



ETIHAD ETISALAT COMPANY
(A Saudi Joint Stock Company)
INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS (Unaudited)
For the three and nine-months periods ended 30 September 2023
Together with
Independent Auditor's Review Report

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Ernst & Young Professional Services (Professional LLC)
Paid-up capital (SR 5,500,000 – Five million five hundred thousand Saudi Riyal)
Head Office
Al Faisaliah Office Tower, 14th Floor
King Fahad Road
P.O. Box 2732
Riyadh 11461
Kingdom of Saudi Arabia

C.R. No. 1010383821

Tel: +966 11 215 9898

+966 11 273 4740

Fax: +966 11 273 4730

ey.ksa@sa.ey.com

ey.com

INDEPENDENT AUDITOR'S REVIEW REPORT ON THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS TO THE SHAREHOLDERS OF ETIHAD ETISALAT COMPANY (A SAUDI JOINT STOCK COMPANY)

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Etihad Etisalat Company ("the Company") and its subsidiaries (collectively referred to as "the Group") as at 30 September 2023, and the related interim condensed consolidated statements of profit or loss and comprehensive income for the three-month and nine-month periods ended 30 September 2023, and the related interim condensed consolidated statements of changes in shareholders' equity and cash flows for the nine-month period then ended, and explanatory notes. Board of Directors is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard 34, "Interim Financial Reporting" ("IAS 34") as endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" as endorsed in the Kingdom of Saudi Arabia. A review of interim financial statement 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 that are endorsed in the Kingdom of Saudi Arabia 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 interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34 as endorsed in the Kingdom of Saudi Arabia.

Other matter

The consolidated financial statements of the Group for the year ended 31 December 2022 were audited by another auditor who expressed unmodified opinion on those consolidated financial statements on 3 Sha'ban 1444H (corresponding to 23 February 2023). Further, the interim condensed consolidated financial statements of the Group for the three-month and nine-month periods ended 30 September 2022 were reviewed by another auditor who expressed unmodified review conclusion on those interim condensed consolidated financial statements on 29 Rabi Al-Awwal 1444H (corresponding to 25 October 2022).

for Ernst & Young Professional Services

Hesham A. Alatiqi
Certified Public Accountant
License No. (523)

Riyadh: 7 Rabi Al-Thani 1445H
(22 October 2023)



Ethiad Etisalat Company (A Saudi Joint Stock Company)
Interim condensed consolidated statement of financial position
As at 30 September 2023
(All amounts in Saudi Riyals thousands unless otherwise stated)

	Notes	30 September 2023 (Unaudited)	31 December 2022 (Audited)
Assets			
Non-current assets			
Property and equipment	5	18,402,591	19,507,574
Intangible assets	6	7,359,453	7,607,659
Right of use assets	7	2,716,293	2,703,004
Investment in joint venture	8	21,190	9,474
Contract costs		26,723	29,155
Contract assets		87,303	80,132
Financial and other assets		75,045	115,812
Total non-current assets		28,688,598	30,052,810
Current assets			
Inventories		160,400	109,047
Contract costs		383,368	378,728
Contract assets		826,602	830,400
Accounts receivable	9	6,046,459	4,928,663
Due from related parties	10	76,587	169,660
Financial and other assets		698,546	458,622
Short term Murabaha		2,478,871	2,013,500
Cash and cash equivalents		546,806	827,725
Total current assets		11,217,639	9,716,345
Total assets		39,906,237	39,769,155
Shareholders' equity and liabilities			
Shareholders' equity			
Share capital	1	7,700,000	7,700,000
Statutory reserve		2,648,971	2,648,971
Other reserves		51,985	90,075
Retained earnings		6,511,783	5,919,489
Total shareholders' equity		16,912,739	16,358,535
Non-current liabilities			
Borrowings		6,823,263	8,310,441
Lease liabilities		2,163,728	2,211,375
Provision for end of service benefits		530,162	501,802
Provision for decommissioning		197,562	190,543
Contract liabilities		282,822	280,515
Financial and other liabilities		216,700	260,425
Total non-current liabilities		10,214,237	11,755,101
Current liabilities			
Borrowings		1,564,691	1,313,399
Lease liabilities		1,120,891	1,009,659
Accounts payable		4,732,362	4,531,738
Contract liabilities		826,624	694,956
Due to related parties	10	144,449	161,127
Accrued expenses		3,038,284	2,873,311
Provisions		885,832	827,067
Zakat and income tax		142,901	152,562
Financial and other liabilities		323,227	91,700
Total current liabilities		12,779,261	11,655,519
Total liabilities		22,993,498	23,410,620
Total shareholders' equity and liabilities		39,906,237	39,769,155

