31 December 2020 AED'000
Current		
Federal royalty	6,981,003	5,594,311
Trade payables	7,013,251	7,664,028
Amounts due from other telecommunication operators/carriers	2,560,949	2,575,938
Accruals	7,475,812	8,042,874
Dividend payable	7,149,664	17,220
Other taxes payable	2,252,078	2,118,999
Advances from customers	382,710	365,545
Deferred income	348,368	499,672
Other payables and accruals	2,172,917	2,162,077
	36,336,752	**29,040,664**
Non-current		
Other payables	1,412,109	1,407,792
	1,412,109	**1,407,792**

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 [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.

PTCL and PTET did raise 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 10 February 2021.

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.

14. Contingent liabilities *(continued)*

iii) Pursuant to the restatement of Group's associate's , Etihad Etisalat Company (Mobily), financial statements for 2014, aggrieved shareholders filed 189 lawsuits against Mobily before the Committee for the Resolutions of Security Disputes (the "CRSD"), some of which are still being adjudicated. Most claims have been dismissed and as at 31 March 2021, there are 13 claims which remain ongoing.

In addition, 89 shareholder claims totaling SAR 1.9 billion (AED 1.86 billion) have been made against the 2013/2014 members of the Mobily Board (the "Defendants") and Mobily executives (the "Executives"), and these have been filed with the CRSD. The proceedings are currently at various stages of the hearings and it is not possible at this stage to estimate the financial exposure, if any, flowing from the proceedings of the hearings.

Whilst more than 15 claims have been dismissed on procedural grounds, 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, to have violating article 49a of the Capital Market Law.

Notwithstanding this new development, the CRSD confirmed on 28 December 2020, the launch of a class action claim against both (i) former members of the Mobily Board who were previously named as defendants in the May 2018 ACRSD final decision and (ii) former members of the Mobily executives who were named as defendants in the October 2020 ACRSD final decision. Claimants who purchased shares in Mobily after the release of its financial statement for Q2, 2013 and held onto such shares until 29 October 2014 are eligible to join in the class action claim.

Six shareholder claims against the Defendants have been reviewed and dismissed in the first quarter of 2021, including one claim that has been upheld as a final and binding decision by an appeals committee. The quantum of the dismissed claims is around SAR 650 million (AED 636 million) which represents about a third of the total claims made against the Defendants. The dismissed claims can be appealed but will be final and binding once the original decisions are upheld.

iv) Etisalat Group sold its 85% holding in Zantel to Millicom in 2015. The SPA contains a Reverse Earn Out obligation under which Etisalat would be required to pay US$15 million (the Reverse Earn Out amount) to Millicom in the event the Reverse Earn Out Period (REP) EBIDTA was not achieved in each of 12 financial quarters from 1 January 2017 to 31 Dec 2019 and provided certain other conditions relating to the management and operation of the Zantel business by Milicom were satisfied.

On 1 February 2021, Millicom commenced arbitration proceedings under the SPA by filing a Request for Arbitration under the DIFC LCIA rules, in which it claims payment of for the Reverse Earn Out amount payment. On 17 March 2021 Etisalat submitted its Response to the Request for Arbitration, in which it alleges that Millicom has breached the SPA and is not entitled to payment of the Reverse Earn Out amount. The next step in the proceedings is to constitute the arbitral tribunal.

15. Capital Commitments

The Group has approved future capital projects and investment commitments to the extent of AED 5,715 million (2020: AED 5,743 million). The Group has issued letters of credit amounting to AED 287 million (2020: AED 306 million).

16. Related party transactions

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. 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 1,544 million (2020: AED 1,685 million), which are net of allowance for doubtful debts of AED 391 million (2020: AED 310 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.

16. Related party transactions *(continued)*

b) Joint ventures and associates

	Associates		Joint Ventures	
	2021 AED '000	2020 AED '000	2021 AED '000	2020 AED '000
Trading transactions for the three months ended 31 March				
Telecommunication services – sales	98,402	88,364	4,120	-
Telecommunication services – purchases	25,805	15,925	1,098	7,208
Management and other services revenue	114,116	157,546	-	-
Due from related parties as at 31 March 2021 / 31 December 2020	173,002	46,346	30,384	28,954
Due to related parties as at 31 March 2021 / 31 December 2020	-	79,642	3,084	4,441

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.

In 2017, the Group signed a Technical Services and Support Agreement with Mobily. This agreement is for a period of five years.

17. Borrowings

	Carrying Amounts	
	31 March 2021 AED'000	31 December 2020 AED'000
Bank borrowings		
Short term bank borrowings	5,368,514	5,823,852
Bank loans	6,933,515	7,334,621
Other borrowings		
Bonds	12,102,492	12,580,935
Vendor financing	369,497	414,029
Others	5,369	5,307
	24,779,387	**26,158,744**
Advance from non-controlling interests	542,276	542,276
Total Borrowings	**25,321,663**	**26,701,020**
of which due within 12 months	11,975,268	12,881,074
of which due after 12 months	13,346,395	13,819,946

17. Borrowings *(continued)*

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.

Advances from non-controlling interests represent advances 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 advances 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.

