

# **Emirates Telecommunications Group Company PJSC**

**Review report and condensed consolidated interim financial information**

**for the period ended 30 September 2017**

# Emirates Telecommunications Group Company PJSC

Review report and condensed consolidated interim financial information for the period ended  
30 September 2017

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# Emirates Telecommunications Group Company PJSC

## Management report on the condensed consolidated interim financial information for the period ended 30 September 2017

### Financial Review

#### 1. Changes to the provisions of the Federal Law no. 1 of 1991 and the Articles of Association

In accordance with the Decree by Federal Law no. 3 of 2015 amending some provisions of the Federal Law No. 1 of 1991 (the "New Law") and the new articles of association of Emirates Telecommunications Group Company PJSC (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.

#### 2. Revenue, profit and earnings per share

The Group's financial performance for the nine month period ended 30 September 2017 is summarised in the financial metrics below:

- i) Consolidated revenue amounted to AED 38,185 million, exhibiting a decrease of AED 1,238 million (3.1%) over the revenue of the corresponding period in the prior year.
- ii) Profit attributable to the equity holders of the Company amounted to AED 6,475 million, exhibiting an increase of AED 290 million (4.7%) when compared to the corresponding period in the prior year.
- iii) Earnings per share increased/decreased by AED 0.01 when compared to the corresponding period in the prior year.

#### 3. Group net assets

As compared to 31 December 2016, the Group's net assets decreased by AED 166 million to AED 55,749 million as at 30 September 2017.

#### 4. Capital expenditure

The Group incurred AED 5,388 million on capital expenditure in the nine month period ended 30 September 2017 (AED 5,289 million in the nine month period ended 30 September 2016).

#### 5. Dividends

A final dividend for the year 2016 at the rate of AED 0.40 per share was approved for distribution to the shareholders registered at the close of business on Wednesday, 19 April 2017. This brought the total dividend for the year 2016 to AED 0.80 per share.

On 26 July 2017, the Board of Directors declared the first interim dividend for the year 2017 at the rate of AED 0.40 per share.

#### 6. International operations

In February 2017, the Group undertook a corporate restructuring of its investment in Emerging Markets Telecommunication Services Limited ("EMTS") and signed a new Shareholders Agreement with the other two shareholders in EMTS Holding BV established in the Netherlands ("EMTS BV"). The result of the restructuring is that the Group's voting rights in EMTS (through its shareholding in EMTS BV) decreased to 25% through issuance of a new class of preferential shares in EMTS BV while increasing its stake in the ordinary shares with non voting rights to 45% through a debt to equity swap, thereby partially converting its shareholder loans into equity. In addition, the shareholders of EMTS BV also agreed to waive all the remaining outstanding shareholders loans given to EMTS up to the date of the corporate restructuring being 8 February 2017.

During the period, EMTS defaulted on a facility agreement with a syndicate of Nigerian banks ("EMTS Lenders"), and discussions between EMTS and the EMTS Lenders did not produce an agreement on a debt-restructuring plan.

Accordingly, EMTS received a Default and Security Enforcement Notice on 9 June 2017 requiring EMTS BV to transfer 100% of its shares in EMTS to United Capital Trustees Limited (the "Security Trustee" of the EMTS Lenders) by 23 June 2017.

The transfer of all of EMTS shares held by EMTS BV to the Security Trustee has been made by EMTS BV, and the two Etisalat Group nominees resigned from the Board of Directors of EMTS on 22 June 2017. The legal formalities required under Nigerian law to give effect to the transfer of the shares are as of the date of this report not completed.

The existing management and technical support related agreements between Etisalat Group and EMTS have been terminated effective from 30 June 2017. The agreements governing the use of Etisalat's brand and related IP rights have also terminated effective from 21 July 2017.

Accordingly, since EMTS BV no longer controls EMTS, and the Group does not have significant influence on EMTS, the investment in the associate has been derecognised in the condensed consolidated interim financial information.

## Report on Review of Condensed Consolidated Interim Financial Information

To the Board of Directors of  
Emirates Telecommunications Group Company PJSC

### Introduction

We have reviewed the accompanying condensed consolidated interim statement of financial position of Emirates Telecommunications Group Company PJSC (“the Company”) and its subsidiaries (together, “the Group”) as of 30 September 2017 and the related condensed consolidated interim statements of profit or loss, comprehensive income, changes in equity and cash flows for the nine month period then ended. Management is responsible for the preparation and presentation of the condensed consolidated interim financial information in accordance with International Accounting Standard 34 “*Interim Financial Reporting*”. Our responsibility is to express a conclusion on the condensed consolidated interim financial information based on our review.

### Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, “*Review of Interim Financial Information Performed by the Independent Auditor of the Entity*”. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial information is not prepared, in all material respects, in accordance with *International Accounting Standard 34*.

Deloitte & Touche (M.E.)  
Abu Dhabi, United Arab Emirates  
Rama Padmanabha Acharya  
(Reg. No. 701)

## Emirates Telecommunications Group Company PJSC

Condensed consolidated interim statement of profit or loss for the period ended 30 September 2017

		(Unaudited)			
		Three months ended 30 September		Nine months ended 30 September	
		2017	2016	2017	2016
Notes		AED'000	AED'000	AED'000	AED'000
<b>Continuing operations</b>					
<b>Revenue</b>		12,896,354	13,244,437	38,185,089	39,422,670
Operating expenses	4	(8,024,523)	(8,388,116)	(24,231,787)	(25,400,744)
Impairment and other losses		(251)	(7,012)	(185,637)	(28,914)
Share of results of associates and joint ventures	5	(52,694)	(57,202)	(161,467)	(70,417)
Operating profit before federal royalty		<b>4,818,886</b>	<b>4,792,107</b>	<b>13,606,198</b>	<b>13,922,595</b>
Federal royalty	4	(1,678,171)	(1,660,502)	(4,947,122)	(5,128,974)
<b>Operating profit</b>		<b>3,140,715</b>	<b>3,131,605</b>	<b>8,659,076</b>	<b>8,793,621</b>
Finance and other income		436,811	193,760	939,422	721,257
Finance and other costs		(343,362)	(367,142)	(926,138)	(720,204)
<b>Profit before tax</b>		<b>3,234,164</b>	<b>2,958,223</b>	<b>8,672,360</b>	<b>8,794,674</b>
Taxation		(337,048)	(354,744)	(993,460)	(1,166,914)
<b>Profit for the period from continuing operations</b>		<b>2,897,116</b>	<b>2,603,479</b>	<b>7,678,900</b>	<b>7,627,760</b>
<b>Discontinued operations</b>					
Loss from discontinued operations	21	(68,512)	(362,173)	(140,487)	(403,952)
<b>Profit for the period</b>		<b>2,828,604</b>	<b>2,241,306</b>	<b>7,538,413</b>	<b>7,223,808</b>
Profit attributable to:					
The equity holders of the Company		2,413,849	1,870,096	6,475,307	6,185,695
Non-controlling interests		414,755	371,210	1,063,106	1,038,113
		<b>2,828,604</b>	<b>2,241,306</b>	<b>7,538,413</b>	<b>7,223,808</b>
<b>Earnings per share</b>					
From continuing and discontinued operations					
Basic and diluted	7	AED 0.28	AED 0.22	AED 0.74	AED 0.71
From continuing operations					
Basic and diluted	7	AED 0.27	AED 0.26	AED 0.76	AED 0.76

The accompanying notes on pages 8 to 33 form an integral part of the condensed consolidated interim financial information.

## Emirates Telecommunications Group Company PJSC

Condensed consolidated interim statement of comprehensive income for the period ended 30 September 2017

(Unaudited)

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2017 AED'000	2016 AED'000	2017 AED'000	2016 AED'000
<b>Profit for the period</b>		2,828,604	2,241,306	7,538,413	7,223,808
<b>Other comprehensive income / (loss)</b>					
<b>Items that may be reclassified subsequently to profit or loss:</b>					
Exchange differences arising during the period :					
Exchange differences on translation of foreign operations		548,409	111,565	1,884,174	(504,193)
Loss on hedging instruments designated in hedges of the net assets of foreign operations	18	(482,556)	(91,914)	(1,073,869)	(242,616)
Gain/(loss) on revaluation of financial assets during the period		(135,917)	(110,202)	3,793	(77,537)
<b>Items reclassified to profit or loss:</b>					
Reclassification adjustment relating to available-for-sale financial assets on disposal		(519)	(2,448)	(535)	(935)
Cumulative loss transferred to profit or loss on disposal of foreign operation	22	-	505,820	-	505,820
<b>Total other comprehensive (loss) / income</b>		<b>(70,583)</b>	<b>412,821</b>	<b>813,563</b>	<b>(319,461)</b>
<b>Total comprehensive income for the period</b>		<b>2,758,021</b>	<b>2,654,127</b>	<b>8,351,976</b>	<b>6,904,347</b>
Attributable to:					
The equity holders of the Company		2,156,484	2,247,994	6,618,604	6,048,188
Non-controlling interests		601,537	406,133	1,733,372	856,159
		<b>2,758,021</b>	<b>2,654,127</b>	<b>8,351,976</b>	<b>6,904,347</b>

The accompanying notes on pages 8 to 33 form an integral part of the condensed consolidated interim financial information.

