etisalat

Together Matters

ANNUAL REPORT 2018

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KEY HIGHLIGHTS OF 2018

52.4 AED BILLION REVENUE	**25.9** AED BILLION EBITDA
8.6 AED NET PROFIT	**80** FILS DIVIDEND PER SHARE
8.4 AED BILLION CAPEX	**141** MILLION AGGREGATE SUBSCRIBERS

BUSINESS SNAPSHOT

In 2018, Etisalat Group's vision of driving the digital future to empower societies helped deliver a digital experience and engendered innovation across its customers and businesses. Etisalat's performance in 2018 is a reflection of the Group's resilience and ability to mitigate the pressures arising from the challenges facing the industry as it maximised the value of its core business while developing the Group's digital portfolio. There was an increased diversification effort through new growth opportunities, transforming Etisalat into an agile and more efficient digital company.

Etisalat deployed numerous innovative technologies and services in 2018 to remain at the leading edge of customer experience. Among several agreements to implement and deploy Artificial Intelligence and Cloud Managed solutions with various blue-chip organisations, Etisalat and Microsoft formed a strategic partnership to deliver the trusted Microsoft Cloud from their first data centre located in the Middle East. Etisalat takes pride in becoming the first telecom operator to successfully launch the first 5G Ultra-Mobile broadband experience in the region. Through its partnership with Expo 2020 Dubai, the Expo became the first 5G major commercial customer in MEASA; a declaration of a new era of digital connectivity and an acknowledgment of 5G's rich anticipated potential.

In the UAE, Etisalat launched 'Hello Business Hub', a one-stop platform for all start-ups and SMBs. Furthermore, E-Vision entered an exclusive five-year content deal with Starz Play. Etisalat was also named the most valuable brand in the Middle East, in addition to being awarded the most valuable portfolio brand in the MENA region for the third year in a row.

Portfolio rationalisation was largely completed as Etisalat merged its entity in Sri Lanka with CK Hutchison and exited Thuraya. Today the Group's international portfolio consists of 14 markets and is ranked in first and second place in terms of value share in twelve of these markets.

Simultaneously, Etisalat has maintained its practice of high cash generation, in order to continue to reward its shareholders and grow its business. The Group has sustained a generous dividend program with close to AED 21 billion returned to shareholders over the past three years.

Since its inception, Etisalat has upheld a high level of capital expenditure to support wider coverage, higher speeds and greater capacity in its networks. Etisalat's primary focus has been on building capabilities and expertise to become a digital telco. The Company is working alongside esteemed customers as a trusted partner to support them in their digital journey. In order to further accelerate the digital growth, the Group is assessing organic as well as inorganic expansion opportunities. In addition, the Group recently invested in licenses and spectrum in Saudi Arabia, Mali and Togo. In Pakistan, the network transformation programme progressed targeting 100 local exchanges while reaching 98% of 4G network coverage in Morocco, supporting the push into mobile data services and encouraging future growth.

Etisalat Group's investments in its own infrastructure and assets are ultimately investments in the regions in which it operates. This, in turn, further strengthens Etisalat's capacity to do business in these countries. In particular, Etisalat has helped the UAE to sustain its position as the region's business, trade and foreign investment hub by providing reliable, high-quality services for over 40 years. It has accomplished this through extensive investment in the development of world-class networks. As a result, the UAE leads the region and the world in technology innovation and deployment as well as high-speed broadband penetration.

In the years to come, the Etisalat Group will hold onto this leadership position via sustained growth and innovation within the UAE's multi-billion-dollar telecom market and all others across its footprint, with particular emphasis on the digital and ICT segments. By continuing to create the world's best networks, Etisalat Group will continue delivering long-term value for all stakeholders.

CHAIRMAN'S STATEMENT

"We look at the future with confidence and optimism."

Our journey in 2018, marks another successful year for Etisalat in realizing its vision towards driving the digital future to empower societies. As a group, we focused on strengthening our core business, expanding and enriching our digital portfolio, and diversifying into new growth opportunities. We have increased the effort on transforming Etisalat into an agile and more efficient company.

With the emergence of the digital era, there have been dynamic changes and rapid developments in the global telecom sector. Etisalat maintained its leadership position as it continued to transition to a digital organization both internally and externally. Our operating companies worked in line with the overall strategy and managed to enhance synergy at group level, progressed with our digital vision and elevated competitiveness in their respective markets.

Etisalat Group continued to achieve strong financial performance and maintained its high credit rating reflecting its efforts to provide value to shareholders, which was the drive behind proposing a final dividend of AED 0.40 per share, bringing the total dividends for the year to AED 0.80, in line with our policy in previous years. This represents a dividend yield of 4.7% and dividends payout ratio of around 81%. In addition, the company enhanced its corporate governance by recommending lifting of restrictions on voting rights of foreign shareholders.

Etisalat's infrastructure is built to enable digital transformation, to nurture innovation, and to provide superb customer experience, it is a competitive edge that will remain a strategic priority at group level. Our mobile and fixed networks in majority of operating markets are amongst the best within their local markets or surpassed their geographical boundaries and led at global scale. For example in the UAE, Etisalat has the widest LTE coverage globally and among the global leaders when it comes to fiber network penetration.

We are honored to be the trusted partner of governments in many national and strategic projects, and we are proud that our network investments and initiatives are supporting the countrywide telecom infrastructure indices in markets that we operate in. For UAE, we have partnered with concerned governmental entities to fulfill our leadership ICT vision through dedicated initiatives that enhance penetration and coverage of key services. Ultimately, the integration of efforts has ranked UAE as number 2 in Telecom Infrastructure Index (TII) in 2018 as opposed to 25 in 2016.

As Etisalat continues its journey, it allows new opportunities with every generation of technology that it adopts. Etisalat envisions 5G as a stepping-stone to unlimited potential, a technology that will enable new use cases, widen possibilities, and enhance value creation. Hence, we were the first to launch the first commercial 5G network in UAE and the region achieving another technological milestone for the company. The fifth generation of the network will fuel digital transformation, IoT, smart cities and the fourth industrial evolution.

Etisalat was ranked as the most valuable brand portfolio in MENA for the third consecutive year, a testimonial of its power and a translation of its sincere efforts to provide customers with great service, compelling offers, and value for money. Etisalat Group was the first Middle East company to break the $10 billion barrier in terms of wider portfolio value.

Our geographic footprint today continues to present substantial opportunities and at the same time, some challenges. Etisalat has always seen beyond the obstacles and acted diligently to protect the long-term interests of its shareholders by optimizing and maintaining a healthy business portfolio and continue to seek good opportunities to grow as a company.

Today, we look at the future with confidence and optimism as we are determined to progress on solid grounds and continue innovation while focusing on driving the digital transformation to take advantage of future opportunities that will enable us to add greater value to our customers and shareholders.

I would like to thank the leadership of UAE, President HH Sheikh Khalifa bin Zayed Al Nahyan, HH Sheikh Mohammed bin Rashid Al Maktoum, Vice President, Prime Minister and Ruler of Dubai, HH Sheikh Mohamed bin Zayed Al Nahyan, Crown Prince of Abu Dhabi and Deputy Supreme Commander of the UAE Armed Forces for their continued support to Etisalat Group and the telecom sector. In addition, I would like to express my sincere gratitude to our customers for their steady confidence and our shareholders for their continued support and special thanks to Etisalat management team for their commitment and dedicated work that will drive us to move forward and continue our success.

Eissa Mohamed Ghanem Al Suwaidi
Chairman - Etisalat Group

BOARD OF DIRECTORS

Eissa Mohamed Ghanem Al Suwaidi

Chairman of the Board
Chairman of Investment & Finance Committee

Essa Abdulfattah Kazim Al Mulla

Vice Chairman
Chairman of Audit Committee

Sheikh Ahmed Mohd Sultan Bin Suroor Al Dhahiri

Board Member
Member of Audit Committee

*Resigned from the Board on 21 January 2019.

Hesham Abdulla Qassim Al Qassim

Board Member
Member of Nomination & Remuneration Committee

Mohamed Sultan Abdulla Mohamed Alhameli*

Board Member
Chairman of Nomination & Remuneration Committee

Mariam Saeed Ahmed Ghobash

Board Member
Member of Investment and Finance Committee,
Member of Nomination and Remuneration Committee

BOARD OF DIRECTORS

Saleh Abdulla Ahmad Lootah

Board Member
Member of Investment and Finance Committee

Juan Villalonga

Board Member
Member of Investment and Finance Committee

Abdelmonem Bin Eisa Bin Nasser Alserkal

Board Member
Member of Nomination & Remuneration Committee

Otaiba Khalaf Ahmed Khalaf Al Otaiba

Board Member
Member of Investment & Finance Committee

Khalid Abdulwahed Hassan Alrostamani

Board Member
Member of Audit Committee

Hasan Al Hosani

Company Secretary

ETISALAT'S JOURNEY

1976
- Emirates Telecommunication Corporation is founded

1982
- Emirates Telecommunications Corporation launches Middle East's first mobile network

1983
- The ownership structure changes with the United Arab Emirates government owning a 60% share in the Company and the remaining 40% publicly traded

1994
- The Middle East's first GSM service is introduced in the UAE
- Etisalat launches Emirates Data Clearing House, now one of the world's leading clearing houses - providing a complete solution to GSM operators to provide roaming facilities to their customers in turn

1995
- Internet services are rolled out across the country, another first in the region

1996
- Etisalat becomes one of the founding investors in satellite telecommunications provider, Thuraya

1999
- The Middle East's first broadband Internet service using the latest ADSL technologies is introduced
- Etisalat buys stake in Tanzanian operator Zantel, its first step towards becoming a major international telecom group

2000
- Etisalat introduces the E-Vision brand for its cable TV services

2003
- Etisalat launches the Middle East's first 3G network

2004
- Etisalat wins the second license in Saudi Arabia, introducing Etihad Etisalat, Mobily
- Etisalat buys a stake in Canar, a fixed line operator in Sudan

2005
- Etisalat acquires a stake and takes management control of PTCL, the incumbent fixed operator in Pakistan
- Etisalat expands into West Africa by taking a stake in Atlantique Telecom with operations in Benin, Burkina Faso, the Central African Republic, Gabon, Ivory Coast, Togo, and Niger

2006
- Etisalat wins the third mobile license in Egypt and launches the country's first 3G network
- Etisalat awarded a license to provide mobile services in Afghanistan
- Etisalat Services Holding is formed to manage eight business units that offer mission-critical telecoms related services to the industry

2007
- Etisalat acquires a stake in a green-field operator EMTS in Nigeria, the largest and fastest growing market in Africa

2008
- Etisalat completes the rollout of a nationwide fibre optic backbone in the UAE

2009
- Etisalat acquires Tigo, a Sri Lankan operator, which later rebrands to Etisalat Lanka

2011
- Etisalat introduces 4G (LTE) experience to its customers in the UAE

2012
- Etisalat wins 3G license in Afghanistan and Ivory Coast and launches the first 3G services in Afghanistan

2013
- Etisalat signs SPA with Vivendi to acquire Vivendi's 53% stake in Maroc Telecom Group

2014
- Etisalat completes acquisition of 53% shareholding in Maroc Telecom
- Etisalat successfully issues its inaugural bond under its Global Medium Term Note (GMTN) programme listed on the Irish Stock Exchange

2015
- Etisalat Group completes the sale of its operations in Benin, Central African Republic, Gabon, Ivory Coast, Niger, Togo and Tanzania
- Federal government allows foreign and institutional investors to own up to 20% of Etisalat Group's shares
- Inclusion of Etisalat in the MSCI indexes

2016
- Etisalat Group completes the sale of Etisalat's shareholding of 92.3% in Canar
- Etisalat Misr acquires 4G license and fixed virtual license in Egypt
- Inclusion of Etisalat Group in FTSE Russell Emerging Markets Index

2017
- Etisalat Misr launches 4G services in Egypt
- Etisalat launches new mobile brand "Swyp" targeting the youth segment in the UAE
- Etisalat Group exits Nigeria
- Etisalat successfully completes the fastest 5G live trial globally reaching 71 Gbps

2018
- Etisalat Group's Board recommends lifting of restrictions on foreign shareholders voting rights
- Etisalat Group's shareholders approve a share buyback program of 5% of the capital
- Etisalat Group exits Thuraya and merges its operation in Sri Lanka with CK Hutchison
- Maroc Telecom acquires 4G licenses in Mali and Togo
- Etisalat crowned as most valuable brand in the MENA region

GROUP CEO'S STATEMENT

"Etisalat will continue its efforts to drive the digital future to empower societies."

Etisalat Group made further progress this year in its efforts to lead in the digital space, to transform its operating model, and to enhance value and returns to customers and shareholders. 2018 was rich with accomplishments that will enhance the ability to achieve our vision as a Group, which is to drive the digital future to empower societies.

Portfolio optimization was a main thrust in 2018, we managed to sustain positive momentum across key international operations while retaining operations that assure synergy and value creation to the group as a whole. Our portfolio is the most valuable brand in MENA and the first and only brand to surpass the USD 10 billion; a great feat that puts Etisalat head to head with global renowned brands and ahead of many key regional brands.

Currently, Etisalat's portfolio spans over 15 countries while serving over 141 million customers. The technology that we provide and enable, brings individuals and societies closer at a local and global level, such firm belief was the drive behind launching our new brand direction "Together Matters" which embodies the power of technology in connecting and enriching people's lives. In 2018 we have delivered a solid financial performance with consolidated revenues at AED 52.4 billion and consolidated net profit at AED 8.6 billion, representing 1.5% and 2.4% YoY growth respectively. An outstanding outcome considering the stagnant global economy and some operating companies' specific challenges pertaining to currency devaluation, geopolitical instability, and elevated competitive and regulatory pressures.

Etisalat is keen on staying ahead when it comes to next generation technologies, our investment in the future has enabled us to achieve the first 5G commercial launch in MENA with EXPO 2020 as the first business customer. This achievement will redefine connectivity and support the full-fledged adoption of the Internet of Things. As an industry leader, we have a role in driving change and expanding the telecommunication ecosystem. We are building a platform for the future, which will materialize the next generation of immersive experiences and power the digital economy.

2018 has also witnessed the launch of e-SIM features for Apple watches, in which Etisalat UAE was the first MENA telecom operator to offer the service. While on a parallel track, we have affirmed our position as the preferred IoT provider with key projects like "Hassantuk", a landmark partnership with UAE's Ministry of Interior to deliver the first Smart Fire Alarm solution in the region.

The launch of "Future Now" was another key milestone in 2018. The program encompasses under one consolidated umbrella the innovation center, the co-creation lab, the scale-ups program, and the IoT partnerships program, all of which introduce new ways of innovating and collaborating, while aiming in essence to spur innovation in the surrounding ecosystem, hence forming a fertile setting for digital transformation. Innovation will always be a key strategic imperative for Etisalat and one of the key attributes that is associated to its brand in all markets.

Building on our technological advanced position, delivering a superior and differentiated customer experience is paramount. We will continue expanding mobile coverage across the footprint and investing in fixed network, cloud, and data centers. Our infrastructure is a hub for massive amounts of voice and data traffic, and is resilient enough to accommodate the upcoming surge in requirements, an adaptive and reliable network that serves customers of all types, while empowering customers through smart digital interfaces and self-care channels.

Building on our success in 2018, we will continue our digital transformation journey across the group while pursuing multiple other critical-mission objectives. Growth remains a dominant priority that is driven by a rising digital and various new revenue streams. Driving efficiency through internal digitization and by optimizing portfolio-wide pockets of potential synergy and value creation is also a priority. Etisalat Group will always be the trusted partner for governments and enterprises, the preferred telecom provider for consumers, and the transformation engine for societies where it operates.

Lastly, I would like to extend my gratitude and appreciation to the leadership of the UAE, for their enduring support and for being a role model in ambition, dedication, and hard work, driving us to aim higher and allowing us as individuals and businesses to extend our global reach and widen our horizon. Moreover, I am thankful to our loyal customers and shareholders who inspire us to innovate and push boundaries, and to our employees who are the cornerstone of our success and the foundation of our future.

Saleh Abdulla Al Abdooli
Chief Executive Officer - Etisalat Group

MANAGEMENT TEAM

SALEH AL ABDOOLI
Chief Executive Officer, Etisalat Group

Engineer Saleh Al Abdooli was appointed as Chief Executive Officer of Etisalat Group in March 2016. Prior to this role, Mr. Al Abdooli was the CEO of Etisalat UAE since 2012. A strong and charismatic leader, Saleh rose to international fame after his resounding success in Egypt as the CEO of Etisalat Misr. He built and launched the first 3G operator in Egypt in 7 months. In less than five years, he achieved 27% of revenue share, 28% market share, 36% EBITDA margin, and 99% 2G/3G coverage. Mr Abdooli also serves on the Board of Maroc Telecom, Mobily, Etisalat Misr and is the Chairman of Etisalat Services Holding (ESH). Al Abdooli holds Bachelor's and Master's degrees in Electrical Engineering and Telecom from University of Colorado at Boulder, USA.

SERKAN OKANDAN
Chief Financial Officer, Etisalat Group

Mr. Okandan joined Etisalat in January 2012 as Chief Financial Officer of the Etisalat Group. Prior to his appointment, he was the Group Chief Financial Officer of Turkcell. Mr. Okandan started his professional career at PricewaterhouseCoopers in 1992, and worked for DHL and Frito Lay as a Financial Controller before joining Turkcell. Mr. Okandan is a Board member and Chairman of the Audit and Risk Committee of PTCL, Ufone and ESH, and Board and Audit Committee member of Maroc Telecom and Mobily. Mr. Okandan graduated from Bosphorus University with a degree in Economics.

YOUNIS ABDUL AZIZ AL NIMR
Chief Human Resources Officer, Etisalat Group

Mr. Younis Al Nimr was appointed as Chief Human Resources Officer (CHRO) – Etisalat Group in March 2016. Prior to that he was CHRO of Etisalat UAE since 2012. Mr. Younis joined Etisalat in December 1991, and held several positions in HR, such as Vice President Talent Management and Regional HR. In 2004, he was seconded to Mobily – KSA for two years with the startup team, and in 2008 he was seconded as CHRO – Etisalat Misr for three years. Mr. Al Nimr is a Board member of ESH. He graduated from California Baptist University with B.Sc. in Business Administration in 1990 and earned a Master of Quality Management Degree from University of Wollongong in 2003.

HATEM DOWIDAR
Chief Executive Officer, Etisalat International

Mr Hatem Dowidar joined Etisalat Group in September 2015 as Chief Operating Officer and was appointed as Chief Executive Officer Etisalat International in 2016. Prior to this, Mr. Dowidar was Chairman of Vodafone Egypt and Group Chief of Staff for Vodafone Group. He initially joined Vodafone Egypt in its early start-up operation in 1999 as Chief Marketing Officer. After successfully undertaking two group assignments and the role of CEO Vodafone Malta, he became the CEO of Vodafone Egypt from 2009 to 2014. Mr. Dowidar serves on the Boards of Maroc Telecom, PTCL, Ufone and Etisalat Misr. He holds a Bachelor's degree in Communications and Electronics Engineering from Cairo University and an MBA from the American University in Cairo.

KHALIFA AL SHAMSI
Chief Strategy & Corporate Governance Officer, Etisalat Group

Khalifa Al Shamsi was appointed as Chief Strategy & Corporate Governance Officer of Etisalat Group in 2016. Prior to this role, Mr. Al Shamsi held the position of Chief Digital Services Officer and Senior Vice President of Technology Strategy of the Etisalat Group. Since joining Etisalat in 1993, Mr. Al Shamsi has held various key senior positions including Vice President and Senior Vice President of Marketing of Etisalat UAE. Mr. Al Shamsi serves on the Boards of Mobily, PTCL, Ufone and Etisalat Afghanistan, and is the Chairman of E-Vision and Managing Director of Mobily. Mr. Al Shamsi has a Bachelor's degree in Electrical Engineering from the University of Kentucky, USA.

ABDESLAM AHIZOUNE
Chairman of the Management Board, Maroc Telecom

Mr. Ahizoune has been Chairman of the Maroc Telecom Management Board since February 2001 and served as CEO from 1998 to 2001. Earlier, he was Minister of Telecommunications in four different governments. Mr. Ahizoune has been Chairman of the Moroccan Royal Athletics Federation since 2006, and also serves as a Board member of several foundations: Inter Alia, King Mohammed V for solidarity, King Mohammed VI for the environmental protection, and Princess Lalla Salma against cancer. He is also the Vice-President of La Confédération Générale des Enterprises du Maroc (CGEM) and the President of its Moroccan-Emirati economic commission. He holds an engineering degree from Télécom ParisTech.

MANAGEMENT TEAM

DANIEL RITZ
Chief Executive Officer, PTCL Group

Daniel Ritz was appointed as PTCL Group Chief Executive Officer in March 2016. Prior to this appointment, he was the Chief Strategy Officer for Etisalat Group since February 2012. Dr. Ritz was the Chief Strategy Officer at Swisscom Group where he held various positions including Board member of each of the Group's Executive Boards, Fastweb, Belgacom and Swisscom IT Services. He also served as Chairman of Swisscom's Hospitality Services and as CEO of Swisscom (Central & Eastern Europe). Prior to joining Swisscom, he was a Partner at BCG. Dr. Ritz holds a Ph.D from the Hochschule St. Gallen in Switzerland.

HAZEM METWALLY
Chief Executive Officer, Etisalat Misr

Mr. Metwally was appointed Chief Executive Officer of Etisalat Misr in October 2015. He started his telecom career in 1999 in sales distribution and operations focusing on both consumer and corporate segments. He joined Etisalat Misr in 2006 as Chief Commercial Officer managing sales, marketing, and customer care functions. In 2012, he was promoted to Chief Operating Officer expanding his responsibilities to include Carriers Relations and Wholesale Operations. Mr. Metwally holds a Bachelor's degree in Telecommunications and Electronics Engineering from Cairo University.

AHMED ABOUDOMA
Chief Executive Officer, Etihad Etisalat (Mobily)

Mr. Aboudoma was appointed as the CEO of Mobily in January 2017. Prior to this appointment, he held the position of Managing Director and CEO in Global Telecom Holding as well as Executive Vice President of Vimpelcom group for Asia and Africa until 2014. Prior to that, he was CEO of Banglalink Telecom between 2009 and 2011. He was part of the team that launched MobiNil services in Egypt between 1998 and 2008. In addition, he led the team of Datum IDS from IBM to launch a third operator to offer Internet services in Egypt between 1996 and 1998. Mr. Aboudoma holds a Bachelor's degree in Communications Engineering from Cairo University and completed an International Executive Program in Business Management from INSEAD in France and Singapore.

RASHID KHAN
Chief Executive Officer, Ufone Pakistan

Mr. Khan was appointed CEO of Ufone in August 2017. Mr. Khan started his career in the Pakistan telecom industry in 1994 with Paktel, moving to Mobilink as Chief Commercial Officer from 2000 to 2006, and then to Banglalink in Bangladesh as Managing Director and a Board member till 2008. Just prior to joining Ufone, he was the CEO and a Board member of Mobilink Pakistan for six years. During that period, he also served as a Board member of a couple of Orascom Telecom subsidiaries and as the Chairman of Waseela Microfinance Bank. Mr. Khan has previously worked for 15 years in the Silicon Valley, California for various start-up companies. He holds a Master's degree in Electrical Engineering from the USA and is the co-inventor of three USA patents.

ALI AMIRI
Chief Carrier & Wholesale Officer, Etisalat Group

Mr. Amiri was appointed as Group Chief Carrier & Wholesale Officer of Etisalat Group in March 2016. Mr. Amiri started his career with Etisalat in the engineering department and held various key positions including Executive Vice President Operations and Chief Carrier & Wholesale Officer of Etisalat UAE operations. Mr. Amiri served as Chairman of the GSM Arab World and as a member of the GSM Association Executive Committee. He is currently Chairman of a couple of international cable consortiums, such as IMEWE & RCN. Mr. Amiri also serves as the Chairman of the Board of e-Marine PJSC. Mr. Amiri holds a B.Sc. degree in Electronic and Electrical Engineering from King's College London.

AHMED AL AWADI
Chief Procurement Officer, Etisalat Group

Mr. Al Awadi was appointed as Chief Procurement Officer of Etisalat Group in October 2017. He was the Chief Financial Officer of Etisalat UAE operations for the periods 2011 and 2017. He started his career with Etisalat in the Finance department in 1999. In 2004, he was seconded to Mobily KSA for two years. Later, he joined Etisalat's International Investments division between 2006 and 2011 where he handled Mergers and Acquisitions and held various positions including Vice President International Investment MENA. Mr. Al Awadi serves on the Boards of Etisalat Software Solutions (Private) Limited, Ubiquitous Telecommunication Technology LLC and Smart World. He holds an MBA degree in Finance from American University of Dubai and Bachelor of Business Administration degree from Georgia State University, USA.

MOHAMED DUKANDAR
Chief Internal Control & Audit Officer, Etisalat Group

Mr. Dukandar was appointed as Chief Internal Control & Audit Officer in September 2016. Mr. Dukandar is a Chartered Accountant (SA), Certified Internal Auditor (CIA) and Certified Control Self Assessor (CCSA) with over 20 years of experience in governance, risk management, insurance, internal/ external audit and forensics. Prior to Etisalat, he was the Group Executive Telkom Audit Services of Telkom South Africa SOC Limited since 2009. Mr. Dukandar started his career as an auditor with KPMG in 1996 and subsequently worked with National Treasury, South Africa, and City of Johannesburg. Mr. Dukandar serves as a member on the Audit Committee of Maroc Telecom Group and PTCL. He has a Bachelor of Commerce from the University of Witwatersrand, South Africa and Honors in Accounting from the University of South Africa.

VISION

Drive the
DIGITAL
FUTURE
to Empower
SOCIETIES

STRATEGY

Last year, Etisalat Group introduced a powerful and digitally inspired vision: "Drive the Digital Future to Empower Societies".

This vision is guiding Etisalat Group in its transition from a traditional telecom operator to an integrated ICT/Digital solution provider, which in turn is enabling Etisalat Group to cement its industry-leading position by working towards the following goals:

- Reshaping the lives of consumers
- Accelerating the economic growth of businesses
- Enhancing the competitiveness of the countries in which the Group operates

To realise this vision, the Etisalat Group introduced the "TARGET" strategy to align the strategic direction of all operating companies, thereby taking full advantage of growth opportunities going forward.

"TARGET" sets out the Group's priorities, focus areas, direction and ambition within the following framework:

- To drive the digital future to empower societies
- Accelerate value generation through innovation and digitisation
- Raise capabilities and develop talent across the Group
- Grow B2B/digital across the footprint
- Expand portfolio in MENA and knowledge economies
- Transform operating companies into strongholds

The vision and the associated strategy were introduced in response to the macro-economic and market environment across our footprint, which continues to evolve thus resulting in the "TARGET" strategy being even more relevant.

Evolving market dynamics towards a digital future

With an international footprint that extends to 15 countries across Asia, the Middle East and Africa, Etisalat Group operates in a wide array of macro-economic and geo-political contexts.

Whilst the Group anticipates that GDP growth will remain solid for the foreseeable future in countries such as the UAE, Morocco, Egypt and Pakistan, volatile oil prices, currency devaluation and relative regional political instability present challenges that demand transformed business and operating models.

Added to this is the fact that the telecom industry itself is undergoing unprecedented transformation, driven by various factors, including evolving technologies such as 5G, new business models, changing customer behaviours, and the increasing traction of over-the-top (OTT) competitors. These factors are slowly eating into the traditional core telecom services revenues that retain a sizable portion of the Group's countries of operations. Underpinning the transformation of the telecom industry and in fact all industries is end-to-end digitisation, which influences telecom operators both internally, in terms of operating models, and externally, in terms of business models and value propositions. This digital revolution is enabling consumers to adopt increasingly tech-savvy lifestyles, businesses to change the way they operate and deliver value, and governments to offer ever-smarter solutions on the route towards truly smart governments and cities.

This all-encompassing digital transformation provides the telecom industry with significant growth opportunities. This is because the demand for high-speed and low-latency data, smartphones, digital solutions, and appealing content across multiple digital channels is continuously increasing. In addition, due to the integration of cross-industry value chains in verticals such as media, finance, healthcare, education and automotive sectors, digitisation is enabling telecom operators to play roles that are more significant in these adjacent industries.

T **To drive the digital future to empower societies**

A Accelerate value generation through innovation and digitisation

R Raise capabilities and develop talent across the Group

G Grow B2B/Digital across the footprint

E Expand portfolio in MENA and knowledge economies

T Transform operating companies into strongholds

TARGET, as a dynamic and adaptable corporate strategy, allows the Group and the operating companies to thrive in the challenging macro-economic and geo-political contexts and the ongoing digital transformation of the telecom industry. The pillars of the TARGET strategy are detailed as follows:

Transform operating companies into strongholds

The Etisalat Group continues to provide strategic and operational support for all operating companies to maintain and improve their market positions by defending their core businesses and enhancing digital capabilities. The focus is on driving excellence across sales and marketing, IT/network, procurement, and regulatory agenda management. In particular, the Group actively manages customer experiences to offer an optimal balance between digital and traditional channels for a true omni-channel experience. End-to-end digitisation will both complement and enable these focus areas, which will centre on key technologies, such as big data, artificial intelligence and robotics. As some of the operating companies have already achieved stronghold status and operate in more advanced digital markets, their transformative efforts have shifted towards more intense focus to become increasingly agile, digital and efficient.

Collectively, these efforts will yield a portfolio of stronghold operations that will maximise shareholder value.

Expand portfolio in MENA and knowledge economies

The Etisalat Group's strategy will remain open to inorganic growth opportunities through majority control of well-positioned operators within target geographies of Middle East, Africa, Asia, and Eastern Europe. Meanwhile, the Group will continue to explore opportunities to optimise its portfolio in order to balance growth and shareholder returns.

Grow B2B/Digital across the footprint

The Etisalat Group is taking full advantage of the aforementioned digital opportunities. This is evidenced by, among others, Etisalat UAE's establishment of Etisalat Digital, a dedicated unit that drives digital transformation by enabling enterprises and governments to become smarter. The unit has become a major contributor to incremental revenue growth for Etisalat UAE operations. Going forward, Etisalat Digital will develop its unique competencies to extend across the Etisalat Group's footprint to capitalise on the growing opportunities within the region, by leveraging organic as well as inorganic opportunities and continuing to employ best-fit operating models.

Raise capabilities and develop talent across the Group

The realisation of the Etisalat Group's vision and the execution of the associated strategy requires robust capability and competence development. As such, the Etisalat Group will focus on enriching and developing a digitally aligned culture, enhancing collaboration both within and between operating companies, implementing effective succession management, facilitating the development and retention of existing talent, and initiating vigorous and efficient measures for the acquisition of new talent to meet the growing needs of the digital world.

Accelerate value generation through innovation and digitisation

As the rate of industry disruption picks up speed, the Etisalat Group will accelerate and enrich the development of its portfolio of open innovation initiatives essential for competition in the digital world. As part of this, the Etisalat Group will adopt a range of open innovation tools – such as scouting in major global innovation hubs, working more extensively with ecosystem partners, including start-ups, and remaining open to different investment vehicles – to fast-track the Group's achievement of its ambitious vision. Revenue growth, digital capability development, customer experience improvement, and efficiency optimisation will serve as anchors for this strategy. Etisalat Group is expanding its product portfolio into related verticals beyond the core to create new engines of growth and increase revenue diversification. Nonetheless, a fundamental principle of the Group's innovation strategy is to strengthen and build on the core business by leveraging established competences and assets.

KEY EVENTS DURING 2018

January

- Etisalat awarded most valuable brand in the MENA region

February

- Etisalat launched 'Hello Business Hub' in UAE, a one-stop platform for all start-ups and small and medium-sized businesses (SMB)
- Mobily acquired additional spectrum in the frequency bands 800 MHZ and 1800 MHZ
- Etisalat awarded most valuable telecoms brand in the MENA region
- E-vision entered into an exclusive 5-year content deal with Starz Play
- Etisalat Misr's shareholders approved capital increase by 23% or LE 4.5 billion, to reach LE 19.43 billion

March

- Etisalat Group's shareholders approved board proposed buyback program of 5% of the company's paid capital
- Etisalat and Microsoft form a strategic partnership to deliver the comprehensive, trusted Microsoft Cloud from their first data centre located in the Middle East

April

- Maroc Telecom acquired additional 10% stake in its Burkina Faso subsidiary ONATEL S.A., bringing its shareholding to 61%
- Etisalat, Singtel, SoftBank and Telefonica signed an agreement to create the first global telco security alliance to offer enterprises a comprehensive portfolio of cyber security services

May

- Etisalat launches first commercial 5G network in the MENA region

June

- Credit Rating Agencies Standards & Poor's and Moody's affirmed Etisalat Group's high credit rating at AA-/Aa3 with stable outlook
- Maroc Telecom acquired and launched 4G license / services and renewed 3G and 2G licenses in Togo
- Etisalat launched MENA region's first Apple Watch Series 3 with built-in cellular

July

- Etisalat connected Expo 2020 Dubai to 5G network
- Expo 2020 Dubai became the first 5G major commercial customer in the Middle East, Africa and South Asia (MEASA) region through partnership with Etisalat

August

- Etisalat Group sold its shareholding in Thuraya
- Etisalat Misr and Telecom Egypt signed the first MoU for virtual fixed voice services

September

- Etisalat Misr & Ericsson launched Egypt's First Voice Over LTE (VoLTE) services
- Etisalat Digital signed cloud hosting deal with Massar Solutions offering secure and reliable OneCloud Services
- Etisalat named 'Best Regional Wholesale Carrier' at the prestigious Telecoms World Middle East Awards
- Etisalat became the first operator in the MENA region to launch the eSIM service with the new Apple Watch Series 4

October

- Etisalat Group's board of directors recommended lifting restrictions on foreign shareholders voting rights
- Etisalat announced a strategic partnership with Sage Middle East to offer Sage cloud accounting solutions to SMBs.

November

- Etisalat inked strategic partnership with National Petroleum Construction Company (NPCC) to implement Artificial Intelligence solutions for remote sensing, real time data, autonomous vehicles and predictive analytics improving response time with all their consumers
- Etisalat signed an agreement with ENOC to provide its retail outlets with Cloud Managed Wi-Fi solution
- Maroc Telecom acquired 4G license in Mali

December

- Etisalat Group and CK Hutchison completed the combination of their operations in Sri Lanka
- Etisalat became the first telco to offer Home Insurance solution for all eLife customers in partnership with Union Insurance

OPERATIONAL HIGHLIGHTS

Subscribers

Aggregate subscribers reached 141 million in 2018 reflecting a net addition of 1.1 million during the last 12 month period on a like for like basis (after excluding subscriber numbers in Sri Lanka from last year). The net gain in the year was mainly a factor of strong subscriber growth in Morocco, Ivory Coast, Benin, Burkina Faso, Togo, Niger and Pakistan.

In the UAE the active subscriber base was stable at 12.6 million subscribers. The mobile subscriber base was flat year on year at 10.8 million subscribers as the prepaid segment declined by 2% due to the impact of value-added-tax that was implemented with effect from 1st January 2018. However, this was offset by the strong growth in the postpaid segment that grew year over year by 6%.

AGGREGATE SUBSCRIBERS (MN)

2018
141
MILLION

2017
140
MILLION

eLife segment continued to drive consistent growth with 4% year on year increase to over 1 million subscribers. Total broadband segment grew by 3% year on year to 1.2 million subscribers.

Maroc Telecom Group's subscriber base reached 60.7 million subscribers as at 31 December 2018, representing a year over year growth of 6%. This growth is attributable to the domestic and international operations. In Egypt, subscriber base decreased by 15% year over year to 27.5 million mainly due to stricter regulatory requirements for subscriber acquisitions through indirect channels and increased competitiveness in the market. In Pakistan, subscriber base grew 24.2 million, representing a year over year growth of 10%, attributed to the mobile segment.

Revenue

Etisalat Group's consolidated revenue increased by 1% to AED 52.4 billion in 2018 attributed to both domestic and international operations mainly in Morocco and Egypt.

In the UAE, revenue grew year on year by 1% to AED 31.4 billion, as a result of growth of the mobile postpaid and eLife segments driven by customers' uptake to premium content and higher speed packages, increase in handsets sales due to an enriched device portfolio with new exclusive deals, and increased offering of business solutions and digital services. In addition, we witnessed an increase in the wholesale segment.

Revenues of international consolidated operations for 2018 increased year-on-year by 4% to AED 20.7 billion attributed to the strong performance in Morocco and Egypt

REVENUE (AED BN)

2018
52.4
BILLION

2017
51.6
BILLION

while impacted by the unfavourable exchange rate movements in Pakistan. Revenue from International operations represented 40% of Group consolidated revenue.

Maroc Telecom's consolidated revenue for 2018 amounted to AED 13.4 billion representing a 6% year over year growth attributed to a 5% revenue growth in Morocco driven by the increase in usage and data consumer base, combined with the increase in revenues of the new subsidiaries.

In Egypt, revenue increased by 13% to AED 2.8 billion attributed to growth in the data segment and higher international incoming and wholesale revenues. In Pakistan, revenue for 2018 was AED 3.8 billion, a decline of 7% from the prior year in AED but grew by 7% in local currency supported by the performance of the mobile segment.