The attached notes from 1 to 18 are an integral part of these interim condensed consolidated financial statements.

Chief Financial Officer

Chief Executive Officer

Chairman

Etihad Etisalat Company (A Saudi Joint Stock Company)
Interim condensed consolidated statement of profit or loss (unaudited)
For the three and nine-months periods ended 30 September 2023
(All amounts in Saudi Riyals thousands unless otherwise stated)

	Notes	For the three-month period ended 30 September		For the nine-month period ended 30 September	
		2023	2022	2023	2022
Revenue		4,099,894	3,827,611	12,398,893	11,537,372
Cost of revenue		(1,738,392)	(1,527,216)	(5,296,202)	(4,666,276)
Gross profit		2,361,502	2,300,395	7,102,691	6,871,096
Operating expenses					
Selling and marketing expenses		(356,596)	(390,023)	(1,090,353)	(1,124,674)
General and administrative expenses		(356,826)	(415,611)	(1,113,245)	(1,216,502)
Impairment on accounts receivable and contract assets		(51,941)	(16,889)	(163,399)	(137,078)
Depreciation and amortization	5,6,7	(907,372)	(953,023)	(2,763,753)	(2,894,090)
Total operating expenses		(1,672,735)	(1,775,546)	(5,130,750)	(5,372,344)
Operating profit		688,767	524,849	1,971,941	1,498,752
Other income and expenses					
Share in profit of joint venture		2,581	746	5,115	3,348
Finance income		35,145	9,048	107,617	21,240
Finance expenses		(162,223)	(150,075)	(510,178)	(417,645)
Other income, net		7,149	9,530	34,108	23,488
Total other expenses		(117,348)	(130,751)	(363,338)	(369,569)
Net profit before zakat and income tax		571,419	394,098	1,608,603	1,129,183
Zakat and income tax		(47,589)	(21,575)	(122,531)	(78,132)
Net profit		523,830	372,523	1,486,072	1,051,051
Earnings per share:					
Basic and diluted earnings per share (in SR)	12	0.68	0.48	1.93	1.37



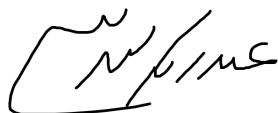
The attached notes from 1 to 18 are an integral part of these interim condensed consolidated financial statements.

		
_____ Chief Financial Officer	_____ Chief Executive Officer	_____ Chairman

Etihad Etisalat Company (A Saudi Joint Stock Company)
Interim condensed consolidated statement of comprehensive income (unaudited)
For the three and nine-months periods ended 30 September 2023
(All amounts in Saudi Riyals thousands unless otherwise stated)

	For the three-month period ended 30 September		For the nine-month period ended 30 September	
	2023	2022	2023	2022
Net profit	523,830	372,523	1,486,072	1,051,051
<i>Items that will not be reclassified subsequently to profit or loss:</i>				
Actuarial remeasurement of end of service benefits	(544)	1,808	(8,278)	(1,053)
Change in fair value of equity investments	(2,415)	(4,949)	(4,515)	(23,775)
Total items that will not be reclassified subsequently to profit or loss	(2,959)	(3,141)	(12,793)	(24,828)
<i>Items that will be reclassified subsequently to profit or loss:</i>				
Exchange differences on translation of foreign operations	(667)	(1,763)	(251)	(4,704)
Cash flow hedge - change in fair value	22,029	47,737	50,570	132,968
Cash flow hedge - reclassified to profit or loss	(37,181)	(3,118)	(83,894)	12,361
Total items that will be reclassified subsequently to profit or loss	(15,819)	42,856	(33,575)	140,625
Total other comprehensive (loss) / income	(18,778)	39,715	(46,368)	115,797
Total comprehensive income	505,052	412,238	1,439,704	1,166,848

The attached notes from 1 to 18 are an integral part of these interim condensed consolidated financial statements.