# Emirates Telecommunications Group Company PJSC

Condensed consolidated interim statement of financial position as at 30 September 2017

	Notes	As at	
		(Unaudited)	(Audited)
		30 September 2017 AED'000	31 December 2016 AED'000
<b>Non-current assets</b>			
Goodwill	8	14,915,058	14,097,902
Other intangible assets	9	15,394,391	14,710,048
Property, plant and equipment	10	43,939,741	42,450,127
Investment property		35,900	27,230
Investments in associates and joint ventures		4,356,805	4,414,352
Other investments	26	1,565,701	879,207
Other receivables	11	444,660	156,612
Derivative financial instruments	18	162,329	331,313
Deferred tax assets		101,944	128,210
		<b>80,916,529</b>	<b>77,195,001</b>
<b>Current assets</b>			
Inventories		464,742	708,825
Trade and other receivables	11	17,367,843	18,999,651
Current income tax assets		626,213	593,270
Due from associates and joint ventures		168,267	379,765
Cash and bank balances	12	23,279,595	23,676,170
		<b>41,906,660</b>	<b>44,357,681</b>
Assets classified as held for sale	21	888,352	993,663
		<b>123,711,541</b>	<b>122,546,345</b>
<b>Total assets</b>			
<b>Non-current liabilities</b>			
Other payables	13	1,567,019	1,558,549
Borrowings	17	19,969,715	18,203,902
Payables related to investments and licenses	19	419,058	542,968
Derivative financial instruments	18	63,229	-
Deferred tax liabilities		3,278,798	3,255,952
Finance lease obligations		2,610	4,905
Provisions		162,511	149,143
Provision for end of service benefits	25	1,567,547	1,636,959
		<b>27,030,487</b>	<b>25,352,378</b>
<b>Current liabilities</b>			
Trade and other payables	13	29,405,889	30,798,177
Borrowings	17	5,277,475	4,074,738
Payables related to investments and licenses	19	3,046,480	3,255,327
Current income tax liabilities		252,465	257,491
Finance lease obligations		3,524	5,512
Provisions		2,507,877	2,488,839
Derivative financial instruments	18	357	2,830
		<b>40,494,067</b>	<b>40,882,914</b>
Liabilities directly associated with the assets classified as held for sale	21	437,802	396,275
		<b>67,962,356</b>	<b>66,631,567</b>
<b>Total liabilities</b>			
<b>Net assets</b>			
<b>Equity</b>			
Share capital		8,696,754	8,696,754
Reserves		26,282,594	26,121,149
Retained earnings		7,379,937	7,883,502
<b>Equity attributable to the equity holders of the Company</b>			
Non-controlling interests		13,389,900	13,213,373
<b>Total equity</b>			
		<b>55,749,185</b>	<b>55,914,778</b>

The accompanying notes on pages 8 to 33 form an integral part of the condensed consolidated interim financial information.

## Emirates Telecommunications Group Company PJSC

Condensed consolidated interim statement of changes in equity for the period ended 30 September 2017 (Unaudited)

	Attributable to equity holders of the Company						Total equity
	Notes	Share capital	Reserves	Retained earnings	Owners' equity	Non-controlling interests	
		AED'000	AED'000	AED'000	AED'000	AED'000	
<b>Balance at 1 January 2016</b>		<b>8,696,754</b>	<b>27,583,414</b>	<b>7,506,616</b>	<b>43,786,784</b>	<b>15,886,048</b>	<b>59,672,832</b>
Total comprehensive income for the period		-	(137,507)	6,185,695	6,048,188	856,159	6,904,347
Other movements in equity		-	-	6,910	6,910	7,361	14,271
Transfer to reserves		-	220,784	(220,784)	-	-	-
Transaction with owners:							
Disposal of partial interest in a subsidiary		-	-	-	-	(24,477)	(24,477)
Movements in non-controlling interests		-	-	47,332	47,332	(66,843)	(19,511)
Dividends	6	-	-	(6,954,396)	(6,954,396)	(1,754,052)	(8,708,448)
<b>Balance at 30 September 2016</b>		<b>8,696,754</b>	<b>27,666,691</b>	<b>6,571,373</b>	<b>42,934,818</b>	<b>14,904,196</b>	<b>57,839,014</b>
<b>Balance at 1 January 2017</b>		<b>8,696,754</b>	<b>26,121,149</b>	<b>7,883,502</b>	<b>42,701,405</b>	<b>13,213,373</b>	<b>55,914,778</b>
Total comprehensive income for the period		-	143,297	6,475,307	6,618,604	1,733,372	8,351,976
Other movements in equity		-	-	(6,328)	(6,328)	(6,954)	(13,282)
Transfer to reserves		-	65,835	(65,835)	-	-	-
Transfer from investment revaluation reserve to retained earnings		-	(47,687)	47,687	-	-	-
Transaction with owners:							
Repayment of advances to non-controlling interests		-	-	-	-	(76,091)	(76,091)
Dividends	6	-	-	(6,954,396)	(6,954,396)	(1,473,800)	(8,428,196)
<b>Balance at 30 September 2017</b>		<b>8,696,754</b>	<b>26,282,594</b>	<b>7,379,937</b>	<b>42,359,285</b>	<b>13,389,900</b>	<b>55,749,185</b>

The accompanying notes on pages 8 to 33 form an integral part of the condensed consolidated interim financial information.



**Emirates Telecommunications Group Company PJSC**  
**Condensed consolidated interim statement of cash flows for the period ended 30 September**  
**2017 (unaudited)**

	Notes	Nine months ended 30 September	
		2017 AED'000	2016 AED'000
<b>Operating profit including discontinued operations</b>		8,528,752	8,760,456
<b>Adjustments for:</b>			
Depreciation		4,280,912	4,418,154
Amortisation		1,098,768	1,350,522
Impairment and other losses		188,391	28,914
Share of results of associates and joint ventures		161,467	70,417
Provisions and allowances		95,218	823,641
Unrealised currency translation gain		361,149	150,756
Other non-cash movements		220,132	153,071
<b>Operating profit before changes in working capital</b>		<b>14,934,789</b>	<b>15,755,931</b>
Changes in working capital:			
Inventories		256,713	197,201
Due from associates and joint ventures		26,234	87,413
Trade and other receivables		1,766,888	(1,942,809)
Trade and other payables		(2,402,502)	(848,554)
<b>Cash generated from operations</b>		<b>14,582,122</b>	<b>13,249,182</b>
Income taxes paid		(1,164,980)	(1,357,612)
Payment of end of service benefits		(252,663)	(193,835)
<b>Net cash generated from operating activities</b>		<b>13,164,479</b>	<b>11,697,735</b>
<b>Cash flows from investing activities</b>			
Proceeds from disposal of investments at amortised cost/held-to-maturity investments		328,216	213,794
Acquisition of investments at amortised cost/held-to-maturity investments		-	(910,469)
Acquisition of investment classified as fair value through profit or loss		(789,910)	-
Proceeds from disposal of investment classified as fair value through profit or loss		12,362	-
Acquisition of other investments		(18,021)	(111,618)
Proceeds from disposal of other investments		-	1,089
Acquisition of interest in associates		(106,484)	-
Purchase of property, plant and equipment		(4,601,471)	(4,631,761)
Proceeds from disposal of property, plant and equipment		14,573	37,640
Purchase of other intangible assets		(786,258)	(657,406)
Proceeds from disposal of other intangible assets		208	576
Movement in term deposits with maturities over three months	12	127,254	(98,925)
Dividend income received from associates and other investments		22,328	15,926
Net cash inflow on disposal of a subsidiary	22	-	279,033
Proceeds from unwinding of derivative financial instruments	18	-	282,898
Finance and other income received		734,774	599,878
<b>Net cash used in investing activities</b>		<b>(5,062,429)</b>	<b>(4,979,345)</b>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings and finance lease obligations		3,678,791	3,515,414
Repayments of borrowings and finance lease obligations		(2,443,207)	(2,460,985)
Equity repayment to non-controlling interests for acquisition of a subsidiary		(76,091)	-
Dividends paid		(8,418,219)	(8,708,449)
Finance and other costs paid		(934,828)	(792,394)
<b>Net cash used in financing activities</b>		<b>(8,193,554)</b>	<b>(8,446,414)</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(91,504)</b>	<b>(1,728,024)</b>
Cash and cash equivalents at the beginning of the period		3,022,907	5,553,302
Effect of foreign exchange rate changes		(187,399)	28,129
<b>Cash and cash equivalents at the end of the period</b>	12	<b>2,744,004</b>	<b>3,853,407</b>

In the previous period, the Group disposed of a property in one of its subsidiaries having a non cash impact of AED 153 million.

During the period, the Group concluded swap of certain property, plant and equipment having non-cash impact of AED 220.13 million.

The accompanying notes on pages 8 to 33 form an integral part of the condensed consolidated interim financial information.

# Emirates Telecommunications Group Company PJSC

## Notes to the condensed consolidated interim financial information for the period ended 30 September 2017

### 1. General information

The Emirates Telecommunications Group (“the Group”) comprises the holding company Emirates Telecommunications Group Company PJSC (“the Company”), formerly known as Emirates Telecommunications Corporation (“the Corporation”) and its subsidiaries. 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.