EBITDA

Group consolidated EBITDA remained stable at AED 25.9 billion in 2018 while EBITDA margin decreased by 1 percentage point to 49%. EBITDA growth is negatively impacted by change of revenue mix in the UAE operations, unfavourable exchange rate movements in Pakistan and competitiveness pressure in non-telecom operations.

In the UAE, EBITDA in 2018 declined year-over-year by 2% to AED 16.2 billion resulting in EBITDA margin of 52%, 2 percentage points lower than the prior year, impacted by changes in the revenue mix.

EBITDA of international consolidated operations in 2018 increased by 1% to AED 9.5 billion contributing 37% to Group consolidated EBITDA. This increase is attributed to the operations in Morocco and Egypt.

EBITDA (AED BN)

2018
25.9
BILLION

2017
25.9
BILLION

Maroc Telecom's consolidated EBITDA grew year-on-year by 7% to AED 7.0 billion with EBITDA margin increasing 1 point to 52%. This is attributed to the performance of the domestic operations in Morocco that increased year over year by 6% due to the higher revenue trend.

In Egypt, EBITDA increased year-over-year by 17% to AED 1.2 billion attributed to the improved revenue trend. EBITDA margin increased by 1 point to 41%.

In Pakistan, EBITDA decreased year over year by 8% to AED 1.3 billion with EBITDA margin stable at 33%. In local currency, EBITDA increased year over year by 5%. EBITDA continued to improve in local currency driven by enhanced revenue trend.

Net Profit and EPS

Consolidated net profit after Federal Royalty grew by 2% to AED 8.6 billion resulting in profit margin of 16%. This increase is attributed to lower impairment and forex losses, lower share of losses from associates and lower Federal Royalty charges.

Earnings per share (EPS) amounted to AED 0.99 for the full year of 2018.

NET PROFIT (AED BN)

2018
8.6
BILLION
0.99
EPS (AED FILS)

2017
8.4
BILLION
0.97
EPS (AED FILS)

On 19 February 2019, the Board of Directors has resolved to propose a final dividend for the second half of 2018 at the rate of 40 fils per share, bringing the full year dividend to 80 fils per share. This proposal is subject to shareholder approval at the Annual General Meeting scheduled on 20th March 2019.

OPERATIONAL HIGHLIGHTS

CAPEX

Consolidated capital expenditure increased by 5% to AED 8.4 billion resulting in capital intensity ratio of 16%, 1 point higher than the prior year. This increase is attributed to higher capex spend in the UAE and Pakistan.

In the UAE, capital expenditure in 2018 increased by 28% to AED 3.8 billion while capital intensity ratio increased by 3 points to 12%. Capital expenditure was committed to building capabilities to support new revenue streams in digital and ICT, enhancing network capacity and network maintenance.

Capital expenditure in consolidated international operations amounted to AED 4.5 billion, a decrease of 10% from year 2017 level. In Maroc Telecom Group, capital expenditure decreased year on year by 18% to AED 2.6 billion resulting in a capital intensity ratio of 19%. Capital expenditure in Morocco decreased year over year by 40% after reaching deployment of 4G to reach 97% of population. On the international front, capex spend increased year over year by 7%; adjusting the cost of licenses, capex spend decreased year over year by 2% with spend focusing on deployment and upgrading of optical transmission networks to support the growth of data usage. In Egypt, capital expenditure remained stable year-on-year at AED 0.7 billion resulting in a capital intensity ratio of 24%, 3 percentage points lower than the prior period. Pakistan operations' capital expenditure increased by 10% to AED 1.1 billion resulting in a capital intensity ratio of 30%, 5 percentage points higher than in 2017. The increase in capital spending focused on the fixed network transformation programme.

CAPEX (AED BN)

2018
8.4
BILLION

2017
8.0
BILLION

DEBT

Total consolidated debt amounted to AED 23.5 billion as at 31 December 2018, as compared to AED 24.7 billion as at 31 December 2017, a decrease of AED 1.2 billion.

As at 31 December 2018, the total amounts issued under the global medium term note (GMTN) programme split by currency are US$ 1.4 billion and Euro 2.4 billion, representing a total amount of AED 15.5 billion. Consolidated debt breakdown by operations as of 31 December 2018 was as following:

- Etisalat Group (AED 15.7 billion)
- Maroc Telecom Group (AED 4.9 billion)
- Etisalat Misr (AED 1.6 billion)
- PTCL Group (AED 1.3 billion)

More than 59% of the debt balance is of long-term maturity that is due beyond 2020. Currency mix for external borrowings is 43% in Euros, 28% in US Dollars, 13% in MAD and 16% in various currencies.

Consolidated cash balance amounted to AED 28.4 billion as at 31 December 2018 leading to a net cash position of AED 4.8 billion.

DEBT (AED BN)

2018
23.5
BILLION

2017
24.7
BILLION

Profit and Loss Summary

(AED m)	2017	2018
Revenue	51,636	52,388
EBITDA	25,904	25,880
EBITDA Margin	50%	49%
Federal Royalty	(6,039)	(5,587)
Net Profit	8,412	8,615
Net Profit Margin	16%	16%

Balance Sheet Summary

(AED m)	2017	2018
Cash & Bank Balances	27,125	28,361
Total Assets	128,842	125,243
Total Debt	24,705	23,526
Net Cash / (Debt)	2,420	4,835
Total Equity	58,090	57,245

Cash Flow Summary

(AED m)	2017	2018
Operating	20,227	19,039
Investing	(7,488)	(7,764)
Financing	(9,027)	(10,122)
Net change in cash	3,712	1,154
Effect of FX rate changes	(289)	132
Reclassified as held for sales	25	(50)
Ending cash balance	27,125	28,361

BRAND HIGHLIGHTS

Etisalat Group continued to invest in brand building initiatives across its diverse footprint, emerging as the first and only brand portfolio in MENA to break the USD 10 billion mark in brand value.

Etisalat Group invests in building brands that are not only the sum of experiences with our products and services, but are also part of the very fabric of customers' connected lives.

A powerhouse of brands present across a 15-country footprint, three of the group's brands, Etisalat, Maroc Telecom and Mobily, are among the top 300 most valuable telecom brands in the world.

Etisalat's brands this year have maintained consistent reach and engagement through both brand and tactical campaigns as well as activations of local and global sponsorship properties.

Retaining most valuable brand portfolio ranking in MENA

Achieving the impossible is a part of Emirati DNA. Together, we have achieved a new milestone where Etisalat Group emerged as the Most Valuable Portfolio Brand in Middle East and North Africa, for the third year in a row. Not only this, Etisalat retained its position as the Most Valuable Consumer Brand in MENA for the second consecutive year as well as its position as the Most Valuable Telecom Brand in MENA also for the second consecutive year.

This year is special, as Etisalat Group became the first and only Middle East and North Africa portfolio brand across all categories to set

a new record by breaking the US$ 10 billion brand value barrier. "Thanks to the UAE leadership's support, vision and encouragement that helped Etisalat achieve this significant milestone surpassing some of the top renowned regional brands. This achievement is also due to our continuous efforts in digital transformation whereby we have amplified our reach and presence in a highly competitive marketplace by investing in new digital platforms and global brand building initiatives. Etisalat's success as a brand was also reinforced by the synergy of operating companies across our footprint, creating brand loyalty and enhanced engagement with our customers," said Saleh Abdullah Al Abdooli, CEO, Etisalat Group.

Several factors have attributed to the success and growth of Etisalat's brand value mainly driven by an innovative customer service driven strategy, continued efforts in developing its customer loyalty programmes, sports sponsorship commitments, adapting well to a digital savvy marketplace, and leading the 5G revolution.

The achievement is a recognition of Etisalat's portfolio of brands and reaffirms our core belief that Together Matters and that nothing is impossible when people work together.

Together as one across 15 countries

Etisalat's campaign celebrating its history and pioneering spirit continued into its second phase this year reaching a diverse, international audience through local and global television outlets as well as key digital channels across the media mix.

In addition to appealing to the nostalgia of Emiratis and expats who grew up with Etisalat in the UAE, the campaign also speaks a more international language of togetherness by highlighting Etisalat's footprint across 15 countries.

Throughout the campaign, a hand gesture made by the diverse people featured in the campaign's communications is always visible. This signature hand gesture forms the Etisalat logo, an element that highlights the spirit of togetherness through shared human experiences.

A season worthy of many celebrations with Etisalat and Manchester City Football Club

While Etisalat witnessed immense successes in its field of business in 2018, our partners Manchester City FC have been formidable on the field, winning the English Premier League and the Carabao Cup amid widespread praise from across the world.

Etisalat followed the winning campaign by Manchester City with a winning celebration campaign across our UAE home market.

Further, Etisalat ignited fan's passions through a trophy visit to our stand at GITEX Technology Week 2018, and several visits to our offices in Abu Dhabi and Dubai.

Etisalat derived multi-million pounds in media value during the 2017/18 season from its brand presence at Manchester City's stadium, where our brand name and logo appear on press conferences and interview backdrops, as well as LED boards and signage during matches.

The year also marked innovations in the partnership including a new branded piece of digital content for the football club called 'Tunnel Cam presented by Etisalat'. The segment features exclusive behind-the-scenes footage straight from the tunnel of Manchester City's stadium, as players and coaching staff of Manchester City as well as of opposition teams go on and off the football pitch during matches.

Etisalat UAE launches 'Together Matters'

In its continuous effort to drive brand value, brand love and maintain the category leadership in the country, Etisalat UAE launched this year its new brand positioning campaign, under the umbrella of Together Matters.

Based on a firm belief that the world is a better place when people are together, the campaign supports Etisalat's vision of 'Driving the digital future to empower societies' by bringing to life how the technology that Etisalat provides and enables, brings us as individuals and as societies closer together locally & globally. While the numbers can be quantified, the human connections are incalculable.

"Together matters" is inspired by the UAE, a country founded on togetherness, and home to people from over 200 nationalities. It is also timeless. No matter how Etisalat changes in the future, we will always be an important part of the fabric of the UAE, offering the best network, with innovative technology to bring societies together.

Mobily KSA is 'Up For It'

2018 marked the year that Mobily announced a new brand positioning around the tagline 'Up For It' which represents the brand's commitment toward enabling others to be passionate in progressing their lives.

Since 2004, Mobily's brand positioning and the needs of its loyal customers evolved side by side from "freedom of choice" to "passion for progress". The #UpForIt campaign was simply the brand values in action; walking the talk.

The main purpose was to inspire and motivate young Saudis with an entrepreneurial mindset to take action and go for their dreams.

#UpforIt grabbed the attention of the targeted high-income bracket youth segment, helping Mobily own a unique spot in the market. The campaign focused on the "talented & ambitious" inviting them to compete for a prize of SAR 10,000 and a paid trip to an International training academy.

Etisalat Egypt boasts its 4.5G network

In 2018, Etisalat Egypt directed efforts to improve its network in both performance and perception. Accordingly, we launched a full-fledged campaign introducing the 4.5G service in Egypt and flexing our muscles in three main aspects: coverage, sound clarity and internet speed.

The creative revolved around a technical team in an Etisalat-branded, advanced NASA-like control room testing the 3 main aspects of the Etisalat network, and inviting a network planning and optimization expert, played by actor Bayoumi Fouad, to test the network himself.

Each network test was a separate commercial; the test for coverage was a phone call between an Etisalat employee and the famous radio host Osama Mounir which took place in an underground garage. For sound clarity, the test was a phone call between two singers, Leithy in a construction site and Bousy in a laundry mat. The third test for internet speed featured Ragaa El Gedawy trying to load a video from the internet.

P for PTCL, P for Pakistan

The 'P for PTCL, P for Pakistan' campaign was launched by PTCL on Independence Day, honoring the common man of Pakistan, and invoking patriotism in the hearts of nation to unite under one flag for a more promising future.

The campaign brought life to the colorful and diverse culture of Pakistan, with its tagline 'Hum hain PTCL, hum hain Pakistan'. It reinforced PTCL's connection with Pakistan, as it brought the people of the country into the spirit of celebrating this day with the organization.

In a span of just 3 days, the campaign was recognized as one of the 'Top 10 Brand Campaigns on Independence Day', inspiring a connection throughout the country in a holistic, yet minimal way.

Maroc Telecom connects dreams

Maroc Telecom launched a home market campaign, dubbed "حلمنا متواصل" (Connected Dreams) during the 2018 FIFA World Cup in Russia to support their national football team.

As official sponsors of the national team or so they are called the Atlas Lions, Maroc Telecom teamed up with Captain Medhi Benatia, through a communication campaign to unite Moroccan youth around the values of excelling oneself and success, and also to promote the catalog of Maroc Telecom offers.

A clip made to encourage the Atlas Lions was also broadcast in collaboration with the Moroccan artist DJ VAN, and the effective participation of the players of the national team, to arouse the fervor of the supporters during this competition with worldwide stir.

'This is Africa' by Maroc Telecom Group

2018 marked the launch of a regional campaign across the subsidiaries of Maroc Telecom group: Gabon Telecom, Malitel, Moov and Onatel.

The communication enabled Maroc Telecom to gain more and more renown as an innovative pan-African group, dedicated to the well-being of African populations, and playing an active role in African telecommunications and new technologies, through a music video dubbed "Africa is Now".

The music video carries a message of hope for the African youth with the participation of Teddy Riner, world legend of Judo, as well as three young famous musical artists in Africa: Sidiki Diabaté (Mali), Serge Beynaud (Ivory Coast), Shura (Cameroon).

ETISALAT GROUP'S FOOTPRINT

Operator	Country	Licence Type	Etisalat Ownership	Popluation (Million)*	Penetration*	Numbers of Operators
Etisalat	United Arab Emirates	Mobile, Fixed and Internet	100%	10	Mobile 219% Fixed 26%	2
Etihad Etisalat (Mobily)	Saudi Arabia	Mobile, Fixed and Internet	28%	34	131%	Mobile 3
Etisalat	Afghanistan	Mobile	100%	37	78%	Mobile 4
Maroc Telecom	Morocco	Mobile, Fixed and Internet	48%	35	Mobile 126% Fixed 6%	3
Etislat Misr	Egypt	Mobile, Fixed and Internet	66%	98	102%	Mobile 4
PTCL / Ufone	Pakistan	Mobile, Fixed and Internet	23%	203	Mobile 74% Fixed 1%	Mobile 4, Fixed 11
Moov	Benin	Mobile	28%	11	81%	4
Onatel	Burkina Faso	Mobile, Fixed and Internet	30%	20	Mobile 99%	3
Moov	Ivory Coast	Mobile	41%	26	132%	3
Moov	Niger	Mobile	48%	19	45%	4
Moov	Central African Republic	Mobile	48%	5	30%	4
Sotelma	Mali	Mobile, Fixed and Internet	25%	20	91%	3
Moov	Tago	Mobile	87%	8	79%	2
Gabon Telecom	Gabon	Mobile, Fixed and Internet	25%	2	144%	2
Mauritel	Mauritania	Mobile, Fixed and Internet	20%	4	114%	3

*Based on latest available public information

UNITED ARAB EMIRATES

Etisalat UAE has proven its ability to adapt and withstand market leadership despite increasingly tougher macroeconomic conditions. It has demonstrated sheer resilience and actioned robust plans that supported its transition into a digital telco, while maintaining its focus on other key strategic imperatives that comprised protecting its core telecom business, nurturing innovation, excelling in customer experience, and sustaining technological leadership.

2018 was another successful year with numerous achievements. It was crowned with Etisalat UAE's announcement of the first 5G commercial launch in MENA with EXPO 2020 as its first business customer, a remarkable accomplishment that will pave the way for the accelerated growth of the Internet of Things and the smart cities of the future. It also had Etisalat UAE being the first MENA Telecom operator to offer e-SIM services for Apple Watches, in virtue of its preemptive readiness and broad technological foresight, which was the reason behind having UAE as the only country in the region that is mentioned in Apple's keynote announcement of the feature availability.

The introduction of VAT in the UAE market for the first time in 2018 was a key milestone that has naturally impacted consumers spending aptitudes and appetites amongst various other elements. Etisalat UAE has addressed the shift as part of its commercial strategy, which revolves around customer centric differentiation and value propositions. The launch of "Control" line, as an example, has tackled the change in consumers' consumption and merged between the benefits of mobile postpaid lines and the control of prepaid.

Protecting and maximising core telecom services was evident in Etisalat's performance in the UAE. In addition to solid focus on data and devices, attention was given to content growth via expansion of strategic partnerships with relevant digital players (e.g. Starz Play, Microsoft, and Apple Music), and access monetization which was translated in the launch of Internet Calling Plans (ICP), offering unlimited voice and video internet calls to both Mobile and Home customers.

For Mobile in specific, and leveraging on Etisalat UAE 4G network that is ranked among the top wireless networks globally, new data propositions for UAE, inflight and abroad were introduced. Etisalat UAE launched the "Annual Postpaid Add-ons", a first of a kind concept in the UAE and the region, which enables heavy postpaid users to get one-time yearly data or combos of data and minutes, and launched Business First unlimited mobile plan for SMB customers. Furthermore, it launched Inflight Roaming services, first of its kind in the UAE to provide inflight connectivity across all flights including both Aeromobile and SITA OnAir inflight coverage, and introduced "Roamophobia" combo packages for roamers including for the first time outgoing voice calls in addition to incoming calls and data.

In addition, Etisalat UAE continued to expand its devices portfolio to include not only the most desired smartphones, like the iPhone XS/ XR, but also multiple other smart devices such as tablets, and smart watches from leading vendors (e.g. Apple Smartwatch Series 4, Samsung Gear 3), offered both as standalone devices or bundled with digital music and video. Etisalat UAE portfolio strategy combined with the widest retail presence in the category has reasserted its position as the operator of choice for smart devices in the UAE.

Moving to fixed, and in Home segment in particular, e-Life subscribers base has surpassed the 1 million mark in 2018, which was followed with the launch of the e-Life "Unlimited plans". the plans have allowed Etisalat UAE customers to enjoy double the internet speed and enhanced TV content from across the globe, with more than 590 channels, including 4K content, and over 150 channels in HD, demonstrating Etisalat UAE continuous commitment to provide superior customer experience to its subscribers.

For Business fixed services, Etisalat UAE continued to lead in the connectivity and cloud space. It launched "Private Connect", an enterprise-grade connectivity service that is fully based on Eti-

10.8 MILLION
MOBILE SUBSCRIBERS

1.0 MILLION
ELIFE SUBSCRIBERS

1.2 MILLION
FIXED BROADBAND SUBSCRIBERS

31.4 AED
BILLION REVENUE

salat UAE virtualized network, which will allow the next level of flexible networking value added services delivered from Etisalat UAE cloud to enterprise and government customers. At the same time, Etisalat UAE has sustained focus on the growth of its own Cloud offering and platforms, serving the local business customers with a sizeable amount of Virtual Machines (VM). Etisalat UAE also maintained its leadership in the data center business by concluding large projects with international cloud service providers and embarking on new projects to double the capacity in the coming two years. While adding another major milestone in which Etisalat UAE has finalized an agreement to enable Microsoft Cloud services in UAE, a first of its kind agreement, bringing together a global technology and Cloud leader with a telecommunications service provider, and is poised to change the regional landscape of digital transformation for businesses and governments through the adoption of Cloud technologies.

Moreover, Etisalat UAE maintained its focus on the growing SMB segment with targeted propositions and holistic solutions, it has launched a one-stop shop "Hello Business Hub" that supports SMBs and entrepreneurs by offering them customized company setup, registration, insurance, banking, VAT consultation and office equipment combined with the latest telecom products from Etisalat.

Moving to digital, which is the prime focus of Etisalat's strategy, 2018 has registered various success stories be it at service offerings level or in terms of company digitization as a whole. Etisalat's position as the UAE's preferred IoT provider was affirmed undisputedly with the number of connected SIMs on its IoT platform, and with key projects that represent long term partnerships with key governmental entities. In Hassantuk, Etisalat UAE has partnered with the Ministry of Interior to deliver the first Smart Fire Alarm solution in the region. The project covers more than 400,000 villas across the seven emirates; it optimizes the UAE's key response to fire and emergency alerts through a 24x7 connected fire alarm system using Etisalat's UAE advanced 4G and NB-IoT networks by utilizing innovative Artificial Intelligence smart technologies to monitor and report fire.

Within the same context, Etisalat UAE is collaborating with Emirates Transport to build one of the largest connected fleet. It has also continued developing it's Smart Solutions portfolio with the successful deployment of the Smart Stations solution across ADNOC's petrol stations and building for them the largest connected smart outdoor digital advertisement network in UAE that is fully controlled and managed from Etisalat UAE command and control center on Etisalat UAE own cloud.

Moreover, Etisalat UAE continued to create value out of its big data investments and Real Time Marketing initiatives by offering highly targeted marketing solutions that will assure its ability to provide customers with the right offer at the right time. In addition, it has launched in 2018 its Smart Insights services leveraging on the network-aggregated data to provide enriched insights and smart intelligence to different sectors such us transportation, retail, and security amongst many other smart city solutions. In security in specific, Etisalat UAE offers managed security, cyber security and network security services, stemming from its understanding of the importance of this growing vertical and the increase of cyber threats. The same was the drive behind Etisalat's decision to join the Global Telco Security alliance along with Telefonica, Singtel, Softbank and AT&T. The alliance is one of the world's biggest cyber security providers, with more than 1.2 billion customers in over 60 countries across Asia Pacific, Europe, the Middle East and the Americas. The alliance will supplement Etisalat offerings in the areas of Digital Risk Protection and IoT Security.

For company digitization, Etisalat UAE has given large attention to the enhancement of its digital channels, with enhancements in existing apps functionalities and design, and the introduction of

16.2 AED
BILLION EBITDA

52%
EBITDA MARGIN

8.3 AED
BILLION NET PROFIT

3.8 AED
BILLION CAPEX

new ones. The Etisalat UAE Consumer Mobile App registered an unprecedented growth in terms of engagement and a significantly higher uptake. It surpassed the mark of 1 million active users thanks to a 38% YoY increase in downloads. A new app for Business customers was introduced to enable customers to review their subscriptions, view detailed bills, get real-time information on usage of all employees as well as pay bills. As for Smiles, the unified platform for engagement has seen an outstanding success in wining customers' hearts and minds, with almost 2 million customers on the platforms and an estimated 3+ million deals and rewards obtained, thanks to a constantly increasing portfolio of partners.

Internal digitization is another key pillar, in which Etisalat UAE has taken large steps towards leaner and more agile organization, the use of Robotics Process Automation and Artificial Intelligence has matured largely in 2018, with implementations at wider scale. From use cases related to network intelligence, diagnostics, and auto healing, to automated workflows and streamlined cognitive processes, and from business chatbots handling enquires, to home chatbots using Google home and Alexa would empower customers to solve all voice, internet, and TV related problems which would reduce costs and enhance customer experience. Moreover, the deployment of automated logics in power management has enabled Etisalat UAE to reduce around 3,900Kg of carbon emission on an hourly basis.

In 2018, Etisalat UAE continued its pursuit to nurture innovation both internally and within the surrounding ecosystem. Internally, multiple ideation platforms were created, in addition to an internal incubation and prototyping environment under the name of e-Spark, which will drive innovation through agile co-working and collaboration. Externally, three key innovation pillars were merged under one umbrella, "Etisalat Future Now", which hosts the Scale-ups program, the IoT partner ecosystem and the Innovation Center.

The Scale-ups program of Future Now opens doors to tech startups and companies from across the globe to accelerate their business in the UAE and partner with Etisalat UAE to bring new solutions to the market. Through its IoT partnerships ecosystem, Etisalat UAE invites developers and innovators, ranging from IoT companies to talented university students to build, test, and integrate their applications on Etisalat UAE digital IoT platform. Showcasing the latest technology breakthroughs across all sectors, Future Now's Open Innovation Center is where visitors can experience how Etisalat Digital can drive digital transformation journeys. With over 300 customer visits in 2018, the Open Innovation Center has become an essential asset for government entities and enterprise customers to understand how to embrace their journey into digital transformation to be able to compete in today's disruptive markets.

Moving to Wholesale, which remains one of Etisalat's UAE core strength, 2018 was another year in which Etisalat UAE has asserted its market position as a regional leader in wholesale services, be it in international voice, international roaming, IP exchange connectivity, international connectivity or capacity. It became a major carrier in Africa through large investments in reach and direct connectivity, which led to a substantial growth in traffic carried by Etisalat. Moreover, it accelerated its efforts to modernize the delivery of the international voice traffic through migrating from legacy to IP (Internet Protocol) routes, which bring high quality at lower cost.

On the international roaming front, Etisalat UAE further expanded its international roaming reach to more than 825 networks including 416 LTE giving Etisalat UAE customers one of the best international roaming coverage and the highest LTE coverage in the world together with enabling more international visitors to use Etisalat's network while in UAE. This extensive coverage is also being offered to MNOs who wish to have a faster access to global roaming services using Etisalat UAE well-established roaming footprint, along with several other wholesale VAS include signaling analytics, and signaling firewalls.

Clearly, all the above accomplishments hinge heavily on a solid network, Etisalat UAE prides itself with one of the best networks globally, which is enabling premium telecom, digital, and wholesale services. In 2018, Etisalat UAE sustained the global leadership in terms of fiber penetration, and delivered against its network modernization and transformation plans, which reduced drastically the amount of legacy and inefficient infrastructure and transformed the mobile network. Apart from 5G achievements, Etisalat UAE's constant investments in 4G technology has resulted in one of the highest coverage ratios globally, with 4G covering over 98.98% of UAE's populated areas, and were the reason behind the large jump in data traffic and voice traffic over VoLTE. Daily traffic rates exceeded 550 TB, in which around 80% was carried by 4G network and VoLTE active subscribers grew by over 200% year over year.

In network virtualization, we moved steps ahead of international competitors in virtualizing our core network services. The Virtual CGNAT, Virtual EPC, Virtual IMS, Virtual Route Reflector and Virtual DNS are some of the key elements successfully virtualized. Virtualization will support our 5G journey and is a prerequisite for many of our future initiatives.

Evidently, Etisalat UAE is on a growth track with a respected record of achievements in all domains, it enabled the organization to increase its brand value by a remarkable 40% compared to 2017 and to claim the Most Valuable Brand in ME&A title in 2018. Such entitlement gives large momentum and comes with several undertakings, which affirm further the company agenda and digital aspiration. Moving forward, the realization of the 5G promise and the road to EXPO 2020 will drive many projects in an accelerated fashion, the digital transformation wave in governments, enterprises, and the society will mature rapidly and will create a reflection point that will truly shift the revenue structure towards non-telecom revenues in a noticeable manner. Amid these changes, Etisalat UAE will remain the trusted partner and the leading operator of choice with more ambitious plans for 2019 and beyond.

E-VISION

2018 was yet another highly successful year for Etisalat's market-leading content aggregator, E-Vision. The company's stratagem of enhancing its linear services as well as its Video-on-Demand and newer offerings, while expanding through several strategic partnerships, continued to reap rewards.

This success was bolstered by the three pillars of E-Vision's strategic direction:

- Diversifying and closely analysing the content aggregation services provided to Pay-TV operators for the consumer and hospitality industries across multiple entertainment genres and market segments, for linear and VoD services across internet protocol television (IPTV) and over-the-top (OTT) platforms;
- Increasing its service offering to include a larger number of linear channels (FTA and Premium), Transaction-on-Demand (TVoD), Subscription-on-Demand (SVoD), Content Management and Servicing, and EPG, among others;
- Increasing the customer base and strategic partnerships.

Based on these pillars, E-Vision executed multiple strategic and operational programmes in 2018 to set the organisation on a promising path for future growth and development. This included extensive content enhancement across all E-Vision services, as the company continued to strive for a superior customer experience. E-Vision enhanced its linear channels offering by adding multiple new HD and 4K channels to the consumer and hospitality market catalogue to properly serve multiple customer segments. Additionally, E-Vision secured the rights for highly in-demand sports events (including the 2018 FIFA World Cup), enabling partners to provide all-inclusive TV experiences to their end users.

Moreover, in early 2018, E-Vision signed a strategic partnership with the region's leading SVoD service provider, Starz Play, to enhance its overall SVoD offering in the UAE and beyond. Subsequently, various Etisalat operating companies (such as Mobily in Saudi Arabia and PTCL in Pakistan) launched the Starz Play service on their platforms to make numerous offerings available to end-users by the end of the year.

Meanwhile, E-Vision enhanced its SVoD offering via partnerships with several other leading content entities, including Voot (Viacom 18) and Eros Now. In order to provide the best content catalogue to its partners, E-Vision continued to explore the extensive and highly fragmented potential of the SVoD market. In particular, during Ramadan, the company increased the amount of content available to end-users by providing premium TV series in its SVoD service. Additionally, Pay TV partners, like Etisalat UAE eLife, enjoyed exclusive cutting-edge content for their customer bases. Viewership patterns demonstrated that this translated to high levels of satisfaction among these partners' customers.

In the third quarter, PTCL launched a TVoD service by leveraging E-Vision's partnerships with leading Hollywood studios. Indeed, E-Vision continued to strengthen its long-lasting relationships with the major international and regional broadcasters, as well as with the foremost Hollywood and Bollywood studios and leading Arabic production entities.

In addition to its service enhancement, E-Vision also embarked on considerable geographic expansion, providing an increasing number of services to international customers in 2018. A major milestone for E-Vision was its securing of long-term strategic partnerships with Mobily and Etisalat Misr, as it became the turnkey TV/content solution provider for both entities. At the same time, E-Vision's acclaimed, home-grown eJunior brand expanded its linear and SVoD reach by launching the eJunior app across the MENA region in 2018. Again, multiple partnerships were enacted to expand the offering and reach of this service.

Going forward, E-Vision intends to remain true to its strategic direction as the leading and most efficient content aggregation provider of the most compelling content aggregator in the region. E-Vision will provide Pay TV operators with the richest content offering and turnkey IPTV and OTT solutions, allowing them to concentrate on their core marketing and sales activities.

SAUDI ARABIA

11.9 SAR
BILLION REVENUE

4.5 SAR
BILLION EBITDA

38%
EBITDA MARGIN

2.8 SAR
BILLION CAPEX

In 2018, Mobily progressed in implementing its "RISE" strategy and delivered sustainable operational improvements and financial turnaround. This was accomplished despite numerous regulatory changes and other challenges within the Saudi telecom environment last year.

In February, Mobily successfully acquired new blocks of spectrum in the 800 MHz and 1800 MHz bands. These added blocks of spectrum allowed Mobily to increase the quality of its service offering, enhance the customer experience, and keep up with ever-increasing data usage and the ongoing evolution of technology. Along with the new spectrum, Mobily continued the deployment of its network modernisation program to cope with the growth in data traffic that resulted in improved speed of the network. This has reflected in better customer experience that has increased steadily in 2018 as evidenced by TRI*m score and customer satisfaction as care service request closure improved by 45%.

In parallel, Mobily focused on the commercial performance with the objective of maximizing the value from the data price rationalization that took place in the market. As a result, the company launched new prepaid offerings that were well-received by customers and as a result new bundle customers grew by 10 times in 2018. Similarly, new post-paid packages were launched and perceived positively by customers, resulting in an average monthly growth of 23.5% in new subscribers.

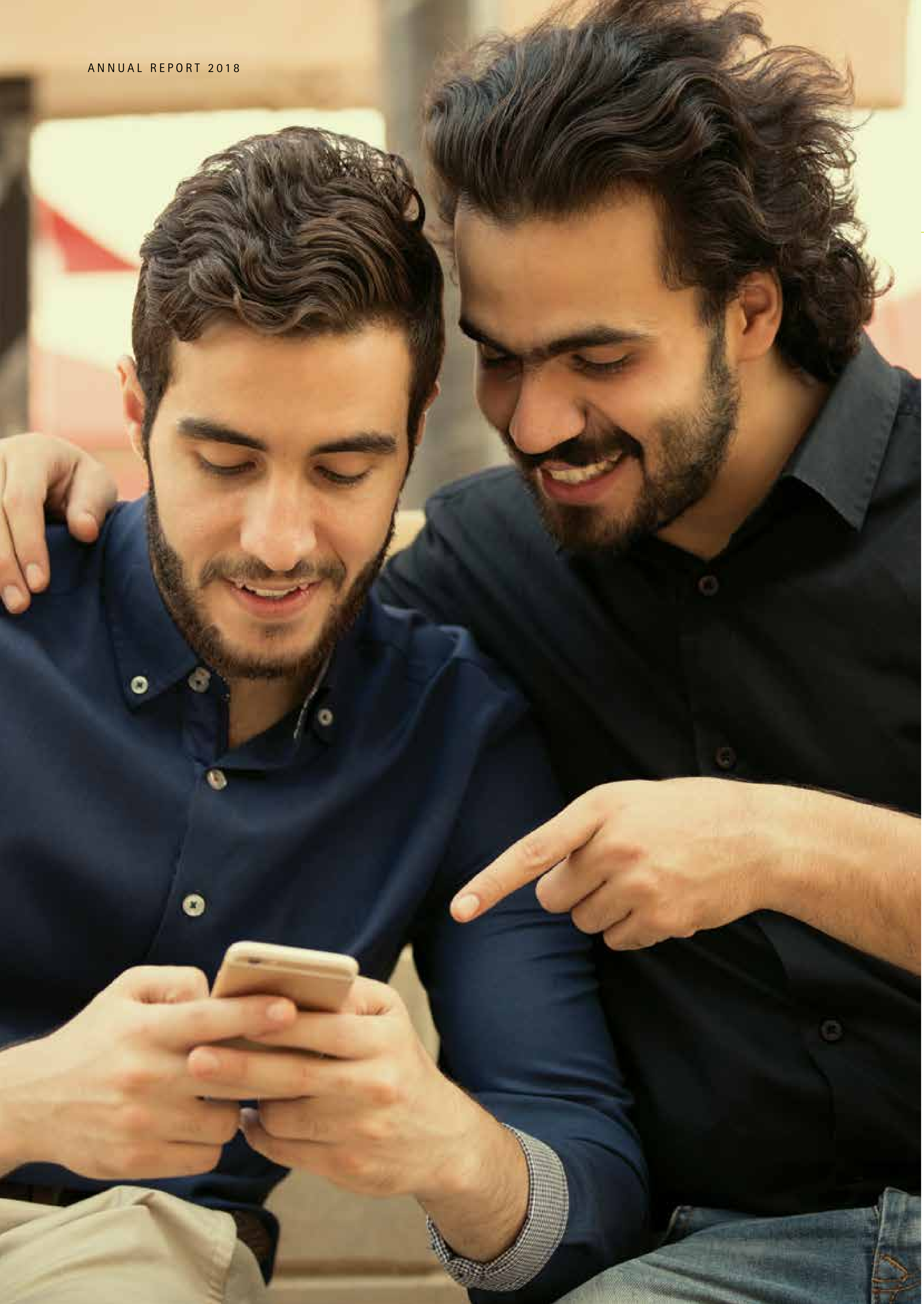
Moreover, Mobily maintained its growing emphasis on the lucrative business segment and increased its offerings that resulted in closing many multi-year deals with key government and business clients. In March, Mobily launched its new Mobily Business FiberNet service, which provides stable internet connectivity to small and medium-sized enterprises (SMEs) through high-speed fibre-optics technology. This ensured a superior level of service, enhanced speeds, tighter security and greater reliability to support these SMEs and the corporate sector as a whole.

Furthermore, in collaboration with the Saudi Ministry of Health (MOH) and the Council of Cooperative Health Insurance (CCHI), Mobily and its partners continued their implementation of the Saudi Health Insurance Bus (SHIB) project along with the Health Integration Channel (Unified E-Health File) across the Kingdom. The project aims to provide an integrated e-platform for all health insurance beneficiaries to provide advanced, comprehensive and immediate services to the insured.

In addition to this, Mobily secured several major strategic partnerships in 2018. The company signed a memorandum of understanding (MoU) with each of Huawei and Nokia to launch the Kingdom's first-ever 5G tests. This collaboration is part of a strategic vision to develop 5G technology as the next-generation advanced-bandwidth network is rolled out. In partnership, Mobily and Ericsson are developing the Kingdom's first-ever Internet of Things (IoT) programme, which aims to create an interactive platform for university students and staff.

Finally, in November, Mobily extended its innovative approach to e-commerce, with the launch of its new E-Sales service. E-Sales provides a convenient way for customers to acquire Mobily products and services via the operator's online store and mobile application.

Looking ahead, Mobily is poised for another successful year in the Saudi telecommunications industry with the continued success of all four pillars of its RISE strategy.



etisalat

EGYPT

13.6 EGP	5.6 EGP	41%	3.3 EGP
BILLION REVENUE	BILLION EBITDA	EBITDA MARGIN	BILLION CAPEX

Etisalat Misr outperformed its competition in terms of growth rate across key performance indicators and customer network satisfaction in 2018. With the widest 4G coverage, EM leveraged strategic partnerships, innovation and customer centricity to enjoy continued financial gains and remain a market-leading ICT provider.

Driven by voice, data and wholesale deals, Etisalat Misr stayed ahead of the market with double-digit year-on-year revenue growth, in 2018. Consequently, the company currently boasts the second-highest revenues of all Egyptian telecom players.

Further to this end, Etisalat Misr signed a five-year national roaming agreement for voice and data traffic with Telecom Egypt in August last year. This updated agreement has paved the way towards symmetrical termination and increased national roaming revenues.