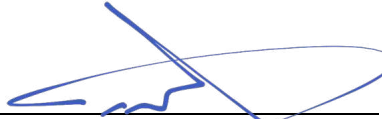
		
_____ Chief Financial Officer	_____ Chief Executive Officer	_____ Chairman

Etiihad Etisalat Company (A Saudi Joint Stock Company)
Interim condensed consolidated statement of changes in shareholders' equity (unaudited)
For the nine months period ended 30 September 2023
(All amounts in Saudi Riyals thousands unless otherwise stated)

	Note	Share capital	Statutory reserve	Other reserves	Retained earnings	Total shareholders' equity
Balance as at 1 January 2023		<u>7,700,000</u>	<u>2,648,971</u>	<u>90,075</u>	<u>5,919,489</u>	<u>16,358,535</u>
Net profit		-	-	-	<u>1,486,072</u>	<u>1,486,072</u>
Other comprehensive loss for the period		-	-	<u>(38,090)</u>	<u>(8,278)</u>	<u>(46,368)</u>
Total comprehensive income		-	-	<u>(38,090)</u>	<u>1,477,794</u>	<u>1,439,704</u>
Dividends	16	-	-	-	<u>(885,500)</u>	<u>(885,500)</u>
Balance as at 30 September 2023		<u>7,700,000</u>	<u>2,648,971</u>	<u>51,985</u>	<u>6,511,783</u>	<u>16,912,739</u>
Balance as at 1 January 2022		7,700,000	2,648,971	(36,988)	4,884,263	15,196,246
Net profit		-	-	-	1,051,051	1,051,051
Other comprehensive income / (loss) for the period		-	-	116,850	(1,053)	115,797
Total comprehensive income		-	-	116,850	1,049,998	1,166,848
Dividends		-	-	-	(654,500)	(654,500)
Balance as at 30 September 2022		<u>7,700,000</u>	<u>2,648,971</u>	<u>79,862</u>	<u>5,279,761</u>	<u>15,708,594</u>

The attached notes from 1 to 18 are an integral part of these interim condensed consolidated financial statements.


Chief Financial Officer


Chief Executive Officer


Chairman

Etihad Etisalat Company (A Saudi Joint Stock Company)
Interim condensed consolidated statement of cash flows (unaudited)
For the nine-month period ended 30 September 2023
(All amounts in Saudi Riyals thousands unless otherwise stated)