In accordance with the Decree by Federal Law no. 3 of 2015 amending certain provisions of the Federal Law No. 1 of 1991 (the “New Law”) and the new articles of association of Emirates Telecommunications Group Company PJSC (the “New AoA”), Emirates Telecommunications Corporation has been converted from a corporation to a public joint stock company and made 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. The New Law introduces two new types of share, ie ordinary shares and one Special Share held by the Government of the United Arab Emirates and carries certain preferential rights related to the passing of certain decisions by the company or the ownership of the UAE telecommunication network. Under the New Law, the Company may issue different classes of shares, subject to the approval of the Special Shareholder. The New Law reduces the minimum number of ordinary shares held by any UAE government entity in the Company from owning at least 60% shares in the Company’s share capital to an ownership of not less than 51%, unless the Special Shareholder decides otherwise. Under the New Law, shareholders who are not public entities of the UAE, citizens of the UAE, or corporate entities of the UAE wholly controlled by citizens of the UAE, (which includes foreign individuals, foreign or UAE free zone corporate entities, or corporate entities of the UAE that are not fully controlled by UAE citizens ) 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 (however, holders of such shares may attend such meeting). The Company has undertaken the procedures required to implement and align its status with the provisions of the New Law. The address of the registered office is P.O. Box 3838, Abu Dhabi, United Arab Emirates. The Company’s shares are listed on the Abu Dhabi Securities Exchange.

The principal activities of the Group are to provide telecommunications services, media and related equipment including the provision of related contracting and consultancy services to international telecommunications companies and consortia. These activities are carried out through the Company (which holds a full service license from the UAE Telecommunications Regulatory Authority valid until 2025), its subsidiaries, associates and joint ventures.

This condensed consolidated interim financial information was approved by the Board of Directors and authorised for issue on 25 October 2017.

# Emirates Telecommunications Group Company PJSC

## Notes to the condensed consolidated interim financial information for the period ended 30 September 2017

### 2. Significant accounting policies

The significant accounting policies adopted in the preparation of this condensed consolidated interim financial information are set out below.

#### Basis of preparation

The condensed consolidated interim financial information has been prepared in accordance with IAS 34, Interim Financial Reporting.

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

The condensed consolidated interim financial information has been prepared under the historical cost convention, except for the revaluation of certain financial instruments that have been recorded at fair value.

The condensed consolidated interim financial information does not include all the information and disclosures required in the annual audited consolidated financial statements, and should be read in conjunction with the Group's latest annual audited consolidated financial statements.

The accounting policies, presentation and methods in these condensed financial statements are consistent with those used in the audited financial statements for the year ended 31 December 2016, except for the adoption of the following new or amended accounting policies and new standards and interpretations effective as of 1 January 2017.

#### Impact of early adoption of IFRS 9 Financial Instruments

In the current period, the Group has early adopted IFRS 9 *Financial Instruments* (as revised in July 2014) and the related consequential amendments to the other IFRSs with effect from 1 January 2017. IFRS 9 introduces new requirements for i) the classification and measurement of financial assets and financial liabilities, ii) impairment for financial assets and iii) general hedge accounting.

Details of these new requirements as well as their impact on the Group's condensed consolidated interim financial information are described below:

##### (i) Classification and measurement of financial assets and financial liabilities

The Group has applied the requirements of IFRS 9 to financial instruments that have not been derecognized as at the initial application date i.e 1 January 2017. All recognised financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortised cost or fair value on the basis of the Group's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

Management reviewed and assessed the Group's existing financial assets as at 1 January 2017 based on the facts and circumstances that existed at that date and concluded that the initial application of IFRS 9 has had the following impact on the Group's financial assets as regards to their classification and measurement:

- Financial assets classified as held-to-maturity and loans and receivables under IAS 39 that were measured at amortised cost continue to be measured at amortised cost under IFRS 9 as they are held within a business model to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding;

# Emirates Telecommunications Group Company PJSC

Notes to the condensed consolidated interim financial information for the period ended 30 September 2017

## 2. Significant accounting policies (continued)

### Impact of early application of IFRS 9 Financial Instruments (continued)

#### (i) Classification and measurement of financial assets and financial liabilities

- Equity investments classified as available for sale (AFS) under IAS 39, have irrevocably been classified as fair value through OCI except those equity investments which are held for trading purposes. Accordingly these securities classified as FVOCI are measured at fair value through other comprehensive income, and any accumulated gains and losses held within OCI are not recycled through the consolidated statement of profit or loss. Those equity investments which are held for trading purposes are classified as fair value through profit and loss and subsequent gains and losses relating to those equity investments are recognised in the consolidated statement of profit or loss.
- Financial assets that were measured at FVTPL under IAS 39 continue to be measured as such under IFRS 9.

The change in classification of the Group's investments in equity instruments from available for sale under IAS 39 to fair value through OCI under IFRS 9 has resulted in the fair value gain on available-for-sale financial assets recognized in other comprehensive income of AED 3.4 million that will not be subsequently reclassified to the consolidated statement of profit or loss.

None of the other reclassifications of financial assets have had any material impact on the Group's consolidated statement of financial position, profit or loss, other comprehensive income or total comprehensive income for the current period. In relation to financial liabilities, application of IFRS 9 has had no material impact on the Group, and the Group has continued to apply its previous accounting policies for classification and measurement of financial liabilities.

#### (ii) Impairment of financial assets

In relation to the impairment of financial assets, IFRS 9 requires an Expected Credit Loss ("ECL") model as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires the Group to account for expected credit losses and changes in those expected credit losses at the end of each reporting period to reflect changes in credit risk since initial recognition of the financial assets. It is no longer necessary for a credit event to have occurred before credit losses are recognised.

Specifically, IFRS 9 requires the Group to recognise a loss allowance for expected credit losses on all classes of financial assets, other than those that are measured as fair value through profit or loss and equity instruments classified and measured as FVTOCI. The financial assets subject to impairment requirements of IFRS 9 include, i) debt investments subsequently measured at amortised cost or at FVTOCI, ii) lease receivables, iii) trade receivable and contract assets and iv) loan commitments and financial guarantee contracts to which the impairment requirements of IFRS 9 apply. In particular, IFRS 9 requires the Group to measure the loss allowance for a financial instrument at an amount equal to the lifetime ECL if the credit risk on that financial instrument has increased significantly since initial recognition, or if the financial instrument is a purchased or originated credit-impaired financial asset. On the other hand, if the credit risk on a financial instrument has not increased significantly since initial recognition, the Group is required to measure the loss allowance for that financial instrument at an amount equal to 12 month ECL. IFRS 9 also provides a simplified approach for measuring the loss allowance at an amount equal to lifetime ECL for trade receivables, contract assets and lease receivables in certain circumstances.

As at 1 January 2017, management reviewed and assessed the Group's existing financial assets for impairment using reasonable and supportable information that is available without incurring undue cost or effort, in accordance with the guidance included in IFRS 9 to determine the credit risk associated with the respective financial assets.

# Emirates Telecommunications Group Company PJSC

Notes to the condensed consolidated interim financial information for the period ended 30 September 2017

## 2. Significant accounting policies (Continued)

### Impact of early application of IFRS 9 Financial Instruments (continued)

#### (iii) General hedge accounting

The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. Furthermore the hedge effectiveness test requirements under IAS 39, have also been overhauled and replaced with the principle of an 'economic relationship', and accordingly, retrospective assessment of hedge effectiveness is no longer required.

In accordance with IFRS 9's transition provisions for hedge accounting, the Group has applied the IFRS 9 hedge accounting requirements prospectively from the date of initial application on 1 January 2017.

The early adoption of IFRS 9 has impacted profit for the period by an amount of AED 125 million.

### New and amended standards adopted by the Group

The following revised IFRSs have been adopted in this condensed consolidated interim financial information. The application of these revised IFRSs has not had any material impact on the amounts reported for the current and prior periods but may affect the accounting for future transactions or arrangements.

- IAS 7 Statement of cash flows relating to disclosure initiatives
- Amendments to IFRS 12 resulting from Annual Improvements 2014–2016 Cycle regarding clarifying the scope of the standard.
- IAS 12 amendments regarding the recognition of deferred tax assets for unrealised losses

At the date of the condensed consolidated interim financial information, the following Standards, Amendments and Interpretations have not been effective and have not been early adopted:

	<b>Effective date</b>
IFRS 15 – Revenue from contracts with customers	1 January 2018
IFRS 16 Leases	1 January 2019
Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures (2011) relating to the treatment of the sale or contribution of assets from and investor to its associate or joint venture	Effective date deferred indefinitely
Amendments to IFRS 1 and IAS 28 resulting from Annual Improvements 2014–2016 Cycle.	1 January 2018
Amendments to IAS 40 clarifying transfers of property to, or from, investment property.	1 January 2018
IFRIC 22 Foreign Currency Transactions and Advance Consideration	1 January 2018
IFRIC 23 uncertainty over tax treatments	1 January 2019

# Emirates Telecommunications Group Company PJSC

Notes to the condensed consolidated interim financial information for the period ended 30 September 2017

## 2. Significant accounting policies (continued)

### New and amended standards in issue but not yet effective

#### IFRS 15 Revenue from Contracts with Customers:

IFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related interpretations when it becomes effective. The core principle of IFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer.
- Step 2: Identify the performance obligations in the contract.
- Step 3: Determine the transaction price.
- Step 4: Allocate the transaction price to the performance obligations in the contract.
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

Under IFRS 15, an entity recognises when (or as) a performance obligation is satisfied, i.e. when ‘control’ of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15. In April 2016, the IASB issued Clarifications to IFRS 15 in relation to the identification of performance obligations, principle versus agent considerations, as well as licensing application guidance.