Another key partnership for EM in 2018 was that with Ericsson, by which the operator became the first in Egypt to offer VoLTE services. The introduction of VoLTE has greatly strengthened Etisalat Misr's status as a frontrunner in adopting the latest technologies and leveraging them to provide best-in-class voice calling functionality.

Etisalat Misr's innovation also extended to the enrichment of its new entertainment and VAS platforms, which include sports, music, video, games and news offerings. Etisalat Sports is a unique value-added sports entertainment platform that covers traditional, digital and broadcast services, serving live scores, videos, news, exclusive content, and world-class commentary via SMS and portal. Etisalat Music, meanwhile, is a mobile platform launched in August 2018 as a one-stop shop for music lovers. With over 18,000 songs on offer, users can stream set playlists, activate any song as their call tones, and live stream the latest albums by leading musical acts.

Beyond the improvement of content, Etisalat Misr also harnessed the power of tech-based innovation to enhance the overall customer experience. Specifically, EM invested considerable resources into providing unmatched service convenience for its customers. With real-time marketing and platforms like the iPipe, Etisalat Misr customers can effortlessly renew their bundles, subscribe to add-ons, and otherwise manage their accounts via their smartphones.

Etisalat Misr's high-value family tariff concept (another first in the region) was an additional element of this customer-centric approach in 2018. The Emerald Family package, in particular, offers unmatched voice and data rates and services. All of these packages and their associated benefits are now fully digitally managed via the MyEtisalat app.

In addition to this, Etisalat Misr's MORE loyalty programme offers exclusive non-telecom lifestyle benefits via a range of strategic partners, including restaurants, coffee shops, household product suppliers, fashion outlets, cinemas, and more. The more customers communicate via the Etisalat network, the more points they accumulate and the greater their lifestyle rewards.

Looking to the year ahead, Etisalat Misr plans to take full advantage of the rapidly growing Egyptian ICT industry. All indicators point to a promising future, as the Egyptian government gears up to launch mobile savings and lending services, which will open up new revenue streams for Etisalat Misr. Meanwhile, the company is targeting to launch fixed voice services to become a fully integrated telecom provider and provide a one-stop telecoms shopping experience for EM customers.

MOROCCO

In 2018, Maroc Telecom Group remained committed to offering a cutting-edge customer experience. The organisation harnessed the latest technological advances – together with the experience, expertise and commitment of its employees – to develop innovative services that promoted access not only to telephony services and the Internet, but also to a host of digital content.

In particular, 2018 witnessed the strengthening of Maroc's leadership position in the high-speed broadband market through the increasing accessibility of its fibre-to-the-home (FTTH) and 4G technologies. To this end, the Group continued to invest heavily in infrastructure reinforcement for the deployment of high-speed mobile and fixed-line internet, in phase with customers' voice and data needs, across the Group footprint.

In Morocco, the company invested in the densification and modernisation of its infrastructure to introduce high-speed internet to the Kingdom. By end of 2018, 98% of the Moroccan population enjoyed access to 4G+ mobile internet connections. Elsewhere, similar efforts were made to provide universal access to broadband technologies, with the introduction of new network generations and the acquisition of new licenses. Mauritel launched its new ADSL Duo speed 4Mb/s and Gabon Télécom introduced a new entry-level FTTH speed, whilst Atlantique Togo and Sotelma launched 4G services. In this way, the Group enabled the greatest possible number of subscribers to benefit from high-speed broadband internet access.

At the same time, Maroc and its various subsidiaries' catalogues of offers and services were continually enriched with inventive solutions. Maroc Telecom, for example, introduced its new Wi-Fi 4G BOX, with an offer of unlimited internet access and talk time. This offer mainly targeted customers located in geographical areas not served by ADSL technology.

Maroc Telecom further enriched its Maitrisés and Liberté packages to offer more generous voice and data volumes. In order to strengthen the competitiveness of its B2B offering, the Moroccan operator further enriched its medium- and high-end packages catalogue by offering up to 5GB of free data without a price change. Etisalat Bénin, meanwhile, launched free roaming by which customers enjoy free incoming calls and cheaper outgoing calls to numbers in Burkina Faso, Ivory Coast, Guinea-Conakry, Mali, Senegal and Togo.

Parallel to this, Maroc Tel launched its new Facebook Flex service, in partnership with the international social media giant. This service allows low-budget customers, especially young people, to stay connected to Facebook even after they have exhausted their data credit. It also enables them to optimise their usage when their credit is running low. Mauritel similarly enriched its social media offering with the introduction of its WhatsApp Pass, with additional Facebook, Twitter and Instagram accessibility.

Several operators embraced the mobile payment wave by introducing or enhancing e-wallets and similar services in 2018. Onatel, for example, expanded its Mobicash distribution network with new partners (including Vivo Energy, United Bank for Africa, Orabank, and Bank of Africa). Customers are now also able to pay their electricity accounts and Canal+ subscriptions via Mobicash. Sotelma similarly enhanced its Mobile Money proposition by launching channels for the payment of prepaid electricity purchases and subscription television fees (Malivision). Over and above this, international money transfer via Mobile Money between Sotelma and AT Côte d'Ivoire, AT Niger, Etisalat Benin, and Onatel was also opened last year. Etisalat Bénin, meanwhile, launched its Moov Money smartphone application for contactless merchant payments, deposits and withdrawals by NFC and QR codes, while customers in Ivory Coast are now able to pay their vehicle license fees via Mobile Money.

57.0 MILLION
MOBILE SUBSCRIBERS

2.1 MILLION
LANDLINE SUBSCRIBERS

1.6 MILLION
FIXED BROADBAND SUBSCRIBERS

36.0 MAD
BILLION REVENUE

Atlantiuqe Côte d'Ivoire leveraged technology in the service of security with its deployment of a new identification tool, which takes photographs and scans identity documents and digital fingerprints, with NFC and OCR code options, to facilitate data entry. The operator also launched the Mobile Moov TV app, giving subscribers access to more than 40 TV channels, in 2018.

Meanwhile, Gabon Télécom introduced its Smart Kids connected beacon for the geolocation of children. The operator also launched its new My GT self-service application, which allows customers to manage their prepaid accounts in addition to subscribing to new Gabon Télécom services.

What is more, all of these new and improved offers only formed one small part of Maroc Telecom Group's enduring commitment to its customers in 2018. The organisation paid close attention to its customers' needs in order to continue to offer the best service and surpass subscriber expectations. In aid of this, the tools and resources implemented for customer relationship management (CRM) were continually improved.

The constant evolution of information systems related to CRM enabled the organisation to support, inform and guide customers quickly and efficiently, ultimately ensuring an improved customer experience. This included the launch of a mobile application to manage connections and after-sales service, the modernisation of diagnostic and management tools for after-sales service, the improvement of customer support services, and the establishment of multi-service terminals.

Furthermore, the protection of personal data was a vital element in Maroc Telecom Group's efforts to consolidate a relationship of trust with its customers in 2018. In Morocco, in accordance with the organisation's commitment to the protection of personal data (for which it is ISO 27001: 2013 certified) and in compliance with Moroccan law regarding the protection of personal data of natural persons (Law 09/08), Maroc Telecom continued to implement measures to fortify its information systems and online services against attacks. This included improved internal controls as well as successful internal and external audits. Moreover, Maroc Telecom maintained close cooperation with the Kingdom's National Control Commission for the Protection of Personal Data (CNDP). Educational support (including instructional videos) promoted employee awareness of the requirements of Law 09/08 to ensure improved compliance.

Ultimately, much of Maroc Telecom Group's success in 2018 came out of the constant strengthening of synergies amongst subsidiaries. The sharing of technological and operational experience and expertise enabled the Group to maximise its return on investment. The continuous improvement of infrastructure security, optimisation of management processes, securing of turnover, and reinforcement of the Group's international capabilities played crucial roles in these exchanges.

At the same time, Maroc Telecom Group's sustainable development concerns remained rooted in its culture. The Group continued to work to facilitate universal access to communication services and carried out numerous actions for the well-being of the population in 2018. The organisation devoted considerable resources to achieve maximum coverage of its territories, especially those in the most remote areas.

Working alongside the Moroccan Ministry of Education, Maroc assisted in implementing educational programmes in schools across the country. The operator also actively contributed to Genie, Injaz and Nafid@ – the three main national programmes of the Ministry of Education's "Digital Morocco" strategy for providing ICT access to schools countrywide. Genie supplied equipment (including internet access and filtering solutions) to more than 3,200 educational institutions, while the Injaz programme provided Moroccan students with computers and internet connectivity,

17.9 MAD
BILLION EBITDA

50%
EBITDA MARGIN

6.0 MAD
BILLION NET PROFIT

6.6 MAD
BILLION CAPEX

and the Nafid@ programme furnished teachers with the latest equipment and connectivity.

Additionally, Maroc Telecom Group promoted sports and culture both through independent initiatives and in partnership with other organisations. Here, special attention was paid to developing young talent, as with the Maroc Telecom Football School. Last summer, Maroc organised the 2018 Festival of Beaches, which drew millions of spectators to 135 concerts held across all the Kingdom's main coastal cities.

The Group also continued to optimise the impact of its activities on the environment through several actions, including the use of renewable energies, the deployment of ever-more efficient technologies, and the promotion of the dematerialisation and digitisation of the company's processes.

As it has done since 2002, the Group participated in the Mohammed VI Foundation for Environmental Protection's Voluntary Carbon Offset Programme and its initiatives to clean and maintain beaches and parks in Marrakech last year. This included the 300-year-old, eight-hectare Arsat Moulay Abdeslam Park, which was first rehabilitated in between 2002 and 2003.

Beyond this, the organisation set up a system for evaluating its environmental compliance based on national regulations and the sector's best practices. The system includes an audit grid to regularly measure compliance and environmental performance in addition to identifying means of improvement. Maroc Telecom also introduced further financial reporting in 2009, whilst environmental, social and societal data reporting continued on an annual basis. As a result, Maroc Telecom received its second environmental, social and governance (ESG) certificate, maintaining its ranking, from Vigeo Eiris ratings agency in 2018. The agency's audit was based on ISO 26000, an international standard guiding organisations to operate in socially responsible ways.

In 2018, Maroc Telecom also learned that it had successfully passed its first audit for ISO 27001:2013 certification, which was conducted on its sites in December 2017. Since 2015, Maroc has been the only telecom operator in Morocco with this certification for all of its activities. It is also the first national telecom operator to be certified ISO 9001:2015 for all its activities.

In tandem with these external efforts to touch lives in a positive manner, Maroc Telecom Group engaged in several internal initiatives and programmes reflecting responsible practices towards its employees in 2018. Specifically, the organisation continued to place the professional development and fulfilment of its employees at the heart of its human resources management. It followed an approach focused on continuous skills development and career enhancement as well as the personal well-being and the safety of its employees.

Aware that its commitments to its subscribers necessitate service excellence, Maroc Telecom Group maintained its ongoing training programme, instituted several years ago, to ensure the continuous development of employees' technical and relational skills. At the same time, employees were given opportunities to pursue diploma training programmes at various renowned institutions.

Meanwhile, to support employee well-being, and ensure that working conditions remained compliant with regulatory requirements, Maroc Telecom's health and safety committees met regularly in 2018. In addition to occupational health and safety training, the organisation provided instruction in personal development. In particular, tobacco awareness initiatives and support (including medical consultations, smoking cessation products, and so forth) were provided to those who wished to quit smoking. By the end of September, more than 1,000 employees had stopped smoking or were in the process of doing so.

ptcl hello to the future ufone

PAKISTAN

126.9 PKR
BILLION REVENUE

41.5 PKR
BILLION EBITDA

33%
EBITDA MARGIN

5.7 PKR
BILLION NET PROFIT

39.7 PKR
BILLION CAPEX

21.6 MILLION
MOBILE SUBSCRIBERS

2.4 MILLION
LANDLINE SUBSCRIBERS

1.4 MILLION
FIXED BROADBAND SUBSCRIBERS

PAKISTAN PTCL

The Pakistani telecommunications market witnessed steady growth and mounting competitiveness in 2018. Data remained the primary growth driver, while the demand for voice services continued to wane, resulting in a decline in the average revenue per user. PTCL measured up to these challenges by leveraging group synergies, network reach, innovation, customer centricity, and strategic partnerships to realise a host of notable business achievements over the course of 2018.

Among PTCL's most significant successes last year was the achievement of initial AAA long-term and A-1+ short-term credit ratings with JCR-VIS Credit Rating Company Limited, which reflected PTCL's leading market position, extensive network infrastructure, and strong financial and business risk profiles.

Parallel to the data boom, rapid digitisation of major industries has resulted in the complete transformation of Pakistan's businesses and their operating models over the past few years. These digitisation trends are opening up new opportunities in the information and communication technology (ICT) sector to contribute to corporate and value-added-service (VAS) revenue growth. Specifically, demand for managed services, cloud infrastructure, and security solutions for the corporate and enterprise segment increased dramatically in 2018, resulting in the development of new revenue streams for PTCL.

PTCL's success in 2018 was further underpinned by the investment of considerable time and resources into the enhancement of customer centricity and the development of innovative solutions for clients' everyday challenges. Indeed, much of the PKR 20 billion total capital expenditure for last year went towards the Network Transformation Project (NTP). With the objective of transforming the top 100 exchanges in 10 major cities with the latest technology to provide high-end data services at speeds of up to 100 Mbps, PTCL continued its ambitious network upgrade, which began in 2017 and is set to continue until August 2019.

The PTCL Wireless Network Evolution to high-capacity 4G technology at 10 MHz bandwidth was also successfully completed in 2018. This served to provide an improved user experience through PTCL's CharJi LTE and spurred the migration of existing PTCL 3G subscribers to 4G LTE and its superior service quality.

At the same time, PTCL leveraged its strong position and the vast experience of its state-of-the-art Tier-3 certified data centres to launch pioneering cloud service offerings using enterprise-grade platforms. The company's Smart Cloud services are transforming organisations across all sectors as they migrate from traditional infrastructures to enjoy improved efficiency and the resultant capacity to consistently outperform their competition.

PTCL also leveraged innovation in service of cyber security last year, as the operator signed a partnership with Etisalat to offer Cyber Threat intelligence services within the Pakistani market. Demonstrating thought leadership, PTCL began by targeting this service at the highly data-sensitive financial industry, having two banks sign up in just the first six months.

PTCL's emphasis on an unmatched customer experience extended as much to content offerings. This included the launch of Premium Movies with E-Vision, Starz Play, Cinepax, and Netflix. In addition, PTCL entered into an agreement with Etisalat's E-Vision through which PTCL Smart TV and OTT customers were given access to premium Hollywood movies and content from several major Hollywood studios, including Warner Bros., Fox, Disney, Paramount, NBC Universal, and Sony.

As PTCL moves into the new year, the company aspires to continue its leadership in fixed-line broadband and wholesale segments. The year 2019 will exhibit the real impact of PTCL's ongoing transformation programme, encompassing network, people and processes. Indeed, the transformation and rehabilitation of the top revenue-generating exchanges will be complete in 2019 and PTCL will be able to offer market-competitive data prices and speeds, with greater customer satisfaction.

PAKISTAN UFONE

Building on the momentum generated by the implementation of its turnaround strategy at the end of 2017, Ufone focused on increasing its market share in 2018. By widening its retail footprint and improving sales channel efficiency initiatives, the company expanded its subscriber base by 2.6 million by the end of 2018, representing a year-on-year increase of 14%.

These and other business successes can largely be attributed to Ufone's innovative approach in all areas. In 2018, this innovation was specifically applied to value-added services (VAS) and new subscriber acquisition offers.

Ufone's VAS strategy for 2018 focused on consolidating and rationalising the existing portfolio, in addition to rolling out tailored services for new revenue streams. Ufone concentrated its efforts on developing the accessibility of VAS via smart phones, in lieu of which smart phone applications and digital channels are being offered. These include apps for Utunes (caller tunes), Mobile TV, Uislamic (religious content), Ushow (movies on demand), Ufone Cricket, and planned enablement of gaming stores via direct carrier billing.

Given Ufone's increased focus on attracting high-value customers, the company launched its Super Card Double Offer, which resulted in improved customer acquisition and increased revenues for the segment. Furthermore, to improve gross additions in the postpaid segment, Ufone offered greater incentives for customers to migrate from prepaid to postpaid accounts.

Another major contributor to Ufone's success in 2018 was its continued emphasis on data offerings and digitisation. Ufone's data strategy for 2018 focused on consolidating and rationalising the existing portfolio while launching new market-competitive products and tariffs to attract more customers. Catering to the ever-increasing needs of a thriving data market, Ufone launched its Streaming Offer and Weekly Internet Plus, thus ensuring competitive parity while capturing revenue from existing and new data subscribers.

Furthermore, the Ufone Digitisation team's innovative enhancement of its digital platforms helped the company to expand the digital horizon of its products across Pakistan. This included numerous improvements to the My Ufone Android and iOS mobile applications. New features – such as number booking, bill payment, and Ublock services – were just a few of the many upgrades made to the My Ufone app.

Beyond these product and service innovations, Ufone implemented synergetic initiatives in 2018. For the first time, Ufone partnered with PTCL to optimise capital and operating expenditure and achieve greater overall synergy. Infrastructure consolidation is one of the primary goals of this new partnership, with both companies now able to leverage scalable capacities – including hardware, software and data centre space – to create a unified platform.

Meanwhile, Ufone leveraged its position as a member of the Etisalat Group and capitalised on preferred wholesale roaming deals with Mobily in the Kingdom of Saudi Arabia and Etisalat UAE to launch prepaid data roaming offers on both roaming networks. Ufone thus became the only operator in Pakistan to offer a data roaming service to prepaid subscribers. In addition to this, Ufone leveraged the international direct dialling (IDD) wholesale discount offered by PTCL and Etisalat Afghanistan to revamp its retail IDD promotion. As a result, Ufone and Etisalat became the networks of choice for calling Afghanistan from Pakistan.

In 2019, Ufone will continue its progress by further expanding its network and upgrading its capacity. In particular, the company will remain focused on building data capacity as the data segment continues to be vital to drive growth. In addition, Ufone will take strategic measures to further increase its customer base, improve its offers and products, and increase subscriber acquisition over the coming year.

etisalat AFGHANISTAN

Despite the challenging telecommunications environment in Afghanistan, Etisalat made excellent progress in its numerous and varied endeavours. While pioneering in 3.75G and mobile money services in the country, the company was the first to run extensive 4G trials in selected locations across Afghanistan.

Etisalat Afghanistan sought stronger relationships with its customers last year by providing an excellent customer experience while streamlining processes and investing in networks, thereby enabling Etisalat to capture further growth opportunities.

At the same time, Etisalat Afghanistan continued to provide relevant products and services to its clientele, thus promoting customers' socio-economic empowerment in addition to improving user engagement. Some notable innovations in 2018 included advance-credit systems to alleviate recharge woes, enterprise products to cater to the high-value segment, and specially priced roaming data for use in the United Arab Emirates. Moreover, Etisalat Afghanistan drove various value-added propositions to claim market leadership in terms of value share in Afghanistan.

Another achievement is the loyalty and retention programme – the only one of its kind in the region. In 2018, Etisalat Afghanistan introduced to the programme loyalty tiers (to build further value rewards) and an opportunity to donate to charity. Meanwhile, intensive retail channel expansion brought the product closer to where the people need it, despite challenges surrounding telecoms insecurity. This was achieved via the recruitment of more retailers, the launch of an incentive scheme for expanding at grassroots level, and a push for E-Top-Up services, with a running customer bonus-on-recharge model.

Parallel to this, while still striving to create value for all customers, Etisalat Afghanistan paid particular attention to the youth segment and businesses in their elementary forms last year. Etisalat engaged with Afghanistan's youth by lowering the barriers of entry to telecom services for students using the technology for communication and research as part of their curricula. Affordable data packages, bundled with low-cost locally manufactured hardware, are key elements of this initiative. On an internal level, the operator interacted with the youth via the continuation of its annual internship programme. Through this programme, Etisalat gives the careers of 30 graduates with the highest grade point averages (GPAs) from three leading public universities a head start by hiring these young individuals as interns. On a lighter note, Etisalat's video and music-on-demand services – which enhance the operator's creative content and, thereby, its revenue – are particularly appealing to the youth segment.

For its business customers, meanwhile, Etisalat further enriched its end-to-end enterprise solutions in 2018. As part of this, several small and medium-sized enterprises (SME) forums were conducted in various provinces. At these forums, presenters shared invaluable advice on how to run successful and profitable businesses with aspiring entrepreneurs. Etisalat Afghanistan's mobile money service was also of particular benefit to business customers. The company's promotion of mobile money as a quick and efficient way to pay for services was extended to the public sector where opportunities were explored.

In the year ahead, Etisalat Afghanistan will continue to focus on data as the next frontier for further growth. Specifically, we will focus on maintaining data leadership through ongoing investment in new technology, as the market continually evolves. Etisalat will also leverage small-versus-large-screen data propositions in pursuit of more customer-focused innovations, Wi-Fi off-loading of 3G data services in aid of better service quality, and limited commercialisation models for over-the top (OTT) applications, as data continues to cannibalise international direct dialling revenues. This will dovetail with Etisalat Afghanistan's continued development of its retail network and grassroots-level micromarketing activities in each of the country's low-penetration provinces.

ETISALAT SERVICES HOLDING

In 2018, Etisalat Services Holding (ESH) established an organisation-wide transformation initiative in service of its vision to become the primary strategic partner to all its clients. This transformation programme resulted in the merging of a number of business units and functions for greater efficiency and performance optimisation.

In 2018, Etisalat Services Holding renewed its commitment to providing exceptional telecom-related business services via its portfolio of seven operating entities, namely: Etisalat Facilities Management (EFM), Emirates Data Clearing House (EDCH), E-Marine, Tamdeed Projects, Etisalat Information Services (eIS), Ebtikar Card Systems (ECS), and Etisalat Academy (EA). ESH grew its capacity to offer strategic value addition to all clients by providing first-rate telecom-related business services in an increasingly digitised arena.

Etisalat Facilities Management (EFM)

In 2018, EFM continued to offer integrated, state-of-the-art, sustainable services in the UAE and across the region. The company entered into strategic partnerships with several prominent industry stakeholders and international FM service providers last year. These include Etisalat Digital Unit, Eulen, and eSolutions. Notably, the joint-partnership with eSolutions to offer smart integrated FM solutions will help EFM to reduce overheads, increase operational efficiency, and improve customer satisfaction. eSolutions, meanwhile, will enjoy enhanced operations via EFM's cloud-based solutions for facilities, space and workforce management while optimising related operational expenditure.

In addition to these partnerships, in 2018, EFM entered into deals to provide cutting-edge facilities management services to several new sites including the Sheikh Zayed Grand Mosque Visitors Centre, the Sheikh Zayed Grand Mosque Memorial, and Qasr Al Hosn. Over and above this, using pioneering software capable of tracking project progress from planning through to invoicing, EFM significantly improved its product and service offerings.

Emirates Data Clearing House (EDCH)

In 2018, EDCH redefined its strategy to go beyond traditional roaming services, with a diversified portfolio that includes SIM and (soon) eSIM cards. Another notable EDCH success last year was its launch of Mobile Money with the Expresso Group in Mauritania and Senegal. Meanwhile, in collaboration with Etisalat, British Telecom, and the Khalifa University Innovation Center (EBTIC), EDCH began enabling service differentiation by adding artificial intelligence (AI) and other leading-edge innovations to its business toolkit. The company is also currently working on a blockchain technology proof of concept (POC) that places it at the crest of this next wave in decentralised computing.

Thanks to such pioneering initiatives, EDCH's reputation as a major contender in the telecoms arena led the company to being voted unanimously by esteemed roaming industry players in favour of hosting the GSMA's 2018 Wholesale Agreements and Solutions (WAS) conference. More than 1,300 delegates from over 120 countries attended the event, which took place in Dubai in March. In addition to engaging in discussions regarding roaming and interconnectivity agreements and charging principles, EDCH's WAS team supported three GSMA projects: Connected Living, Digital Commerce Mobile Money Interoperability and Network 2020. The company also participated in the Mobile World Congress, the world's largest annual global telecommunications event.

Tamdeed Projects

Tamdeed continued to address most of Etisalat's civil and cable telecom infrastructure projects – including outside plant (OSP), internet service provision (ISP), turnkey, and in-building solutions (IBS) in 2018. The company achieved this milestone by deploying more resources on sites, employing an experienced workforce and building a strong, in-house civil projects team with the necessary resources to meet Etisalat's requirements.

Furthermore, Tamdeed's new dedicated sales team took advantage of more business opportunities in order to accelerate the growth of ESH as it steadily built its ELV/ICT teams to cater to the requirements of the ongoing Al Ain Hospital Project. Added to this, Tamdeed was awarded the IBS works project to be executed across the entire UAE, as well as the prestigious Expo 2020 project.

Last year, Tamdeed also introduced a new business line, the Passive Optical LAN Project, which covers engineering, installation and integration of passive and active networks for the Umm Al Quwain Ministry of Interior Project. In addition, Tamdeed was the first in Abu Dhabi to adopt a new technique for blowing micro-ducts and cables; an approach that continues to yield superior results.

Etisalat Information Services (eIS)

Since the publication of its first directory in 1976, eIS, previously known as Etisalat Directory Services, has remained the leading digital directory services provider in the United Arab Emirates. eIS dominates the digital information and marketing sector, targeting small and medium-sized enterprises (SMEs) in the UAE region through web and mobile applications, currently branded as Connect.ae and Yellow Pages.

eIS focus on digital media advertising for SMEs in addition to local search platforms with aggregated partner services enabled for a better user experience. Accordingly, eIS launched a completely revamped Connect.ae platform towards the end of 2018. This platform aims to serve SMEs in the UAE in the best possible manner with priority listing, deals and promotion enablement, and partner aggregation services. With the new proposition of priority listing plus value-added marketing services, eIS has retained its reputation for providing the best digital marketing propositions at the most reasonable rates for SMEs in the UAE. Overall, eIS continued to achieve its lifelong goal of connecting buyers and sellers to keep the wheels of commerce turning.

Ebtikar Card Systems (ECS)

Since commencing operations in 1996, ECS has become one of the Middle East's top providers of state-of-the-art smart card technology solutions to both telecoms and non-telecoms customers requiring wireless communications services.

In 2018, ECS enhanced its internal production capacity to support market growth, demonstrating its ability to produce high volumes of high-quality SIM cards, while adhering to the strictest standardised security criteria. ECS introduced multiple new products – including Trio Cards (multi plug-in SIMs), M2M, 4G/LTE SIM cards, and quarter SIM cards. The company's major portfolio also includes smartcard products and solutions such as e-registration, dynamic SIM provisioning, and fulfilments, among others. Last year, ECS ensured operational excellence whilst drastically reducing operational expenditure by negotiating with its reliable suppliers, thereby saving significant procurement costs. Furthermore, Ebtikar expanded its portfolio to a few more external clients in addition to Etisalat and its operating companies.

Etisalat Academy (EA)

Etisalat Academy is known in the UAE and GCC region for its long-standing credibility as a provider of diverse training programmes for students and professionals. To ensure that it stays ahead of the competition, EA is continuously refining its offerings and is currently focusing on developing its digital and leadership portfolios while expanding reach through partnerships with local and global training organisations.

Leveraging its strong ties with UAE government entities, EA offers customised programmes to various ministries, including the Prime Minister's Office and Ministries of the Interior, Human Resources and Emiratization, and Finance.

E-Marine

As a result of the organisation's strong leadership and focused and persistent efforts, E-Marine performed exceptionally well in 2018, with impressive achievements in core services and customer centricity, as well the introduction of new revenue streams.

In terms of core services, E-Marine enjoyed several significant achievements in 2018. This included the installation of the internationally acclaimed Mauritius Rodriguez Submarine Cable System, as well as various other regional systems. The company also acquired maintenance contracts for two new cable systems, facilitating E-Marine's expansion into new regions like the Maldives, while completing 17 repair operations to date. These operations occupied all E-Marine cable ships busy throughout the year.

Finally, the company continued to grow with the introduction of new revenue streams and infrastructure in 2018. With E-Marine's new MPV Athba, the organisation successfully landed two charter projects with prestigious clients (Saudi Aramco and Dubai Petroleum) in the oil and gas industry.

Meanwhile, E-Marine created an additional business line of fully fledged marine survey operations to complement its existing installation and maintenance services. E-Marine also expanded the storage facilities of its depot in the Hamriyah Free Zone, Sharjah, by adding a world-class repeater and BU storage area. Furthermore, the company is now directly registered and pre-qualified with the Abu Dhabi Water and Electricity Authority (ADWEA).

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HUMAN CAPITAL

The information and communication technology (ICT) industry is rapidly gaining momentum and the market is growing increasingly volatile. Clearly, it has become more critical than ever before for Etisalat to maintain a competitive industry edge and it is Etisalat's firm belief that the key to securing this edge lies in the organisation's greatest asset – its human capital. This is why Etisalat continued to strive toward creating a positive work environment and enriching the career journey for all employees in 2018.

As such, inspired with Etisalat's vision and strategic pillar on people, "Raise Capabilities and Develop Talent across the Group", much emphasis was placed on talent development to achieve strong performance today and ensure a sustainable talent pipeline for tomorrow.

To drive these capability-building efforts, in addition to enhancing the customer experience, Etisalat launched new Digital, Sales and Technology training academies in 2018. These presented both short- and long-term programmes for building expert competence within emerging revenue streams. Eighty percent of the overall employee population participated in this training and development drive, at an average of 4.45 training days per employee.

To stimulate employee development further, Etisalat UAE reinforced career path programmes last year. A systematic competence-based model enabled employees to improve their knowledge and develop the necessary skills to perform optimally in the workplace. The company offered a robust five-tier technical subject matter expert career path to all employees in the Technology, Business, Retail Sales, and Customer Care departments.

Over and above this, the organisation continued to successfully attract local talent and thus develop the national workforce at all levels. Etisalat's strategic Emiratization agenda encompassed initiatives such as its Graduate Trainee (GT), GT Career Development, and GT Mentorship Programmes, among others in 2018. The Qadat Al Mostaqbal (Future Leaders) Programme, meanwhile, continued to help develop the next generation of Emirati leadership, which is vital to maintaining a strong national workforce. To date, over 400 delegates have completed the Mostaqbal Programme, designed with the strategic aim to equip Etisalat with outstanding leaders, while 103 are currently completing the programme.

Etisalat also regularly participated in all government Emiratization initiatives and accelerator programmes, exceeding all applicable targets. In recognition of these efforts, Etisalat UAE received the prestigious award for the "Best Nationalisation Initiative in the Private Sector" during the 2018 GCC GOV HR Summit and Awards. Nationalisation is on track at Etisalat UAE, with 74% of UAE nationals employed at the top management level, 49% of UAE nationals in middle management, and overall nationalisation at 48%. In addition, 53% of technical (Information Technology and Technical) staff members are UAE nationals, while female UAE nationals make up 73% of the total female workforce.

Meanwhile, in Pakistan, PTCL led various employee training and development initiatives to strengthen employees' readiness for their future roles and create a strong talent-succession pipeline. It's Future Emerging Leaders (FuEL) Programme, an exclusive two-year development intervention offered to high-potential employees, included a short-term international rotation to Etisalat UAE. PTCL also ran an in-house Management Development Programme in 2018 to prepare its senior managers for their future roles. Moreover, the organisation used the coaching model to capitalise on existing talent and accomplish employee development via its Chaperone Programme. The myLearning Partner initiative, based on the Functional Competency Frameworks, was a further step taken by the company to develop talent to its maximum potential, via online training and assessments. By thus reinforcing competencies that needed to be developed, the company aimed to guarantee the next generation of leaders.

PTCL offered more than 40,500 training days on functional, leadership and behavioural skills last year. To help frontline staff understand the customer-centric approach, the organisation trained more than 11,000 employees in Ron Kaufman's model of uplifting service culture, whilst more than 7,500 employees underwent "Back to Basics" training. Additionally, the PTCL Summit Programme injected new blood into the company by welcoming its fourth batch of 100 fresh graduates undergoing four weeks of intensive training at PTCL's Staff College in Haripur.

At the same time, in the Kingdom of Saudi Arabia, Mobily Elite, a unique two-year graduate trainee programme, educated Saudi youths in various business areas (e.g. Technology, IT, HR, Finance, Legal, Marketing, Sales, Customer Care) to set them on their career journeys. This programme operates on a cross-functional rotation basis, with each trainee going through up to four rotations over the course of the programme. To date, 124 newly graduated young Saudi men and women have benefited from the Mobily Elite programme.

In Egypt, Etisalat Misr developed a new training methodology to address the needs of employees at various levels. The programme now offers customised modules for managers, leaders and directors over several phases, covering both tactical and strategic topics. In addition to this, the two-year Sales Master training programme offers customised modules for each layer of management, covering sales planning, customer experience, financial operations, marketing, leadership, and territory management.

Parallel to this, in Morrocco, Maroc Telecom's employee training programme ensured the continuous development of the technical and relational skills of employees, who also had the opportunity to enrol in diploma programmes with a selection of renowned institutions.

This intensive focus on professional development went a long way to increasing employee engagement and happiness levels, which received intensified focus throughout the Group in 2018. Indeed, the organisation actively promoted employee happiness and engagement as underpinning the success of all business outcomes. To enhance the employee experience, Etisalat Group added two key dimensions – sustainable engagement and work place culture – to the 2018 employee engagement survey. Building on the 2017 engagement survey action areas, a series of innovative employee programmes, led by a network of Engagement Champions, were organised. As a result of this, scores increased across Etisalat and most operating companies, reaching 73% overall. In evidence of the significance and efficacy of this improved engagement framework, overall employee participation reached an all-time high of 95%.

Etisalat UAE achieved the highest engagement score (84%) of all operating companies last year. The company further drove engagement by deploying artificial intelligence, virtual software robot devices (BOTs), and other technologies through robotics process automation in core multi-touch-point processes to improve the employee experience. The value of the healthy competition engendered by the operating company's execution- and recognition-driven culture is evident in the successes of the company's various human capital initiatives over the course of the year.

Etisalat Afghanistan followed with the second-highest employee engagement score (82%). This can largely be attributed to Etisalat Afghanistan's Idea Box and Open Door Policy, which proved to be invaluable tools for discovering new and innovative ideas and solutions for the business.

Notably, Mobily achieved the greatest increase (17%) in employee engagement last year – testament to the successful transformational efforts of the company's RISE strategy. This initiative aimed to enhance efficiency and improve the employee experience, partly through the launch of Mobily's new Employee Services application for mobile devices.

Simultaneously, Ufone's fun-filled Get-Set-Go programme drove employee engagement by training staff members to make effective action plans to deliver high-performance objectives. The company enhanced this initiative by remaining true to its mission of supporting employees in achieving their personal and professional goals.

In the UAE, Etisalat piloted a trial for a new continuous-performance-review system, facilitating productivity optimisation and greater stakeholder collaboration. The new system strongly contributed to aligning senior management and employee objectives with the goals and aspirations underpinning Etisalat's corporate strategy. In addition, in 2018, the criteria for recognition initiatives (such as the CEO Award, Customer Exceeder Award, Monthly Excellence Award, and Outstanding Project Contribution Award) were fine-tuned to acknowledge both individual and team-based business excellence.

Etisalat Afghanistan similarly strove to recognise employee achievements. Employees received a total of 320 awards – including the Living the Value, Star Team; Surprise, Green Star, Most Punctual, Top Performer Flagship, Top Performer Agent, Top Performer CC Team Leader, Best Flagship, Best Supervisor, Best Agent, Best Idea, Etisalat Afghanistan Hero (Marathon Appreciation and Appreciation Awards), and Loyalty Awards – in 2018.

To the same end, PTCL ran PTCL Champions, a day-to-day recognition programme enabling line managers to recognise and reward over 6,000 high-performing frontline staff.

Furthermore, to foster a spirit of camaraderie, PTCL organised several exciting staff wellness activities – including employee Iftars, a Teens Tournament, an Eco-Hike, national day celebrations, and various employee away-days/retreats – over the course of 2018. Additionally, Workplace by Facebook, quarterly town hall meetings, focus group discussions, and other such initiatives further helped to cement a progressive and open work culture.

Likewise, Etisalat UAE presented a wide range of special employee happiness and corporate wellness programmes to eliminate health, safety and environment (HSE) risks in addition to nurturing employees' physical and emotional well-being.

Maroc also nurtured employee happiness via numerous company events for staff members and families. These included the Mawahib Itissalat competition, sports tournaments, kermesses and visits to the Maroc Telecom museum, commercial agencies, and technical centres for the benefit of employees' children. The company also actively drove employee awareness of the dangers of tobacco and provided support (medical check-ups, smoking cessation product etc) who wished to quit smoking. By the end of September 2018, more than 1,000 Maroc Telecom employees had stopped smoking or were in the process of doing so.

Etisalat Afghanistan similarly encouraged healthy lifestyle practices by launching its new gym facility, in answer to overwhelming employee demand, in 2018. This was to In addition to the company's numerous employee wellness projects. Ufone also stayed true to its mission of supporting staff members in pursuing their passions and sponsored employee's expedition to scale the Gasherbrum II mountain peak in June who took on the epic "eight-thousander".