	For the nine-month period ended 30 September 2023	For the nine-month period ended 30 September 2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the year	1,486,072	1,051,051
Adjustments:		
Depreciation and amortization	2,763,753	2,894,090
Impairment loss on accounts receivable and contract assets	163,399	137,078
Provision for end of service benefits	55,683	45,747
Provisions	134,403	367,376
Share in profit of joint venture	(5,115)	(3,348)
Finance income	(107,617)	(21,240)
Finance costs	510,178	417,645
Zakat and income tax	122,531	78,132
Others	(13,401)	(13,039)
Changes in:		
Inventories	(51,430)	12,000
Contract costs	(2,208)	120,955
Contract assets	(1,701)	(88,953)
Accounts receivable	(1,247,376)	(809,651)
Due from related parties	93,073	(24,392)
Financial assets and others	(245,649)	57,610
Accounts payable	730,668	72,860
Contract liabilities	133,975	25,697
Due to related parties	(16,678)	(79,869)
Accrued expenses	178,184	170,711
Provisions	(75,638)	(40,278)
Financial liabilities and others	230,223	25,513
Cash generated from operating activities	4,835,329	4,395,695
End of service benefits paid	(35,601)	(37,525)
Finance costs paid	(381,647)	(254,783)
Zakat and income tax paid	(131,662)	(79,407)
Net cash generated from operating activities	4,286,419	4,023,980
CASH FLOWS FROM INVESTING ACTIVITIES		
Payment of property and equipment	(1,473,562)	(1,686,427)
Payment of intangible assets	(60,874)	(70,034)
Proceeds from sale of property and equipment	8	528
Short term Murabaha	(465,371)	220,625
Finance income received	79,488	18,936
Investment in joint venture	(6,600)	-
Net cash used in investing activities	(1,926,911)	(1,516,372)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of borrowings	(1,264,838)	(1,177,165)
Payment of lease liabilities	(510,216)	(512,648)
Dividends paid	(865,373)	(640,234)
Net cash used in financing activities	(2,640,427)	(2,330,047)
Net changes in cash and cash equivalents	(280,919)	177,561
Cash and cash equivalents at beginning of the period	827,725	1,050,663
Cash and cash equivalents at end of the period	546,806	1,228,224

The attached notes from 1 to 18 are an integral part of these interim condensed consolidated financial statements.

Chief Financial Officer

Chief Executive Officer

Chairman

1 CORPORATE INFORMATION

1.1 Etiihad Etisalat Company

Etiihad Etisalat Company (“Mobily” or the “Company”), a Saudi Joint Stock Company, is registered in the Kingdom of Saudi Arabia under commercial registration number 1010203896 issued in Riyadh on 14 December 2004 (corresponding to Dhul Qa’adah 2, 1425H). The address of the Company’s head office is P.O. Box 23088, Riyadh 11321, Kingdom of Saudi Arabia.

The Company was incorporated pursuant to the Royal decree number M/40 dated 18 August 2004 (corresponding to Rajab 2, 1425H) approving the Council of Ministers resolution number 189 dated 10 August 2004 (corresponding to Jumada II 23, 1425H) to approve the award of the license to incorporate a Saudi Joint Stock Company under the name of “Etiihad Etisalat Company”.

Pursuant to the Council of Ministers resolution number 190 dated 10 August 2004 (corresponding to Jumada II 23, 1425H), the Company obtained the licenses to install and operate mobile telephone network including all related elements and the provision of all related services locally and internationally through its own network.

Pursuant to the Communications, Space & Technology Commission (CST) resolution number 5125 dated 21 February 2017 (corresponding to Jumada I 24, 1438H), the Company obtained a Unified License to provide all licensed telecommunication services including fixed line voice services and fixed internet services.

The Company’s main activity is to establish and operate mobile wireless telecommunications network, fiber optics networks and any extension thereof, manage, install and operate telephone networks, terminals and communication unit systems, in addition to sell and maintain mobile phones and communication unit systems in the Kingdom of Saudi Arabia. The Company commenced its commercial operations on 25 May 2005 (corresponding to Rabi Al-Thani 17, 1426H).

The authorized, issued and paid up share capital of the Company is SR 7,700 million divided into 770 million shares of SR 10 each.

1.2 Subsidiary Companies

Below is the summary of Company’s subsidiaries and ownership percentage as at 30 September 2023 and 31 December 2022:

<u>Name</u>	<u>Country of incorporation</u>	<u>Ownership percentage</u>	
		<u>Direct</u>	<u>Indirect</u>
Mobily Infotech India Private Limited	India	99.99%	0.01%
Zajil International Network for Telecommunication Company*	Saudi Arabia	96.00%	4.00%
National Company for Business Solutions	Saudi Arabia	100.00%	-
National Company for Business Solutions FZE	United Arab Emirates	-	100.00%
Mobily Ventures Holding W.L.L	Bahrain	100.00%	-
Etiihad Fintech Company	Saudi Arabia	100.00%	-

* On 15 March 2021, the Board of Directors of Etiihad Etisalat Company approved to liquidate Zajil International Network for Telecommunication Company, which is still in the process of completing the procedures and legal requirements for its liquidation.