The potential impact of the revenue standard for the Group are expected to be as follows:

1. Provision of service or equipment: Where the contract with customer contains multiple performance obligations or bundled products revenue recognition is expected to occur at a point in time when control of the asset is transferred to the customer, generally on delivery of the goods and over the period of time when the services are delivered over the contract period.
2. Contract Costs: Incremental contract costs incurred to obtain and fulfil a contract to provide goods or services to the customer are required to be capitalised under IFRS 15, if those costs are expected to be recovered. These costs are to be amortised over expected contract period and tested for impairment regularly.
3. Variable Consideration: Some contracts with customers provide discounts or volume rebates or service credits. Such provisions in the contract give rise to variable consideration under IFRS 15, and will be required to be estimated at contract inception.
4. Financing Component: Some contracts with customers contain payments terms which do not match with the timing of delivery of services or equipment to the customer (e.g., under some contracts, consideration is paid in monthly instalments after the equipment or services are provided to the customers). Such provisions that allow customer to pay in arrears may give rise to financing component under IFRS 15, and will be accounted as interest income after adjusting the transaction price.

The Group is continuing to assess the impact of these and other changes on the consolidated financial statements.

# Emirates Telecommunications Group Company PJSC

Notes to the condensed consolidated interim financial information for the period ended 30 September 2017

## 2. Significant accounting policies (continued)

### New and amended standards in issue but not yet effective (continued)

#### IFRS 16 Leases:

IFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. IFRS 16 will supersede the current lease guidance including IAS 17 leases and the related interpretations when it becomes effective.

IFRS 16 distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases (off balance sheet) and finance leases (on balance sheet) are removed for lessee accounting and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for leases by lessees (i.e. all on balance sheet) except for short-term leases and leases of low value assets.

Management anticipates that the application of the above Standards and Interpretations in future periods will have no material impact on the consolidated financial statements of the Group in the period of initial application with the exception of IFRS 15 Revenue from Contracts with Customers and IFRS 16 Leases which management is currently assessing. However, it is not practicable to provide a reasonable estimate of the effects of the application of these standards until the Group performs a detailed review.

#### Associates and joint ventures

A joint venture is a joint arrangement whereby the Group has joint control of the arrangement and has corresponding rights to the net assets of the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. Associates are those companies over which Group exercises significant influence but it does not control or have joint control over those companies. Investments in associates and joint ventures are accounted for using the equity method of accounting except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with IFRS 5. Investments in associates and joint ventures are carried in the consolidated statement of financial position at cost as adjusted by post-acquisition changes in the Group's share of the net assets of the associates and joint ventures less any impairment in the value of individual investments. Losses of the associates and joint ventures in excess of the Group's interest are not recognised unless the Group has incurred legal or constructive obligations. The carrying values of investments in associates and joint ventures are reviewed on a regular basis and if impairment in the value has occurred, it is written off in the period in which those circumstances are identified.

Any excess of the cost of acquisition over the Group's share of the fair values of the identifiable net assets of the associates at the date of acquisition is recognised as goodwill and included as part of the cost of investment. Any deficiency of the cost of acquisition below the Group's share of the fair values of the identifiable net assets of the associates at the date of acquisition is credited to the consolidated statement of profit or loss in the year of acquisition.

The Group's share of associates' and joint ventures' results is based on the most recent financial statements or interim financial statements drawn up to the Group's reporting date. Accounting policies of associates and joint ventures have been adjusted, where necessary, to ensure consistency with the policies adopted by the Group.

# Emirates Telecommunications Group Company PJSC

## Notes to the condensed consolidated interim financial information for the period ended 30 September 2017

### 2. Significant accounting policies (continued)

#### Associates and joint ventures (continued)

Profits and losses resulting from upstream and downstream transactions between the Group (including its consolidated subsidiaries) and its associate or joint ventures are recognised in the Group's financial statements only to the extent of unrelated group's interests in the associates or joint ventures. Losses may provide evidence of an impairment of the asset transferred, in which case appropriate provision is made for impairment.

Dilution gains and losses arising on deemed disposal of investments in associates and joint ventures are recognised in the consolidated statement of profit or loss.

#### Investment property

Investment property, which is property held to earn rentals and/or for capital appreciation, is carried at cost less accumulated depreciation and impairment loss.

Investment properties are depreciated on a straight-line basis over the lesser of 20 years and the period of the lease.

#### Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

##### i) Fair value

Financial assets and financial liabilities are initially measured at fair value. The fair values of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices; and
- the fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions.

##### ii) Financial assets

Financial assets are classified into the following specified categories: 'amortised cost', 'fair value through OCI with recycling', 'fair value through OCI without recycling', 'fair value through profit or loss'. The classification depends on the business model for managing the financial asset and the contractual cash flow characteristics of financial asset and is determined at the time of initial recognition.

All financial assets are recognised and derecognised on trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Income is recognised on an effective interest rate basis for debt instruments that are classified as amortised cost or, fair value through OCI.



# Emirates Telecommunications Group Company PJSC

Notes to the condensed consolidated interim financial information for the period ended 30 September 2017

## 2. Significant accounting policies (continued)

### Financial instruments (continued)

#### iii) Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. On the other hand, the gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

#### iv) Fair value through OCI – with recycling

Debt instruments that meet the following conditions are subsequently measured at FVTOCI:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

These instruments are initially measured at fair value plus transaction costs. Subsequently, changes in the carrying amount of these instruments as a result of foreign exchange gains and losses, impairment gains or losses, and interest income calculated using the effective interest method are recognised in the consolidated statement of profit or loss. The amounts that are recognised in the consolidated statement of profit or loss are the same as the amounts that would have been recognised in the consolidated statement of profit or loss if these instruments had been measured at amortised cost. All other changes in the carrying amount of these instruments are recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. When these instruments are derecognised, the cumulative gains or losses previously recognised in other comprehensive income are reclassified to the consolidated statement of profit or loss.

#### iv) Fair value through OCI – without recycling

On initial recognition, the Group may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognised by an acquirer in a business combination to which IFRS 3 applies.

# Emirates Telecommunications Group Company PJSC

Notes to the condensed consolidated interim financial information for the period ended 30 September 2017

## 2. Significant accounting policies (continued)

### Financial instruments (continued)

#### iv) Fair value through OCI – without recycling (continued)

A financial asset is held for trading if it is:

- acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
- part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking; or
- a derivative (except for a derivative that is a designated and effective hedging instrument)

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the investments revaluation reserve. The cumulative gain or loss will not be reclassified to the consolidated statement of profit or loss on disposal of the equity investments, instead, it will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognised in the consolidated statement of profit or loss when the Group's right to receive the dividends is established in accordance with IAS 18 Revenue, unless the dividends clearly represent a recovery of part of the cost of the investment.

#### v) Fair value through profit and loss

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI (see 2 (iii to iv)) are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in the consolidated statement of profit or loss to the extent they are not part of a designated hedging relationship. The net gain or loss recognised in the consolidated statement of profit or loss includes any dividend or interest earned on the financial asset. Fair value is determined in the manner described in note 2 (i).

#### vi) Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. Specifically,

- for financial assets measured at amortised cost that are not part of a designated hedging relationship, exchange differences are recognised in the consolidated statement of profit or loss in the 'foreign exchange gains/(losses)' line item;
- for debt instruments measured at FVTOCI that are not part of a designated hedging relationship, exchange differences on the amortised cost of the debt instrument are recognised in the consolidated statement of profit or loss in the 'foreign exchange gains/(losses)' line item. Other exchange differences are recognised in other comprehensive income in the investments revaluation reserve;
- for financial assets measured at FVTPL that are not part of a designated hedging relationship, exchange differences are recognised in the consolidated statement of profit or loss in the 'foreign exchange gains/(losses)' line item; and
- for equity instruments measured at FVTOCI, exchange differences are recognised in other comprehensive income in the investments revaluation reserve.

# Emirates Telecommunications Group Company PJSC

Notes to the condensed consolidated interim financial information for the period ended 30 September 2017

## 2. Significant accounting policies (continued)

### Financial instruments (continued)

#### vii) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

#### viii) Impairment of financial assets

The Group recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost or at FVTOCI, lease receivables, trade receivables, as well as on loan commitments and financial guarantee contracts. No impairment loss is recognised for investments in equity instruments. The amount of expected credit losses is updated at the end of each reporting period to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime ECL for trade receivables using the simplified approach. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12 months ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition instead of on evidence of a financial asset being credit-impaired at the end of the reporting period or an actual default occurring.

#### a) Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the end of the reporting period with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if i) the financial instrument has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a financial asset to have low credit risk when it has an internal or external credit rating of 'investment grade' as per globally understood definition.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

# Emirates Telecommunications Group Company PJSC

Notes to the condensed consolidated interim financial information for the period ended 30 September 2017

## 2. Significant accounting policies (continued)

### Financial instruments (continued)

#### b) Definition of default

In case of trade receivables, the Group considers that default occurs when a customer balance moves into the “Ceased” category based on its debt age analysis for internal credit risk management purposes.