Ultimately, Etisalat's various operating companies took a synergistic approach to the Group's efforts to foster employee happiness by truly cooperating across borders and functions as a global family. This included several collaborative projects and exchanges of expertise to leverage available talent across the various operating companies.

All of the operating companies within Etisalat Group strove to fulfil their social responsibilities as part of a global group, in 2018. With its strong internal focus on people, ethical management practices, Etisalat Group worked tirelessly in its most important obligation as a member of a global society – ensuring the respect and protection of human rights – in addition to achieving the broader purpose of empowering societies.

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CORPORATE SOCIAL RESPONSIBILITY

Etisalat Group's commitment to corporate social responsibility remained a major priority in 2018. The company integrated CSR into all business endeavours to create value for subscribers and shareholders as well as the communities that Etisalat serves. As it transformed into an integral player on the global digital stage, Etisalat aimed to empower people through technology, while harnessing the power of its network to help address modern society's most complex issues.

As a group, special efforts were undertaken to set new targets for tackling issues like climate change, promoting sustainable economic growth, and universal access to basic necessities in many countries. On a global level, Etisalat worked closely with the United Nations Global Compact on relevant initiatives across the Group's international footprint. Etisalat's CSR activities extended to technological development, education, health care, social and cultural engagement, environmental conservation, women empowerment, employee wellness, and beyond.

There was special focus on enabling technology and digital capabilities across the Group at a grassroots level to make a collective positive impact on society. Moreover, specific efforts were made to encourage innovation and pioneer creative thinking for the next generation.

In the UAE, a national initiative called 'Youth x Hub', a platform to connect young people, enabled them to share their thoughts and launch new ideas together. Etisalat supported the efforts in the 'UAE Innovation Month', by organizing dedicated workshops to help youth refine their skills, initiate ideas, pioneer innovation, and transform their thinking process.

In Morocco, Maroc Telecom initiated various ICT projects in teaching and learning. In association with the Moroccan Ministry of Education, Maroc assisted in implementing educational programmes in schools across the country. The company actively contributed to Genie, Injaz and Nafid@ – the education ministry's three national programmes which are part of the 'Digital Morocco' strategy to provide ICT access to schools countrywide.

Now in its fourth phase, the Genie engineering programme supplied equipment to more than 3,200 educational institutions. This included internet access and filtering solutions to protect students from sensitive content on the Internet. In addition, Maroc Telecom was one of the major contributors to the Injaz programme, which also provided Moroccan students with computers and internet connectivity. The Nafid@ programme, meanwhile, equipped teachers with the latest equipment and connectivity, enabling them to remain connected with their students at all times.

Etisalat also went beyond equipping students and the youth with technological solutions by providing insights into the future of technology and education.

At GITEX Technology Week, the largest technology event in the region, Etisalat showcased the latest education technology to students and teachers, inviting schools from across the UAE to witness these futuristic use cases.

Etisalat UAE employees were also actively involved in the Mohammed Bin Rashid Academy's drive to provide free education to the Arab world. Specifically, Etisalat volunteers joined the Academy's Translation Challenge by assisting in the translation of educational texts and video material for mathematics and science from English to Arabic.

Youth development initiatives were also in the limelight in Pakistan last year, with PTCL collaborating with the School of Leadership to send young children on its annual "Young Leaders" programme. As part of the programme, PTCL's Razakaar volunteer force mentored high school students from across the country.

Ufone, meanwhile, partnered with the Citizens Foundation to present the Rahbar programme, whereby volunteers from Islamabad and Lahore provided leadership training and support in character building to local children.

In Egypt, Etisalat Misr leveraged technology to further the cause of education by providing the Naguib Pasha Mahfouz Obstetrics and Gynaecology Museum, the world's largest and oldest repository of female reproductive health samples, with digital displays. Naguib Pasha Mahfouz is the first museum in the Middle East and Africa region to implement this kind of technology.

Etisalat's long-standing commitment in supporting the health sector was visible across its operations. The company organised special sessions, conducted by healthcare experts, to raise awareness of common and life-threatening diseases across its operations.

Mobily in Saudi Arabia conducted health awareness sessions, many of which were led by students from local communities, focused on common skin diseases. Mobily employees participated in the Skin Expo, by organising educational booths focusing on common skin diseases and setting up free consultation clinics. At the same time, in Pakistan, the PTCL team conducted 362 health awareness sessions, setting up 226 mobile medical units, and reaching more than 25,000 patients in the country. Similarly, Etisalat UAE worked closely with community health services to support patients suffering from kidney-related diseases and going through the process of dialysis.

Blood donation drives were also conducted across the Group to involve employees actively in such health campaigns. As part of the 'Year of Zayed', blood donation drives were held across the UAE. Similarly, for Egypt's Health and Safety programme, Etisalat Misr donated 150 blood bags to hospitals, while Mobily employees donated blood as part of Saudi Arabia's Health and Safety programme. PTCL also went to the rescue of the victims of two local bomb-blast incidents by donating 140 pints of blood.

Etisalat's concern for healthcare converged with its passion for cultural engagement during the holy month of Ramadan. At this time, as part of the UAE's National Programme for Happiness, Etisalat's second ever Medical Box drive collected unused medicines for patients at Al Ihsan Medical Complex.

Similarly, Etisalat Misr employees organised a medical caravan for eye examinations at orphanages and distributed more than 4,000 food packs during the entire month. A special winter campaign contributed essentials to public hospitals with 'Virus C' inspections and cure campaigns delivered to over 1,400 people.

Etisalat also took part in the 'UAE Happiness Journey Carnival' to celebrate happiness by engaging with citizens, residents and visitors. Etisalat's participation in this countrywide initiative for Happiness assisted in positioning the country as a global happiness hub.Maroc Telecom, meanwhile, engaged with its community by organising the Festival of Beaches, entertaining millions of young spectators at more than 135 concerts in various coastal cities over the summer.

Likewise, Mobily stayed close to the heart of the community with active participation in social and cultural events such as the Saudi Comic Con (a comic book and pop culture convention) and the Janadriyah Festival local culture and heritage among others. Mobily was honoured by the Ekhaa-Charitable Foundation for Orphans Care for supporting charitable projects and initiatives in the Kingdom. The company was lauded by Prince Khaled Al Faisal for its support of the national Hajj and Umrah awareness media campaigns over the past ten years.

PTCL's Razakaar volunteers continued to spread smiles across the community through quarterly initiatives held simultaneously at 20 locations across the country. The first initiative, 'Movie Mania' entertained 2,685 children of PTCL employees with exclusive movie screenings. Beyond this, PTCL assisted in feeding over 13,000 needy people from mosques, orphanages, retirement homes and hospitals around the country during Ramadan. Meanwhile, PTCL's Green Exchange saw PTCL's Razakaars put considerable effort into beautifying internal and external spaces of the organisation's offices across the country.

At Ufone, as part of the 'Bano Achai Ki Misaal campaign', the spotlight was turned to recognise two exceptional Pakistani individuals during the holy month. These were Farzana Shoaib, founder of Binte-Fatima Retirement Home, and Dr Muhammad Amjad Saqib, founder of Akhuwat, a non-profit organisation and one of the world's largest Islamic microfinance organisations.

From cultural and social engagement to environmental initiatives, sustainability however remained central to Etisalat Group's CSR strategy.

Since 2002, Maroc Telecom participated in the Mohammed VI foundation for Environmental Protection's voluntary carbon offset programme to clean and maintain beaches and parks in Marrakech. Among these was Arsat Moulay Abdeslam, a 300-year-old, eight-hectare park in the heart of Marrakech. Maroc also set up a system for evaluating environmental compliance – a framework that included national regulations and the sector's best practices to help measure environmental performance and identify means for improvement.

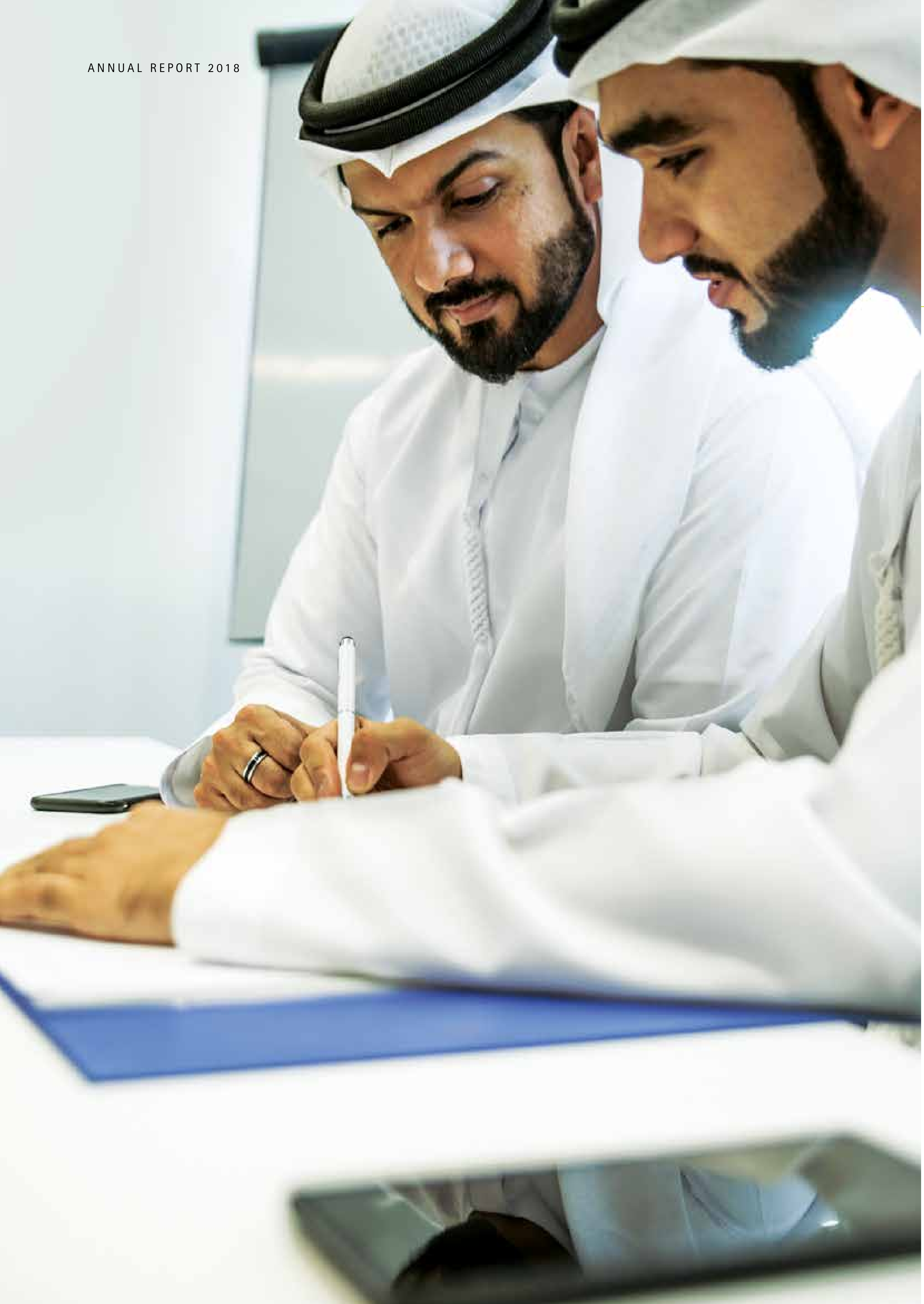
In Pakistan, PTCL took a special interest in environmental conservation and claiming responsibility for finding solutions to global environmental issues. To raise awareness around rising deforestation in the northern areas of the country and the consequent threat posed to the survival of the Himalayan Brown Bear, PTCL partnered with the World Wildlife Fund (WWF) to plant 200,000 Mangrove seeds in the province of Baluchistan.

PTCL further partnered with the WWF to conduct a 'spellathon' for 1,000 primary school students from displaced communities. The event included special sessions to educate children on environmental conservation. Participating schools were also equipped with the necessary connectivity to enable easier access to online educational resources.

In 2018, the empowerment of women was another significant priority for the Etisalat Group. PTCL focused on wellbeing initiatives for the female workforce with the formation of the in-house Pink Club. Among other initiatives, the club organised Power Yoga sessions followed by self-defence master classes for female employees. In addition, a month-long Breast Cancer Awareness Drive ran across the organisation with multiple awareness sessions held on the risks associated with the disease.

In Saudi Arabia, with the lifting of the ban on women driving in the country, Mobily participated in two nationwide campaigns to support and promote this change, with the aim of strengthening the position of women in Saudi society and helping them to play active roles in the country's development. Mobily supported the Saudi Vision 2030 by working closely with the government on this and other countrywide initiatives.

Looking at the future, Etisalat Group will continue to maintain its ongoing commitment to positively enrich every life across its footprint. The Group will drive the digital future by continuing to discover, design and invest in initiatives to empower people through technology which will help drive positive change for the communities in which it operates.



CORPORATE GOVERNANCE

The General Assembly

The General Assembly (GA) is composed of all the shareholders and exercises all the powers granted thereto under the Company's Incorporation Law (Company Law) and its Articles of Association ("AoA"), as amended.

The General Assembly of the Company is in charge of all the matters related to the Company as stipulated in the Company's Incorporation Law and in its Articles of Association, and is, particularly including but not limited to, entrusted with approving the Annual Report on the Company's activities, the Company's financial position during the preceding financial year, appointing external auditors and setting their fees and approving their reports as well as discussing and approving the balance sheet and the profit and loss accounts for the previous year. The GA also has the power to approve the Board of Directors' recommendations with regard to dividend pay-outs and bonus shares, if any.

The General Assembly is vested with the authority to elect the Board Members who are not appointed by the Government Shareholder (Emirates Investment Authority "EIA") and to review and set Board members' remunerations. The GA is the authority that absolves Board members and external auditors of liability, discharges them, or files liability lawsuit against them, as the case may be.

Board of Directors

The Board of Directors exercises all powers required for the carry out of the Company's business except those retained for the General Assembly by virtue of the Law and the Articles of Association of the Company.

Etisalat's Board of Directors currently consists of 11 members, seven of them including the Chairman and Vice Chairman of the Board, were appointed by EIA.

The other four members of the Board of Directors were elected during the General Assembly meeting, which was held on the 21st March 2018 by the shareholders that own 40% of the Company's shares; i.e. those shares not held by the Government Shareholder.

Etisalat Group is committed to applying best practices and corporate governance standards, taking into consideration the applicable best international standards and UAE laws. Therefore, the composition of the Company's Board of Directors took into account the requirements of the legislations related to Governance Rules and Corporate Discipline Standards with respect to the capacity of the Board members, where all current Board members are non-executive and independent.

Committees of the Board of Directors

For the purpose of rendering the assistance to the Board of Directors in discharging its responsibilities, the Board has established three Committees:

1) Audit Committee;
2) Nominations and Remunerations Committee; and
3) Investment and Finance Committee.

Audit Committee

The Audit Committee undertakes its duties in accordance with its Charter, which complies with the requirements of the Governance Rules and Corporate Discipline Standards and the relevant legislations that are in force in UAE. This Charter is considered a delegation from the Board to the Audit Committee to undertake the tasks mentioned therein, which include the following:

- Reviewing the financial and accounting policies and measures in the company.

- Monitoring the soundness and integrity of the Company's financial statements and reports (annual, semi-annual and quarterly), considering all the matters related to external auditor's work, action plan as well as the notes, suggestions and reservations raised by the Company's external auditor in relation to accounting books, financial statements or control systems. The Committee also ensures that the auditor receives timely response from the Management to their fundamental notes. The Committee also looks into any significant and uncustomary items included or should be included in the reports and financial statements. The Committee pays attention to the matters raised by the Company's Chief Financial Officer, Compliance Officer or the external auditor.

- Developing and implementing a policy for contracting with the external auditors and raising its recommendation to the Board on their selection, resignation or discharge. The Committee also ensures their compliance with the applicable rules, regulations, resolutions and the Company's Articles of Association in addition to following up and monitoring their independence and meeting and discussing with them the nature, scope and efficiency of their audit and all relevant matters.

- Reviewing, appraising and implementing the Company's systems of internal control and risk management, discussing these systems with the Board in addition to ensuring that the Internal Control and Audit Department carries out its duties of establishing efficient internal control systems. The Committee studies the above-mentioned department's reports and follows up the rectification measures for the shortcomings raised therein to ensure that it is undertaking its duties accurately. In addition, the Committee provides the required tools for the Internal Control and for reviewing and monitoring its efficiency. It also reviews the external auditor's evaluation for the internal control measures and ensures that a coordination between the internal and external auditors exists. The Committee further looks into the outcomes of the fundamental investigations on the internal control related matter which are assigned to the Committee by the Board or initiated by the Committee and approved by the Board.

- Monitoring the Company's abidance by the relevant laws and regulations and by the code of good conduct as well as setting out controls that enable the Company's employees to report potential violations in the financial statements or the internal control along with the measures that warrant fair and independent investigations for the same.

- Monitoring the related parties' dealings/transactions with the Company, ensuring non-existence of conflict of interest and making recommendations to the Board on such transactions before signing of the same.

The Committee's Charter has detailed the Audit Committee's duties, composition, conditions and quorum for convening its meetings and the mechanisms of its decision-making.

The Committee is comprised of four members who are well-versed and experienced in financial and accounting matters. Three of the Committee's members were selected from among the non-executive and independent members of the Board of Directors, and the fourth is an external member who holds finance-related qualifications with relevant experience. The Committee convenes quarterly or whenever necessary.

Nominations and Remunerations Committee

In compliance with the applicable laws in the field of governance and in implementation of its best practices, the Board of Directors has constituted the Nominations and Remunerations Committee to undertake the duties stipulated in the Committee's Charter, which is in line with the requirements of the Governance Rules and Corporate Discipline Standards and the relevant rules and legislations put in force in UAE. This Charter is viewed as a delegation from the Board of Directors to the Committee to discharge its duties mentioned therein.

The main objective of constituting the Nomination and Remuneration Committee is to ensure that the Board of Directors is undertaking its duties competently and diligently. Thus, the Committee reviews the composition of the Board of Directors and makes recommendations on the changes that can be carried out. Further, the Committee carries out annual review of the skills, capabilities and qualifications required for the membership of the Board and ensures constant independence of the independent members of the Board of Directors and reports to the Board when any Board member ceases to be adequately independent.

The Committee is also responsible for organizing and following up the nomination procedures for Board membership in line with the UAE's applicable rules and regulations and Securities and Commodities Authority's (SCA) resolutions.

The Committee is further entrusted with determining the Company's needs for talents at the level of executive management and staff and their selection criteria, and with developing policies for training, human resources and granting remunerations, incentives and salaries to the Company's Board members, executive management and employees in a manner that ensures fulfilling its objectives and commensurates with its performance.

The Committee's Charter provided for the detailed powers of the Committee, its composition, the conditions and quorum of its meetings' convention and decision-making mechanisms.

In the course of exercising its functions, the Committee takes into consideration the competitive nature of the Company's strategy and fair compensations that commensurate with such strategy to attract, ensure diversification between the two genders and retain these talented employees for the achievement of the best possible results.

The Nominations and Remunerations Committee is composed of four non-executive independent members from the Board of Directors. The Committee holds four meetings per year or as needed.

Investment and Finance Committee

In addition to the Audit Committee and the Nominations and Remunerations Committee provided for in the legislations related to Governance Rules and Corporate Discipline Standards, the Board of Directors established the Investment and Finance Committee to assist the Board in carrying out its functions related to the Company's internal and external investments. The Charter of the Committee defines the functions and duties assigned to the Committee and specifies the cases in which the Committee is entitled to make decisions as it deems appropriate. At the same time, it provides for those cases in which the Committee's role is confined to making recommendations to the Board for passing appropriate resolutions thereon. That Charter is deemed an authorization by the Board for the Committee to carry out the functions and responsibilities stipulated therein.

The Committee assumes a wide array of responsibilities, of which the key ones include the carrying out of reviews and making recommendations to the Board concerning the policies and frameworks related to the treasury; investment and divestment strategies, capital structure of the Company and its subsidiaries; the Company's dividend policies which have regard to regulatory requirements and have impact on surplus funds; issuance of guarantees and pledges; and definitions of operational and financial targets, plans and KPIs.

The Investment and Finance Committee is comprised of four independent non-executive members from the Board of Directors. The Committee holds at least four meetings per year.

Operating Structure of the Company

During 2018, Etisalat continued to implement its revised structure, which commenced in 2009. The purpose of the revision was to manage its international expansion strategy, protect value resulting from the Company's operations in the United Arab Emirates and overseas, and gain the trust of its stakeholders by implementing a solid structure based on best governance practices and corporate discipline standards.

At the level of Etisalat's operations in the United Arab Emirates, the Group's organizational structure features two autonomous operating units: the Etisalat UAE Unit (which is entrusted with providing the licensed telecom services in the United Arab Emirates) and the Etisalat Services Unit (a holding company wholly owned by the Company and entrusted with providing certain non-core, non-telecom services to the Company as well as third parties).

The Company carries out a wide array of activities and responsibilities and defines the framework for the same. It also establishes the key policies of its operating companies, prepares their plans, monitors their operational and financial performance, and presents regular reports on the same to the Board of Directors.

ENTERPRISE RISK MANAGEMENT

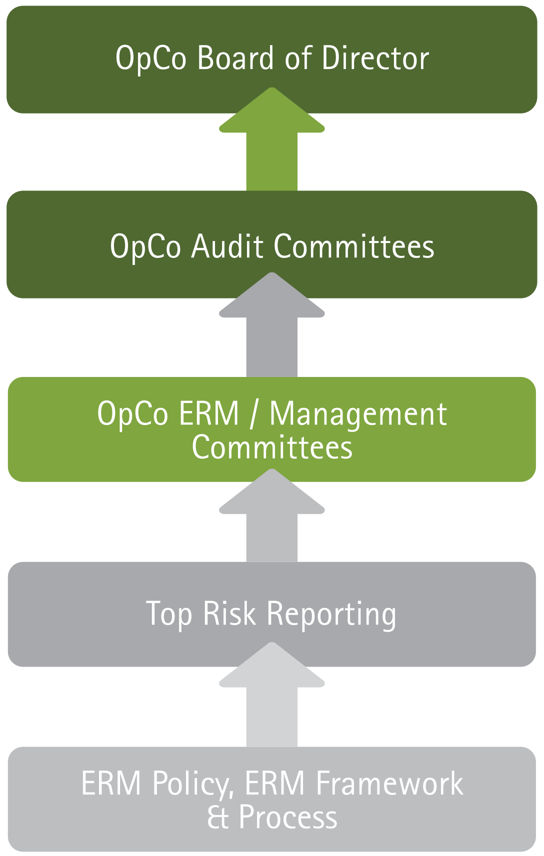
Throughout 2018, the Etisalat Group continued to recognise that the proactive management of risk is essential to the achievement of its strategic objectives. Within the Group's Internal Control function, the Enterprise Risk Management (ERM) process continues to ensure that principal risks are identified, assessed and managed across the Etisalat Group of Operating Companies (OpCos). Etisalat's ERM framework provides reasonable assurance that significant risks are being continually identified, addressed and proactively managed. Risk is an inherent part of doing business and our ERM process aims to provide reasonable assurance that we monitor and manage the principle risks and uncertainties faced by Etisalat Group.

The Etisalat Group employs a robust ERM system, which forms part of the "three lines of defence" internal control environment. The Internal Control and Internal Audit functions continue to be independent from Executive Management and report functionally to the Etisalat Group Audit Committee, which is authorised by the Board of Directors to supervise these areas.

ERM Governance & Process

Each OpCo has an Audit Committee that receives updated risk reports on a regular basis. The continuous review and monitoring of organisation-wide risks is undertaken by ERM Committees (ERMCs) / Executive Management Committees, which are established across each OpCo as well as for Etisalat Group as a whole. The ERMCs meet on a regular basis and review important risk-related information such as current risk drivers, existing controls in place, the status of Key Risk Indicators (KRIs), and the status of planned risk mitigation actions. Summary risk reports are then provided to the Audit Committee for consideration.

An overview of the ERM governance process is outlined below:



The ERM process involves the identification, assessment, management and continuous review of those uncertainties and risks that can adversely influence Etisalat's ability to achieve its strategic objectives. Regular risk assessments continue to be conducted across Etisalat Group and its OpCos. Risk assessment and mitigation is an integral part of the Group's annual business planning and budgeting process.

Our Principal Risks and Uncertainties

Etisalat Group continually monitors and reviews the principal risks that could materially affect its business, financial performance and reputation. Whilst other risks exist, the following is a breakdown of some of the significant threats across Etisalat's various operations and how these threats are proactively managed:

Strategic Challenges

Risk	Description	Management
Geopolitical Threats	Ongoing political and geographical uncertainty pose continuous challenges across a number of the countries in which Etisalat operates.	The Group works closely with the respective OpCos' management to leverage local expertise and knowledge to combat these challenges. As part of this, the security of local employees is proactively managed by local OpCo arrangements.
Macroeconomic Conditions	Changes in regional and global economic conditions within a number of the markets in which Etisalat operates continues to present challenges to the Group.	Fluctuating economic factors are considered during the annual financial budgeting and planning processes. Ongoing analysis and review of market conditions are regularly assessed within key markets.
Over-the-Top (OTT) Operators	The presence of OTT operators is a common threat across the telecommunications industry that is affecting mobile voice revenues in a number of Etisalat's more mature mobile markets. The increase in the use of VoIP applications is cannibalising traditional telecom operators' revenues.	Various commercial strategies in response to such OTT threats are considered and implemented by respective commercial teams across the impacted OpCos.

Operational Threats

Risk	Description	Management
Cyber Security	The threat of external cyber attacks across the Etisalat network and IT infrastructure is ever-present.	Network and IT security teams proactively monitor activity across the Group's networks to identify and mitigate possible cyber security threats and data privacy breaches.
Competition and Pricing Pressures	The markets in which Etisalat operates are characterised by high levels of competition (existing and new), pricing pressure, technology substitution, market and product convergence, and customer churn.	The Group closely analyses and monitors the trends within these markets and invests in its networks, products and service offerings to compete effectively. The growth and development of digital products and services is a further means of managing diverse competitive threats.
Service Continuity	The sustained continuity of Etisalat's network across all its operating companies is vital to its continued success. The Group faces the threats of disruption, malfunction, and loss or damage to network infrastructure due to natural disasters or other uncontrollable events.	Etisalat Group has established Business Continuity Management teams across its OpCos. These teams are responsible for developing and testing business continuity plans and crisis management arrangements. Insurance policies are also in place to make provision for infrastructure property damage.

Compliance Challenges

Risk	Description	Management
Regulatory Challenges and Uncertainties	As the Etisalat Group operates in various diverse and developing markets, it is faced with ongoing regulatory and legal challenges. Governments and regulatory agencies can alter existing policies or implement new policies, which can significantly influence Etisalat's operations and financial performance.	These challenges are managed by the respective OpCos' regulatory departments, with support from the Group's regulatory team.
Litigation	Like any other organisation, Etisalat is subject to the risk of litigation by competitors, customers, regulators and other parties. This can affect the financial performance and reputation of the Group's OpCos.	Legal counsel within each OpCo oversees and actively manages such litigation cases. The Etisalat Group's legal team also provides ongoing support to the OpCos, where required.

Financial Threats

Risk	Description	Management
Foreign Exchange Exposures	Etisalat is exposed to the uncertainty of foreign exchange rate volatility in some of the countries in which it operates. Specifically, this volatility may affect consolidated results and the overall value of Etisalat's investment in overseas operations.	Group Finance has established policies, procedures and tools to monitor, manage and report any such exposures.
Other Financial Exposures	The Group's financial assets and liabilities are exposed to additional financial threats, including interest rates, liquidity and credit risks.	Financial risk management is discussed in greater detail in the Financial Instruments section of this report .

Etisalat Group's Internal Control function continues to develop annual plans outlining the ERM and compliance activities, which are approved by the Audit Committee. These plans aim to further strengthen the existing three lines of defence model through measures such as: supporting the maturity of the ERM processes across the OpCos, ongoing participation in combined assurance activities and the co-ordination and oversight of compliance activities across the Group and OpCos.

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Emirates Telecommunications Group Company PJSC

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Emirates Telecommunications Group Company PJSC ("the Company") and its subsidiaries (together referred to as "the Group"), which comprise the consolidated statement of financial position as at 31 December 2018, the consolidated statements of profit or loss, profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2018, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with *International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants* (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the United Arab Emirates, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Independent Auditors' Report *(Continued)*
Key Audit Matters *(continued)*

Key Audit Matter
Revenue recognition

Refer to notes 3, 4 and 6 to the consolidated financial statements

Revenue recognition is considered a key audit matter because of:

- reliance on complex information technology (IT) systems, which are used to capture the consumption and prices of the Group's services;
- variety of pricing and tariff structures, which change continuously through the accounting period, including through changing pricing models and customer offers;
- judgments and estimates involved including those relating to multiple element arrangements; and
- large volume of transactions.

With effect from 1 January 2018, the Group adopted IFRS 15 *Revenue from Contracts with Customers* using the full retrospective method of transition. The adoption of the new standard involved the exercise of a number of key judgments and estimates around the identification of performance obligations that the Group has in its contracts with the customers, determination of transaction price that has to be allocated to the various performance obligations and the timing of fulfilling those obligations.

Refer to notes 3 and 4 for accounting policies and critical accounting judgments and key sources of estimation uncertainty.

How our audit addressed the key audit matter

We understood the significant revenue processes and performed end to end walkthroughs to identify key systems, applications and controls that are relevant to revenue recognition.

We evaluated the design and tested the operating effectiveness of the general information technology controls and application controls around the Group's IT environment relevant to the capturing and recording of revenue transactions. In doing so, we involved our IT specialists to assist in the audit of IT system controls, including interface controls between different IT applications.

We tested the reconciliations between the general ledgers and the IT systems for all the key revenue streams. On a sample basis, we tested supporting evidence for manual journal entries posted to revenue accounts to identify any unusual items. We also undertook analytical reviews of significant revenue streams.

On a sample basis, we tested that the revenue recognised during the year agree with underlying contractual arrangements.

We evaluated the Group's application of IFRS 15 *Revenue from Contracts with Customers* to its contracts with customers for the different products and services and tested the transitional adjustments made as at 1 January 2017.

Independent Auditors' Report *(Continued)*
Key Audit Matters *(continued)*

Key Audit Matter
Federal Royalty

Refer to notes 4 and 7 to the consolidated financial statements

The Group is liable to pay Federal Royalty to the UAE Government in accordance with guidelines from the UAE Ministry of Finance ("the MoF") including the subsequent clarifications and correspondences. The federal royalty charge for the year ended 31 December 2018 and the federal royalty liability as of that date is AED 5,587 million and AED 5,589 million, respectively.

As disclosed in note 4, computation of the federal royalty charge requires exercise of judgments around the segregation of revenue and costs between regulated and non-regulated activities and determination of which particular items are eligible to be excluded in arriving at that charge and liability.

How our audit addressed the key audit matter

We obtained relevant guidelines issued by the MoF, and clarifications issued on the interpretation of these guidelines.

We tested the Group's federal royalty computations for reasonableness, including assessing the critical judgements made in the computation of the federal royalty charge for the year.

We tested, on a sample basis, the classification of regulated and non- regulated revenues and costs in the computation of the federal royalty charge for the UAE telecom operations.

We tested, on a sample basis, the items which are eligible to be excluded in computing the federal royalty charge and liability.

We tested the allocation of indirect costs on non-regulated operations based on the clarifications received from MoF.

We also checked the arithmetical accuracy of the computation of the federal royalty charge for the year.

We also cited the correspondence between the Group and the MoF with respect to federal royalty to corroborate the accuracy of the associated federal royalty charge and liability in the consolidated financial statements for the year ended 31 December 2018.

Independent Auditors' Report *(Continued)*
Key Audit Matters *(continued)*

Key Audit Matter
Assessment of carrying value of goodwill

Refer to note 12 to the consolidated financial statements

The Group holds significant investments in telecommunication and related businesses in various geographical locations. The carrying value of goodwill for these investments as of 31 December 2018 totaled AED 13,714 million.

The carrying amount of goodwill is assessed for impairment on the occurrence of a triggering event or at least annually in accordance with IAS 36 *Impairment of Assets.*

The impairment testing of goodwill requires management to identify cash generating units (CGUs) in accordance with IAS 36 *Impairment of Assets.* For the CGUs which contain goodwill, the determination of recoverable amount, being the higher of fair value less costs to sell and value in use, requires judgment on the part of management in identifying and determining the recoverable amounts of CGUs. The testing then requires comparing the carrying value of each CGU to its recoverable amount, which was estimated as the current value of its future projected cash flows.

The estimation of the recoverable amount involves significant judgments, including assumptions around the current and future market conditions in the various geographies that the Group has operations.

How our audit addressed the key audit matter

Our audit approach included an understanding and assessment of the design and operating effectiveness of controls over the impairment assessment process.

With respect to the recoverable amount, we challenged the Group's methodology in relation to identification of CGUs given our understanding of its operating and business structure, process of management review and reporting and the independence of the cash flows associated with the respective CGU.

With respect to each identified CGU, we:

- tested the operating effectiveness of controls over the impairment assessment process;
- engaged our valuation experts to test reasonableness of the key assumptions underpinning the valuation including discount rate and long term growth rates applied to each CGU;
- tested mathematical accuracy and integrity of the respective impairment workings;
- conducted sensitivity analysis around the key inputs;
- reconciled the cash flows used in the valuation workings to business plans submitted to the Group's Board of Directors;
- assessed whether the estimates with respect to cash flow projections made in prior periods were reasonable compared to actual performance; and
- we assessed the adequacy of disclosures in the consolidated financial statements.

Independent Auditors' Report *(Continued)*
Key Audit Matters *(continued)*

Key Audit Matter
Provisions and contingent liabilities

Refer to notes 3, 4 and 7 to the consolidated financial statements

The Group has exposures to legal, regulatory and tax cases in various geographical jurisdictions in which it operates. The consolidated financial statements include provisions with respect to these exposures, and note 37 describes those exposures that represent contingent liabilities.

The recognition of provisions and disclosure of contingent liabilities involves significant judgment around the merit of the Group's legal position. These provisions are based on judgments and estimates made by management in determining the likelihood and magnitude of claims.

How our audit addressed the key audit matter

For legal cases, we obtained a summary of all the legal disputes that the Group is engaged in, discussed the status of the significant cases with the Group's legal counsel and, where we deemed appropriate, also liaised with the Group's external legal counsel and obtained their confirmations on management positions. In view of these procedures we assessed the Group's positions on significant legal cases and their accounting treatments for reasonableness.

For regulatory exposures we enquired of relevant management teams to understand the status of the disputes/assessments, reviewed any relevant correspondence between the Group and the counter party and assessed any historical experience with the respective counter parties to evaluate the merit of the Group's calculation of the provision for these exposures. We also considered the sufficiency and reasonableness of the associated disclosures provided in the consolidated financial statements.

For tax related exposures we obtained an understanding of the status of the tax cases, the merits of the Group's position in view of tax rules, historical experience of their resolutions and cited correspondence with the relevant tax authorities, where applicable.

In light of the above, we assessed the adequacy of disclosures in the consolidated financial statements.

Independent Auditors' Report *(Continued)*
Key Audit Matters *(continued)*

Key Audit Matter	How our audit addressed the key audit matter
Property, plant and equipment – capitalisation and assets useful lives *Refer to notes 3, 4 and 13 to the consolidated financial statements* The carrying value of the Group's property plant and equipment (PPE) amounted to AED 43,243 million, which represents 34.5% of the Group's total assets as of 31 December 2018. This reflects the Group's wide-spread footprint of network infrastructures and the technological and highly specialised nature of these assets. We focused on this area of the consolidated financial statements, due to the significance of the PPE balance and management's judgments and estimates involved in relation to the carrying value. There are a number of areas where management judgment and estimates impacts the carrying value of PPE. Key judgments and estimates made by the management in accounting for PPE include: • assessment of whether the costs incurred are eligible for capitalisation; and • the annual review of asset's useful life and their residual value, if any. Refer to notes 3 and 4 for accounting policies and critical accounting judgments and key sources of estimation uncertainty.	Our audit approach included a combination of controls and substantive testing as described below: We evaluated the design and implementation and tested the operating effectiveness of relevant manual and automated controls for the PPE capitalisation and depreciation. We evaluated the reasonableness of depreciation rates and residual values assigned to asset categories on a sample basis. On sample basis, we performed test of details on costs capitalised during the year ended 31 December 2018 and: • obtained sufficient appropriate audit evidence around accuracy of the amount recognised in the consolidated financial statements; • tested whether the amount capitalised was of a capital nature; and • tested whether depreciation commenced when these assets were available for use as intended by the management.