2 BASIS OF PREPARATION

2.1 Statement of Compliance

These interim condensed consolidated financial statements comprise the financial information of the Company and its subsidiaries (together referred to as the ‘Group’).

These interim condensed consolidated financial statements have been prepared in accordance with IAS 34 ‘Interim Financial Reporting’ that is endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by Saudi Organization for Chartered and Professional Accountants (SOCPA).

These interim condensed consolidated financial statements do not include all of the information required for full annual consolidated financial statements and should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2022.

2 BASIS OF ACCOUNTING (CONTINUED)

2.2 Basis of measurement

These interim condensed consolidated financial statements have been prepared on historical cost basis unless stated otherwise using the going concern basis of assumption.

2.3 Functional and presentation currency

These interim condensed consolidated financial statements are presented in Saudi Riyal ("SR") which is the functional currency of the Group. All amounts have been rounded off to the nearest thousands Saudi Riyal unless otherwise stated.

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied in preparation of these interim condensed consolidated financial statements are in accordance with International Financial Reporting Standards "IFRS" that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements endorsed by SOCPA which are consistent with those that were applied in preparation of the Group's annual consolidated financial statements for the year ended 31 December 2022.

The principal accounting policies applied in the preparation of these interim condensed consolidated interim financial statements have been consistently applied to all periods presented.

There are amendments to the standards that could be applicable to the Group and come into effect at 1 January 2023.

The Group believes that it does not have material impact on the Group's interim condensed consolidated financial statements.

- IFRS 17: Insurance Contracts.
- Amendments to IAS 8: Definition of Accounting Estimates.
- Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting Policies.
- Amendments to IAS 12: Deferred Tax related to Assets and Liabilities arising from a Single Transaction

4 SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS

The preparation of the Group's interim condensed consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods. The significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the Group's annual consolidated financial statements for the year ended 31 December 2022 prepared in accordance with IFRS that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA. During the nine-month period ended 30 September 2023 the Group has updated the estimates of useful life of its buildings to be depreciated in the range from 2.5% to of 5%.

4.1 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their best economic interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits from the asset's highest and best use or by selling it to another market participant that would utilize the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

4 SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS (CONTINUED)

4.1 Fair value measurement (continued)

All assets and liabilities for which fair value is measured or disclosed in the interim condensed consolidated financial statements are categorized within the fair value hierarchy. This is described as follows based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the interim condensed consolidated financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. The Group determines the policies and procedures for both recurring fair value measurement, and for non-recurring measurement.

At each reporting date, the Group analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Group's accounting policies. For this analysis, the Group verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents. The Group also compares the change in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable. For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above.

5 PROPERTY AND EQUIPMENT

- During the nine-month period ended 30 September 2023, the Group acquired property and equipment with a cost of SR 927 million (for nine-month period ended 30 September 2022: SR 903 million).
- During the nine-month period ended 30 September 2023, the depreciation expense amounted to SR 2,031 million (for nine-month period ended 30 September 2022: SR 2,170 million). During the nine-month period ended 30 September 2023, the group has updated the estimates of useful life of buildings to be depreciated in the range from 2.5% to 5%. Accordingly, the depreciation expense for the building decreased by SR 23 million.

6 INTANGIBLE ASSETS

- During the nine-month period ended 30 September 2023, the additions to intangible assets amounted to SR 22 million (for the nine-month period ended 30 September 2022 there SR 31 million).
- During the nine-month period ended 30 September 2023, the amortization expense amounted to SR 270 million for nine-month period ended 30 September 2022: SR 275 million).

7 RIGHT OF USE ASSETS

- During the nine-month period ended 30 September 2023, the net additions to right of use assets amounted to SR 477 million (for nine-month period ended 30 September 2022: SR 350 million).
- During the nine-month period ended 30 September 2023, the depreciation expense amounted to SR 463 million (for nine-month period ended 30 September 2022: SR 449 million).