For all other financial assets, the Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable.

- when there is a breach of financial covenants by the counterparty; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

#### c) Credit – impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower’s financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

#### d) Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default for financial assets, this is represented by the assets’ gross carrying amount at the reporting date.

# Emirates Telecommunications Group Company PJSC

Notes to the condensed consolidated interim financial information for the period ended 30 September 2017

## 2. Significant accounting policies (continued)

### Financial instruments (continued)

#### e) Measurement and recognition of expected credit losses (continued)

Where lifetime ECL is measured on a collective basis to cater for cases where evidence of significant increases in credit risk at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Nature of financial instruments (i.e. the Group's trade and other receivables, finance lease receivables and amounts due from customers are each assessed as a separate group. Loans to related parties are assessed for expected credit losses on an individual basis);
- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

The Group recognizes an impairment gain or loss in the consolidated statement of profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognised in other comprehensive income and accumulated in the investment revaluation reserve, and does not reduce the carrying amount of the financial asset in the consolidated statement of financial position.

#### ix) Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset or substantially all the risk and rewards of ownership to another entity. If the Group neither transfer nor retains substantially all the risks and reward of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

#### x) Financial liabilities

Financial liabilities are classified as either financial liabilities 'at fair value through profit or loss' ("FVTPL") or other financial liabilities.

#### xi) Financial guarantee contract liabilities

Financial guarantee contract liabilities are measured initially at their fair values and are subsequently measured at the higher of:

- the amount of the obligation under the contract, as determined in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets; and
- the amount initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the revenue recognition policies set out above.

# Emirates Telecommunications Group Company PJSC

Notes to the condensed consolidated interim financial information for the period ended 30 September 2017

## 2. Significant accounting policies (continued)

### Financial instruments (continued)

#### xii) Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL where the financial liability is either held for trading or it is designated as such. A financial liability is classified as held for trading if it has been incurred principally for the purpose of disposal in the near future or it is a derivative that is not designated and effective as a hedging instrument. Financial liabilities at FVTPL are stated at fair value, with any resultant gain or loss recognised in the consolidated statement of profit or loss.

#### xiii) Other financial liabilities

Other financial liabilities (including borrowings and trade and other payables) are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

#### xiv) Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

#### xv) Derivative financial instruments

The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risk, including forward foreign exchange contracts, interest rate swaps and cross currency swaps. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability.

#### xvi) Embedded derivatives

Derivatives embedded in host financial liability contract, are treated as separate derivatives when their risks and characteristics are not closely related to those of host contracts and the host contracts are not measured at fair value with changes in fair value recognised in the consolidated statement of profit or loss.

#### xvii) Hedge accounting

The Group may designate certain hedging instruments, which include derivatives, embedded derivatives and non-derivatives in respect of foreign exchange risk, as either fair value hedges, cash flow hedges, or hedges of net investments in foreign operations. Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges where appropriate criteria are met.

At the inception of the hedge relationship, the entity documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk, which is when the hedging relationships meet all of the following hedge effectiveness requirements.

# Emirates Telecommunications Group Company PJSC

Notes to the condensed consolidated interim financial information for the period ended 30 September 2017

## 2. Significant accounting policies (continued)

### Financial instruments (continued)

#### xvii) Hedge accounting

- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not dominate the value changes that result from that economic relationship; and
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of hedged item.

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, the Group adjusts the hedge ratio of the hedging relationship (i.e. rebalances the hedge) so that it meets the qualifying criteria again.

### Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

## 3. 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 seventeen countries which are divided into the following operating segments:

- Pakistan
- Egypt
- Morocco
- International - others

Revenue is attributed to an operating segment based on the location of the Group subsidiary reporting the revenue. Inter-segment sales are charged at arms' length prices.

## **Emirates Telecommunications Group Company PJSC**

**Notes to the condensed consolidated interim financial information for the period ended 30 September 2017**

### **3. Segmental information (continued)**

#### **b) Segment revenues and results**

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

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 Board of Directors.

#### **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. All assets are allocated to reportable segments. Goodwill is allocated based on separately identifiable CGUs. Assets used jointly by reportable segments are allocated on the basis of the revenues earned by individual reportable segments.

The segment information has been provided on the following page.



## Emirates Telecommunications Group Company PJSC

Notes to the condensed consolidated interim financial information for the period ended 30 September 2017

### 3. Segmental information (continued)

	International					Eliminations AED'000	Consolidated AED'000
	UAE AED'000	Morocco AED'000	Egypt AED'000	Pakistan AED'000	Others AED'000		
<b>Nine months ended 30 September 2017</b>							
<b>Revenue</b>							
External sales	23,554,024	5,748,560	1,699,509	3,066,821	4,116,175	-	38,185,089
Inter-segment sales	206,107	27,410	33,695	8,062	96,656	(371,930)	-
<b>Total revenue</b>	<b>23,760,131</b>	<b>5,775,970</b>	<b>1,733,204</b>	<b>3,074,883</b>	<b>4,212,831</b>	<b>(371,930)</b>	<b>38,185,089</b>
<b>Segment result</b>	<b>10,714,988</b>	<b>1,731,754</b>	<b>375,375</b>	<b>46,001</b>	<b>738,080</b>	<b>-</b>	<b>13,606,198</b>
Federal royalty							(4,947,122)
Finance and other income							939,422
Finance and other costs							(926,138)
<b>Profit before tax</b>							<b>8,672,360</b>
Taxation							(993,460)
<b>Profit for the period from continuing operations</b>							<b>7,678,900</b>
Total assets at 30 September 2017	58,573,372	33,301,629	7,656,701	19,737,393	18,906,535	(14,464,089)	123,711,541
<b>Nine months ended 30 September 2016</b>							
<b>Revenue</b>							
External sales	23,010,627	6,048,422	3,282,969	3,072,021	4,008,631	-	39,422,670
Inter-segment sales	253,155	52,970	28,443	41,917	184,801	(561,286)	-
<b>Total revenue</b>	<b>23,263,782</b>	<b>6,101,392</b>	<b>3,311,412</b>	<b>3,113,938</b>	<b>4,193,432</b>	<b>(561,286)</b>	<b>39,422,670</b>
<b>Segment result</b>	<b>10,873,673</b>	<b>1,723,414</b>	<b>581,722</b>	<b>113,090</b>	<b>630,696</b>	<b>-</b>	<b>13,922,595</b>
Federal royalty							(5,128,974)
Finance and other income							721,257
Finance and other costs							(720,204)
<b>Profit before tax</b>							<b>8,794,674</b>
Taxation							(1,166,914)
<b>Profit for the period from continuing operations</b>							<b>7,627,760</b>
Total assets at 31 December 2016	60,055,024	31,226,594	6,814,677	20,100,018	18,286,911	(13,936,879)	122,546,345

## Emirates Telecommunications Group Company PJSC

Notes to the condensed consolidated interim financial information for the period ended 30 September 2017

### 4. Operating expenses and federal royalty

a) Operating expenses (before federal royalty)	Three months ended 30 September		Nine months ended 30 September	
	2017 AED'000	2016 AED'000	2017 AED'000	2016 AED'000
Direct cost of sales	3,013,181	2,849,453	8,962,798	8,704,142
Staff costs	1,177,086	1,259,999	3,756,445	3,962,288
Depreciation	1,423,623	1,470,265	4,193,932	4,324,696
Network and other related costs	696,881	737,931	1,939,059	2,179,737
Amortisation	353,969	442,742	1,087,358	1,339,169
Marketing expenses	221,720	220,516	652,853	672,313
Regulatory expenses	322,803	323,848	916,851	989,592
Operating lease rentals	92,490	128,698	262,925	353,051
Foreign exchange (gain) / loss	(60,958)	46,266	304,248	352,175
Other operating expenses	783,728	908,398	2,155,318	2,523,581
<b>Operating expenses (before federal royalty)</b>	<b>8,024,523</b>	<b>8,388,116</b>	<b>24,231,787</b>	<b>25,400,744</b>

#### Regulatory expenses:

Regulatory expenses include ICT contributions required to be paid by the Company to the UAE Telecommunication Regulatory Authority (TRA) at 1% of its revenues annually. In the computation of the regulatory expenses, the Company had made certain critical judgments and assumptions relating mainly to the interpretation of revenues, which the Company contends to include UAE regulated revenues only and not revenues in other UAE entities as well as overseas subsidiaries.

During the period, the Company received a letter from UAE Ministry of Finance clarifying that the ICT contribution shall be paid and calculated as 1% of the gross regulated revenues arising from UAE only and does not include any revenues generated outside the UAE and non regulated revenues in the UAE.

#### 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 increased the federal royalty payable 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, UAE Ministry of Finance ("MOF") issued revised guidelines (which was received by the Company on 1 March 2015) for the computation of federal royalty for the financial years ending 31 December 2014, 2015 and 2016 ("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. During the previous year, the Company finalised discussions with MOF and agreed on the basis of allocation of indirect costs between regulated and non-regulated services and the resulting federal royalty amount for the year ended 31 December 2016 was paid.