Independent Auditors' Report *(Continued)*

Other matter

The consolidated financial statements of the Group as at and for the year ended 31 December 2017 were audited by another auditor who expressed an unmodified audit opinion on those consolidated financial statements on 20 February 2018.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditors' report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS and their preparation in compliance with the applicable provisions of the UAE Federal Law No. (2) of 2015, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Independent Auditors' Report *(Continued)*

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements *(continued)*

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Independent Auditors' Report *(Continued)*

Report on Other Legal and Regulatory Requirements

Further, as required by the UAE Federal Law No. (2) of 2015, we report that:

i) we have obtained all the information and explanations we considered necessary for the purposes of our audit;

ii) these consolidated financial statements have been prepared and comply, in all material respects, with the applicable provisions of the UAE Federal Law No. (2) of 2015;

iii) the Group has maintained proper books of account;

iv) as disclosed in note 16 and 17 to these consolidated financial statements, the Group has purchased additional shares during the year ended 31 December 2018;

v) note 19 to the consolidated financial statements discloses material related party transactions and the terms under which they were conducted;

vi) based on the information that has been made available to us, nothing has come to our attention which causes us to believe that the Group has contravened during the financial year ended 31 December 2018 any of the applicable provisions of the UAE Federal Law No.(2) of 2015 or in respect of the Company, its Articles of Association, which would materially affect its activities or its consolidated financial position as at 31 December 2018; and

vii) note 7 to the consolidated financial statements discloses the social contributions made during the year ended 31 December 2018.

KPMG Lower Gulf Limited

Signed by:
Richard Ackland
Registration number: 1015
Abu Dhabi, UAE
19 February 2019

FINANCIALS

Emirates Telecommunications Group Company PJSC
Consolidated statement of profit or loss for the year ended 31 December 2018

	Notes	2018 AED'000	2017 (Restated) AED'000
Continuing operations			
Revenue	6 (a)	52,387,814	51,636,185
Operating expenses	7 (a)	(32,592,628)	(32,132,628)
Impairment loss on trade receivables and contract assets	35 (b)	(1,236,345)	(1,122,131)
Impairment loss on other assets	12	(127,844)	(765,205)
Share of results of associates and joint ventures	16	(26,639)	(179,792)
Operating profit before federal royalty		18,404,358	17,436,429
Federal royalty	7 (b)	(5,587,187)	(6,038,912)
Operating profit		12,817,171	11,397,517
Finance and other income	8	987,477	1,194,658
Finance and other costs	9	(1,561,338)	(1,380,569)
Profit before tax		12,243,310	11,211,606
Income tax expenses	10	(1,500,239)	(1,245,241)
Profit for the year from continuing operations		10,743,071	9,966,365
Discontinued operations			
Loss from discontinued operations	40	(301,151)	(221,635)
Profit for the year		10,441,920	9,744,730
Profit attributable to:			
Owners of the Company		8,614,745	8,412,367
Non-controlling interests		1,827,175	1,332,363
		10,441,920	9,744,730
Earnings per share			
Basic and diluted	39	AED 0.99	AED 0.97
From continuing operations			
Basic and diluted	39	AED 1.03	AED 0.99

Chairman

Board Member

The accompanying notes on pages 89 to 166 form an integral part of these consolidated financial statements.
The independent auditors report is set out on pages 75 to 83.

FINANCIALS

Emirates Telecommunications Group Company PJSC
Consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2018

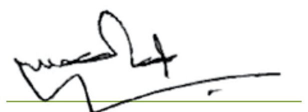
	Notes	2018 AED'000	2017 (Restated) AED'000
Profit for the year		10,441,920	9,744,730
Other comprehensive income / (loss)			
Items that will not be reclassified subsequently to profit or loss:			
Remeasurement of defined benefit obligations – net of tax		(71,390)	(48,076)
Items that may be reclassified to profit or loss:			
Exchange differences on translation of foreign operations		(2,926,813)	1,456,004
Gain/(loss) on net investment hedges	28,34	290,229	(1,148,302)
Fair value gain arising on cash flow hedge during the year		2,295	2,477
Loss on revaluation of financial assets during the year		(16,741)	(96,446)
Reclassification of fair value (loss)/gain on disposal of financial assets		(213)	100,366
Cumulative loss transferred to profit or loss on disposal of foreign operation	40.5	76,836	-
Total other comprehensive (loss) / income		(2,645,797)	266,023
Total comprehensive income for the year		7,796,123	10,010,753
Attributable to:			
Owners of the Company		7,543,646	8,276,975
Non-controlling interests		252,477	1,733,778
		7,796,123	10,010,753

The accompanying notes on pages 89 to 166 form an integral part of these consolidated financial statements.
The independent auditors report is set out on pages 75 to 83.

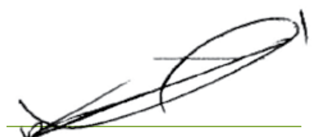
FINANCIALS

Emirates Telecommunications Group Company PJSC
Consolidated statement of financial position as at 31 December 2018

	Notes	2018 AED'000	2017 (Restated) AED'000	2016 (Restated) AED'000
Non-current assets				
Goodwill	11	13,713,702	14,803,324	14,097,902
Intangible assets	11	13,908,390	14,768,355	14,710,048
Property, plant and equipment	13	43,242,703	44,335,903	42,356,207
Investment property	14	36,189	40,125	27,230
Investments in associates and joint ventures	17	4,129,268	4,248,046	4,355,665
Other investments	18	2,185,148	1,701,144	879,207
Other receivables	21	309,168	211,857	156,612
Finance lease receivables	23	174,827	209,491	-
Derivative financial instruments	28	9,850	10,481	331,313
Contract assets	22	432,541	221,711	205,270
Deferred tax assets	10	44,472	94,135	128,210
		78,186,258	80,644,572	77,247,664
Current assets				
Inventories	20	726,803	557,741	708,825
Trade and other receivables	21	15,884,208	17,803,879	18,224,245
Current income tax assets		651,001	673,557	593,270
Finance lease receivables	23	42,379	38,223	-
Due from related parties	19	120,406	187,242	440,643
Contract assets	22	1,270,108	1,193,467	1,195,735
Derivative financial instruments	28	860	-	-
Cash and bank balances	24	28,361,131	27,125,158	23,676,170
Assets classified as held for sale		-	618,247	993,664
		47,056,896	48,197,514	45,832,552
Total assets		125,243,154	128,842,086	123,080,216
Non-current liabilities				
Other payables	25	1,523,739	1,477,540	1,564,114
Borrowings	27	14,973,191	20,035,133	18,203,902
Payables related to investments and licenses	29	41,652	90,353	542,968
Derivative financial instruments	28	-	79,149	-
Deferred tax liabilities	10	2,836,924	3,225,478	3,265,377
Finance lease liabilities	30	409	1,909	4,905
Provisions	31	340,870	187,566	149,143
Provision for employees end of service benefits	32	1,535,409	1,608,782	1,636,959
Contract liabilities	26	21,145	11,389	36,500
		21,273,339	26,717,299	25,403,868
Current liabilities				
Trade and other payables	25	28,297,153	29,811,330	27,893,274
Contract liabilities	26	3,265,816	3,138,279	2,968,589
Borrowings	27	8,552,469	4,670,208	4,074,738
Payables related to investments and licenses	29	3,105,633	3,269,516	3,255,327
Current income tax liabilities		347,943	225,282	257,492
Finance lease liabilities	30	1,993	3,273	5,512
Provisions	31	3,081,333	2,509,251	2,488,839
Deferred tax liabilities	10	-	-	6,345
Derivative financial instruments	28	70,336	-	2,830
Due to related parties	19	1,737	-	-
Liabilities directly associated with the assets classified as held for sale		-	407,181	396,275
		46,724,413	44,034,320	41,349,221
Total liabilities		67,997,752	70,751,619	66,753,089
Net assets		57,245,402	58,090,467	56,327,127
Equity				
Share capital	33	8,696,754	8,696,754	8,696,754
Reserves	34	26,904,769	26,991,023	26,120,437
Retained earnings		9,345,504	8,713,762	8,274,355
Equity attributable to the owners of the Company		44,947,026	44,401,539	43,091,546
Non-controlling interests	15	12,298,376	13,688,928	13,235,581
Total equity		57,245,402	58,090,467	56,327,127



Chairman



Board Member

The accompanying notes on pages 89 to 166 form an integral part of these consolidated financial statements. The independent auditors report is set out on pages 75 to 83.

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Emirates Telecommunications Group Company PJSC
Consolidated statement of changes in equity for the year ended 31 December 2018

		Attributable to owners of the Company					
	Notes	Share Capital AED'000	Reserves AED'000	Retained earnings AED'000	Owners' Equity AED'000	Non-controlling interests AED'000	Total equity AED'000
Balance at 1 January 2017 (as previously reported)		8,696,754	26,121,149	7,883,500	42,701,403	13,213,374	55,914,777
Impact of changes in accounting policy	42	-	(712)	390,855	390,143	22,207	412,350
Balance at 1 January 2017 (as restated)		8,696,754	26,120,437	8,274,355	43,091,546	13,235,581	56,327,127
Profit for the year		-	-	8,412,367	8,412,367	1,332,363	9,744,730
Total other comprehensive income for the year		-	(123,850)	(11,542)	(135,392)	401,415	266,023
Other movements in equity		-	-	(12,586)	(12,586)	(13,835)	(26,421)
Transfer to reserves		-	1,042,123	(1,042,123)	-	-	-
Transfer from investment revaluation reserve to retained earnings		-	(47,687)	47,687	-	-	-
Transaction with owners:							
Repayment of equity contribution to non-controlling interests for acquisition of a subsidiary		-	-	-	-	(76,091)	(76,091)
Capital contribution by non-controlling interest		-	-	-	-	284,171	284,171
Dividends	38	-	-	(6,954,396)	(6,954,396)	(1,474,676)	(8,429,072)
Balance at 31 December 2017 (as restated)		8,696,754	26,991,023	8,713,762	44,401,539	13,688,928	58,090,467
Balance at 1 January 2018 (as restated)		8,696,754	26,991,023	8,713,762	44,401,539	13,688,928	58,090,467
Profit for the year		-	-	8,614,745	8,614,745	1,827,175	10,441,920
Total other comprehensive income for the year		-	(1,076,944)	5,845	(1,071,099)	(1,574,698)	(2,645,797)
Other movements in equity		-	-	3,220	3,220	4,132	7,352
Transfer to reserves		-	1,026,089	(1,026,089)	-	-	-
Transfer from investment revaluation reserve to retained earnings		-	(6,866)	6,866	-	-	-
Transaction with owners:							
Repayment of advances to non-controlling interests		-	-	-	-	(29,780)	(29,780)
Acquisition of additional stake in a subsidiary		-	(28,533)	(18,449)	(46,982)	(134,328)	(181,310)
Capital contribution by non-controlling interest		-	-	-	-	16,740	16,740
Acquisition of a subsidiary	43	-	-	-	-	30,939	30,939
Dividends	38	-	-	(6,954,396)	(6,954,396)	(1,530,732)	(8,485,128)
Balance at 31 December 2018		8,696,754	26,904,769	9,345,504	44,947,026	12,298,376	57,245,402

The accompanying notes on pages 89 to 166 form an integral part of these consolidated financial statements. The independent auditors report is set out on pages 75 to 83.

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Emirates Telecommunications Group Company PJSC
Consolidated statement of cash flows for the year ended 31 December 2018

	Notes	2018 AED'000	2017 (Restated) AED'000
Operating profit		12,700,970	11,192,706
Adjustments for:			
Depreciation		5,720,999	5,616,246
Amortisation		1,567,738	1,637,559
Impairment and other losses		129,850	793,664
Share of results of associates and joint ventures		26,639	207,280
Provisions and allowances		479,751	205,364
Unrealised currency translation (gain)/loss		(179,340)	424,555
Other non-cash movements		-	274,663
Changes in:			
Inventories		(210,857)	158,136
Due from related parties		67,761	73,638
Trade and other receivables		1,110,618	481,509
Trade and other payables		(541,469)	958,497
Cash generated from operations		20,872,660	22,023,817
Income taxes paid		(1,634,055)	(1,551,082)
Payment of employees end of service benefits		(199,114)	(245,612)
Net cash generated from operating activities		19,039,491	20,227,123
Cash flows from investing activities			
Proceeds from disposal of investments at amortised cost		3,227	329,682
Acquisition of investments at amortised cost		(595,760)	(219,693)
Acquisition of a subsidiary (net of cash)	43	(4,197)	-
Acquisition of investment classified as fair value through profit or loss		(4,294)	(790,574)
Proceeds from disposal of investment classified as fair value through profit or loss		20,648	12,701
Acquisition of investment classified as fair value through OCI		(73,688)	(57,506)
Proceeds from disposal of investment classified as fair value through OCI		21,956	59,161
Acquisition of interest in an joint venture/associate		(24,995)	(106,484)
Net cash inflow on disposal of subsidiary and associate	40.6	120,172	-
Purchase of property, plant and equipment		(7,311,252)	(7,305,805)
Proceeds from disposal of property, plant and equipment		87,692	56,206
Purchase of intangible assets		(1,087,518)	(675,000)
Proceeds from disposal of intangible assets		1,468	3,012
Dividend income received from associates, joint ventures and other investments		3,986	22,024
Term deposits made with maturities over three months		(8,495,250)	(18,474,475)
Term deposits matured with maturities over three months		14,164,844	15,891,605
Proceeds from unwinding of derivative financial instruments	28	15,245	173,101
Finance and other income received		1,063,160	1,010,816
Net cash used in investing activities		(2,094,556)	(10,071,229)
Cash flows from financing activities			
Proceeds from borrowings and finance lease obligations		2,675,872	3,558,667
Repayments of borrowings and finance lease obligations	27(c)	(3,046,853)	(2,954,075)
Equity repayment to non-controlling interests for acquisition of a subsidiary	27(c)	(29,780)	(76,091)
Acquisition of additional stake in a subsidiary		(164,571)	284,171
Dividends paid		(8,480,492)	(8,428,988)
Finance and other costs paid		(1,075,702)	(1,410,337)
Net cash used in financing activities		(10,121,526)	(9,026,653)
Net increase in cash and cash equivalents		6,823,409	1,129,241
Cash and cash equivalents at the beginning of the year		3,863,568	3,022,906
Effect of foreign exchange rate changes		132,031	(288,579)
Cash and cash equivalents at the end of the year	24	10,819,008	3,863,568

The accompanying notes on pages 89 to 166 form an integral part of these consolidated financial statements. The independent auditors report is set out on pages 75 to 83.

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Emirates Telecommunications Group Company PJSC
Notes to the consolidated financial statements for year ended 31 December 2018

1. General information

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

The Decree by Federal Law no. 3 of 2015 ("the New Law") has amended certain provisions of the Federal Law No. (1) of 1991 and new articles of association of Emirates Telecommunications Group Company PJSC (the "New AoA") have been issued. Subsequent to the New Law and the New AoA, Emirates Telecommunications Corporation has been converted from a corporation to a public joint stock company and is subject to the provisions of UAE Federal Law no. 2 of 2015 on Commercial Companies (the "Companies Law") unless otherwise stated in the New Law or New AoA. Accordingly, the name of the corporation has been changed to Emirates Telecommunications Group Company PJSC.

Under the New Law and the New AoA: i) Two types of share have been introduced, i.e. ordinary shares and one Special Share held by the Emirates Investment Authority ("the Special Shareholder") which carries certain preferential rights related to the passing of certain decisions by the company or the ownership of the UAE telecommunication network. ii) The minimum number of ordinary shares held by any UAE government entity in the Company has been reduced from at least 60% of the Company's share capital to not less than 51%, unless the Special Shareholder decides otherwise. iii) Shareholders 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, although holders of such shares may attend such meeting. On 11 October 2018, the Board of Directors of Etisalat Group approved by circulation to lift restrictions on voting rights of foreign shareholders so that they shall enjoy the same rights of UAE-National. Management has not yet taken the necessary steps to incorporate the required changes to the Company's Articles of Associations and has not yet obtained the required approvals from competent authorities prior to and after the General Assembly to effect these changes. The Board's recommendation remains subject to the approval of the General Assembly.

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

These consolidated financial statements comprise the Company and its subsidiaries (together referred to as "the Group")

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.

These consolidated financial statements were approved by the Board of Directors and authorised for issue on 19 February 2019.

2. Basis of preparation

These consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS") and the applicable provisions of UAE Federal Law No. (2) of 2015. The preparation of financial statements in conformity with IFRS requires the use of judgements, estimates and assumptions that affect the application of the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to these consolidated financial statements are disclosed in Note 4. These consolidated financial statements are prepared under the historical cost convention except for the revaluation of certain financial instruments and in accordance with the accounting policies set out herein.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether the price is directly observable or estimated using another valuation technique.

These consolidated financial statements are presented in UAE Dirhams (AED) which is the Company's functional and presentational currency, rounded to the nearest thousand except where otherwise indicated.

3. Significant accounting policies

The significant accounting policies adopted in the preparation of these consolidated financial statements are set out below.

New and amended standards adopted by the Group

The following revised new and amended standards have been adopted in these consolidated financial statements.

IFRS 15 *Revenue from Contracts with Customers*

IFRS 15 *Revenue from Contracts with Customers* was issued in May 2014 and was amended in April 2016. The framework establishes a comprehensive five step model for determining whether, how much and when revenue is recognised. It replaced existing IAS18 *Revenue,* IAS 11 *Construction Contracts* and related interpretations to account for revenue arising from contracts with customers. The new revenue standard will supersede all current revenue recognition requirements under existing revenue recognition standards.

The Group has adopted IFRS 15 effective from 1 January 2018 using the full retrospective method. The adoption of IFRS 15 required changes in the Group's accounting policies and affected the recognition, measurement and presentation of certain amounts recognised in the consolidated statement of profit or loss and the consolidated statement of financial position.

Details of these new requirements as well as their impact on the Group's consolidated financial statements are described below.

Impact of adoption of IFRS 15 *Revenue from Contracts with Customers* on determination of distinct performance obligations ("POs")

- **Sale of SIM cards**
  Sale of SIM cards represent a distinct PO to connect the customers to Etisalat network and, therefore, revenue is recognised at the point in time when the SIM card is sold and service is activated. This did not have any significant implication in the adoption of IFRS 15 by the Group.

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Emirates Telecommunications Group Company PJSC
Notes to the consolidated financial statements for year ended 31 December 2018

3. Significant accounting policies *(continued)*

New and amended standards adopted by the Group *(continued)*

IFRS 15 *Revenue from Contracts with Customers (continued)*

Impact of adoption of IFRS 15 *Revenue from Contracts with Customers* on determination of distinct performance obligations ("POs") *(continued)*

- **Loyalty points programme**

  Under IFRIC 13 *Customer Loyalty Programme*, the Group allocated a portion of the consideration received to loyalty points that are redeemable against any future purchases of the Group's products. This allocation is based on the relative stand-alone selling prices. The amount allocated to the loyalty programme is deferred and is recognised as revenue when loyalty points are redeemed or expire. Under IAS 18, revenue was allocated between the loyalty programme and the equipment using the residual value method. That is, consideration was allocated to the loyalty programme based on the fair value of loyalty points and the remainder of the consideration was allocated to the equipment.

  Under IFRS 15, the Group will need to allocate a portion of the transaction price to the loyalty programme based on the relative stand alone selling price ("SSP"). The amount is deferred in the consolidated statement of financial position and is recognised as revenue as the points are redeemed or the likelihood of the customer redeeming the points becomes remote. The adoption of IFRS 15 has only resulted in reallocation of revenues for the prior period in between the services and equipment and hence no impact on retained earnings or comparatives.

- **Set-up and installation fees**

  Generally, the Group charges upfront set-up and installation fees for various consumer and business products. Under IAS 18, Revenue was recognised upfront when the installation was completed. Under IFRS 15, installation service has not been considered as a distinct PO. Hence, one-time fee pertaining to set-up and installation is added to the total transaction price and recognised over the period of service, resulting in the change in the timing of revenue recognition.

  This has resulted in a decrease in the net retained earnings as at 1 January 2017 by AED 123 million.

Transaction price and related adjustments

The transaction price is the amount of consideration to which an entity expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties. The group does not consider collectability when determining the transaction price. When determining the transaction price, the Group considers the effects of all of the following:

- **Variable Consideration**

  Under IFRS 15, if consideration promised in the contract (either explicit or implicit) includes a variable amount, then the Group shall estimate the amount and adjust the total transaction price at contract inception. This will result in the change in the timing of revenue recognition.

- **Non- cash consideration**

  The Group determines the transaction price for contracts in which a customer promises consideration in a form other than cash and measures the non-cash consideration (or promise of non-cash consideration) at fair value. This did not have any significant implication in the adoption of IFRS 15.

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Emirates Telecommunications Group Company PJSC
Notes to the consolidated financial statements for year ended 31 December 2018

3. Significant accounting policies *(continued)*

New and amended standards adopted by the Group *(continued)*

IFRS 15 *Revenue from Contracts with Customers (continued)*

Transaction price and related adjustments *(continued)*

- **Significant financing component**

  Significant financing component exists if the timing of payments agreed to by the parties to the contract (either explicitly or implicitly) provides the customer or the entity with a significant benefit of financing the transfer of goods or services to the customer. In those circumstances, the contract contains a significant financing component. The Group is expected to have significant financing component in the arrangements involving the provision of equipment and devices on instalment plans. This has resulted in an increase in net retained earnings as at 1 January 2017 by AED 5.7 million.

- **Consideration payable to the customer**

  Consideration payable to a customer includes cash amounts that the Group pays or expects to pay to the customer (or to other parties that purchase the Group's goods or services from the customer). Consideration payable to a customer also includes credit or other items (for example, a coupon or voucher) that can be applied against amounts owed to the Group (or to other parties that purchase the entity's goods or services from the customer). The Group accounts for consideration payable to a customer as a reduction of the transaction price and, therefore, of revenue unless the payment to the customer is in exchange for a distinct good or service that the customer transfers to the Group. This did not have any significant implication in the adoption of IFRS 15 by the Group.

Other considerations

- **Allocation of transaction price**

  The transaction price is allocated between POs based on relative SSP as determined at contract inception. Since the amount of revenue recognised for distinct POs will often be dependent on the relative SSP, the determination of appropriate SSP is critical. The SSP of a PO is the observable price for the good or service sold by Etisalat in similar circumstances to similar customers. Overall impact of these adjustments resulted in an increase to opening retained earnings as at 1 January 2017 by AED 71 million.

- **Costs to acquire and costs to fulfill a contract**

  Prior to the adoption of IFRS 15, contract costs related to commissions and sales incentives (cost to acquire) and installation service (cost to fulfill) were expensed, as they did not qualify for recognition as an asset under any of the existing accounting standards. However, under IFRS 15, these costs relate directly to the contract, require resources used in satisfying the contract and are expected to be recovered. As such, these have been capitalised as contract costs and included in contract assets in the consolidated statement of financial position, resulting in an increase in opening retained earnings as a 1 January 2017 by AED 546 million. Capitalised contract costs are amortised over the customer contract period for postpaid segment and over customer life cycle (average months of 24 months) for prepaid segment.

- **Gross versus net presentation**

  When revenue is recognised in respect of goods or services provided by third parties it must be considered whether the Group acts as a principal or an agent. Whether the Group is considered to be the principal or an agent in the transaction depends on an analysis of both the legal form and of the substance of the underlying agreement between the Group and its channel partners. Such judgements impact the amount of reported revenue and operating expenses and did not have any impact on the reported assets, liabilities or cash flows. This did not have any significant implication in the adoption of IFRS 15 by the Group.

Refer to Note 42 for the details of the impact of transition to IFRS 15 as at 1 January 2017 and 31 December 2017.

Emirates Telecommunications Group Company PJSC
Notes to the consolidated financial statements for year ended 31 December 2018

3. Significant accounting policies *(continued)*

New and amended standards issued and effective

Other standards

The following other standards have been adopted in these consolidated financial statements. 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.

- Amendments to IFRS 1 and IAS 28 resulting from Annual Improvements 2014 - 2016 Cycle
- IFRIC 22 *Foreign Currency Transactions and Advance Consideration*

New and amended standards issued but not yet effective

At the date of these consolidated financial statements, the following standards, amendments and interpretations have not been effective and have not been early adopted:

	EFFECTIVE DATE
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
IFRIC 23 *Uncertainty Over Tax Treatments*	1 January 2019
Annual Improvements to IFRS 2015 – 2017 Cycle amending IFRS 3, IFRS 11, IAS 12 and IAS 23.	1 January 2019
Amendments to IAS 28 *Investments in Associates and Joint Ventures* regarding long-term interests in associates and joint ventures.	1 January 2019
Amendments to IFRS 9 *Financial Instruments* relating to prepayment features with negative compensation	1 January 2019
Amendments to IAS 19 *Employe benefits* relating to plan amendment, curtailment on settlement	1 January 2019

IFRS 16 *Leases:*

IFRS 16 replaces existing leases guidance, including IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases- Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard is applicable for annual periods beginning on or after 1 January 2019. The Group can choose to apply IFRS 16 to its leases either:

a. retrospectively to each prior period presented, applying IAS 8; or

b. using modified retrospective approach – under which the Standard is applied retrospectively with the cumulative effect recognised at the date of initial application.

IFRS 16 introduces a single comprehensive, on-balance sheet lease accounting model for lessees. 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.

The Group has completed an initial assessment of the potential impact on its consolidated financial statements but not yet completed the detailed assessment. The actual impact of applying IFRS 16 on these consolidated financial statements in the period of initial application will depend on future economic conditions, including the Group's borrowing rate as at 1 January 2019, the composition of the Group's lease portfolio at that date, the Group's latest assessment of whether it will excercise any lease renewal options and the extent to which the Group chooses to use practical expedients and recognition exemptions.

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Emirates Telecommunications Group Company PJSC
Notes to the consolidated financial statements for year ended 31 December 2018

3. Significant accounting policies *(continued)*

New and amended standards issued but not yet effective *(continued)*

IFRS 16 *(continued)*

So far, the most significant impact identified is that the Group will recognise new assets and liabilities for its operating leases of land for GSM sites, retail outlets, office space and roof tops. As at 31 December 2018, the Group's future minimum lease payments under non-cancellable operating leases amounted to AED 1,690 million, on an undiscounted basis (refer to Note 36). In addition, the nature of expenses related to these leases will now change as IFRS 16 replaces the straight line operating lease expense with a depreciation charge for right of use assets and interest expense on lease liabilities. No significant impact is expected for the Group's finance leases.

Basis of consolidation

These consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company. Control is achieved when the Group:

- has power over the investee;
- is exposed or has rights, to variable returns from its involvement;
- has the ability to use its power to affect its returns.

The existence and effect of potential voting rights that are currently substantive and exercisable or convertible are considered when assessing whether the Group has the power to control another entity.

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Non-controlling interests consist of the amount of those interests at the date of the original business combination and the non-controlling interests share of changes in equity since the date of the business combination. Total comprehensive income within subsidiaries is attributed to the Group and to the non-controlling interest even if this results in non-controlling interests having a deficit balance.

Subsidiaries are consolidated from the date on which effective control is transferred to the Group and are excluded from consolidation from the date that control ceases.

Intercompany transactions, balances and any unrealised gains/losses between Group entities have been eliminated in the consolidated financial statements.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used in line with those used by the Group.

Business combinations

The acquisition of subsidiaries is accounted for using the acquisition method. Purchase consideration is measured as the aggregate of the fair value, at the date of exchange, of the assets given, equity instruments issued and liabilities incurred or assumed. The acquiree's identifiable assets and liabilities that meet the conditions for recognition under IFRS 3 Business Combinations are recognised at their fair values at the acquisition date. Acquisition-related costs are recognised in the consolidated statement of profit or loss as incurred.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the acquisition-date net fair value of the acquiree's identifiable assets and liabilities exceeds the cost of the business combination, the excess is recognised immediately in the consolidated statement of profit or loss.

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Emirates Telecommunications Group Company PJSC
Notes to the consolidated financial statements for year ended 31 December 2018

3. Significant accounting policies *(continued)*

Business combinations *(continued)*

The non-controlling interest in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised at acquisition date. Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related non-controlling interest and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

Step acquisition

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in the consolidated statement of profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

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, which includes transaction costs, 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 information 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.

Profits and losses resulting from upstream and downstream transactions between the Group (including its consolidated

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Emirates Telecommunications Group Company PJSC
Notes to the consolidated financial statements for year ended 31 December 2018

3. Significant accounting policies *(continued)*

subsidiaries) and its associates 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.

Revenue recognition

Revenue is measured at an amount that reflects the consideration, as specified in the contract, to which an entity expects to be entitled in exchange for transferring goods or services to customers, excluding amounts collected on behalf of third parties. The Group recognises revenue when it transfers control over goods or services to its customers.

Revenue from telecommunication services mainly comprises amounts charged to customers in respect of monthly access charges, airtime usage, messaging, data and connectivity services, providing information and communication technology(ICT) and digital solutions, connecting users of other fixed line and mobilenetworks to the Group's network. Services are offered separately and as bundled packages along with other services and/or devices.

For bundled packages, the Group accounts for individual products and services separately if they are distinct (i.e. if a product or service is separately identifiable from other items in the bundled package and if a customer can benefit from it). The consideration is allocated between separate product and services (i.e. distinct performance obligations, "POs") in a bundle, based on their stand-alone selling prices.

The stand-alone selling prices are determined based on the observable price at which the Group sells the products and services on a standalone basis. For items that are not sold separately (e.g. components in eLife package, customer loyalty program, etc.), the Group estimates standalone selling prices using other methods (i.e. adjusted market assessment approach, cost plus margin approach or residual approach).

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Emirates Telecommunications Group Company PJSC
Notes to the consolidated financial statements for year ended 31 December 2018

3. Significant accounting policies *(continued)*

Revenue recognition *(continued)*

Performance obligations and revenue recognition policies:

The following is a description of nature of distinct PO and timing of revenue recognition for key segments from which the Group generates its revenue. The amount of revenue recognised is adjusted for expected discounts and volume discounts, which are estimated based on the historical data for the respective types of service or product being offered.

SERVICE/ PRODUCT CATEGORY	NATURE OF PERFORMANCE OBLIGATIONS	POINT OF REVENUE RECOGNITION AND SIGNIFICANT PAYMENT TERMS
Mobile services contracts	• SIM activation and special number • Value Added Service (VAS), voice, data and messaging • Loyalty points	Revenue for SIM activation and special numbers is recognised on the date of activation. Revenue recognition for voice, data, messaging and VAS is over the period when these services are provided to the customers. Revenue recognition for loyalty points is when the points are redeemed or expire. Mobile services contracts are billed on a monthly basis based as per agreed terms of contract for respective services, which is generally either fixed recurring rentals and/or usage. Stand-alone selling prices are estimated with reference to observable prices, other than loyalty points, which is based on residual approach.
Unlocked devices contracts	• Unlocked devices bundled in a service contract	Revenue for SIM activation and special numbers is recognised on the date of activation. Revenue recognition for voice, data, messaging and VAS is over the period when these services are provided to the customers. In case of device sales, transfer of control is immediate, whereas the billing terms may be either full upfront billing or installment billing. Stand-alone selling prices are estimated with reference to observable prices.
Consumer fixed contracts	• TV service • Unlocked devices (IP Phone and Routers) • Broadband services • Fixed telephone service	Revenue recognition for services is over the contract period, whereas revenue recognition for unlocked devices is upon transfer of control to the customer (i.e. Day 1). The services are billed on a monthly basis as per the agreed terms of contract for respective services, which is generally either fixed recurring rentals and/or usage. Stand-alone selling prices for all performance obligations within consumer fixed is computed based on observable prices.

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Emirates Telecommunications Group Company PJSC
Notes to the consolidated financial statements for year ended 31 December 2018

3. Significant accounting policies *(continued)*

Revenue recognition *(continued)*

Performance obligations and revenue recognition policies (continued):

SERVICE/ PRODUCT CATEGORY	NATURE OF PERFORMANCE OBLIGATIONS	POINT OF REVENUE RECOGNITION AND SIGNIFICANT PAYMENT TERMS
Business Fixed contracts	• Gateway router • Fixed voice • Internet service • Office application • Security solution • Managed services • Ancillary devices (laptop, printer, IP Telephone, etc)	Revenue recognition for services is over the contract period, whereas revenue recognition for ancillary devices is upon transfer of control to the customer (i.e. day 1). The contracts are billed and paid on monthly basis. Stand-alone selling prices for the respective performance obligation within Business Fixed contract are generally estimated based on cost plus margin approach. For internet service (with some exceptions), office application and security solution, stand-alone selling prices are estimated based on adjusted market assessment approach. For free flexi minutes (STD/IDD) and ancillary devices (laptop, printer, IP Telephone, etc), stand-alone selling prices are estimated with reference to observable prices.
Business Solutions contracts	• Connectivity service (IPVPN, leased lines, etc) • Managed Services • IPTV services,	Revenue is recognised over the period when these services are provided to the customers. Where hardware (e.g. routers) are provided as part of the contract, the Group recognises these as distinct PO only if the hardware is not locked and if the customer can benefit from them either by selling for more than scrap value or using with services from other service providers. If the customer cannot benefit from hardware on its own, then they are not considered distinct POs and revenue is recognised over the service period. The contracts are billed and paid on monthly basis. Stand-alone selling prices for Managed services and IPTV services are estimated with reference to combination of adjustment market assessment approach and cost plus margin approach for respective performance obligation. For connectivity service, stand alone selling price is estimated with reference to observable prices.
Digital Solutions contracts	Digital and ICT solutions	The separable components of the solution are distinct POs. Revenue is recognised based on output measures (such as the proportion of units delivered) to measure progress towards complete satisfaction of POs where such measures are available. The contracts are billed as per contract terms. Stand-alone selling prices are estimated based on cost plus margin approach.
Miscellaneous	Installation services	Installation services provided for service fulfillment are not distinct POs and the amount charged for installation service is recognised over the service period. Installation services are generally billed on upfront basis.

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Emirates Telecommunications Group Company PJSC
Notes to the consolidated financial statements for year ended 31 December 2018

3. Significant accounting policies *(continued)*

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

i) The Group as lessor

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Revenues from the sale of transmission capacity on terrestrial and submarine cables are recognised on a straight-line basis over the life of the contract. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

ii) The Group as lessee

Rentals payable under operating leases are charged to the consolidated statement of profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

Foreign currencies

i) Functional currencies

The individual financial statements of each of the Group's subsidiaries, associates and joint ventures are presented in the currency of the primary economic environment in which they operate (its functional currency). For the purpose of these consolidated financial statements, the results, financial position and cash flows of each company are expressed in UAE Dirhams, which is the functional currency of the Company, and the presentation currency of these consolidated financial statements.

In preparing these financial statements of the individual companies, transactions in currencies other than the entity's functional currency are recorded at exchange rates prevailing at the dates of the transactions. At the end of the reporting period, monetary assets and liabilities that are denominated in foreign currencies are retranslated into the entity's functional currency at rates prevailing at reporting date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

ii) Consolidation

On consolidation, the assets and liabilities of the Group's foreign operations are translated into UAE Dirhams at exchange rates prevailing on the date of end of each reporting period. Goodwill and fair value adjustments arising on the acquisition of a foreign entity are also translated at exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences are recognised in other comprehensive income and are presented in the translation reserve in equity except to the extent they relate to non-controlling interest. On disposal of overseas subsidiaries or when significant influence is lost, the cumulative translation differences are recognised as income or expense in the period in which they are disposed of.

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Emirates Telecommunications Group Company PJSC
Notes to the consolidated financial statements for year ended 31 December 2018

3. Significant accounting policies *(continued)*

Foreign currencies *(continued)*

iii) Foreign exchange differences

Exchange differences are recognised in the consolidated statement of profit or loss in the period in which they arise except for exchange differences that relate to assets under construction for future productive use. These are included in the cost of those assets when they are regarded as an adjustment to interest costs on foreign currency borrowings. Exchange differences on transactions entered into to hedge certain foreign currency risks and exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur, which form part of the net investment in a foreign operation are recognised initially in other comprehensive income and reclassified from equity to the consolidated statement of profit or loss on disposal of net investment. Exchange differences on qualifying cash flow hedges to the extent the hedges are effective are also recognised in other comprehensive income.

iv) 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 profit or loss;
- 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 profit or loss. 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 profit or loss; and
- for equity instruments measured at FVTOCI, exchange differences are recognised in other comprehensive income in the investments revaluation reserve.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in the consolidated statement of profit or loss in the period in which they are incurred.

Government grants

Government grants relating to non-monetary assets are recognised at nominal value. Grants that compensate the Group for expenses are recognised in the consolidated statement of profit or loss on a systematic basis in the same period in which the expenses are recognised. Grants that compensate the Group for the cost of an asset are recognised in the consolidated statement of profit or loss on a systematic basis over the expected useful life of the related asset upon capitalisation.

Employees' end of service benefits

Payments to defined contribution schemes are charged as an expense as they fall due. Payments made to state-managed pension schemes are dealt with as payments to defined contribution schemes where the Group's obligations under the schemes are equivalent to those arising in a defined contribution scheme.

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Emirates Telecommunications Group Company PJSC
Notes to the consolidated financial statements for year ended 31 December 2018

3. Significant accounting policies *(continued)*

Employees' end of service benefits *(continued)*

Provision for employees' end of service benefits for non-UAE nationals is made in accordance with the Projected Unit Cost method as per IAS 19 Employee Benefits taking into consideration the UAE Labour Laws. The provision is recognised based on the present value of the defined benefit obligations.

The present value of the defined benefit obligations is calculated using assumptions on the average annual rate of increase in salaries, average period of employment of non-UAE nationals and an appropriate discount rate. The assumptions used are calculated on a consistent basis for each period and reflect management's best estimate. The discount rates are set in line with the best available estimate of market yields currently available at the reporting date with reference to high quality corporate bonds or other basis, if applicable.