As at 31 March 2021, the total amounts in issue under this programme split by currency are USD 0.5 billion (AED 1.84 billion) and Euro 2.4 billion (AED 9.9 billion) as follows:

	Nominal Value 2021 AED'000	Fair Value 2021 AED'000	Carrying Value 2021 AED'000
Bonds			
3.500% US Dollar 500 million notes due 2024	1,837,000	1,984,233	1,825,471
Bonds in net investment hedge relationship			
1.750% Euro 1,200 million notes due 2021	5,263,680	5,197,156	5,162,126
2.750% Euro 1,200 million notes due 2026	5,263,680	5,859,448	5,114,895
At 31 March	**12,364,360**	**13,040,837**	**12,102,492**
of which due within 12 months			5,162,126
of which due after 12 months			6,940,366

	Nominal Value 2020 AED'000	Fair Value 2020 AED'000	Carrying Value 2020 AED'000
Bonds			
3.500% US Dollar 500 million notes due 2024	1,837,000	2,014,568	1,825,472
Bonds in net investment hedge relationship			
1.750% Euro 1,200 million notes due 2021	5,263,680	5,473,374	5,402,479
2.750% Euro 1,200 million notes due 2026	5,263,680	6,184,417	5,352,984
At 31 December	**12,364,360**	**13,672,359**	**12,580,935**
of which due within 12 months			5,402,479
of which due after 12 months			7,178,456

18. Hedge accounting and derivatives

In prior years, Euro bonds issued (refer to Note 20) 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:

	Three months ended 31 March	
	2021	2020
Effective part directly recognized in other comprehensive income / (loss)	**AED'000**	**AED'000**
Other comprehensive income on net investment hedge	481,610	382,715
Other comprehensive loss on cash flow hedges	38,102	(83,305)
Total effective part directly recognised in other comprehensive income	**519,712**	**299,410**

	31 March 2021	31 December 2020
Fair value of derivative financial instruments	**AED'000**	**AED'000**
Fair value of forward contracts and options	(15)	(15,304)
Fair value of derivative swaps	(109,469)	(149,776)
	(109,484)	**(165,080)**

19. Seasonality and cyclicality of interim operations

There are no items of seasonal or cyclical nature in the interim operations during the periods ended 31 March 2021 and 31 March 2020.

20. 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.

21. Provision for employees' end of service benefits

	31 March 2021	31 December 2020
The movement in the provision for employees' end of service benefits is provided below:	**AED'000**	**AED'000**
Opening balance	**1,297,369**	**1,400,176**
Additions	43,183	89,769
Payments - net of contributions received	(16,422)	(217,311)
Exchange difference	22,707	47,159
Unwinding of discount	2,564	11,071
Remeasurement	12,483	(33,495)
Closing balance	**1,361,884**	**1,297,369**
of which included in current liabilities	102,880	102,376
of which included in non-current liabilities	1,259,004	1,194,993

22. 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 2020	**1,549,119**	**1,139,498**	**55,715**	**2,744,332**
Additions	187,645	273,764	161,334	622,743
Disposals	(56,961)	(158,481)	(8,635)	(224,077)
Depreciation	(248,353)	(178,521)	(69,200)	(496,074)
Exchange difference	17,152	28,424	5,933	51,509
Acquisition of a subsidiary	1,669	-	-	1,669
Balance at 31 Dec 2020 / 1 January 2021	**1,450,271**	**1,104,684**	**145,147**	**2,700,102**
Additions	51,927	37,155	7,826	96,908
Disposals	(34,399)	-	(1,981)	(36,380)
Depreciation	(61,493)	(45,120)	(13,209)	(119,822)
Exchange difference	14,386	(2,532)	(983)	10,871
Balance at 31 March 2021	**1,420,692**	**1,094,187**	**136,800**	**2,651,679**

23. Lease liabilities

	Carrying Value	
	2021	2020
Details of the Group's lease liabilities are as follows:	AED'000	AED'000
Contractual undiscounted cash flow		
Within one year	647,693	668,323
Between 2 and 5 years	1,925,405	1,933,370
After 5 years	2,021,662	2,111,860
Total undiscounted lease liabilities	**4,594,760**	**4,713,553**
Lease liabilities included in the consolidated statement of financial position		
of which due within 12 months	560,409	573,748
of which due after 12 months	2,163,191	2,211,130

24. 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.

25. Acquisition of a subsidiary

Help AG's businesses

During 2019, the Group signed an agreement to acquire 100 % of the Help AG's businesses in United Arab Emirates (UAE) and the Kingdom of Saudi Arabia (KSA). The transaction was completed on 17 February 2020 after satisfying all Conditions Precedent and Completion deliverables. Accordingly, Help AG UAE and KSA were consolidated into this condensed consolidated interim financial information, effective February 2020.

During 2020 , the Group has completed the fair valuation of identifiable assets acquired and liabilities assumed which is summarized in the following table:

	AED'000
Intangible assets	2,113
Cash and bank balances	19,069
Trade and other receivables	127,452
Inventories	711
Property, plant and equipment	2,586
Right-of-use assets	1,669
Trade and other payables	(66,873)
Lease liabilities	(1,720)
Provision for employees end of service benefits	(3,494)
Net identifiable assets acquired	**81,513**
Goodwill recognised on the basis of fair valuation	76,469
Customers related intangible asset recognised on the basis of fair valuation	**74,948**
Trademark related intangible asset recognised on the basis of fair valuation	**10,692**
Fair value of investment	243,622
Net cash inflow arising on acquisition:	
Cash and bank balances	**19,069**

26. 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 a 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.

Etisalat 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.

In the third and fourth quarters of prior year, as restrictions began to ease, commercial activities improved gradually. However, due to weaker macroeconomics that continued to pressure consumer and corporate spending, they remained below their pre-COVID-19 levels.

In response to the top-line pressure, Etisalat 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.

Also, COVID-19 led to the reduction in certain financial investments carried at fair value. Based on the overall assessment, the Group has concluded that significant changes are not required as of 31 March 2021 in its key accounting judgements and estimates from those applied in the last annual consolidated financial statements as of 31 December 2020, 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 2020, along with other groups in Morocco, Etisalat 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.