On 20 February 2017, the UAE Ministry of Finance announced the federal royalty scheme to be applied on the Group for the period 2017 to 2021 ("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 the 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.

The mechanism for computation of federal royalty for the period ended 30 September 2017 was in accordance with the new royalty scheme.

The federal royalty has been treated as an operating expense in the consolidated 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.

## Emirates Telecommunications Group Company PJSC

### Notes to the condensed consolidated interim financial information for the period ended 30 September 2017

#### 5. Share of results of associates and joint ventures

In the prior years, the Group had reassessed its accounting treatment for share of results of one of its associates. Consequently, the Group has discontinued the recognition of the share of the results of that associate with effect from 1 January 2013.

In February 2017, the Group invested an additional amount of USD 6 million (AED 22 million) in EMTS Holding BV ("EMTS") as its contribution for the issuance of the new class of preference shares. During the period, the Group recognised share of losses from EMTS for an amount of AED 22 million against the additional investment.

On 22 June 2017, the transfer of the EMTS shares from EMTS BV to the Security Trustee has been made by EMTS BV, and the two Etisalat Group nominees resigned from the Board of Directors of EMTS; later a new Board for EMTS was appointed. Accordingly, since EMTS BV no longer controls, and the Group does not have significant influence on EMTS, the investment in the associate has been derecognised in the condensed consolidated interim financial information.

The share of results of Mobily recognised for the period include a credit adjustment of AED 23 million to comply with the Group's accounting policies.

#### 6. Dividends

##### Amounts recognised as distribution to equity holders:

AED'000

##### Nine months ended 30 September 2016

Final dividend for the year ended 31 December 2015 of AED 0.40 per share	3,477,198
Interim dividend for the year ended 31 December 2016 of AED 0.40 per share	3,477,198
	<b>6,954,396</b>

##### Nine months ended 30 September 2017

Final dividend for the year ended 31 December 2016 of AED 0.40 per share	3,477,198
Interim dividend for the year ended 31 December 2017 of AED 0.40 per share	3,477,198
	<b>6,954,396</b>

#### 7. Earnings per share

	Three months ended 30 September		Nine months ended 30 September	
	2017	2016	2017	2016
<b>Earnings (AED'000)</b>				
Earnings for the purposes of basic earnings per share being the profit attributable to the equity holders of the Company	2,413,849	1,870,096	6,475,307	6,185,695
<b>Number of shares ('000)</b>				
Weighted average number of ordinary shares for the purposes of basic earnings per share	8,696,754	8,696,754	8,696,754	8,696,754
<b>Earnings per share</b>				
From continuing and discontinued operations				
Basic and diluted	AED 0.28	AED 0.22	AED 0.74	AED 0.71
From continuing operations				
Basic and diluted	AED 0.27	AED 0.26	AED 0.76	AED 0.76

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

#### 8. Goodwill

##### The movement in the Goodwill is provided below:

	Note	30 September 2017 AED'000	31 December 2016 AED'000
<b>Opening balance</b>		<b>14,097,902</b>	<b>14,577,512</b>
Reclassified as held for sale	21	-	(206,122)
Exchange difference		817,156	(273,488)
<b>Closing balance</b>		<b>14,915,058</b>	<b>14,097,902</b>

#### 9. Other intangible assets

##### The movement in other intangible assets is provided below:

	Note	30 September 2017 AED'000	31 December 2016 AED'000
<b>Opening balance</b>		<b>14,710,048</b>	<b>17,193,072</b>
Additions		786,258	766,279
Advance against licenses		-	2,053,942
Disposals		(208)	(169)
Amortisation and impairment losses		(1,100,480)	(1,783,178)
Reclassified as held for sale	21	11,898	(26,416)
Exchange difference		986,875	(3,493,482)
<b>Closing balance</b>		<b>15,394,391</b>	<b>14,710,048</b>

## Emirates Telecommunications Group Company PJSC

Notes to the condensed consolidated interim financial information for the period ended 30 September 2017

10. Property, plant and equipment	Note	30 September 2017 AED'000	31 December 2016 AED'000
<b>Opening balance</b>		<b>42,450,127</b>	<b>46,269,981</b>
Additions		4,592,801	7,840,807
Transfer to inventory		-	(128,371)
Transfer from asset held for sale		39,422	-
Transfer from investment property		-	12,154
Disposals		(246,872)	(472,979)
Depreciation		(4,279,200)	(5,884,725)
Impairment losses		(4,690)	(142,111)
Reclassified as held for sale	21	85,409	(559,638)
Exchange difference		1,302,744	(4,484,991)
<b>Closing balance</b>		<b>43,939,741</b>	<b>42,450,127</b>

11. Trade and other receivables	Note	30 September 2017 AED'000	31 December 2016 AED'000
Amount receivable for services rendered		11,106,162	9,934,519
Allowance for doubtful debts		(2,887,435)	(2,118,831)
<b>Net trade receivables</b>		<b>8,218,727</b>	<b>7,815,688</b>
Amounts due from other telecommunication operators/carriers		4,484,151	6,182,091
Prepayments		628,182	572,451
Accrued income		1,475,663	1,408,833
Finance lease receivables		255,072	3,204
Other receivables		2,750,708	3,173,996
<b>Net trade and other receivables</b>		<b>17,812,503</b>	<b>19,156,263</b>
<b>Total trade and other receivables</b>		<b>17,812,503</b>	<b>19,156,263</b>
of which current trade and other receivables		17,367,843	18,999,651
of which non-current other receivables		444,660	156,612

12. Cash and cash equivalents	Note	30 September 2017 AED'000	31 December 2016 AED'000
of which maintained locally		20,926,599	20,794,417
of which maintained overseas, unrestricted in use		2,322,618	2,786,320
of which maintained overseas, restricted in use		48,523	123,159
<b>Cash and bank balances</b>		<b>23,297,740</b>	<b>23,703,896</b>
Reclassified as held for sale	21	(18,145)	(27,726)
<b>Cash and bank balances from continuing operations</b>		<b>23,279,595</b>	<b>23,676,170</b>
Less: Deposits with maturities exceeding three months from the date of deposit		(20,553,736)	(20,680,990)
<b>Cash and cash equivalents from continuing operations</b>		<b>2,725,859</b>	<b>2,995,180</b>

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	Note	30 September 2017 AED'000	31 December 2016 AED'000
<b>Current</b>			
Federal royalty		4,646,256	5,010,268
Trade payables		8,146,610	8,034,553
Amounts due to other telecommunication administrators		3,878,200	5,250,963
Deferred revenue		2,319,942	2,129,470
Other payables and accruals		10,414,881	10,372,923
		<b>29,405,889</b>	<b>30,798,177</b>
<b>Non-current</b>			
Other payables		1,567,019	1,558,549
		<b>1,567,019</b>	<b>1,558,549</b>

## Emirates Telecommunications Group Company PJSC

### Notes to the condensed consolidated interim financial information for the period ended 30 September 2017

#### 14. Contingent liabilities

##### a) Foreign exchange regulations

On 23 July 2011, Etisalat DB Telecom Pvt Limited ("Etisalat DB") received a show cause notice from the Directorate of Enforcement (the ED) of India alleging certain breaches of the Foreign Exchange Management Act 1999 (FEMA), by Etisalat DB and its 5 Directors (at the time of the alleged breach). Etisalat DB and its Directors have filed their response(s) to the notice and the cases of each of the noticees have been part heard by the ED. There is a stay of the hearings of 2 of the former Etisalat DB directors, pending the outcome of an appeal by them to the Supreme Court of India on the right to cross examine some or all of the witnesses who have given statements to the ED. Should there be an adverse finding by the ED, the penalty for a breach of FEMA carries a theoretical exposure in excess of US\$1.0 billion; however, there is no clarity on how such a fine would be apportioned between the noticees. The proceedings for EDB and the other 3 former Etisalat DB directors are continuing to be heard as at the end of the reporting period.

##### b) Other contingent liabilities

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

ii) The Honorable Supreme Court of Pakistan (Apex Court) disposed the Review Petitions filed by PTCL, a subsidiary of the Group, the Pakistan Telecommunication Employees Trust ("PTET") and the Federal Government (collectively, the Review Petitioners) vide the order dated 17th May 2017. Through the said order, the Apex Court directed the Review Petitioners to seek remedy under section 12(2) CPC (Civil Procedure Code) which shall be decided by the concerned Court in accordance with the law, and to pursue all grounds of law and fact in other cases pending before the High Courts. The Review Petitioners have filed the applications under section 12(2) CPC before respective High Courts. Under the circumstances, management of PTCL is of the view, that it is not possible at this stage to ascertain the financial obligations, if any, flowing from the referred decision of the Apex Court which could be disclosed in these condensed consolidated interim financial information.

iii) The Group's associate, Etisalat Etihad Company (Mobily) has received several penalty resolutions from the Communication Information Technology Commission (CITC's) Violation Committee which Mobily has opposed to, in accordance with the Telecom regulations. The reasons of issuing these resolutions vary between the manner followed in issuing prepaid SIM cards and providing promotions that have not been approved by CITC and/or other reasons.