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of profit or loss because it excludes items of income or expense that are taxable or deductible in other periods and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted at the end of the reporting period. Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. Current tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis. Deferred tax is the tax expected to be payable or recoverable on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the liability method.

Deferred tax is calculated using relevant tax rates and laws that have been enacted or substantially enacted at the reporting date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax is charged or credited in the consolidated statement of profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that sufficient taxable profits will be available in the future against which deductible temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill, from investments in associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither taxable profit nor the accounting profit.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to

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Emirates Telecommunications Group Company PJSC
Notes to the consolidated financial statements for year ended 31 December 2018

3. Significant accounting policies *(continued)*

Taxation *(continued)*

settle its current tax assets and liabilities on a net basis. Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Property, plant and equipment

Property, plant and equipment are measured at cost, less accumulated depreciation and any impairment. Cost comprises the cost of equipment and materials, including freight and insurance, charges from contractors for installation and building works, direct labour costs, capitalised borrowing costs and an estimate of the costs of dismantling and removing the equipment and restoring the site on which it is located.

Assets in the course of construction are carried at cost, less any impairment. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets commences when the assets are ready for their intended use.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to consolidated statement of profit or loss during the period in which they are incurred.

Other than land (which is not depreciated), the cost of property, plant and equipment is depreciated on a straight line basis over the lesser of the lease period and the estimated useful life as follows:

Buildings	Years
Permanent	20 – 50
Temporary	4 – 10
Civil works	10 – 25

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Emirates Telecommunications Group Company PJSC
Notes to the consolidated financial statements for year ended 31 December 2018

Property, plant and equipment *(continued)*

Plant and equipment	Years
Submarine – fibre optic cables	15 – 20
– coaxial cables	10 – 15
Cable ships	15 – 25
Coaxial and fibre optic cables	15 – 25
Line plant	10 – 25
Exchanges	5 – 15
Switches	8 – 15
Radios/towers	10 – 25
Earth stations/VSAT	5 – 15
Multiplex equipment	10 – 15
Power plant	5 – 10
Subscribers' apparatus	3 – 15
General plant	2 – 25

Other assets:	Years
Motor vehicles	3 – 5
Computers	3 – 5
Furniture, fittings and office equipment	4 – 10

The assets' depreciation methods, residual values and useful lives are reviewed and adjusted, if appropriate, at the end of each reporting period.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is 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 30 years.

Intangible assets

Recognition and measurement

(i) Goodwill

Goodwill arising on consolidation represents the excess of the cost of an acquisition over the fair value of the Group's share of net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units (CGUs) expected to benefit from the synergies of the combination. CGUs to which goodwill has been allocated are tested for impairment annually,

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Emirates Telecommunications Group Company PJSC
Notes to the consolidated financial statements for year ended 31 December 2018

3. Signifcant accounting policies *(continued)*

(i) Goodwill *(continued)*

or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other non-financial assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of an associate, joint venture, or a subsidiary or where Group ceases to exercise control, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

(ii) Licenses

Acquired telecommunication licenses are initially recorded at cost or, if part of a business combination, at fair value. Licenses are amortised on a straight line basis over their estimated useful lives from when the related networks are available for use. The estimated useful lives range between 10 and 25 years and are determined primarily by reference to the license period, the conditions for license renewal and whether licenses are dependent on specific technologies.

(iii) Internally-generated intangible assets

An internally-generated intangible asset arising from the Group's IT development is recognised at cost only if all of the following conditions are met:

- an asset is created that can be identified (such as software and new processes);
- it is probable that the asset created will generate future economic benefits; and
- the development cost of the asset can be measured reliably.

Internally-generated intangible assets are amortised on a straight-line basis over their useful lives of 3-10 years. Where no internally-generated intangible asset can be recognised, development expenditure is recognised as an expense in the period in which it is incurred.

(iv) Indefeasible Rights of Use

Indefeasible Rights of Use ("IRU") corresponds to the contractual right to use a certain amount of the capacity of a terrestrial or submarine transmission cable granted for a fixed period. IRUs are recognised at cost as an asset when the Group has the specific indefeasible right to use an identified portion of the underlying asset. Generally, the right to use optical fibres or dedicated wavelength bandwidth is for the major part of the underlying asset's economic life. These are amortised on a straight line basis over the lesser of the expected period of use and the life of the contract which ranges between 10 to 20 years.

(v) Other intangible assets

Other intangible assets comprising of trade names, customer relationship and other intangible assets are recognised on acquisition at fair values. They are amortised on a straight line basis over their estimated useful lives. The useful lives of customer relationships range from 3-23 years and trade names have a useful life of 15-25 years. The useful lives of other intangible assets range from 3-10 years.

Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

Impairment of tangible and intangible assets excluding goodwill

The Group reviews the carrying amounts of its tangible and intangible assets whenever there is any indication that those assets have suffered an impairment loss. If any such indication

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Emirates Telecommunications Group Company PJSC
Notes to the consolidated financial statements for year ended 31 December 2018

3. Signifcant accounting policies *(continued)*

Impairment of tangible and intangible assets excluding goodwill *(continued)*

exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss. Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. An intangible asset with an indefinite useful life (including goodwill) is tested for impairment annually.

Recoverable amount is the higher of an asset's fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash- generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Inventory

Inventory is measured at the lower of cost and net realisable value. Cost comprises direct materials and where applicable, directs labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Allowance is made, where appropriate, for deterioration and obsolescence. Cost is determined in accordance with the weighted average cost method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal market, regardless of whether that price is directly observable or in its absence, the most advantageous markets to which the group has access at that date, estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

ii) Financial assets

Financial assets are classified into the following specified categories: 'amortised cost', 'fair value through other comprehensive income with recycling', 'fair value through other comprehensive income without recycling' and 'fair value through profit or loss'. The classification depends on the business model for managing the financial asset and the contractual cash flow

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Emirates Telecommunications Group Company PJSC
Notes to the consolidated financial statements for year ended 31 December 2018

3. Signifcant accounting policies *(continued)*

Financial instruments *(continued)*

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.

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 less 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.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost and at fair value through other comprehensive income ("FVTOCI"). Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

iv) Fair value through OCI – with recycling

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.

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Emirates Telecommunications Group Company PJSC
Notes to the consolidated financial statements for year ended 31 December 2018

3. Signifcant accounting policies *(continued)*

Financial instruments *(continued)*

v) 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.

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;
- art 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 IFRS 15 "Revenue from Contracts with Customers", unless the dividends clearly represent a recovery of part of the cost of the investment.

vi) Fair value through profit and loss

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI (see 3 (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 3 (i).

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, contract assets, 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, lease receivables and contract assets, 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

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Emirates Telecommunications Group Company PJSC
Notes to the consolidated financial statements for year ended 31 December 2018

3. Signifcant accounting policies *(continued)*

Financial instruments *(continued)*

viii) Impairment of financial assets *(continued)*

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.

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. Ceased category refers to category of customers whose telecommunication services have been discontinued.

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.

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Emirates Telecommunications Group Company PJSC
Notes to the consolidated financial statements for year ended 31 December 2018

3. Signifcant accounting policies *(continued)*

Financial instruments *(continued)*

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.

The Group may use various sources of data, that may be both internal and external. Possible data sources include internal historical credit loss experience, internal ratings, credit loss experience of other entities and external ratings, reports and statistics.

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 recognises 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) Financial liabilities

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

x) 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

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Emirates Telecommunications Group Company PJSC
Notes to the consolidated financial statements for year ended 31 December 2018

3. Signifcant accounting policies *(continued)*

x) Financial liabilities at FVTPL *(continued)*

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.

xi) 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.

xii) Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

xiii) Embedded derivatives

Derivatives embedded in other financial instruments or other host contracts 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.

xiv) 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:

- 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

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Emirates Telecommunications Group Company PJSC
Notes to the consolidated financial statements for year ended 31 December 2018

3. Signifcant accounting policies *(continued)*

xiv) Hedge accounting *(continued)*

hedging relationship (i.e. rebalances the hedge) so that it meets the qualifying criteria again.

xv) 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.

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 management's 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.

Transactions with non-controlling interests

The Group applies a policy of treating transactions with non-controlling interest holders as transactions with parties external to the Group. Disposals to non-controlling interest holders result in gains and losses for the Group and are recorded in the consolidated statement of profit or loss.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non- controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Dividends

Dividend distributions to the Group's shareholders are recognised as a liability in the consolidated financial statements in the period in which the dividends are approved.

Disposal of Assets / Assets held for sale

Non-current assets, or disposal groups comprising assets and liabilities, are classified as held-for-sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use.

Assets may be disposed of individually or as part of a disposal group. Once the decision is made to dispose of an asset, it is classified as "Held for Sale" and shall no longer be depreciated,

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Notes to the consolidated financial statements for year ended 31 December 2018

3. Signifcant accounting policies *(continued)*

Disposal of Assets / Assets held for sale *(continued)*

and any equity-accounted investee is no longer equity accounted. Assets that are classified as "Held for Sale" must be disclosed in the financial statements.

Such assets, or disposal groups, are generally measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal group is allocated first to goodwill, and then to the remaining assets and liabilities on a pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets, investment property or biological assets, which continue to be measured in accordance with the Group's other accounting policies. Impairment losses on initial classification as held-for-sale or held-for- distribution and subsequent gains and losses on remeasurement are recognised in profit or loss.

An asset is considered to be Held for Sale if its carrying amount will be recovered principally through a sale transaction, not through continuing use. Once classified as held-for-sale, intangible assets and property, plant and equipment are no longer amortised or depreciated, and any equity-accounted investee is no longer equity accounted. The criteria for classifying an asset as Held for Sale are as follows:

- It must be available for immediate sale in its present condition,
- Its sale must be highly probable, and
- It must be sold, not abandoned.

4. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in Note 3, the management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are disclosed below.

Critical accounting judgements

i) Fair value of other intangible assets

On the acquisition of mobile network operators, the identifiable intangible assets may include licenses, customer bases and brands. The fair value of these assets is determined by discounting estimated future net cash flows generated by the asset, where no active market for the assets exists. The use of different assumptions for the expectations of future cash flows and the discount rate would change the valuation of the intangible assets. The relative size of the Group's intangible assets, excluding goodwill, makes the judgements surrounding the estimated useful lives critical to the Group's financial position and performance.

The useful lives used to amortise intangible assets relate to the future performance of the assets acquired and management's judgement of the period over which economic benefit will be derived from the asset.

ii) Classification of interests in other entities

The appropriate classification of certain interests in other entities requires significant analysis and management judgement as to whether the Group exercises control, significant influence or joint control over these interests. This may involve consideration

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4. Critical accounting judgements and key sources of estimation uncertainty *(continued)*

Critical accounting judgements *(continued)*

of a number of factors, including ownership and voting rights, the extent of Board representation, contractual arrangements and indicators of de facto control. Changes to these indicators and management's assessment of the power to control or influence may have a material impact on the classification of such investments and the Group's consolidated financial position, revenue and results. Specific judgements regarding the classification of the Group's interests in Maroc Telecom and Pakistan Telecommunications Company Limited are disclosed in Note 15 and interests in associates are disclosed in Note 17.

iii) Federal royalty

The computation of Federal Royalty in accordance with the Cabinet of Ministers of UAE decision No.320/15/23 of 2012 and guidelines issued by the UAE Ministry of Finance ("the MoF") dated 21 January 2013 and subsequent clarification letters dated 24 April 2013, 30 October 2013 and 29 January 2014 required a number of calculations. In performing these calculations, management has made certain critical judgments, interpretations and assumptions. These mainly relate to the segregation of items between regulated and other activities and items which the Company judged as not subject to Federal royalty or which may be set off against profits which are subject to Federal royalty.

The mechanism for the computation of federal royalty for the year ended 31 December 2018 was in accordance with the Guidelines.

iv) Revenue recognition

The key areas of judgement in revenue recognition are as follows:

Identifying performance obligations and determining standalone selling prices

Where a contract with a customer consists of two or more performance obligations that have value to a customer on a standalone basis, the Group accounts for individual performance obligation separately if they are distinct i.e. if goods or service is separately identifiable from other items in the contract and if a customer can benefit from it. The transaction price is allocated between separate performance obligation based on their stand-alone selling prices. We apply judgement in identifying the individual performance obligation, determining the stand-alone selling prices and allocating the transaction price between them.

Determination of transaction price

The estimate of the transaction price will be affected by the nature, timing and amount of consideration promised by a customer. In determining the transaction price, the Group considering these following aspects:

a. variable consideration
b. constraining estimates of variable consideration
c. the existence of a significant financing component in the contract
d. non-cash consideration
e. consideration payable to a customer

Refer to Note 3 for additional details on the identification of performance obligation, determination of stand alone selling prices and timing of revenue recognition for the major products and services.

Key sources of estimation uncertainty

i) Impairment of goodwill and investment in associates

Determining whether goodwill is impaired requires an estimation of the value-in-use of the cash-generating unit to which the goodwill has been allocated. The value-in-use calculation for goodwill and associates requires the Group to calculate

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Emirates Telecommunications Group Company PJSC
Notes to the consolidated financial statements for year ended 31 December 2018

4. Critical accounting judgements and key sources of estimation uncertainty *(continued)*

i) Impairment of goodwill and investment in associates *(continued)*

the net present value of the future cash flows for which certain assumptions are required, including management's expectations of:

- long term growth rates in cash flows;
- timing and quantum of future capital expenditure; and
- the selection of discount rates to reflect the risks involved.

The key assumptions used and sensitivities are detailed on Note 12 of these consolidated financial statements. A change in the key assumptions or forecasts might result in an impairment of goodwill and investment in associates.

ii) Impairment of intangibles

Impairment testing is an area involving management judgement, requiring assessment as to whether the carrying value of assets can be supported by the net present value of future cash flows derived from such assets using cash flow projections which have been discounted at an appropriate rate. In calculating the net present value of the future cash flows, certain assumptions are required to be made in respect of highly uncertain matters including management's expectations of:

- long term growth rates in cash flows;
- timing and quantum of future capital expenditure; and
- the selection of discount rates to reflect the risks involved.

iii) Property, plant and equipment

Property, plant and equipment represent a significant proportion of the total assets of the Group. Therefore, the estimates and assumptions made to determine their carrying value and related depreciation are critical to the Group's financial position and performance. The charge in respect of periodic depreciation is derived after determining an estimate of an asset's expected useful economic life and the expected residual value at the end of its life. Increasing/decreasing an asset's expected life or its residual value would result in a reduced/increased depreciation charge in the consolidated statement of profit or loss.

iv) Measurement of the expected credit loss allowance

The measurement of the expected credit loss ("ECL") allowance for financial assets measured at amortised cost and FVTOCI is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behavior (e.g. the likelihood of customers defaulting and the resulting losses). Explanation of the inputs, assumptions and estimation techniques used in measuring ECL is further detailed in Note 3.

Elements of the ECL models that are considered accounting judgments and estimates include:

- Development of ECL models, including the various formulas and choice of inputs
- Determining the criteria if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a lifetime ECL basis and the qualitative assessment;
- The segmentation of financial assets when their ECL is assessed on a collective basis; and
- Determination of associations between macroeconomic scenarios and, economic inputs, and their effect on probability of default (PDs), exposure at default (EADs) and loss given default (LGDs).

Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models. It has been the Group's policy to regularly review its models in the context of actual loss experience and adjust when necessary.

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Emirates Telecommunications Group Company PJSC
Notes to the consolidated financial statements for year ended 31 December 2018

4. Critical accounting judgements and key sources of estimation uncertainty (continued)

v) Provisions and contingent liabilities

The management exercises judgement in measuring and recognising provisions and the exposures to contingent liabilities related to pending litigations, assessments and/or other outstanding claims. Judgement is necessary in assessing the likelihood that a pending claim will succeed, or a liability will arise, and to quantify the possible range of the financial settlement. Because of the inherent uncertainty in this evaluation process, actual losses may be different from the originally estimated provisions. Refer to Note 31 for details on provisions against such pending litigations/claims and Note 37 for details on the contingent liabilities.

5. 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 fifteen countries which are divided into the following operating segments:

- Morocco
- Egypt
- Pakistan
- International - others

Revenue is attributed to an operating segment based on the location of the Company reporting the revenue. Inter- segment sales are charged at mutually agreed prices.

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

b) Segment revenues and results

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

c) Segment assets

For the purposes of monitoring segment performance and allocating resources between segments, the Board of Directors monitors the total and non-current assets attributable to each segment. Goodwill is allocated based on separately identifiable CGUs as further disclosed in Note 12. 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.

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5. Segmental information *(continued)*

	UAE AED'000	International: Morocco AED'000	International: Egypt AED'000	International: Pakistan AED'000	International: Others AED'000	Eliminations AED'000	Consolidated AED'000
31 December 2018							
Revenue							
External revenue	31,932,389	7,421,745	2,725,850	3,788,707	6,519,123	-	52,387,814
Inter-segment revenue	302,934	649,024	80,125	60,161	108,072	(1,200,316)	-
Total revenue	32,235,323	8,070,769	2,805,975	3,848,868	6,627,195	(1,200,316)	52,387,814
Segment result	14,081,384	2,625,021	590,289	(9,736)	1,117,400	-	18,404,358
Federal royalty							(5,587,187)
Finance and other income							987,477
Finance and other costs							(1,561,338)
Profit before tax							12,243,310
Income tax expenses							(1,500,239)
Profit for the year from continuing operations							10,743,071
Total assets	65,450,579	32,135,766	7,788,373	15,321,610	17,319,091	(12,772,265)	125,243,154
Non-current assets*	27,484,283	29,155,945	6,511,049	12,452,351	14,223,148	(11,694,840)	78,131,936
Depreciation and amortisation	2,226,032	-	565,613	1,137,222	3,261,101	-	7,189,968
Impairment and other losses	45,344	-	4,104	22,056	56,340	-	127,844
31 December 2017 (restated)							
Revenue							
External revenue	31,788,402	6,996,406	2,433,925	4,122,979	6,294,473	-	51,636,185
Inter-segment revenue	305,653	518,557	51,577	16,952	120,205	(1,012,944)	-
Total revenue	32,094,055	7,514,963	2,485,502	4,139,931	6,414,678	(1,012,944)	51,636,185
Segment result	13,418,372	2,203,193	587,738	(56,867)	1,283,993	-	17,436,429
Federal royalty							(6,038,912)
Finance and other income							1,194,658
Finance and other costs							(1,380,569)
Profit before tax							11,211,606
Taxation							(1,245,241)
Profit for the year from continuing operations							9,966,365
Total assets	63,610,370	33,529,077	8,520,836	18,803,971	18,890,736	(14,512,904)	128,842,086
Non-current assets *	26,104,588	30,410,128	6,461,886	15,791,710	14,585,065	(12,813,420)	80,539,957
Depreciation and amortisation	2,128,379	-	451,278	1,308,886	3,233,365	-	7,121,908
Impairment and other losses	474,411	-	494	84,171	206,129	-	765,205

* Non current assets exclude derivative financial assets and deferred tax assets.

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Emirates Telecommunications Group Company PJSC
Notes to the consolidated financial statements for year ended 31 December 2018

6. Revenue

a) The following is the disaggregation of the Group's revenue:

	UAE AED'000	International: Morocco AED'000	International: Egypt AED'000	International: Pakistan AED'000	International: Others AED'000	Consolidated AED'000
31 December 2018						
Mobile	12,654,236	4,417,952	2,381,868	1,568,789	5,892,053	26,914,898
Fixed	11,252,305	2,608,770	122,726	1,774,830	486,681	16,245,312
Equipment	1,945,185	105,753	48,525	18,626	33,017	2,151,106
Others	6,080,663	289,270	172,731	426,462	107,372	7,076,498
Total revenue	31,932,389	7,421,745	2,725,850	3,788,707	6,519,123	52,387,814
31 December 2017 (restated)						
Mobile	13,140,382	4,253,257	2,187,386	1,617,851	5,681,049	26,879,925
Fixed	10,932,209	2,411,819	91,822	2,091,622	522,934	16,050,406
Equipment	1,801,378	69,035	80,845	20,543	185	1,971,986
Others	5,914,433	262,295	73,872	392,963	90,305	6,733,868
Total revenue	31,788,402	6,996,406	2,433,925	4,122,979	6,294,473	51,636,185

b) Revenue expected to be recognised in the future related to performance obligations that are unsatisfied or partially unsatisfied at the reporting date:

31 December 2018	2019 AED'000	2020 AED'000	2021 AED'000	2022 AED'000	Total AED'000
Expected revenue for remaining performance obligations that will be delivered in subsequent years	2,736,075	6,447,369	2,310,892	314,762	11,809,098

c) Timing of revenue recognition:

	UAE AED'000	International: Morocco AED'000	International: Egypt AED'000	International: Pakistan AED'000	International: Others AED'000	Consolidated AED'000
31 December 2018						
PO satisfied at a point in time	2,390,416	105,753	71,980	61,552	641,128	3,270,829
PO satisfied over a period of time	29,541,973	7,315,992	2,653,870	3,727,155	5,877,995	49,116,985
Total revenue	31,932,389	7,421,745	2,725,850	3,788,707	6,519,123	52,387,814
31 December 2017						
PO satisfied at a point in time	2,271,554	69,035	111,749	38,365	707,255	3,197,958
PO satisfied over a period of time	29,516,848	6,927,371	2,322,176	4,084,614	5,587,218	48,438,227
Total revenue	31,788,402	6,996,406	2,433,925	4,122,979	6,294,473	51,636,185

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7. Operating expenses and federal royalty

a) Operating expenses

		2018 AED'000	2017 (Restated) AED'000
Direct cost of sales		12,643,885	12,430,688
Staff costs		4,913,744	5,036,914
Depreciation		5,646,429	5,505,247
Network and other related costs		2,593,509	2,412,867
Amortisation	(i)	1,543,539	1,616,661
Regulatory expenses		1,313,947	1,232,750
Marketing expenses		939,247	939,925
Consultancy costs		916,476	763,768
Operating lease rentals		383,740	373,499
IT costs		351,205	425,463
Foreign exchange losses		277,129	99,191
Net hedge ineffectiveness on net investment hedges		(145,937)	301,021
Other operating expenses		1,215,715	994,634
Operating expenses (before federal royalty)		32,592,628	32,132,628

Operating expenses include an amount of AED 30.24 million (2017: AED 51.83 million), relating to social contributions made during the year.

i) Regulatory expenses:

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

ICT Fund Contribution	2018 AED'000	2017 AED'000
UAE Net Regulated Revenue	21,495,098	21,805,657
ICT Fund Contribution	214,951	218,057

b) Federal Royalty

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

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

On 25 February 2015, the UAE Ministry of Finance ("MOF"') issued revised guidelines (which were received by the Company on 1 March 2015) for the computation of federal royalty for the financial years ended 31 December 2014, 2015 and 2016

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7. Operating expenses and federal royalty *(continued)*

("the Guidelines"). In accordance with the Guidelines, the royalty rate for 2016 was reduced to 30% of net profit after deduction of the 15% royalty fee on the UAE regulated revenues.

On 20 February 2017, the UAE Ministry of Finance announced the federal royalty scheme to be applied on the Group for the periods 2017 to 2021 ("the new royalty scheme"). According to the new royalty scheme, the Group will pay 15% royalty fees on the UAE regulated revenue and 30% royalty fees on profit generated from regulated services after deduction of the 15% royalty fees on the UAE regulated revenue. Royalty fees on profits from international operations shall be considered only if similar fees paid in the country of origin are less than the fees that could have been imposed in the UAE. The mechanism for the computation of federal royalty payable for the period ended 31 December 2018 was in accordance with the new royalty scheme.

The federal royalty has been classified 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.

8. Finance and other income

	2018 AED'000	2017 (Restated) AED'000
Interest on bank deposits and amortised cost investments	797,201	694,376
(Loss) / gain on forward foreign exchange contracts	(20,216)	8,157
Net (loss) / gain on financial assets designated as FVTPL	(125,194)	146,971
Foreign exchange gains on borrowings	41,425	-
Other income	294,261	345,154
	987,477	1,194,658

9. Finance and other costs

	2018 AED'000	2017 (Restated) AED'000
Interest on bank overdrafts, loans and other financial liabilities	461,004	566,244
Interest on other borrowings	548,867	398,683
Foreign exchange losses on borrowings	7,692	21,715
Other costs	531,403	300,131
Unwinding of discount	12,372	93,796
	1,561,338	1,380,569
Total borrowing costs	1,572,414	1,505,891
Less: amounts included in the cost of qualifying assets (Note 11, 13)	(11,076)	(125,322)
	1,561,338	1,380,569

All interest charges are generated on the Group's financial liabilities measured at amortised cost. Borrowing costs included in the cost of qualifying assets during the year arose on specific and non - specific borrowing pools. Borrowing costs attributable to non - specific borrowing pools are calculated by applying a capitalisation rate of 17.79% (2017: 3.95% to 17.30%) for expenditure on such assets. Borrowing costs have been capitalised in relation to loans by certain of the Group's subsidiaries.

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Notes to the consolidated financial statements for year ended 31 December 2018

10. Taxation

	2018 AED'000	2017 (Restated) AED'000
Current tax expense	1,649,507	1,548,926
Deferred tax credit	(149,268)	(303,685)
	1,500,239	1,245,241

a) Total tax

Corporate income tax is not levied in the UAE for telecommunication companies. The weighted average tax rate for the Group, based on tax rates applicable for international operations is 31.53% (2017: 30.5%). The table below reconciles the difference between the expected tax expense, and the Group's tax charge for the year.

b) The income tax expenses for the year can be reconciled to the accounting profits as follows:

	2018 AED'000	2017 (Restated) AED'000
Tax based on the effective weighted average tax rate of 31.53% (2017: 30.5%)	1,516,039	1,297,481
Tax effect of share of results of associates	(1,681)	(10,845)
Tax effect of expenses that are not deductible in determining taxable profit	233,191	208,268
Tax effect of utilization of tax losses not previously recognized	(20,938)	(14,111)
Effect on deferred tax balances of change in income tax rate	(40,143)	(14,436)
Effect on deferred tax balances due to purchase price allocation	(186,820)	(219,488)
Effect of income that is exempt from taxation	591	(1,628)
Income tax expenses recognised in profit or losses	1,500,239	1,245,241

c) Current income tax assets and liabilities

The current income tax assets represent refunds receivable from tax authorities and current income tax liabilities represent income tax payable.

d) Deferred tax

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when these relate to the same income tax authority. The amounts recognised in the consolidated statement of financial position after such offset are as follows:

	2018 AED'000	2017 AED'000
Deferred tax assets	44,472	94,135
Deferred tax liabilities	(2,836,924)	(3,225,478)
	(2,792,452)	(3,131,343)

The following represent the major deferred tax liabilities and deferred tax assets recognised by the Group and movements thereon without taking into consideration the offsetting of balances within the same tax jurisdiction.

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Notes to the consolidated financial statements for year ended 31 December 2018

10. Taxation *(continued)*

Deferred tax liabilities	Deferred tax on depreciation and amortisation AED'000	Deferred tax on overseas earnings AED'000	Others AED'000	Total AED'000
At 1 January 2017 (as restated)	3,703,541	97,258	58,389	3,859,188
(Credit)/charge to the consolidated statement of profit or loss	(335,117)	(8,564)	(20,292)	(363,973)
Charge to other comprehensive income	-	-	9,219	9,219
Reclassified from deferred tax liability to deferred tax asset	(198)	-	-	(198)
Reclassified as held for sale	13,594	-	-	13,594
Other movements	-	-	(9,597)	(9,597)
Exchange differences	104,831	(700)	27,462	131,593
At 31 2017 (as restated)	3,486,651	87,994	65,181	3,639,826
Credit to the consolidated statement of profit or loss	(209,672)	(1,681)	(10,834)	(222,187)
Credit to other comprehensive income	(8,075)	-	-	(8,075)
Reclassified from deferred tax liability to deferred tax asset	(3,767)	-	-	(3,767)
Reclassification	74,280	(20,388)	(53,893)	-
Exchange differences	(244,575)	-	(454)	(245,029)
At 31 December 2018	3,094,842	65,925	-	3,160,767

Deferred tax assets	Retirement benefit obligations AED'000	Tax losses AED'000	Others AED'00	Total AED'00
At 1 January 2017	92,190	308,518	321,313	722,021
Credit/(charge) to the consolidated statement of profit or loss	282	(18,136)	(42,434)	(60,288)
Charge to other comprehensive income	-	-	859	859
Reclassified from deferred tax liability to deferred tax asset	-	-	198	198
Tax effect of prior period remeasurment losses reclassified to income tax recoverable	(87,537)	-	-	(87,537)
Deferred tax asset reclassified to income tax recoverable	-	(130,932)	53,178	(77,754)
Other movements	-	-	(10,266)	(10,266)
Reclassified as held for sale	(22)	19,462	(3,120)	16,320
Exchange differences	(636)	9,802	(4,236)	4,930
At 31 December 2017	4,277	188,714	315,492	508,483
(Charge) to the consolidated statement of profit or loss	-	(24,185)	(48,734)	(72,919)
Credit to other comprehensive income	127	-	(10,878)	(10,751)
Reclassified from deferred tax liability to deferred tax asset		14,091	(17,858)	(3,767)
Other movements	-	-	(73)	(73)
Reclassification	(4,277)	(14,093)	18,370	-
Exchange differences	(23)	(14,841)	(37,794)	(52,658)
At 31 December 2018	104	149,686	218,525	368,315

Unused tax losses	2018 AED million	2017 AED million
Total unused tax losses	678	953
of which deferred tax assets recognised for	678	873
of which no deferred tax asset recognised, due to unpredictability of future taxable profit streams	-	80

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Notes to the consolidated financial statements for year ended 31 December 2018

11. Goodwill, other intangible assets

	Goodwill	Other intangible assets			
		Licenses	Trade names	Others	Others
	AED'000	AED'000	AED'000	AED'000	AED'000
Cost					
At 1 January 2017	16,247,752	13,586,986	1,985,338	6,193,099	21,765,423
Additions	-	108,926	-	566,074	675,000
Transfers	-	1,463,119	69,427	(894,536)	638,010
Reclassification	-	-	-	(669,099)	(669,099)
Other non cash movements	-	-	-	(1,210)	(1,210)
Reclassified as held for sale	-	(3,265)	-	100	(3,165)
Disposals	-	-	-	(9,483)	(9,483)
Exchange differences	705,422	910,225	140,298	627,858	1,678,381
At 31 December 2017 (as restated)	16,953,174	16,065,991	2,195,063	5,812,803	24,073,857
Amortisation and impairment					
At 1 January 2017	2,149,850	4,391,576	239,865	2,423,934	7,055,375
Charge for the year	-	683,345	87,333	862,110	1,632,788
Transfers	-	-	17,341	(99,588)	(82,247)
Other non cash movements	-	-	-	(3,997)	(3,997)
Reclassified as held for sale	-	(15,123)	-	53	(15,070)
Disposals	-	-	-	(6,470)	(6,470)
Exchange differences	-	267,396	19,615	438,112	725,123
At 31 December 2017 (as restated)	2,149,850	5,327,194	364,154	3,614,154	9,305,502
Carrying amount					
At 31 December 2017 (as restated)	14,803,324	10,738,797	1,830,909	2,198,649	14,768,355
Cost					
At 1 January 2018 (as restated)	16,953,174	16,065,991	2,195,063	5,812,803	24,073,857
Additions	-	332,558	-	749,160	1,081,718
Transfer to investment property	-	-	-	(8,864)	(8,864)
Transfer from property,plant and equipment	-	-	-	13,994	13,994
Acquisition of subsidiary	-	-	-	153,629	153,629
Disposals	-	-	-	(60,559)	(60,559)
Exchange differences	(1,089,622)	(588,811)	(86,657)	(297,957)	(973,425)
At 31 December 2018	15,863,552	15,809,738	2,108,406	6,362,206	24,280,350
Amortisation and impairment					
At 1 January 2018 (as restated)	2,149,850	5,327,194	364,154	3,614,154	9,305,502
Charge for the year	-	730,850	92,432	740,759	1,564,041
Impairment losses	-	-	-	1,403	1,403
Disposals	-	-	-	(59,091)	(59,091)
Exchange differences	-	(205,991)	(24,960)	(208,944)	(439,895)
At 31 December 2018	2,149,850	5,852,053	431,626	4,088,281	10,371,960
Carrying amount					
At 31 December 2018	13,713,702	9,957,685	1,676,780	2,273,925	13,908,390

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Emirates Telecommunications Group Company PJSC
Notes to the consolidated financial statements for year ended 31 December 2018

11. Goodwill, other intangible assets *(continued)*

Others - net book values	2018 AED'000	2017 AED'000
Indefeasible rights of use	211,783	386,961
Computer software	1,095,020	1,227,368
Customer relationships	318,647	248,140
Others	648,475	336,180
	2,273,925	2,198,649

In 2017, an amount of AED 118.7 million was included in intangible assets on account of capitalisation of borrowing costs for the year.

12. Impairment loss on other assets

a) Impairment

The impairment losses recognised in the consolidated statement of profit or loss in respect of the carrying amounts of investments, goodwill, licenses and property, plant and equipment and other financial assets are as follows:

	2018 AED'000	2017 AED'000
Pakistan Telecommunication Company Limited (PTCL)	22,026	84,171
of which relating to property, plant and equipment (Note 13)	22,026	84,171
Etisalat UAE	45,344	172,199
of which relating to intangible asssets, property, plant and equipment (Note 11,13)	45,344	172,199
Etisalat Sri Lanka	56,340	206,122
of which relating to other assets/goodwill	56,340	206,122
Others	4,134	302,713
of which relating to loans to related party	-	183,700
of which relating to property, plant and equipment (Note 13)	4,134	118,514
of which other losses	-	499
Total impairment and other losses for the year	127,844	765,205

Impairment losses were primarily driven by increased discount rates as a result of increase in inflation in the operating countries and challenging economic and political conditions and negative currency movement as well as other operational reasons.

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Emirates Telecommunications Group Company PJSC
Notes to the consolidated financial statements for year ended 31 December 2018

12. Impairment loss on other assets *(continued)*

b) Cash generating units

Goodwill acquired in a business combination is allocated, at acquisition, to the CGUs that are expected to benefit from that business combination. The Group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired. The carrying amount of goodwill (all relating to operations within the Group's International reportable segment) is allocated to the following CGUs:

Cash generating units (CGU) to which goodwill is allocated:	2018 AED'000	2017 AED'000
Maroc Telecom	8,766,338	9,005,595
Maroc Telecom International Subsidiaries	1,853,777	1,878,328
Pakistan Telecommunication Company Limited (PTCL)	3,083,086	3,908,846
Etisalat Misr (Etisalat) S.A.E.	10,501	10,555
	13,713,702	14,803,324

Goodwill has been allocated to the respective segment based on the separately identifiable CGUs.

c) Key assumptions for the value in use calculations:

The key assumptions for the value in use calculations are those regarding the long term forecast cash flows, working capital estimates, discount rates and capital expenditure.

Long term cash flows and working capital estimates

The Group prepares cash flow forecasts and working capital estimates derived from the most recent annual business plan approved by the Board of Directors for the next five years. The business plans take into account local market considerations such as the revenues and costs associated with future customer growth, the impact of local market competition and consideration of the local macro-economic and political trading environment. This rate does not exceed the average long-term growth rate for the relevant markets and it ranges between 2.2% to 5.3% (2017: 2.7% to 4.2%).

Discount rates

The discount rates applied to the cash flows of each of the Group's operations are based on an internal study conducted by the management. The study utilised market data and information from comparable listed mobile telecommunications companies and where available and appropriate, across a specific territory. The pre-tax discount rates use a forward looking equity market risk premium and ranges between 9.0% to 21.7% (2017: 9.2% to 21.6%).

Capital expenditure

The cash flow forecasts for capital expenditure are based on past experience and include the ongoing capital expenditure required to continue rolling out networks in emerging markets, providing voice and data products and services, and meeting the population coverage requirements of certain licenses of the Group. Capital expenditure includes cash outflows for the purchase of property, plant and equipment and other intangible assets.