8 INVESTMENT IN JOINT VENTURE

- During the third quarter of 2023, the Company participated in establishing the Integrated Data Company for Information Technology (A Limited Liability Company) with a capital of SR 22 million, of which the Company's share is SR 6.6 million, representing 30% of the total capital value. The purpose of this company revolves around big data technologies, data science and analysis, and the construction of geospatial databases.

Etiihad Etisalat Company (A Saudi Joint Stock Company)
Notes to the interim condensed consolidated financial statements (continued)
For the nine-month period ended 30 September 2023
(All amounts in Saudi Riyals thousands unless otherwise stated)

9 ACCOUNTS RECEIVABLE

	<u>30 September 2023</u>	<u>31 December 2022</u>
Accounts receivable	8,068,752	6,785,886
Less: allowance for impairment loss on accounts receivable	<u>(2,022,293)</u>	<u>(1,857,223)</u>
	<u>6,046,459</u>	<u>4,928,663</u>

The movement of the allowance for impairment loss on accounts receivable is as follows:

	<u>30 September 2023</u>	<u>31 December 2022</u>
Opening balance	(1,857,223)	(1,717,517)
Charge for the period / year	<u>(165,070)</u>	<u>(139,706)</u>
Closing balance	<u>(2,022,293)</u>	<u>(1,857,223)</u>

10 RELATED PARTIES TRANSACTIONS AND BALANCES

10.1 Related party transactions

The Group has the following related parties:

<u>Party</u>	<u>Relationship</u>
Emirates Telecommunication Group Company PJSC	Founding shareholder
Emirates Data Clearing House	Associate to Founding shareholder
Etisalat Misr S.A.E.	Subsidiary to Founding shareholder
Etisalat Afghanistan	Subsidiary to Founding shareholder
Etisalat Al Maghrib S.A (Maroc Telecom)	Subsidiary to Founding shareholder
Pakistan Telecommunication Company Limited	Subsidiary to Founding shareholder
Emirates Cable TV and Multimedia LLC	Subsidiary to Founding shareholder
Sehati for Information Service Company	Joint venture
Integrated Data Company for Information Technology	Joint venture

The Group transactions with related parties in ordinary course of business. Following are the details of major transactions with Founding shareholder and its Associates & Subsidiaries during the nine-month period ended in 30 September 2023:

	<u>30 September 2023</u>	<u>30 September 2022</u>
Interconnection services and roaming services rendered	90,082	64,674
Interconnection services and roaming services received	265,092	260,863
Management fees	-	(92,713)
Other telecommunication services	11,665	7,681

Services rendered or received to related parties comprise mainly the telecommunication service, interconnection services and roaming services by the Group based on normal commercial terms. Management fees were calculated based on the relevant agreement with Emirates Telecommunication Group Company PJSC which was ended on 31 December 2021 and the Company reached an agreement with Emirates Telecommunication Group Company PJSC not to enter into a new agreement for services and technical support.

Compensation and benefits to key management personnel

	<u>30 September 2023</u>	<u>30 September 2022</u>
Compensation and benefits - short term	72,932	90,752
Compensation and benefits - post-employment	<u>2,863</u>	<u>3,013</u>
Total compensation and benefits to key management personnel	<u>75,795</u>	<u>93,765</u>

10 RELATED PARTIES TRANSACTIONS AND BALANCES (CONTINUED)

10.2 Related party balances

	<u>30 September 2023</u>	<u>31 December 2022</u>
Due from related parties		
Founding shareholder and its Associates & Subsidiaries	45,921	138,994
Joint venture	30,666	30,666
	<u>76,587</u>	<u>169,660</u>
Due to related parties		
Founding shareholder and its Associates & Subsidiaries	144,449	161,127
	<u>144,449</u>	<u>161,127</u>