Multiple legal cases were filed by Mobily against CITC at the Board of Grievances to oppose such resolutions of the CITC's committee in accordance with the Telecommunication regulations. The status of these legal cases as of 30 September 2017, was as follows:

- There are 411 legal cases filed by Mobily against CITC amounting to approximately Saudi Riyals 657 million;
- The Board of Grievance has issued 18 preliminary verdicts in favor of Mobily voiding 18 resolutions of the CITC's violation committee with total penalties amounting to approximately Saudi Riyals 45 million; and
- There are also final verdicts that have been issued in favor of Mobily (after they were affirmed by the appeal court) resulting in cancellation of 148 penalty resolutions with an approximate total amount of Saudi Riyals 422 million

In addition, 21 legal cases were filed by Mobily against CITC in relation to the mechanism of calculating the governmental fees and other subjects in which 14 of them are specifically related to the governmental fees as of 30 September 2017, out of which Mobily received 8 preliminary judgements in its favour and 5 final judgments (stating that the subject matter of such cases have been previously decided). The remaining cases are still being adjudicated before the Board of Grievance. It is difficult to determine the amount of claims due to the difference in the calculation method. Although Mobily believes that these claims have no legal basis, they may have a material impact on Mobily's business in case of retroactive change in the regulatory framework which is difficult to assess.

Mobily received additional claims from CITC during 2017 and has reassessed the provisions required against the claims for the period ended 30 September 2017 and has recorded an appropriate estimate of the amount that it may ultimately have to pay to settle such claims.

## Emirates Telecommunications Group Company PJSC

### Notes to the condensed consolidated interim financial information for the period ended 30 September 2017

#### 14. Contingent liabilities (continued)

##### b) Other contingent liabilities (continued)

iii) Furthermore, there are 175 lawsuits filed by some of the shareholders against Mobily before the Committee for the Resolutions of Security Disputes with some still being adjudicated by such committee. Mobily has received (37) preliminary verdicts and (107) final verdicts in its favor in these lawsuits at the first instance and (12) cases have been either dismissed or abandoned and (19) cases are on-going as of 30 September 2017.

36 shareholder claims have been made against the 2013/2014 members of the Board of Mobily and others, and these have been filed with the CRSD. These proceedings have been suspended by the CRSD pending its final determination of Saudi Capital Market Authority (“CMA”) claims against members of the 2013/14 Board of Mobily.

As noted above, the CMA has launched claims against members of the 2013/2014 Board of Mobily in January 2016. These proceedings are currently underway and at this stage it is not possible to qualify their legal standing or quantify the potential liability, if any, arising thereunder. In case of an adverse decision, the Board members will seek D&O insurance cover.

iv) In the prior years, Atlantique Telecom SA, a subsidiary of the Group, has been engaged in arbitration proceedings against SARCI Sarl (“SARCI”), a minority shareholder of one of its subsidiaries, Telecel Benin where SARCI was seeking compensation for alleged damages caused to Telecel Benin by Atlantique Telecom during the period from 2002 till 2007. Two arbitration proceedings on the same issue had been cancelled upon Atlantique Telecom’s request in 2008 and 2013. In November 2015, the Arbitral Tribunal of a third proceeding launched in 2013 has awarded Sarci damages amounting to approximately EURO 416 million (AED 1.6 billion). Sarci has started execution proceedings in several African countries which with the exception of Togo were denied or have been stalled by the local Courts while the execution measures allowed by a first instance court in Togo have been appealed and suspended and are still under dispute. On the substance of the award itself, Atlantique Telecom has initiated legal proceedings before the Appeal Court of Cotonou in order to obtain the cancellation of the award of this third arbitration process and the suspension of any execution thereof. The court decision on the request for stay of execution was granted in June 2017, the decision on the cancellation of the award of this arbitration is being regularly postponed for reasons of procedure or constitutional challenges by of Sarci (which have been rejected) and also for reasons inherent to the organization of the Beninese justice system. A Hearing session is now scheduled for the 13 December 2017.

v) In April 2016, Etisalat Misr received notice of arbitration proceedings initiated by Vodafone Egypt Telecommunication Company (Vodafone). Vodafone is seeking to recover outstanding interconnection fees payable as a result of principle set by the Egyptian Administrative Court’s decision nullifying the National Telecommunication Regulatory Authority (NTRA) set tariffs imposed on operators plus interest dues. Arbitration proceedings are currently ongoing and exchanges of pleadings and cross examination of witnesses are scheduled until end of 2017. Based on the submitted arguments and supported documents presented, management believes that the recorded interconnection transactions have been fairly recognized in the condensed consolidated interim financial information as at 30 September 2017.

#### 15. Capital Commitments

The Group has approved capital projects and investments commitments to the extent of AED 6,215 million (2016: AED 5,711 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 normal commercial terms. The credit period allowed to Government customers ranges from 90 to 120 days. Trade receivables include an amount of AED 1,462 million (2016: AED 1,414 million), which are net of allowance for doubtful debts of AED 205 million (2016: AED 156 million), receivable from Federal Ministries and local bodies. See Note 4 for disclosure of the royalty payable to the Federal Government of the UAE.

In accordance with IAS 24 (revised 2009) Related Party Disclosures, the Group has elected not to disclose 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.

## Emirates Telecommunications Group Company PJSC

Notes to the condensed consolidated interim financial information for the period ended 30 September 2017

### 16. Related party transactions (continued)

b) Joint ventures and associates	Associates		Joint Ventures	
	2017	2016	2017	2016
	AED '000	AED '000	AED '000	AED '000
<b>Trading transactions for the nine months ended 30 September</b>				
Telecommunication services – sales	109,835	88,200	-	-
Telecommunication services – purchases	77,969	97,300	-	-
Management and other services	107,271	122,200	6,575	1,300
Net amount due from/(to) related parties as at 30 September 2017 / 31 December 2016	259,684	443,438	7,034	2,000

Sales to related parties comprise of the provision of telecommunication products and services (primarily voice traffic and leased circuits) by the Group based on normal commercial 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 loans due from a related party is subordinated to external borrowings.

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

During the period, the Group acquired additional shareholding of 0.53% in Mobily.

### 17. Borrowings

	Note	Carrying Amounts	
		30 September 2017	31 December 2016
		AED'000	AED'000
<b>Bank borrowings</b>			
Bank overdrafts		4,262,678	3,318,881
Bank loans		4,724,231	3,934,047
<b>Other borrowings</b>			
Bonds		15,371,942	14,217,614
Loans from non-controlling interest		-	3,500
Vendor financing		451,647	345,595
Others		4,031	3,601
		<b>24,814,529</b>	<b>21,823,238</b>
Advances from non-controlling interest		548,025	552,027
<b>Total Borrowings as at 30 September 2017/ 31 December 2016</b>		<b>25,362,554</b>	<b>22,375,265</b>
Reclassified as held for sale	21	(115,364)	(96,625)
<b>Borrowings from continuing operations as at 30 September 2017/ 31 December 2016</b>		<b>25,247,190</b>	<b>22,278,640</b>
of which due within 12 months		5,277,475	4,074,738
of which due after 12 months		19,969,715	18,203,902

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. However, as the repayment dates are variable, a fair value cannot be reasonably determined.

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. As at 30 September 2017, the total amounts in issue under this programme split by currency are USD 1.4 billion (AED 5.14 billion) and Euro 2.4 billion (AED 10.37 billion) as follows:

## Emirates Telecommunications Group Company PJSC

Notes to the condensed consolidated interim financial information for the period ended 30 September 2017

### 17. Borrowings (continued)

	Nominal Value	Fair Value	Carrying Value
	2017	2017	2017
	AED'000	AED'000	AED'000
<b>Bonds</b>			
2.375% US dollar 900 million notes due 2019	3,306,600	3,327,961	3,306,573
3.500% US dollar 500 million notes due 2024	1,837,000	1,888,160	1,819,097
<b>Bonds in net investment hedge relationship</b>			
1.750% Euro 1,200 million notes due 2021	5,184,960	5,456,548	5,144,407
2.750% Euro 1,200 million notes due 2026	5,184,960	5,743,899	5,101,865
<b>At 30 September</b>	<b>15,513,520</b>	<b>16,416,568</b>	<b>15,371,942</b>
of which due within 12 months			-
of which due after 12 months			15,371,942

	Nominal Value	Fair Value	Carrying Value
	2016	2016	2016
	AED'000	AED'000	AED'000
<b>Bonds</b>			
2.375% US dollar 900 million notes due 2019	3,306,600	3,298,730	3,306,571
3.500% US dollar 500 million notes due 2024	1,837,000	1,846,332	1,817,984
<b>Bonds in net investment hedge relationship</b>			
1.750% Euro 1,200 million notes due 2021	4,609,320	4,792,633	4,564,684
2.750% Euro 1,200 million notes due 2026	4,609,320	5,121,692	4,528,375
<b>At 31 December</b>	<b>14,362,240</b>	<b>15,059,387</b>	<b>14,217,614</b>
of which due within 12 months			-
of which due after 12 months			14,217,614

### 18. Net investment hedge relationships

The Group has Euro bonds (refer to note 17) and cross currency swaps which are designated as net investment hedges.