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Emirates Telecommunications Group Company PJSC
Notes to the consolidated financial statements for year ended 31 December 2018

13. Property, plant and equipment

	Land and buildings AED'000	Plant and equipment AED'000	Motor vehicles, computer, furniture AED'000	Assets under construction AED'000	Total AED'000
Cost					
At 1 January 2017 (as restated)	10,433,619	61,979,146	5,521,552	3,535,255	81,469,572
Additions	126,312	2,530,787	150,786	4,497,920	7,305,805
Reclassification	-	-	-	669,099	669,099
Transfer to inventory	-	-	-	(16,451)	(16,451)
Transfer to investment property	(871)	(118)	(16,159)	-	(17,148)
Transfers	(123,033)	5,503,441	(438,107)	(5,580,311)	(638,010)
Disposals	(1,770)	(1,834,877)	(128,277)	(4,396)	(1,969,320)
Reclassified as held for sale	17	(2,835)	(647)	66,374	62,909
Exchange differences	208,787	2,337,109	263,684	5,671	2,815,251
At 31 December 2017 (as restated)	10,643,061	70,512,653	5,352,832	3,173,161	89,681,707
Depreciation and impairment					
At 1 January 2017 (as restated)	2,636,898	32,820,281	3,596,418	59,767	39,113,364
Charge for the year	234,712	4,911,658	470,394	-	5,616,764
Impairment losses	-	259,706	-	122,569	382,275
Disposals	(2,096)	(1,560,814)	(99,027)	-	(1,661,937)
Transfers	5,717	558,557	(482,025)	-	82,249
Reclassified as held for sale	-	(90,604)	(2,416)	-	(93,020)
Exchange differences	173,912	1,476,681	255,530	(14)	1,906,109
At 31 December 2017 (as restated)	3,049,143	38,375,465	3,738,874	182,322	45,345,804
Carrying amount					
At 31 December 2017 (as restated)	7,593,918	32,137,188	1,613,958	2,990,839	44,335,903
Cost					
At 1 January 2018	10,643,061	70,512,653	5,352,832	3,173,161	89,681,707
Additions	175,785	1,695,713	73,035	5,353,283	7,297,816
Transfer to intangible assets	-	-	-	(13,994)	(13,994)
Transfer from/(to) investment property	168	(414)	7,054	-	6,808
Transfers	203,649	2,858,253	575,901	(3,637,803)	-
Disposals	(22,524)	(1,496,212)	(185,725)	(40,370)	(1,744,831)
Exchange differences	(1,020,787)	(5,096,975)	(119,812)	(115,456)	(6,353,030)
At 31 December 2018	9,979,352	68,473,018	5,703,285	4,718,821	88,874,476
Depreciation and impairment					
At 1 January 2018	3,049,143	38,375,465	3,738,874	182,322	45,345,804
Charge for the year	266,492	4,894,331	479,614	-	5,640,437
Impairment losses	316	62,296	3,383	4,106	70,101
Disposals	(18,876)	(1,438,697)	(183,570)	-	(1,641,143)
Exchange differences	(105,592)	(3,589,101)	(88,724)	(9)	(3,783,426)
At 31 December 2018	3,191,483	38,304,294	3,949,577	186,419	45,631,773
Carrying amount					
At 31 December 2018	6,787,869	30,168,724	1,753,708	4,532,402	43,242,703

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Notes to the consolidated financial statements for year ended 31 December 2018

13. Property, plant and equipment *(continued)*

The carrying amount of the Group's land and buildings includes a nominal amount of AED 1 (2017: AED 1) in relation to land granted to the Group by the Federal Government of the UAE. There are no contingencies attached to this grant and as such no additional amounts have been included in the consolidated statement of profit or loss or the consolidated statement of financial position in relation to this.

Certain assets were reclassified from intangibles to assets under construction to conform to the current year presentation.

An amount of AED 11.1 million (2017: AED 6.6 million) is included in property, plant and equipment on account of capitalisation of borrowing costs for the year.

Borrowings are secured against property, plant and equipment with a net book value of AED 1,857 million (2017: AED 2,293 million).

Assets under construction include buildings, multiplex equipment, line plant, exchange and network equipment.

14. Investment property

Investment property, which is property held to earn rentals and/or for capital appreciation, is stated at depreciated cost and included separately under non-current assets in the consolidated statement of financial position.

	2018 AED'000	2017 AED'000
Cost		
At 1 January	66,979	49,831
Net transfer from intangible assets and property, plant and equipment	2,056	17,148
At 31 December	69,035	66,979
Depreciation		
At 1 January	26,854	22,601
Charge for the year	5,992	4,253
At 31 December	32,846	26,854
Carrying amount at 31 December	36,189	40,125
Fair value at 31 December	55,990	53,061

Investment property rental income and direct operating expenses	2018 AED'000	2017 AED'000
Property rental income	8,862	9,118
Direct operating expenses	885	809

The fair value of the Group's investment property has been determined based on the Construction Replacement Cost Approach (Cost approach), which reflects the amount that would be required currently to replace the service capacity of the asset. The construction replacement cost of the asset was determined with reference to Turner International Construction Index. Accordingly, the fair value is classified as level 3 of the fair value hierarchy.

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15. Subsidiaries

a) The Group's principal subsidiaries are as follows:

Name		Country of incorporation	Principal activity	Percentage shareholding 2018	Percentage shareholding 2017
Emirates Telecommunications and Marine Services FZE		UAE	Telecommunications services	100%	100%
Emirates Cable TV and Multimedia LLC		UAE	Cable television services	100%	100%
Etisalat International Pakistan LLC		UAE	Holds investment in Pakistan Telecommunication Co. Ltd	90%	90%
E-Marine PJSC		UAE	Submarine cable activities	100%	100%
Etisalat Services Holding LLC		UAE	Infrastructure services	100%	100%
Etisalat Software Solutions (Private) Limited		India	Technology solutions	100%	100%
Etisalat Technology Services LLC		UAE	Technology solutions	100%	100%
Etisalat Afghanistan		Afghanistan	Telecommunications services	100%	100%
Etisalat Misr S.A.E.		Egypt	Telecommunications services	66.4%	66%
Atlantique Telecom S.A.		Togo	Telecommunications services	100%	100%
Etisalat Lanka (Pvt.) Limited	Note 40	Sri Lanka	Telecommunications services	-	100%
Pakistan Telecommunication Company Limited		Pakistan	Telecommunications services	23% *	23% *
Etisalat Investment North Africa LLC		UAE	Holds investment Société de Participation dans les Télécommunications (SPT)	91.3%	91.3%
Société de Participation dans les Télécommunications (SPT)		Kingdom of Morocco	Holds investment in Maroc Telecom	91.3%	91.3%
Etisalat Al Maghrib S.A (Maroc Telecom)		Kingdom of Morocco	Telecommunications services	48% *	48% *
Etisalat Mauritius Private Limited		Mauritius	Holds investment in Etisalat DB Telecom Private Limited	100%	100%
Ubiquitous Telecommunications Technology LLC	Note 43	UAE	Installation and management of network systems	85%	50%

On 30 November 2018, the Group and CK Hutchison Holding Limited ("CKHH Group'') have completed the combination of their operations in Sri Lanka, Etisalat Lanka (Private) Limited ("ESL") and Hutchison Telecommunications Lanka (Private) Limited ("Hutch Lanka") after securing all necessary approvals. Accordingly Group has 15% ownership whilst CKHH Group has a majority and controlling stake of 85% of Hutch Lanka.

On 17 April 2018, Maroc Telecom completed the acquisition of an additional 10% stake in ONATEL S.A. on the Abidjan Regional Stock Exchange for EUR 41 million (AED 185 million), bringing its total shareholding in the ONATEL S.A. to 61%.

* The Group has voting rights of 53% in Maroc Telecom and 58% Pakistan Telecommunication Company Limited, including the appointment of a majority of the Board of Directors and key management personnel.

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15. Subsidiaries *(continued)*

b) Disclosures relating to subsidiaries

Information relating to subsidiaries that have non-controlling interests that are material to the Group are provided below:

	Maroc Telecom consolidated	PTCL consolidated	Etisalat Misr consolidated
AED'000		2018	
Information relating to non-controlling interests:			
Non-controlling interest (shareholding %)	51.6%	76.6%	34%
Profit for the year	1,388,704	341,883	95,495
Other comprehensive loss	(224,739)	(1,343,607)	(7,923)
Dividends	(1,415,427)	(112,605)	-
Non-controlling interests as at 31 December	6,719,358	4,084,584	1,470,767
Summarised information relating to subsidiaries:			
Current assets	5,413,412	2,869,260	1,272,250
Non-current assets	33,355,397	12,452,351	6,516,123
Current liabilities	14,447,865	5,782,951	2,108,373
Non-current liabilities	3,181,203	3,843,839	1,219,417
AED'000		2017 (Restated)	
Information relating to non-controlling interests:			
Non-controlling interest (shareholding %)	51.6%	76.6%	34%
Profit for the year	1,211,073	46,875	74,722
Total comprehensive (loss)/profit	672,506	(347,232)	76,273
Dividends	(1,342,586)	(132,090)	-
Non-controlling interests as at 31 December	7,113,545	5,198,913	1,382,491
Summarised information relating to subsidiaries:			
Current assets	5,422,168	3,012,261	2,056,641
Non-current assets	34,802,538	15,791,710	6,464,194
Current liabilities	14,758,876	5,720,402	2,218,676
Non-current liabilities	3,475,923	4,785,976	2,137,306

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15. Subsidiaries *(continued)*

c) Movement in non-controlling interests

The movement in non-controlling interests is provided below:

	2018 AED'000	2017 (Restated) AED'000
As at 1 January	13,688,928	13,235,581
Total comprehensive income:		
Profit for the year	1,827,175	1,332,363
Remeasurement of defined benefit obligations - net of tax	(77,235)	(36,534)
Exchange differences on translation of foreign operations	(1,494,846)	437,134
Loss on revaluation of investment classified as fair value through OCI	(2,617)	(27)
Fair value gain arising during the year	-	842
Other movement in equity	4,132	(13,835)
Transaction with owners:		
Acquisition of a subsidiary	30,939	-
Capital contribution by non-controlling interest	16,740	284,171
Repayment of advances to non-controlling interest	(29,780)	(76,091)
Acquisition of additional stake in a subsidiary	(134,328)	-
Dividends	(1,530,732)	(1,474,676)
As at 31 December	12,298,376	13,688,928

16. Share of results of associates and joint ventures

	2018 AED'000	2017 (Restated) AED'000
Associates (Note 17 b)	(33,619)	(193,450)
Joint ventures (Note 17 g)	6,980	13,658
Total	(26,639)	(179,792)

a) 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.

Further, during the previous year, 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 have been completed as at the date of the consolidated financial statements for the year ended 31 December 2018.

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

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16. Share of results of associates and joint ventures *(continued)*

the Group does not have significant influence on EMTS, the investment in the associate has been derecognised in the consolidated financial statements.

b) Further to the announcement on 26th April 2018, Etisalat Group has completed the sale of its 28.04% direct shareholding in Thuraya to Star Satellite Communication Company PJSC, an SPV owned by Al Yah Satellite Communications Company (""Yahsat"") on 1st August 2018 after securing all regulatory approvals and Yashat's condition of acquiring at least 75.001% ownership in Thuraya.

The final consideration amounted to USD 0.0553 per share, equivalent to consideration of USD 37 million (AED 137 million). Accordingly, gain on sale of investment in Thuraya amounting to AED 70.3 million has been included in the results for the year from discontinued operations (note 40).

c) On 1 May 2018, Etisalat Group completed the acquisition of additional 35% stake in Ubiquitous Telecommunications Technology LLC ("UTT") which was a joint venture. Accordingly, the share of results of UTT have been recognised until 30 April 2018 only and thereafter UTT has been consolidated as a subsidiary.

17. Investment in associates and joint ventures

	2018 AED'000	2017 (Restated) AED'000
Associates (Note 17b)	4,070,642	4,166,031
Joint ventures (Note 17 g)	58,626	82,015
Total	4,129,268	4,248,046

a) Associates

Name	Country of incorporation	Principal activity	Percentage shareholding 2018	2017
Etihad Etisalat Company ("Mobily")	Saudi Arabia	Telecommunications services	28%	28%
Thuraya Telecommunications Company PJSC ("Thuraya")	UAE	Satellite communication services	-	28%
Hutch Telecommunications Lanka (Private) Limited ("Hutch")	Sri Lanka	Telecommunications services	15%	-
Digital Financial Services LLC	UAE	Digital Wallet services	50%	-

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

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

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17. Investment in associates and joint ventures *(continued)*

b) Movement in investments in associates

The movement in non-controlling interests is provided below:

	Mobily 2018 AED'000	Mobily 2017 (Restated) AED'000	All Associates 2018 AED'000	All Associates 2017 (Restated) AED'000
Carrying amount at 1 January	4,093,285	4,184,567	4,166,031	4,284,778
Share of results (Note 16)	(33,619)	(170,726)	(33,619)	(193,450)
Additions during the year	-	83,963	24,995	106,710
Disposal of an associate	-	-	(72,341)	-
Exchange differences	(5,570)	(4,519)	(5,570)	(4,519)
Other movements	-	-	(131)	-
Remeasurement of defined benefit obligations – net of tax	(8,723)	-	(8,723)	-
Reclassified as held for sale	-	-	-	(27,488)
Carrying amount at 31 December	4,045,373	4,093,285	4,070,642	4,166,031

c) Reconciliation of the above summarised financial information to the net assets of the associates

	Mobily 2018 AED'000	Mobily 2017 (Restated) AED'000	All Associates 2018 AED'000	All Associates 2017 (Restated) AED'000
Net assets	13,577,977	13,958,784	13,627,977	14,984,681
Our share in net assets of associates	3,800,883	3,907,482	3,825,878	4,179,878
Others *	244,490	185,803	244,764	186,153
Impairment	-	-	-	(200,000)
	4,045,373	4,093,285	4,070,642	4,166,031

* "Others" include an amount of AED 150 million (2016: AED 150 million) relating to premium paid on rights issue in prior years.

d) Aggregated amounts relating to associates

	Mobily 2018 AED'000	Mobily 2017 (Restated) AED'000	All Associates 2018 AED'000	All Associates 2017 (Restated) AED'000
Current assets	6,954,700	8,169,324	7,004,700	8,394,455
Non-current assets	30,800,075	31,461,148	30,800,075	32,483,354
Current liabilities	(11,313,461)	(11,669,978)	(11,313,461)	(11,861,317)
Non-current liabilities	(12,863,337)	(14,001,710)	(12,863,337)	(14,031,811)
Net assets	13,577,977	13,958,784	13,627,977	14,984,681
Revenue	11,614,129	11,116,897	11,799,005	11,485,050
Loss	(120,073)	(694,301)	(140,317)	(791,086)
Total comprehensive loss	(166,766)	(686,664)	(187,010)	(783,449)

The share of results and carrying amounts of assets and liabilities of Mobily have been adjusted to comply with the Group accounting policies.

17. Investment in associates and joint ventures *(continued)*

e) Market value of an associate

The shares of one of the Group's associates are quoted on public stock markets and it is classified as "Level-1" fair value. The market value of the Group's shareholding based on the quoted prices is as follows:

	2018 AED'000	2017 AED'000
Etihad Etisalat Company ("Mobily")	3,498,715	3,130,408

f) Joint ventures

Name		Country of incorporation	Principal activity	Percentage shareholding 2018	Percentage shareholding 2017
Ubiquitous Telecommunications Technology LLC ("UTT")	Note 15 & 43	UAE	Installation and management of network systems	85%	50%
Smart Technology Services DWC – LLC		UAE	ICT Services	50%	50%

g) Aggregated amounts relating to joint ventures

	2018 AED'000	2017 AED'000
Carrying amount at 1 January	82,015	70,887
Share of results	6,980	13,658
Derecognition of UTT	(26,383)	-
Reclassified during the year	-	2,470
Dividends	(3,986)	(5,000)
Carrying amount at 31 December	58,626	82,015

h) Aggregated amounts relating to joint ventures

	2018 AED'000	2017 AED'000
Current assets (including cash and cash equivalents AED 26,825 thousand (2017: AED 52,055 thousand)	272,117	372,336
Non-current assets	9,023	12,297
Current liabilities (including current financial liabilities excluding trade and other payables and provisions of AED 68,034 thousand (2017: AED 15,477 thousand)	(155,100)	(210,683)
Non-current liabilities (including non-current financial liabilities excluding trade and other payables and provisions of AED Nil thousand (2017 : AED 1,579 thousand)	(8,592)	(9,475)
Net assets	117,448	164,475
Revenue	296,816	416,735
Depreciation and amortisation	4,977	5,047
Interest expenses	706	171
Profit or loss	7,932	27,356

The Group has not identified any contingent liabilities or capital commitments in relation to its interest in joint ventures.
* As described in note 16(c) UTT became a subsidiary of the Group effective from 1 May 2018.

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18. Other investments

	Fair value through profit and loss AED'000	FVTOCI AED'000	Amortizied cost AED'000	Total AED'000
At 1 January 2017	48,183	482,387	348,637	879,207
Transfer	280,643	(280,643)	-	-
Additions	790,574	57,506	219,693	1,067,773
Disposal	(12,701)	(59,161)	(329,682)	(401,544)
Fair value changes	146,971	3,937	757	151,665
Unwinding of interest	-	-	(13,848)	(13,848)
Exchange differences	3,627	14,264	-	17,891
At 31 December 2017	1,257,297	218,290	225,557	1,701,144

	Fair value through profit and loss AED'000	FVTOCI AED'000	Amortised cost AED'000	Total AED'000
At 1 January 2018	1,257,297	218,290	225,557	1,701,144
Additions	4,294	74,347	595,760	674,401
Disposal	(20,648)	(28,291)	(3,227)	(52,166)
Fair value changes	(125,194)	(10,922)	-	(136,116)
Unwinding of interest	-	-	(257)	(257)
Exchange differences	2,571	(4,429)	-	(1,858)
At 31 December 2018	1,118,320	248,995	817,833	2,185,148

The financial assets at amortised cost includes investments in Abu Dhabi Government bonds, Sukuks and other bonds. At 31 December 2018, the market value of the investment in these bonds was AED 809 million (2017: AED 222 million).

19. Related party transactions

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

a) Federal Government and state controlled entities

As stated in Note 1, in accordance with Federal Law No. 267/10 for 2009, the Federal Government of the UAE transferred its 60% holding in the Company to the Emirates Investment Authority with effect from 1 January 2008, which is ultimately controlled by the UAE Federal Government. The Group provides telecommunication services to the Federal Government (including Ministries and local bodies). These transactions are at agreed 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 (2017: AED 1,334 million), which are net of allowance for doubtful debts of AED 202 million (2017: AED 197 million), receivable from Federal Ministries and local bodies. See Note 7 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.

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19. Related party transactions *(continued)*

	Associates		Joint Ventures	
	2018 AED'000	2017 AED'000	2018 AED'000	2017 AED'000
Trading transactions				
Telecommunication services – sales	196,696	105,161	-	-
Telecommunication services – purchases	77,661	65,444	1,333	-
Management and other services	8,398	32,399	567	1,700
Due from related parties as at 31 December	62,820	146,059	57,586	41,183
Due to related parties as at 31 December	-	-	1,737	-

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

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

i. Etihad Etisalat Company

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

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

In 2017, the Group acquired additional shareholding of 0.53% in Mobily.

ii. Thuraya Telecommunications Company PJSC

The Company provides a primary gateway facility to Thuraya including maintenance and support services. The Company receives annual income from Thuraya in respect of these services.

As described in Note 16 (b), the stake in Thuraya has been disposed of during the year."

c) Remuneration of key management personnel

The remuneration of the Board of Directors and other members of key management personnel of the Company, is set out below.

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19. Related party transactions *(continued)*

	2018 AED'000	2017 AED'000
Long- term benefits	1,397	1,412
Short-term benefits	59,420	57,463

20. Inventories

	2018 AED'000	2017 AED'000
Subscriber equipment	377,632	370,656
Maintenance and consumables	402,754	249,652
Obsolescence allowances	(53,583)	(62,567)
Net Inventories	726,803	557,741

Movement in obsolescence allowances

	2018 AED'000	2017 AED'000
At 1 January	62,567	50,010
Net increase in obsolescence allowances	(8,981)	11,827
Exchange differences	(3)	2,303
Reclassification	-	(1,573)
At 31 December	53,583	62,567
Inventories recognised as an expense during the year in respect of continuing operations	2,671,744	2,730,200

21. Trade and other receivables

	2018 AED'000	2017 (Restated) AED'000
Amount receivable for services rendered	10,313,677	10,272,890
Amounts due from other telecommunication operators/carriers	4,314,879	6,193,563
Total gross carrying amount	14,628,556	16,466,453
Lifetime expected credit loss	(2,764,488)	(2,594,631)
Net trade receivables	11,864,068	13,871,822
Prepayments	839,703	690,972
Accrued income	794,418	787,345
Advances to suppliers	1,142,309	1,217,369
Indirect taxes receivable	350,141	420,782
Other receivables	1,202,737	1,027,446
At 31 December	16,193,376	18,015,736
Total trade and other receivables	16,193,376	18,015,736
of which current trade and other receivables	15,884,208	17,803,879
of which non-current other receivables	309,168	211,857

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21. Trade and other receivables *(continued)*

The Group's normal credit terms ranges between 30 and 120 days (2017: 30 and 120 days).

The Group recognises lifetime expected credit loss (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 and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate 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.

The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings.

Trade receivable – as on 31 December 2018	Upto 60 days AED'000	61-90 days AED'000	90-365 days AED'000	Over one year AED'000	Total AED'000
Expected credit loss rate	0% to 50%	5% to 75%	5% to 100%	31% to 100%	
Estimated total gross carrying amount	5,061,222	722,853	2,557,647	6,286,834	14,628,556
Lifetime expected credit loss	(331,319)	(170,133)	(605,922)	(1,657,114)	(2,764,488)
Net trade receivables	4,729,903	552,720	1,951,725	4,629,720	11,864,068

Trade receivable – as on 31 December 2017	Upto 60 days AED'000	61-90 days AED'000	90-365 days AED'000	Over one year AED'000	Total AED'000
Expected credit loss rate	0% to 50%	0% to 75%	0% to 100%	20% to 100%	
Estimated total gross carrying amount	8,074,080	898,350	3,702,410	3,791,613	16,466,453
Lifetime expected credit loss	(622,593)	(160,404)	(714,988)	(1,096,646)	(2,594,631)
Net trade receivables	7,451,487	737,946	2,987,422	2,694,967	13,871,822

Movement in lifetime Expected Credit Losses:	2018 AED'000	2017 AED'000
At 1 January	2,594,631	2,118,831
Net increase in allowance for doubtful debts, net of write off	247,616	467,704
Acquisition of subsidiary	2,404	-
Exchange differences	(80,163)	18,555
Reclassified as held for sale	-	(10,459)
At 31 December	2,764,488	2,594,631

No interest is charged on the trade receivable balances. With respect to the amounts receivable from the services rendered, the Group holds AED 223 million (2017: AED 220 million) of collateral in the form of cash deposits from customers. Collateral with fair value of AED 142 million (2017: AED 107 million) are held against loans to customers.

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22. Contract assets

	2018 AED'000	2017 (Restated) AED'000	2016 (Restated) AED'000
Cost to acquire	446,812	426,002	431,814
Cost to fulfill	290,176	245,753	215,534
Unbilled revenue	965,661	743,423	753,657
	1,702,649	1,415,178	1,401,005
	1,270,108	1,193,467	1,195,735
of which current contract assets	432,541	221,711	205,270
of which non-current contract assets	1,702,649	1,415,178	1,401,005

23. Finance lease receivables

	2018 AED'000	2017 AED'000
Current finance lease receivables	42,379	38,223
Non-current finance lease receivables	174,827	209,491
	217,206	247,714

23.1 Amounts receivable under finance leases

	Minimum lease payments		Present value of minimum lease payments	
	2018 AED'000	2017 AED'000	2018 AED'000	2017 AED'000
Amounts receivable under finance lease				
Within one year	57,959	57,553	42,379	38,223
Between 2 and 5 years	199,860	250,157	174,827	209,491
	257,819	307,710	217,206	247,714
Less: future finance income	(40,613)	(59,996)	-	-
Present value of lease payments receivables	217,206	247,714	217,206	247,714
Allowances for uncollectible lease payments	20,881	33,568	20,881	33,568

The Group recognizes lifetime expected credit loss (ECL) for finance lease receivables using the simplified approach. The expected credit losses on these financial assets are estimated using external credit data which incorporating general economic conditions of the industry in which the debtors operate 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.

The interest rate inherent in the leases is fixed at the contract date for the entire lease term. The average effective interest rate contracted is approximately 6.5% per annum.

All present amounts receivable are guaranteed by an appointed guarantor who is obligated to pay unconditionally all due amounts upon failure to pay within 45 days of receiving notice.

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24. Cash and cash equivalents

	2018 AED'000	2017 AED'000
Maintained in UAE	26,613,841	24,344,342
Maintained overseas, unrestricted in use	1,717,698	1,839,546
Maintained overseas, restricted in use	29,592	956,205
Cash and bank balances	28,361,131	27,140,093
Reclassified as held for sale	-	(14,935)
Cash and bank balances from continuing operations	28,361,131	27,125,158
Less: Deposits with maturities exceeding three months from the date of deposit	(17,542,123)	(23,276,525)
Cash and cash equivalents from continuing operations	10,819,008	3,848,633

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.

25. Trade and other payables

	2018 AED'000	2017 AED'000
Current		
Federal royalty	5,588,879	5,735,532
Trade payables	6,798,211	6,603,303
Amounts due to other telecommunication administrators	3,836,235	5,425,492
Accruals	8,117,559	7,405,725
Indirect taxes payable	1,370,507	1,291,975
Advances from customers	436,870	601,495
Other payables	2,148,892	2,747,808
At 31 December	28,297,153	29,811,330
Non-current		
Other payables and accruals	1,523,739	1,477,540
At 31 December	1,523,739	1,477,540

Federal royalty for the year ended 31 December 2018 is to be paid as soon as the consolidated financial statements have been approved but not later than 4 months from the year ended 31 December 2018.

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26. Contract liabilities

	2018 AED'000	2017 (Restated) AED'000
Current		
Deferred revenues	3,120,117	2,984,640
Material right / customer loyalty	145,699	153,640
	3,265,816	3,138,279
Non-current		
Deferred revenues	21,145	11,389
	21,145	11,389

Revenue recognized during the year that was included in the contract liability balance at the beginning of the year amounted to AED 3,150 millions (2017: AED 3,005 millions) respectively.

27. Borrowings

Details of the Group's bank and other borrowings are as follows:

	Fair Value		Carrying Value	
	2018 AED'000	2017 AED'000	2018 AED'000	2017 AED'000
Bank borrowings				
Short term bank borrowings	3,895,831	3,651,427	3,895,831	3,651,427
Bank loans	3,381,637	4,517,747	3,523,137	4,598,837
Other borrowings				
Bonds	15,771,460	16,576,816	15,112,449	15,528,641
Vendor financing	444,393	399,098	445,137	481,420
Others	3,944	3,780	4,260	4,081
	23,497,265	25,148,868	22,980,814	24,264,406
Advances from non controlling interest			544,846	548,024
Total Borrowings			23,525,660	24,812,430
Reclassified as held for sale			-	(107,089)
Borrowings from continuing operations			23,525,660	24,705,341
of which due within 12 months			8,552,469	4,670,208
of which due after 12 months			14,973,191	20,035,133

Advances from non-controlling interest 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 from the 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.

External borrowings of AED 2,468 million (2017: AED 2,337 million) are secured by property, plant and equipment.

On 28 April 2014, the Group had entered into multi-currency facilities agreement for EUR 3.15 billion (AED 15.9 billion) with a syndicate of local and international banks for the purpose of financing the Group's acquisition of its stake in Maroc Telecom. Financing consisted of two facilities: Tranche A was a twelve months bridge loan amounting to EUR 2.1 billion (AED 10.6 billion) at a price of Euribor plus 45 basis points for the first six months increased by 15 basis points in each of the following three months. Tranche B was a three year term loan amounting to EUR 1.05 billion (AED 5.3 billion) at a price of

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27. Borrowings *(continued)*

Euribor plus 87 basis points. Both these tranches have been settled in June 2014 following issuance of bonds as mentioned below.

On 22 May 2014, the Group completed the listing of USD 7 billion (AED 25.7 billion) Global Medium Term Note (GMTN) programme which will be used to meet medium to long-term funding requirements on the Irish Stock Exchange (""ISE""). Under the programme, Etisalat can issue one or more series of conventional bonds in any currency and amount up to USD 7 billion. The listed programme was rated Aa3 by Moody's, AA- by Standard & Poor's and A+ by Fitch rating.

On 11 June 2014, the Group issued the inaugural bonds under the GMTN programme. The issued bonds were denominated in US Dollars and Euros and consisted of four tranches:

a. 5 years tranche: USD 500 million with coupon rate of 2.375% per annum

b. 7 years tranche: EUR 1,200 million with coupon rate of 1.750% per annum

c. 10 years tranche: USD 500 million with coupon rate of 3.500% per annum

d. 12 years tranche: EUR 1,200 million with coupon rate of 2.750% per annum

The effective date for the bonds term was 18 June 2014. Net proceeds from the issuance of the bonds were used for repayment of previously outstanding facilities of EUR 3.15 billion.

In May 2015, the Group issued additional bonds amounting to USD 400 million under the existing USD 5 years tranches. "

As at 31 December 2018, the total amounts in issue under GMTN programme split by currency are USD 1.4 billion (AED 5.14 billion) and Euro 2.4 billion (AED 10.08 billion) as follows:

	Nominal Value	Fair Value	Carrying Value
	2018 AED'000	2018 AED'000	2018 AED'000
Bonds			
2.375% US dollar 900 million notes due 2019	3,306,600	3,287,071	3,305,240
3.500% US dollar 500 million notes due 2024	1,837,000	1,796,367	1,821,816
Bonds in net investment hedge relationship			
1.750% Euro 1,200 million notes due 2021	5,263,680	5,218,187	5,014,193
2.750% Euro 1,200 million notes due 2026	5,263,680	5,469,835	4,971,200
At 31 December 2018	15,670,960	15,771,460	15,112,449
of which due within 12 months			3,305,240
of which due after 12 months			11,807,209

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27. Borrowings *(continued)*

	Nominal Value	Fair Value	Carrying Value
	2017 AED'000	2017 AED'000	2017 AED'000
Bonds			
2.375% US dollar 900 million notes due 2019	3,306,600	3,313,510	3,306,576
3.500% US dollar 500 million notes due 2024	1,837,000	1,885,019	1,820,230
Bonds in net investment hedge relationship			
1.750% Euro 1,200 million notes due 2021	5,263,680	5,529,970	5,222,511
2.750% Euro 1,200 million notes due 2026	5,263,680	5,848,317	5,179,324
At 31 December 2017	15,670,960	16,576,816	15,528,641
of which due within 12 months			-
of which due after 12 months			15,528,641

The terms and conditions of the Group's bank and other borrowings are as follows:

	Year of maturity	Curreny	Interest rate	Carrying Value 2018 AED'000	Carrying Value 2017 AED'000
Variable interest borrowings					
Secured bank loans	2023	USD	3M LIBOR and 2.9 Percent	947,726	1,007,254
Unsecured bank loans	2023	EGP	Lending Corridor 0.5%-0.75%	382,693	1,227,252
Unsecured bank loans	2018	EGP	Lending Corridor 0.10% to 0.25%	-	295,394
Unsecured vendor financing	2023	PKR	6.43% to 9.34%	444,393	480,601
Unsecured short term bank borrowings	2019	EGP	Mid corridor	40,430	44,230
Secured bank loans	2018	LKR	3M SLIBOR+4%	-	7,494
Secured bank loans	2025	PKR	3 Month KIBOR + (0.24% to 0.75%)	684,991	910,573
Secured bank loans	2018	USD	6M LIBOR + 1.6%	-	47,731
Unsecured bank loans	2018	USD	3M Libor + 1.9%	-	33,224
Unsecured short term bank borrowings	2018	USD	1M LIBOR and 4.20%	-	107,873
Secured bank loans	2022	PKR	6 Month KIBOR + (0.75% to 2%)	144,748	49,950
Secured short term bank borrowings	On-going	PKR	6.65%	32,184	-
Unsecured short term bank borrowings	2019	EGP	Lending corridor minus 0.25 percent and minus 0.30 percent	55,695	-
Unsecured short term bank borrowings	2019	EGP	Mid corridor and 0.25 Percent	147,117	-
Fixed interest borrowings					
Unsecured short term bank borrowings	2019	MAD	3.5%	3,116,367	2,950,784
Secured bank loans	2019	FCFA	4.5% to 6%	141,788	105,114
Secured bank loans	2019	EURO	4.8%	80,100	-
Secured short term bank borrowings	2019	FCFA	5.5%	76,896	65,458
Unsecured bank loans	2023	FCFA	2% to 8%	601,355	789,952
Secured bank loans	2023	FCFA	5% to 8%	233,646	111,130
Secured bank loans	2023	FCFA	5.5%	160,201	-
Unsecured short term bank borrowings	2019	FCFA	6% to 8.5%	389,017	59,399

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Notes to the consolidated financial statements for year ended 31 December 2018

27. Borrowings *(continued)*

	Year of maturity	Curreny	Interest rate	Carrying Value 2018 AED'000	Carrying Value 2017 AED'000
Other borrowings					
Advance from non-controlling interest	N/A	USD	Interest free	544,846	548,024
Bonds	2019	USD	2.375%	1,834,906	1,833,017
Bonds	2019	USD	2.375%	1,470,334	1,473,559
Bonds	2024	USD	3.500%	1,821,816	1,820,230
Bonds	2021	EURO	1.750%	5,014,193	5,222,511
Bonds	2026	EURO	2.750%	4,971,200	5,179,323
Others	Various	Various	Various	189,018	442,353
Total Borrowings				23,525,660	24,812,430
Reclassified as held for sale				-	(107,089)
				23,525,660	24,705,341

a) Interest rates

The weighted average interest rate paid during the year on bank and other borrowings is set out below:

	2018	2017
Bank borrowings	6.4%	8.2%
Other borrowings	2.7%	2.6%

b)Available facilities

At 31 December 2018, the Group had AED 2,752 million (2017: AED 3,369 million) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met.

Subsequent to the year end, the Group signed a facility agreement with a bank for an amount of US$ 725 million towards general corporate and working capital purposes (including to refinance existing bonds of the Group maturing in June 2019).
As of the date of authorization of these consolidated financial statements, the Group has not drawn any amount from the facility.

c) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows from financing activities.

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Emirates Telecommunications Group Company PJSC
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27. Borrowings *(continued)*

c) Reconciliation of liabilities arising from financing activities *(continued)*

The terms and conditions of the Group's bank and other borrowings are as follows:

	1 January 2018 AED'000	Proceeds AED'000	Repayments AED'000	Exchange differences AED'000	Closing balance AED'000
Borrowings and finance lease obligations	22,289,057	2,675,872	(3,046,853)	(811,480)	23,528,062

The terms and conditions of the Group's bank and other borrowings are as follows:

	1 January 2017 AED'000	Proceeds AED'000	Repayments AED'000	Exchange differences AED'000	Closing balance AED'000
Borrowings and finance lease obligations	22,289,057	3,558,667	(2,954,075)	1,816,874	24,710,523

28. Net investment hedge relationships and derivatives

In prior years, Euro bonds issued (refer to Note 27) and cross currency swaps have been designated as net investment hedges.

The terms and conditions of the Group's bank and other borrowings are as follows:

	2018 AED'000	2017 AED'000
Borrowings and finance lease obligations	290,229	(1,148,302)

During prior period the Group has cross currency USD-EUR swaps which are designated as hedges of net investment. The fair value of derivatives are as follows:

	2018 AED'000	2017 AED'000
Fair value of forward contracts and options (derivative financial liabilities/derivative financial assets)	(20,632)	6,509
Fair value of interest rate swaps (derivative financial assets/ derivative financial liabilities)	1,011	3,972
Fair value of derivative swaps (derivative financial liabilties)	(40,005)	(79,149)

The fair value of bonds designated as hedge is disclosed in Note 27.

In 2017, the Group executed unwinding of a USD - EUR cross currency swap and received cash of AED 173 million. During the period, one of the derivatives matured and the Group received cash of AED 15 million.

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29. Payables related to investments and licenses

	Current AED'000	Non-current AED'000	Total AED'000
At 31 December 2018			
Investments			
Etisalat International Pakistan LLC	2,936,653	-	2,936,653
Atlantique Telecom S.A.	11,022	-	11,022
Licenses			
Maroc Telecom	157,958	41,652	199,610
	3,105,633	41,652	3,147,285
At 31 December 2017			
Investments			
Etisalat International Pakistan LLC	2,936,653	-	2,936,653
Atlantique Telecom S.A.	11,022	-	11,022
Licenses			
Maroc Telecom	321,841	90,353	412,194
	3,269,516	90,353	3,359,869

According to the terms of the share purchase agreement between Etisalat International Pakistan LLC and the Government of Pakistan ("GOP") payments of AED 6,612 million (2017: AED 6,612 million) have been made to GOP with the balance of AED 2,937 million (2017: AED 2,937 million) to be paid. The amounts payable are being withheld pending completion of certain conditions in the share purchase agreement related to the transfer of certain assets to PTCL.

All amounts payable on acquisitions are financial liabilities measured at amortised cost and are mostly denominated in either USD, AED or PKR.

30. Finance lease obligations

	Minimum lease payments		Present value of minimum lease payments	
	2018 AED'000	2017 AED'000	2018 AED'000	2017 AED'000
Amounts payable under finance lease				
Within one year	2,000	3,577	1,993	3,273
Between 2 and 5 years	257	1,965	86	1,909
After 5 years	288	-	323	-
	2,545	5,542	2,402	5,182
Less: future finance charges	(143)	(360)	-	-
Present value of lease obligations	2,402	5,182	2,402	5,182
of which due within 12 months	1,993	3,273	1,993	3,273
of which due after 12 months	409	1,909	409	1,909

It is the Group policy to lease certain of its plant and machinery under finance leases. For the year ended 31 December 2018, the average effective borrowing rate was 19% (2017: 19%). The fair value of the Group's lease obligations is approximately equal to their carrying value.