11 FINANCIAL ASSETS AND LIABILITIES

11.1 Financial assets

	<u>30 September 2023</u>	<u>31 December 2022</u>
Financial assets at fair value:		
Financial assets - fair value through other comprehensive income *	5,067	9,575
Derivatives financial instruments**	103,330	136,654
Total financial assets at fair value	<u>108,397</u>	<u>146,229</u>
Financial assets at amortized cost:		
Accounts receivable	6,046,459	4,928,663
Due from related parties	76,587	169,660
Short term Murabaha	2,478,871	2,013,500
Cash and cash equivalents	546,806	827,725
Restricted cash	127,889	40,588
Other financial assets	193,582	103,442
Total financial assets at amortized cost	<u>9,470,194</u>	<u>8,083,578</u>
Total financial assets	<u>9,578,591</u>	<u>8,229,807</u>
Current financial assets	9,524,155	8,135,372
Non-current financial assets	54,436	94,435
Total financial assets	<u>9,578,591</u>	<u>8,229,807</u>

11.2 Financial liabilities

	<u>30 September 2023</u>	<u>31 December 2022</u>
Financial liabilities at amortized cost:		
Borrowings	8,387,954	9,623,840
Lease liabilities	3,284,619	3,221,034
Accounts payable	4,732,362	4,531,738
Due to related parties	144,449	161,127
Financial and other liabilities	407,395	259,485
Total financial liabilities at amortized cost	<u>16,956,779</u>	<u>17,797,224</u>
Total financial liabilities	<u>16,956,779</u>	<u>17,797,224</u>
Current financial liabilities	7,803,283	7,079,662
Non-current financial liabilities	9,153,496	10,717,562
Total financial liabilities	<u>16,956,779</u>	<u>17,797,224</u>

* The fair value of these financial assets was categorized as level 3.

** The fair value of these derivatives financial instruments was categorized as level 2.

Fair values of financial assets and financial liabilities measured at amortized cost are not significantly different from their carrying amounts.

12 BASIC AND DILUTED EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the net profit by the weighted average number of common shares outstanding during the period. The diluted earnings per share is the same as the basic earnings per share as Group does not have any dilutive instruments.

	For the three-month period ended 30 September		For the nine-month period ended 30 September	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Net profit	523,830	372,523	1,486,072	1,051,051
Weighted average number of shares	770,000	770,000	770,000	770,000
Basic and diluted earnings per share (in SR)	0.68	0.48	1.93	1.37

13 CAPITAL COMMITMENTS AND CONTINGENCIES

13.1 Capital commitments

The Group has capital commitments resulting from contracts for supply of property and equipment with an amount of SR 2,074 million as at 30 September 2023 (31 December 2022: SR 536 million).

13.2 Contingent liabilities

- The Group had contingent liabilities in the form of letters of guarantee and letters of credit amounting to SR 721 million as at 30 September 2023 (31 December 2022: SR 602 million).
- The CST violation committee has issued several penalty resolutions against the Group amounting to SR 22 million as of 30 September 2023. The Group filed multiple lawsuits against CST at the Board of Grievances in order to oppose such resolutions of the CST violation committee which remains outstanding and based on the status of these lawsuits as of 30 September 2023, the Group's management believes that sufficient provisions have been recorded.
- The Group has received zakat assessments that showed additional zakat liabilities for the years 2010, 2011 and 2014 to 2018 of SR 157 million, which have been appealed against by the Group at the Preliminary and Higher Appeal Committees. During the fourth quarter of 2022, the Group received preliminary favorable ruling regarding zakat assessments for the years 2010 and 2011. Also received ruling accepting some of the objectionable regarding zakat assessments for the years from 2014 to 2018 by the Committee for the Resolution of Tax Violations and Disputes and the Group has appealed the items that were not accepted before the Appeal Committee for Tax Violations and Disputes, and the appeal is still under study. The Group believes that this ruling will not result into any additional provisions. During the third quarter of the year 2023, an agreement was reached with the Zakat, Tax, and Customs Authority regarding the settlement of additional zakat-related assessment disputes for the years 2014 to 2018. The procedures for finalizing this settlement are currently underway, and all associated claims are in the process of being closed.
- The Group received withholding tax assessments for the years 2010 and 2011, the principal of the tax according to these assessments amounted to SR 142 million which have been objected to by the Group at the Preliminary and Appeal Committees. During April 2021, the Group received an unfavorable ruling from General Secretariat of Zakat, Tax and Customs Committees (GSTC) with respect to withholding tax assessments for the years 2010 and 2011 which is not consistent with the previous favorable ruling for the years 2008 and 2009. Based on that, the Group has submitted a reconsideration request to GSTC. On 23 January 2022 GSTC upheld the ruling against the Group with respect to withholding tax for the years 2010 and 2011. On 19 February 2022, the Group received notification from GSTC that ZATCA has filed appeals with the Higher Appeal Committee (HAC) against the withholding tax rulings issued for the years 2008 and 2009 in favor of the Group amounting to SR 72 million, The Group has responded to GSTC and the appeals is still under review. The Group's management believes that this ruling will not result in any additional provisions.
- The Group, in its ordinary course of business, is subject to proceedings, lawsuits and other claims. However, based on the status of these lawsuits as of 30 September 2023, the Group's management believes that sufficient provisions have been recorded.