	Three months ended 30 September		Nine months ended 30 September	
	2017	2016	2017	2016
	AED'000	AED'000	AED'000	AED'000
Effective part directly recognised in other comprehensive (loss) / income	(482,556)	(91,914)	(1,073,869)	(242,616)

The Group has in place cross currency USD-EUR swaps which are designated as hedges of net investment. The fair value of the cross currency swaps are calculated by discounting the future cash flows to net present value using appropriate market interest and prevailing foreign currency rates. The fair value of swaps is as follows:

	30 September	31 December
	2017	2016
	AED'000	AED'000
Fair value of swaps designated as net investment hedge (Derivative financial assets)	162,329	331,313
Fair value of swaps designated as net investment hedge (Derivative financial liabilities)	(63,586)	(2,830)

During previous year, the Group executed the unwinding of a USD - EUR cross currency swap and received cash of AED 283 million.

### 19. Payables related to investments and licenses

As at period end, payables related to investments and licenses include an amount of AED 353 million (2016: AED 551 million) payable towards acquisition of 3G license and renewal of 2G license in Pakistan and during the previous year an amount of AED 312 million payable towards acquisition of global license in Ivory Coast.



## Emirates Telecommunications Group Company PJSC

Notes to the condensed consolidated interim financial information for the period ended 30 September 2017

### 20. Other significant event

On 2 February 2012, the Supreme Court of India cancelled all of Etisalat DB Telecom Private Limited's ("Etisalat DB") licenses, removing Etisalat DB's ability to operate its current mobile telecommunications business. Following the cancellation, the Board of Etisalat DB resolved to shut down its telecommunications network in India and gave the appropriate notices to the Indian authorities. Furthermore, the resignation of the directors of Etisalat DB, appointed by the largest shareholder, without replacement adversely affected the ability of the Etisalat DB's Board of Directors to take decisions.

Subsequently, Etisalat Mauritius Limited (EML) (which is wholly owned by the Company) filed a Petition on 12 March 2012 in the High Court of Bombay (the High Court) for the just and equitable winding up of Etisalat DB (the Etisalat DB Petition). The Etisalat DB Petition was admitted by the High Court by Order dated 18 November 2013 (Order on Admission). However, the Order on Admission was appealed by the largest shareholder of Etisalat DB to the Division Bench (Court of Appeal) of the High Court. That appeal was dismissed by an order dated 8 April 2014. The Order on Admission was further appealed by the same shareholder of Etisalat DB to the Supreme Court of India but was finally dismissed by an order dated 14 July 2014. On 20 February 2015 an order was made by the High Court for the winding up of Etisalat DB (the Winding Up Order) and the Official Liquidator was appointed. The Official Liquidator is in the process of winding up Etisalat DB and has taken material steps towards the liquidation of the assets of Etisalat DB. The Official Liquidator's reports continue to be heard by the High Court as at the end of the reporting period.

An Appeal was filed by the largest shareholder of Etisalat DB against the Winding Up Order, along with a Notice of Motion for stay of the operation of the order on 15 May 2015. That appeal was not served on EML at that time and no further steps were taken at that time to pursue the appeal. On 29 March 2016 the appeal was heard before the Division Bench (Court of Appeal) of the High Court. At that hearing, preliminary objections were made by Counsel on behalf of EML as to the inordinate delay in pursuing the appeal and submissions were made that the appeal should be dismissed. No order was made and the matter was adjourned to a further hearing on 4 May 2016. EML was subsequently served with a copy of the Appeal, Compilation of Documents, Notice of Motion and supporting Affidavit on 1 April 2016. The appeal is yet to be heard, as at the end of the reporting period.

### 21. Disposal Group held for sale/ Discontinued operations

The results of operations included in the profit for the period from discontinued operations are set out below.

#### 21.1 Analysis of loss for the period from discontinued operations

	Three months ended 30 September		Nine months ended 30 September	
	2017 AED'000	2016 AED'000	2017 AED'000	2016 AED'000
<b>Revenue</b>	52,095	121,560	185,255	452,543
Operating expenses	(117,019)	(130,488)	(315,581)	(485,708)
<b>Operating loss before tax</b>	<b>(64,924)</b>	<b>(8,928)</b>	<b>(130,326)</b>	<b>(33,165)</b>
Finance and other income	401	703	1,101	1,906
Finance costs	(3,989)	(3,602)	(11,262)	(14,706)
<b>Loss before tax</b>	<b>(68,512)</b>	<b>(11,827)</b>	<b>(140,487)</b>	<b>(45,965)</b>
Taxation	-	(1,217)	-	(8,858)
	<b>(68,512)</b>	<b>(13,044)</b>	<b>(140,487)</b>	<b>(54,823)</b>
Loss on disposal of operation including a cumulative exchange losses reclassified from foreign translation to profit or loss	-	(349,129)	-	(349,129)
<b>Loss for the period from discontinued operations</b>	<b>(68,512)</b>	<b>(362,173)</b>	<b>(140,487)</b>	<b>(403,952)</b>

#### 21.2 The disposal group comprised the following assets and liabilities :

	As at	
	30 September 2017 AED'000	31 December 2016 AED'000
<b>Assets classified as held for sale</b>		
Goodwill	206,122	206,122
Other intangible assets	14,518	26,416
Property, plant and equipment	434,810	559,638
Deferred tax assets	67,093	68,491
Inventories	689	1,645
Trade and other receivables	146,975	103,625
Cash and bank balances	18,145	27,726
<b>Assets classified as held for sale</b>	<b>888,352</b>	<b>993,663</b>

## Emirates Telecommunications Group Company PJSC

Notes to the condensed consolidated interim financial information for the period ended 30 September 2017

### 21. Disposal Group held for sale/ Discontinued operations (continued)

#### 21.2 The disposal group comprised the following assets and liabilities (continued):

	As at	
	30 September 2017 AED'000	31 December 2016 AED'000
<b>Liabilities classified as held for sale</b>		
Trade and other payables	227,920	204,251
Borrowings	115,364	96,625
Provision for end of service benefits	2,626	2,631
Provision	16,701	15,614
Deferred tax liabilities	65,830	67,201
Finance lease obligation	9,361	9,953
Liabilities associated with assets classified as held for sale	<b>437,802</b>	<b>396,275</b>
Net assets classified as held for sale	<b>450,550</b>	<b>597,388</b>
<b>Nine months ended 30 September</b>		
	<b>2017</b>	<b>2016</b>
	<b>AED'000</b>	<b>AED'000</b>
<b>Cash flows from discontinued operations</b>		
Net cash inflows from operating activities	12,218	158,268
Net cash outflows inflows from investing activities	(30,647)	(72,738)
Net cash inflow / (outflows) from financing activities	9,423	(177,085)
Net cash outflows	(9,006)	(91,555)

#### Cumulative income or expense recognised in other comprehensive income

There are no cumulative income or expenses recognised in other comprehensive income relating to the disposal group.

### 22. Disposal of a subsidiary

On 7 August 2016, the Group completed the sale of its 92.3% shareholding in Canar to Bank of Khartoum. The Group received a final consideration of AED 349.6 million, implying a price per share of AED 17.504.

#### 22.1 Consideration received

31 December 2016

AED'000

Total Consideration received	349,589
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#### 22.2 Analysis of assets and liabilities over which control was lost

31 December 2016

Assets	AED'000
Other intangible assets	73,091
Inventories	547
Trade and other receivables	412,609
Cash and cash equivalents	70,556
	<b>556,803</b>

31 December 2016

Liabilities	AED'000
Trade and other payables	62,654
Amount due to other telecommunication operators	270,318
Asset retirement obligations	3,456
	<b>336,428</b>
Net assets	<b>220,375</b>

#### 22.3 Loss on disposal of a subsidiary

31 December 2016

AED'000

Consideration received	349,589
Net assets disposed of	(220,375)
Non controlling interest	27,477
Cumulative exchange loss in respect of the net assets of the subsidiary reclassified from equity to profit or loss on loss of control of subsidiary	(505,820)
Loss on disposal	<b>(349,129)</b>

The loss on disposal is included in the loss for the period from discontinued operations.

## Emirates Telecommunications Group Company PJSC

Notes to the condensed consolidated interim financial information for the period ended 30 September 2017

### 22. Disposal of a subsidiary (continued)

#### 22.4 Net cash inflow on disposal of a subsidiary

31 December 2016

AED'000

Consideration received in cash and cash equivalents	349,589
Less: cash and cash equivalent balances disposed of	(70,556)
	<b>279,033</b>

### 23. Seasonality and cyclicity of interim operations

There are no items of seasonal or cyclical nature in the interim operations during the period ended 30 September 2017 and 2016.

### 24. 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 are designated as hedges of net investment. The fair value of the cross currency swaps are 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 the fair value hierarchy 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.

### 25. Provision for end of service benefits

30 September  
2017

31 December  
2016

The movement in the provision for end of service benefits is provided below:	Note	AED'000	AED'000
<b>Opening balances</b>		<b>1,636,959</b>	<b>1,910,480</b>
Additions		171,923	264,107
Payments		(260,722)	(546,872)
Exchange difference		15,417	(6,157)
Unwinding of discounts		3,965	6,043
Remeasurement		-	11,989
Reclassified as held for sale	21	5	(2,631)
<b>Closing balances</b>		<b>1,567,547</b>	<b>1,636,959</b>

### 26. Other investments

During the period, the Group invested in overseas hedged funds for an amount of AED 790 million which was classified as fair value through profit or loss.