Etihad Etisalat Company (A Saudi Joint Stock Company)
Notes to the interim condensed consolidated financial statements (continued)
For the nine-month period ended 30 September 2023
(All amounts in Saudi Riyals thousands unless otherwise stated)

Information regarding the Group's operating segments is set out below in accordance with IFRS (8) "Operating Segments" where the standard requires operating segments to be identified on the basis of internal reports that are regularly reviewed by the Group's Chief Operating Decision Maker ("CODM") and used to allocate resources to the segments and to assess their performance.

The Group is mainly engaged in providing telecommunications services and related products, majority of the Group's revenues, profits and assets relate to its operations in the Saudi Arabia. The operating segments that are regularly reported to the CODM are Consumer, Business, Wholesale and Outsourcing.

The CODM used to receive other operating information in aggregate, which is the same information that is submitted to the Group's Board of Directors for the purposes of resource allocation and assessment of the performance of those segments.

	For the three-month period ended 30 September		For the nine-month period ended 30 September	
	2023	2022	2023	2022
Consumer revenue	2,673,973	2,674,172	8,210,734	8,157,745
Business revenue	904,394	671,517	2,638,618	1,999,248
Wholesale revenue	435,568	393,760	1,238,257	1,136,250
Outsourcing and others revenue	85,959	88,162	311,284	244,129
Total revenue	<u>4,099,894</u>	<u>3,827,611</u>	<u>12,398,893</u>	<u>11,537,372</u>
Total cost of revenue	(1,738,392)	(1,527,216)	(5,296,202)	(4,666,276)
Depreciation and amortization	(907,372)	(953,023)	(2,763,753)	(2,894,090)
Total other operating expense	(765,363)	(822,523)	(2,366,997)	(2,478,254)
Total non-operating expense	(117,348)	(130,751)	(363,338)	(369,569)
Zakat and income tax	(47,589)	(21,575)	(122,531)	(78,132)
Net profit	<u>523,830</u>	<u>372,523</u>	<u>1,486,072</u>	<u>1,051,051</u>
Capital expenditures	374,544	396,042	948,599	934,623

15 SUBSEQUENT EVENT

No material events occurred subsequent to the reporting date, which could materially affect the interim condensed consolidated financial statements, and the related disclosures for the nine-month period ended 30 September 2023.

16 DIVIDENDS

On 1st of June 2023, the Annual General Assembly approved board recommendation of cash dividends amount SR 885.5 million (SR 1.15 per share on 770 million shares) accordingly, the Company paid these dividends on 21 June 2023.

17 COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current period's presentation.

18 APPROVAL OF THE INTERIM CONDENSED FINANCIAL STATEMENTS

The Company's Board of Directors approved the interim condensed consolidated financial statements for the three and nine-months periods ended 30 September 2023 on 19 October 2023 (corresponding to 4 Rabi Thani 1445).