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Emirates Telecommunications Group Company PJSC
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31. Provisions

	Asset retirement obligations AED'000	Other AED'000	Total AED'000
At 1 January 2017	10,333	2,627,649	2,637,982
Additional provision during the year	2,445	574,273	576,718
Reclassified as held for sale	(560)	(777)	(1,337)
Utilization of provision	-	(366,431)	(366,431)
Release of provision	-	(245,324)	(245,324)
Exchange differences	549	94,660	95,209
At 31 December 2017	12,767	2,684,050	2,696,817
Included in current liabilities	-	2,509,251	2,509,251
Included in non-current liabilities	12,767	174,799	187,566
At 1 January 2018	12,767	2,684,050	2,696,817
Additional provision during the year	178,118	1,142,151	1,320,269
Utilization of provision	-	(315,983)	(315,983)
Release of provision	-	(258,494)	(258,494)
Unwinding of discount	6,799	-	6,799
Exchange differences	(72)	(27,133)	(27,205)
At 31 December 2018	197,612	3,224,591	3,422,203
Included in current liabilities	-	3,081,333	3,081,333
Included in non-current liabilities	197,612	143,258	340,870
At 31 December 2018	197,612	3,224,591	3,422,203

Asset retirement obligations relate to certain assets held by certain Group's overseas subsidiaries that will require restoration at a future date that has been approximated to be equal to the end of the useful economic life of the assets. There are no expected reimbursements for these amounts.

Other includes provisions relating to certain tax and other regulatory related items, including provisions relating to certain Group's overseas subsidiaries.Information usually required by IAS 37 Provisions, Contingent Liabilities and Contingent Assets has not been disclosed in these consolidated financial statements due to commercial sensitivities.

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32. Provision for employees end of service benefits

The liabilities recognised in the consolidated statement of financial position are:

	2018 AED'000	2017 AED'000
Funded Plans		
Present value of defined benefit obligations	3,091,545	3,792,700
Less: Fair value of plan assets	(2,914,129)	(3,694,514)
	177,416	98,186
Unfunded Plans		
Present value of defined benefit obligations and other employee benefits	1,357,993	1,510,596
Total	1,535,409	1,608,782

The movement in defined benefit obligations for funded and unfunded plans is as follows:

	2018 AED'000	2017 AED'000
As at 1 January	5,303,296	5,326,867
Acquisition of subsidiary	72	-
Reclassified as held for sale	-	(79)
Service cost	110,497	151,263
Interest cost	387,734	486,307
Actuarial (loss)/gain	(42,589)	670
Remeasurements	4,543	(62,920)
Benefits paid	(365,229)	(389,332)
Other cost	(4,814)	-
Exchange difference	(943,971)	(209,480)
As at 31 December	4,449,539	5,303,296

The movement in the fair value of plan assets is as follows:

	2018 AED'000	2017 AED'000
As at 1 January	3,694,514	3,689,908
Interest income	302,562	400,939
Return on plan assets excluding amounts included in interest income	(148,078)	(129,019)
Contributions received	86,248	186,046
Benefits paid	(252,364)	(266,525)
Others	-	1,865
Exchange difference	(768,752)	(188,700)
As at 31 December	2,914,130	3,694,514

The amount recognised in the statement of profit or loss is as follows:

	2018 AED'000	2017 AED'000
Service cost	110,496	150,983
Net Interest cost	85,172	85,109
Others	(4,497)	(4,126)
	191,171	231,966

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32. Provision for employees end of service benefits *(continued)*

Plan assets for funded plan are comprised as follows:

	2018 AED'000	2017 AED'000
Debt instruments – unquoted	2,065,031	3,133,481
Cash and cash equivalents	556,894	206,864
Investment property	241,084	305,451
Fixed assets	167	220
Other assets	87,030	87,737
Less: liabilities	(36,076)	(39,239)
	2,914,130	3,694,514

Following are the significant assumptions used relating to the major plans

	2018	2017
Discount rate	3.5% to 10%	3.2% to 10%
Average annual growth rate of salary	0% to 8%	2% to 8%
Average duration of obligation	5.27 Years to 30 Years	5.46 years to 21 years
Expected withdrawal rate	1) High; service based rate 2) Based on experience	1) High; service based rate 2) Based on experience
Mortality Rate	0.33%	0.33%

Sensitivity Analysis

The calculations of the defined benefit obligations is sensitive to the significant actuarial assumptions set out above. The table below summarizes how the defined benefit obligations at the end of the reporting period would have increased / (decreased) as a result of change in the respective assumptions.

	Decrease by Assumption rate of 0.5%		Increase by Assumption rate of 0.5%	
	2018 AED'000	2017 AED'000	2018 AED'000	2017 AED'000
Discount rate	733,856	815,073	676,914	737,483
Average annual growth rate of salary	571,960	618,167	610,716	662,136

Through its defined benefit plans, the Group is exposed to a number of actuarial and investment risks, the most significant of which include, interest rate risk, property market risk, longevity risk plan, withdrawal risk and salary risk for all the plans.

During the next financial year, the minimum expected contribution to be paid by the Group is AED 233 million. This is the amount by which liability is expected to increase. The amount of remeasurement, to be recognised in the next one year, will be worked out as at the next valuation.

Debt instrument comprises of bonds issued by Government of Pakistan and are rated B-, based on (Fitch rating agency) ratings.

The expense recognised in profit or loss relating to defined contribution plan at the rate specified in the rules of the plans amounting to AED 133 million (2017: AED 130 million).

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33. Share capital

The liabilities recognised in the consolidated statement of financial position are:

	2018 AED'000	2017 AED'000
Authorised:		
10,000 million (2017: 10,000 million) ordinary shares of AED 1 each	10,000,000	10,000,000
Issued and fully paid up:		
8,696.8 million (2017: 8,696.8 million) ordinary shares of AED 1 each	8,696,754	8,696,754

On 21 March 2018, the Etisalat Annual General Meeting approved the Company's buyback of its shares within a maximum of 5% of its paid-up capital, for the purpose of cancelling or re-selling such shares, after obtaining approval of competent authorities. The Company obtained the approval from the securities and commodities Authority on 24 September 2018 to buyback 5% of the subscribed shares which amounted to 434,837,700 shares. As at 31 December 2018, no buyback transaction had taken place.

34. Reserves

The movement in the Reserves is provided below:

	2018 AED'000	2017 AED'000
Balance at 1 January (as restated)	26,991,023	26,120,437
Total comprehensive loss for the year	(1,076,943)	(123,850)
Acquisition of additional stake in a subsidiary	(28,533)	-
Transfer from retained earnings	1,019,222	994,436
As at 31 December	26,904,769	26,991,023

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34. Reserves *(continued)*

The movement for each type of reserves is provided below:

	2018 AED'000	2017 (Restated) AED'000
Translation reserve		
As at 1 January	(6,363,528)	(6,234,096)
Exchange differences on translation of foreign operations	(1,431,966)	1,018,870
Cumulative loss transferred to profit or loss on disposal of foreign operation	76,836	-
Gain/(loss) on hedging instruments designated in hedges of the net assets of foreign operations	290,229	(1,148,302)
Acquisition of additional stake in a subsidiary	(28,533)	-
As at 31 December	(7,456,962)	(6,363,528)
Investment revaluation reserve		
As at 1 January	7,276	51,016
(Loss)/gain on revaluation	(14,337)	3,947
Transfer from investment revaluation reserve to retained earnings	(6,866)	(47,687)
As at 31 December	(13,927)	7,276
Development reserve	7,850,000	7,850,000
Cash Flow hedge reserve		
As at 1 January	1,635	-
Gain on revaluation	2,295	1,635
As at 31 December	3,930	1,635
Asset replacement reserve		
As at 1 January	8,281,600	8,234,600
Transfer from retained earnings	-	47,000
As at 31 December	8,281,600	8,281,600
Statutory reserve		
As at 1 January	3,126,022	2,141,595
Transfer from retained earnings	1,019,351	984,427
As at 31 December	4,145,373	3,126,022
General reserve		
As at 1 January	14,088,018	14,077,322
Transfer from retained earnings	6,738	10,696
As at 31 December	14,094,756	14,088,018

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Emirates Telecommunications Group Company PJSC
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34. Reserves *(continued)*

a) Development reserve, asset replacement reserve and general reserve

These reserves are all distributable reserves and comprise amounts transferred from unappropriated profit at the discretion of the Group to hold reserve amounts for future activities including the issuance of bonus shares.

b) Statutory reserve

In accordance with the UAE Federal Law No. 2 of 2015, and the respective Articles of Association of some of the Group's subsidiaries, 10% of their respective annual profits should be transferred to a non-distributable statutory reserve. The Company's share of the reserve has accordingly been disclosed in the consolidated statement of changes in equity.

c) Translation reserve

Cumulative foreign exchange differences arising on the translation of overseas operations are taken to the translation reserve.

d) Investment revaluation reserve

The investments revaluation reserve represents the cumulative gains and losses arising on the revaluation of investments in equity instruments designated as at FVTOCI, net of cumulative gain/loss transferred to retained earnings upon disposal.

35. Financial instruments

Details of the significant accounting policies and methods adopted (including the criteria for recognition, the basis of measurement and the bases of recognition of income and expenses) for each class of financial asset and financial liability are disclosed in Note 3.

Capital management

The Group's capital structure is as follows:

	2018 AED'000	2017 AED'000
Bank borrowings	(7,418,968)	(8,143,175)
Bonds	(15,112,449)	(15,528,641)
Other borrowings	(994,243)	(1,033,525)
Finance lease liabilities	(2,402)	(5,182)
Cash and bank balances	28,361,131	27,125,158
Net funds	4,833,069	2,414,635
Total equity	57,245,402	58,090,467

The capital structure of the Group consists of bonds, bank and other borrowings, finance lease obligations, cash and bank balances and total equity comprising share capital, reserves and retained earnings.

The Group monitors the balance between equity and debt financing and establishes internal limits on the maximum amount of debt relative to earnings.

The limits are assessed, and revised as deemed appropriate, based on various considerations including the anticipated funding requirements of the Group and the weighted average cost of capital. The overall objective is to maximise returns to its shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

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34. Reserves *(continued)*

Categories of financial instruments

The Group's financial assets and liabilities consist of the following:

	2018 AED'000
Financial assets	
Amortised cost financial assets;	
Due from related parties	120,406
Finance lease receivables	217,206
Trade and other receivables, excluding prepayments and advances to suppliers	14,211,364
Cash and bank balances	28,361,131
Investment carried at amortised cost	817,833
	43,727,940
Financial assets carried at fair value through OCI	248,995
Fair value through profit or loss	1,118,320
Derivative financial instruments	10,710
	45,105,965
Financial liabilities	
Other financial liabilities held at amortised cost:	
Trade and other payables, excluding deferred revenue and advances from customers	29,052,733
Borrowings	23,525,660
Payables related to investments and licenses	3,147,285
Finance lease liabilities	2,402
Derivative financial instruments	70,336
Due to related parties	1,737
	55,800,153

The Group's financial assets and liabilities consist of the following:

	2017 (Restated) AED'000
Financial assets	
Loans and receivables, held at amortised cost:	
Due from related parties	187,242
Finance lease receivables	247,714
Trade and other receivables, excluding prepayments and advances to suppliers	16,107,395
Cash and bank balances	27,125,158
Investment carried at amortised cost	225,557
	43,893,066
Financial assets carried at fair value through OCI	218,290
Fair value through profit or loss	1,257,297
Derivative financial instruments	10,481
	45,379,134
Financial liabilities	
Other financial liabilities held at amortised cost:	
Trade and other payables, excluding deferred revenue and advances from customers	30,353,673
Borrowings	24,705,341
Payables related to investments and licenses	3,359,869
Finance lease liabilities	5,182
Derivative financial instruments	79,149
	58,503,214

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35. Financial instruments *(continued)*

Financial risk management objectives

The Group's corporate finance function monitors the domestic and international financial markets relevant to managing the financial risks relating to the operations of the Group. Any significant decisions about whether to invest, borrow funds or purchase derivative financial instruments are approved by either the Board of Directors or the relevant authority of either the Group or of the individual subsidiary. The Group's risk includes market risk, credit risk and liquidity risk.

The Group takes into consideration several factors when determining its capital structure with the aim of ensuring sustainability of the business and maximizing the value to shareholders. The Group monitors its cost of capital with a goal of optimizing its capital structure. In order to do this, the Group monitors the financial markets and updates to standard industry approaches for calculating weighted average cost of capital, or WACC. The Group also monitors a net financial debt ratio to obtain and maintain the desired credit rating over the medium term, and with which the Group can match the potential cash flow generation with the alternative uses that could arise at all times. These general principles are refined by other considerations and the application of specific variables, such as country risk in the broadest sense, or the volatility in cash flow generation, or the applicable tax rules, when determining the Group's financial structure.

a) Market risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates, interest rates and price risks on equity investments. From time to time, the Group will use derivative financial instruments to hedge its exposure to currency risk. There has been no material change to the Group's exposure to market risks or the manner in which it manages and measures the risk during the year.

Foreign currency risk

The Company's presentation/functional currency is United Arab Emirates Dirham ("AED"). Foreign currency risk arises from transactions denominated in foreign currencies and net investments in foreign operations.

The Group has foreign currency transactional exposure to exchange rate risk as it enters into contracts in other than the functional currency of the entity (mainly USD and Euro). The Group entities also enter into contracts in it's functional currencies including Egyptian Pounds, Pakistani Rupee, Sri Lankan Rupee, Afghani, and Moroccan Dirham. Etisalat UAE also enters into contracts in USD which is pegged to AED. Atlantique Telecom Group enters into Euros contracts as Central African Franc (""CFA"") is pegged to Euro and Maroc Telecom also enters into Euro contracts as Moroccan Dirham is 60% pegged to Euro. 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.

In addition to transactional foreign currency exposure, a foreign currency exposure arises from net investments in the Group entities whose functional currency differs from the Group's presentation currency (AED). The risk is defined as the risk of fluctuation in spot exchange rates between the functional currency of the net investments and the Group's presentation currency. This will cause the amount of the net investment to vary. Such a risk may have a significant impact on the Group's consolidated financial statements.

This translation risk does not give rise to a cash flow exposure. Its impact arises only from the translation of the net investment into the group's presentation currency. This procedure is required in preparing the Group's consolidated financial statements as per the applicable IFRS.

The cross currency swaps involve the exchange of principal and floating or fixed interest receipts in the foreign currency in which the issued bonds are denominated, for principal and floating or fixed interest payments in the Company's functional currency. The fair value of a cross currency swap is determined using standard methods to value cross currency swaps and is the estimated amount that the swap contract can be exchanged for or settled with under normal market conditions. The key inputs are the yield curves, basis curves

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35. Financial instruments (continued)

and foreign exchange rates. In accordance with the fair value hierarchy within IFRS 7 Financial Instruments: Disclosure, the fair value of cross currency swaps represent Level 2 fair values.

Foreign currency sensitivity

The following table presents the Group's sensitivity to a 10 per cent change in the AED against the Egyptian Pound, the Euro, the Pakistani Rupee, Moroccan Dirham and Central African Franc. These five currencies account for a significant portion of the impact of net profit, which is considered to be material within the Group's financial statements in respect of subsidiaries and associates whose functional currency is not the AED. The impact has been determined by assuming a weakening in the foreign currency exchange of 10% upon closing foreign exchange rates. A positive number indicates an increase in the net cash and borrowings balance if the AED/USD were to strengthen against the foreign currency.

	Impact on profit and loss		Impact on equity	
	2018 AED'000	2017 AED'000	2018 AED'000	2017 AED'000
Increase/decrease in profit/(loss) and in equity				
Egyptian pounds	45,740	60,397	-	-
Euros	478,220	235,446	520,320	799,197
Pakistani rupees	70,491	54,772	-	-
Moroccan Dirhams	296,522	292,098	-	-
Central African Franc	127,684	78,217	-	-

Interest rate risk

The Group is exposed to interest rate risk as entities in the Group borrow funds at both fixed and floating interest rates. The Group monitors the market interest rates in comparison to its current borrowing rates and determines whether or not it believes it should take action related to the current interest rates. This includes a consideration of the current cost of borrowing, the projected future interest rates, the cost and availability of derivate financial instruments that could be used to alter the nature of the interest and the term of the debt and, if applicable, the period for which the interest rate is currently fixed.

Interest rate sensitivity

Based on the borrowings outstanding at 31 December 2018, if interest rates had been 2% higher or lower during the year and all other variables were held constant, the Group's net profit and equity would have decreased or increased by AED 85 million (2017: AED 77 million). This impact is primarily attributable to the Group's exposure to interest rates on its variable rate borrowings.

Other price risk

The Group is exposed to equity price risks arising from its equity investments listed on Khartoum stock exchnage and Indonesia stock exchange. Equity investments are mainly held for trading purposes and held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets. See Note 18 for further details on the carrying value of these investments.

If equity price had been 5% higher or lower:

- profit for the year ended 31 December 2018 would increase/decrease by AED 11.3 million (2017: AED 17.9) due to changes in fair value recorded in profit/loss for equity shares classified as fair value through profit and loss.

- other comprehensive income for the year ended 31 December 2018 would increase/decrease by AED 1.0 million (2017: increase/decrease by AED 1.5 million) as a result of the changes in fair value of equity shares classified as FVTOCI and an amount of AED 0.03 million (2017: AED 0.7 million) as loss/profit realised on impairment/disposal of investments in equity shares classified as FVTOCI.

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Notes to the consolidated financial statements for year ended 31 December 2018

35. Financial instruments *(continued)*

b) Credit risk management

Credit risk refers to the risk that the counterparty will default on its contractual obligations resulting in financial loss to the Group and arises principally from the Group's bank balances and trade and other receivables. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group's exposure and the credit ratings of its counterparties are monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

For its surplus cash investments, the Group considers various factors in determining with which banks and /corporate to invest its money including but not limited to the financial health, Government ownership (if any), the rating of the bank by rating agencies The assessment of the banks and the amount to be invested in each bank is assessed annually or when there are significant changes in the marketplace.

Group's bank balance

	2018	2017
Investment in UAE	94%	90%
Investment outside of the UAE	6%	10%

Bank rating for Investment in UAE

	2018		2017	
	AED	Rating	AED	Rating
By Moody's	9.7 billion	A3	6.2 billion	A3
	4.6 billion	Aa3	6.0 billion	Aa3
	4.0 billion	Baa1	5.1 billion	Baa1
	2.6 billion	A2	2.7 billion	A1
	2.4 billion	A1	-	-
By S&P	2.1 billion	A	1.5 billion	A1u

The Group's trade receivables consist of a large number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable and, where appropriate, collateral is received from customers usually in the form of a cash deposit.

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Notes to the consolidated financial statements for year ended 31 December 2018

35. Financial instruments *(continued)*

Impairment losses on financial assets and contract assets recognised in profit or loss were as follows:

	2018 AED'000	2017 AED'000
Allowances on trade receivables	1,104,680	1,035,386
Allowances on due from other telecommunication operators/carriers	144,353	53,177
Allowances/ (reversal) on finance lease receivables	(12,688)	33,568
Total loss on allowances	1,236,345	1,122,131

The carrying amount of financial assets recorded in the consolidated financial statements, net of any allowances for losses, represents the Group's maximum exposure to credit risk without taking account of the value of any collateral obtained.

c) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. The details of the available undrawn facilities that the Group has at its disposal at 31 December 2018 to further reduce liquidity risk is included in Note 27. The majority of the Group's financial liabilities as detailed in the consolidated statement of financial position are due within one year.

AED'000	Trade and other payables, excluding deferred revenue & advances from customers	Borrowings	Payables related to investments and licenses	Finance lease obligations	Derivative financial liability	Total
On demand or within one year	27,558,218	8,552,469	3,105,633	1,993	70,336	39,288,649
In the second year	1,410,181	1,048,117	41,652	86	-	2,500,036
In the third to fifth years inclusive	35,929	6,995,330	-	323	-	7,031,582
After the fifth year	48,405	6,929,744	-	-	-	6,978,149
As At 31 December 2018	29,052,733	23,525,660	3,147,285	2,402	70,336	55,798,416
On demand or within one year	28,876,133	4,670,214	3,269,516	3,273	-	36,819,136
In the second year	401,305	4,844,157	90,353	1,909	79,149	5,416,873
In the third to fifth years inclusive	656,547	7,677,007	-	-	-	8,333,554
After the fifth year	419,687	7,513,963	-	-	-	7,933,650
As At 31 December 2017 (Restated)	30,353,672	24,705,341	3,359,869	5,182	79,149	58,503,213

The above table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

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Emirates Telecommunications Group Company PJSC
Notes to the consolidated financial statements for year ended 31 December 2018

35. Financial instruments *(continued)*

d) Fair value measurement of financial assets and liabilities

Fair value hierarchy as at 31 December 2018

	Carrying value AED'000	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000	Total AED'000
Financial assets					
Finance lease receivables	217,206	-	235,043	-	235,043
Investment carried at amortised cost	817,833	809,342	-	-	809,342
Financial assets classified at fair value through OCI	248,995	18,328	-	230,667	248,995
Financial assets carried at fair value through profit or loss	1,118,320	225,626	846,056	46,638	1,118,320
Derivative financial assets	10,710	-	10,710	-	10,710
	2,413,064	1,053,296	1,091,809	277,305	2,422,410
Financial liabilities					
Borrowings	23,525,660	-	23,497,265	-	23,497,265
Derivative financial liabilities	70,336	-	70,336	-	70,336
	23,595,996	-	23,567,601	-	23,567,601

Fair value hierarchy as at 31 December 2017

	Carrying value AED'000	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000	Total AED'000
Financial assets					
Finance lease receivables	247,714	-	298,341	-	298,341
Investment carried at amortised cost	225,557	225,554	-	-	225,554
Financial assets classified at fair value through OCI	218,290	29,464	-	188,826	218,290
Financial assets carried at fair value through profit or loss	1,257,297	358,758	858,765	39,774	1,257,297
Derivative financial assets	10,481	-	10,481	-	10,481
	1,959,339	613,776	1,167,587	228,600	2,009,963
Financial liabilities					
Borrowings	24,705,341	-	25,148,868	-	25,148,868
Derivative financial liabilities	79,149	-	79,149	-	79,149
	24,784,490	-	25,228,017	-	25,228,017

Level 1 classification comprises financial instruments where fair value is determined by unadjusted quoted prices in active markets for identical assets or liabilities. Level 2 classification comprises items where fair value is determined from inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly. Level 3 classification comprises unobservable inputs.

Some of the Group's financial assets and liabilities are measured at fair value or for which fair values are disclosed. Information on how these fair values are determined are provided below:

- Borrowings are measured and recorded in the consolidated statement of financial position at amortised cost and their fair values are disclosed in Note 27.
- Derivative financial instrument fair values are present values determined from future cash flows discounted at rates derived from market sourced data.
- Listed securities and Sukuk are classified as FVTOCI and investments at amortised cost respectively and their fair values are derived from observable quoted market prices for similar items. These represent Level 1 fair values. Unquoted equity securities represent Level 3 fair values. Details are included in Note 18 Other investments.

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Emirates Telecommunications Group Company PJSC
Notes to the consolidated financial statements for year ended 31 December 2018

35. Financial instruments *(continued)*

d) Fair value measurement of financial assets and liabilities *(continued)*

The carrying amounts of the other financial assets and liabilities recorded in the consolidated financial statements approximate their fair values.

The fair value of the Group's investment property for an amount of AED 56 million (2017: AED 53 million) has been determined based on the Construction Replacement Cost Approach (Cost approach), which reflects the amount that would be required currently to replace the service capacity of the asset. The construction replacement cost of the asset was determined with reference to Turner International Construction Index. Accordingly, the fair value is classified as level 3 of the fair value hierarchy.

The fair value of other investments amounting to AED 277 million (2017: AED 229 million) are classified as Level 3 because the investments are not listed and there are no recent arm's length transactions in the shares. The valuation technique applied is internally prepared valuation models using future cash flows discounted at average market rates. Any significant change in these inputs would change the fair value of these investments.

There have been no transfers between Level 2 and 3 during the year.

The fair values of the financial assets and financial liabilities included in the level 2 and level 3 categories above have been determined in accordance with generally accepted pricing models based on cash flows discounted at rates derived from market sourced data.

Reconciliation of Level 3

	2018 AED'000	2017 AED'000
As at 1 January	228,601	424,884
Additions	74,347	58,170
Foreign exchange difference	(4,429)	18,645
Disposal	(28,291)	(257,062)
Revaluation	7,077	(16,036)
As at 31 December	277,305	228,601

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36. Commitments

a) Capital commitments

The Group has approved future capital projects and investments commitments to the extent of AED 4,996 million (2017: AED 5,124 million).

The Group has issued letters of credit amounting to AED 431 million (2017: AED 514 million).

b) Operating lease commitments

	2018 AED'000	2017 AED'000
Minimum lease payments under operating leases recognised as an expense in the year (Note 7)	383,740	373,499

	2018 AED'000	2017 AED'000
Within one year	309,701	268,816
Between 2 to 5 years	749,173	734,582
After 5 years	631,089	584,968
	1,689,963	1,588,366

Operating lease payments represent rentals payable by the Group for certain of its office and retail properties. Leases are negotiated for an average term of one to fifteen years.

ii) The Group as lessor

Property rental income earned during the year was AED 20 million (2017: AED 20 million). All of the properties held have committed tenants for an average term of 1 to 5 years.At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments:

	2018 AED'000	2017 AED'000
Within one year	7,310	8,468
Between 2 to 5 years	28,065	28,000
	35,375	36,468

37. Contingent liabilities

a) Bank guarantees

	2018 AED million	2017 AED million
Performance bonds and guarantees in relation to contracts	2,241	1,653
Companies Overseas investments	2,061	1,416

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Emirates Telecommunications Group Company PJSC
Notes to the consolidated financial statements for year ended 31 December 2018

37. Contingent liabilities *(continued)*

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 certain International jurisdictions but do not expect any material adverse effect on the Group's financial position and results from resolution of these.

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

On 13 July 2015, Review Petition was filed in Supreme Court of Pakistan against the Judgment of 12 June 2015.

The Honorable Supreme Court of Pakistan (Apex Court) disposed the Review Petitions filed by PTCL, 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 High Courts. The Review Petitioners have filed the applications under section 12(2) CPC before respective High Courts. However, PTET has implemented the Apex court decision dated 12 June 2015 to the extent of 343 pensioners who were the petitioners in the main case. Some of the interveners (pensioners) seeking the same relief as allowed vide order dated 12 June 2015 have been directed by the Apex Court to approach the appropriate forum on 10 May 2018. Under the circumstances, management of PTCL, on the basis of legal advice believes that PTCL's obligations against benefits is restricted to the extent of pension increases as determined solely by the Board of Trustees of the PTET in accordance with the Pakistan Telecommunications (Re-Organization) Act, 1996 and the Pension Trust rules of 2012 and accordingly, no provision has been recognized in these consolidated financial statements.

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 objected 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 lawsuits were filed by Mobily against CITC at the Board of Grievances in order to oppose to such resolutions of the CITC's violation committee in accordance with the Telecom Status and its regulations, as follows:

- There are (800) lawsuits filed by the Group against CITC amounting to AED 693 million as of 31 December 2018.
- The Board of Grievance has issued (223) verdicts in favor of Mobily voiding (223) resolutions of the CITC's violation committee with a total penalties amounting to AED 467 million as of 31 December 2018.
- Some of these preliminary verdicts have become conclusive (after they were affirmed by the appeal court) cancelling penalties with a total amounting to AED 462 million as of 31 December 2018.

In addition, there are (11) legal cases filed by Mobily against CITC in relation to the mechanism of calculating the governmental fees. On 15 December 2018, Mobily entered into an agreement with the Saudi Ministry of Finance, the Saudi Ministry of Tele-communications and Information Technology and CITC to settle all the old disputes in connection with governmental fees up to 31 December 2017 and to define a new investment framework for the development of its telecommunication infrastructure. As a result of this settlement, all provisions related to the legal cases

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Emirates Telecommunications Group Company PJSC
Notes to the consolidated financial statements for year ended 31 December 2018

37. Contingent liabilities *(continued)*

in connection with the mechanism of calculating the governmental fees have been reversed.

Furthermore, there are 179 lawsuits filed by some of the shareholders against Mobily before the Committee for the Resolutions of Security Disputes and still being adjudicated by such committee. Mobily has received (5) preliminary verdicts and (149) final verdicts in its favor in these lawsuits and (11) cases have been dismissed and (2) cases have been abandoned and (12) cases are on-going as of 31 December 2018.

The Saudi Capital Market Authority ("CMA") had previously launched claims against the 2013/2014 members of the Board of Mobily ("Defendants") in January 2016. Pursuant to these proceedings, the CRSD Appellate Bench has upheld three of the seven claims brought up by the CMA and the Defendants have each been issued with a regulatory fine in respect of such finding.

In parallel with the CMA claim, various shareholder claims (63) totaling AED 1.64 billion (SAR 1.67 billion) have been made against the Defendants and others, and these have been filed with the CRSD. These proceedings were suspended by the CRSD whilst the CMA claim was being pursued but the suspensions have since been lifted. Proceedings are currently at the procedural stage of the hearings and it is not possible at this stage to estimate the financial exposure, if any, flowing from the reactivation of the hearings.

iv) In the prior years, Atlantique Telecom SA, a subsidiary of the Group (""AT""), 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 AT during the period from 2002 till 2007. Two arbitration proceedings on the same issue had been cancelled upon AT'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). On May 30, 2018, the Court of Appeal of Cotonou has annulled the November 2015 award. AT has notified SARCI with the Appeal Court decision on 16 August 2018. SARCI is entitled to appeal the court decision before the CCJA in Abidjan by 30 October 2018 or, more unlikely, initiate a 4th arbitration. The Execution proceedings against AT that were initiated by SARCI in Benin and other countries are being progressively cancelled.

38. Dividends

Amounts recognised as distribution to equity holders:	AED'000
31 December 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
	6,954,396
31 December 2018	
Final dividend for the year ended 31 December 2017 of AED 0.40 per share	3,477,198
Interim dividend for the year ended 31 December 2018 of AED 0.40 per share	3,477,198
	6,954,396

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38. Dividends *(continued)*

A final dividend of AED 0.40 per share was declared by the Board of Directors on 20 February 2018, bringing the total dividend to AED 0.80 per share for the year ended 31 December 2017.

An interim dividend of AED 0.40 per share was declared by the Board of Directors on 24 July 2018 for the year ended 31 December 2018.

A final dividend of AED 0.40 per share was declared by the Board of Directors on 19 February 2019, bringing the total dividend to AED 0.80 per share for the year ended 31 December 2018.

39. Earnings per share

	2018	2017 (Restated)
Earnings (AED'000)		
Earnings for the purposes of basic earnings per share being the profit attributable to the equity holders of the Company	8,614,745	8,412,367
Number of shares ('000)		
Weighted average number of ordinary shares for the purposes of basic earnings per share	8,696,754	8,696,754
Earnings per share		
From continuing and discontinuing operations		
Basic and diluted	AED 0.99	AED 0.97
From continuing operations		
Basic and diluted	AED 1.03	AED 0.99

40. Disposal Group held for sale

40.1 Disposal of Etisalat Lanka (Pvt.) Limited and Thuraya

Further to the announcement on 26 April 2018, relating to the disposal of the investment in Etisalat Lanka (Pvt.) Limited, on 30 November 2018, Etisalat Group and CK Hutchison Holdings Limited (""CKHH Group"") have completed the combination of their operations in Sri Lanka, Etisalat Lanka (Private) Limited (""ESL"") and Hutchison Telecommunication Lanka (Private) Limited (""Hutch Lanka"") after securing all necessary approvals. Accordingly, Etisalat Group has 15% ownership of Hutch Lanka whilst CKHH Group has majority and controlling stake of 85%.

During the year, the investment in Thurya has been disposed of (Note 16(b))"

The results of operations included in the loss for the year from discontinued operations are set out below:

40.2 Analysis of loss for the year from discontinued operations

The combined results of the discontinued operations included in the profit for the year are set out below. The comparative loss and cash flows from discontinued operations have been re-presented to include those operations classified as discontinued in the current year.

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Emirates Telecommunications Group Company PJSC
Notes to the consolidated financial statements for year ended 31 December 2018

40. Disposal Group held for sale *(continued)*

40.2 Analysis of loss for the year from discontinued operations *(continued)*

	Note	2018 AED'000	2017 AED'000
Revenue		159,774	238,618
Operating expenses		(275,975)	(415,942)
Share of results of associates and joint ventures		(5,829)	(27,488)
Operating loss		(122,030)	(204,812)
Finance and other income		14,103	1,382
Finance costs		(27,074)	(15,511)
Loss before tax		(135,001)	(218,941)
Taxation		1,687	(2,694)
		(133,314)	(221,635)
			-
Net loss on disposal of subsidiary and associate	40.5	(167,837)	-
Loss for the year from discontinued operations		(301,151)	(221,635)

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.

40.3 Consideration received

	2018 AED'000
Total consideration received	136,828

40.4 Analysis of assets and liabilities

Assets	2018 AED'000
Investment in associates	66,512
Other intangible assets	9,599
Property, plant and equipment	292,805
Inventories	128
Trade and other receivables	115,960
Deferred tax assets	44,650
Cash and cash equivalents	16,657
	546,311

Liabilities	2018 AED'000
Trade and other payables	168,152
Borrowings	18,266
Finance lease liabilities	11,511
Deferred tax liabilities	45,879
Provision for employees end of service benefits	2,393
Provisions	15,941
	262,142
Net assets	284,169

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Emirates Telecommunications Group Company PJSC
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40. Disposal Group held for sale *(continued)*

40.5 Loss on disposal of subsidiary and associate

Liabilities	2018 AED'000
Consideration received	136,828
Impairment reversal	56,340
Net (assets) / liabilities disposed of	(284,169)
Cumulative exchange loss in respect of the net assets of the subsidiary reclassified from equity to profit or loss on loss of control.	(76,836)
Loss on disposal	(167,837)

The loss on disposal is included in the loss for the period from discontinued operations (see Note 40.2).

40.6 Net cash inflow on disposal of subsidiary and associate

	2018 AED'000
Consideration received in cash and cash equivalents	136,828
Less: cash and cash equivalent balances disposed of	(16,657)
	120,171

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Emirates Telecommunications Group Company PJSC
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41. Offsetting financial assets and financial liabilities

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position when, and only when, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously. The criteria of legal enforceable right of set-off should be applicable in the normal course of business, in the event of default and in the event of insolvency or bankruptcy of the entity and all of the counterparties.

The following table presents the recognised financial assets and liabilities that are offset, as at 31 December 2018 and 31 December 2017.

	Gross amounts	Gross amounts set off	Net amount presented
	2018 AED '000	2018 AED'000	2018 AED '000
Financial assets			
Amounts due from other telecommunication administrators	12,306,856	(7,991,977)	4,314,879
Financial liabilities			
Amounts due to other telecommunication administrators	11,828,212	(7,991,977)	3,836,235

	Gross amounts	Gross amounts set off	Net amount presented
	2017 AED '000	2017 AED'000	2017 AED '000
Financial assets			
Amounts due from other telecommunication administrators	12,726,515	(6,532,952)	6,193,563
Financial liabilities			
Amounts due to other telecommunication administrators	11,958,444	(6,532,952)	5,425,492

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42. Reclassification of comparative figures

The below reclassifications and restatements have been made to the prior year numbers to comply with the requirement of IFRS 15, IFRS 5 and others to conform with current year classifications:

	As previously reported	Adjustments	As restated
	AED'000	AED'000	AED '000
Consolidated statement of financial position as at 31 December 2017			
Intangible assets	15,437,454	(669,099)	14,768,355
Property, plant and equipment	43,806,335	529,568	44,335,903
Investments in associates and joint ventures	4,306,733	(58,687)	4,248,046
Trade and other receivables	18,690,834	(675,098	18,015,736
Contract assets	-	1,415,178	1,415,178
Inventory	541,290	16,451	557,741
Trade and other payables	34,287,121	(2,998,251)	31,288,870
Contract liabilities	-	3,149,668	3,149,668
Deferred tax liability	3,205,407	20,071	3,225,478
Reserves	26,988,837	2,186	26,991,023
Retained earnings	8,356,613	357,149	8,713,763
Non-controlling interests	13,661,772	27,156	13,688,928
Consolidated statement of financial position as at 1 January 2017			
Property, plant and equipment	42,450,127	(93,920)	42,356,207
Investments in associates and joint ventures	4,414,352	(58,687)	4,355,665
Trade and other receivables	19,069,703	(688,846)	18,380,857
Contract assets	-	1,401,005	1,401,005
Trade and other payables	32,331,043	(2,873,655)	29,457,388
Contract liabilities	-	3,005,089	3,005,089
Deferred tax liability	3,255,952	15,770	3,271,722
Reserve	26,121,149	(712)	26,120,437
Retained earnings	7,883,501	390,855	8,274,356
Non-controlling interests	13,213,374	22,207	13,235,581
Consolidated statement of profit or loss for the year ended 31 December 2017			
Revenue	51,666,431	(30,246)	51,636,185
Operating expenses	32,119,347	13,281	32,132,628
Share of results of associates and joint ventures	(207,280)	27,488	(179,792)
Operating profit before federal royalty	17,430,753	5,676	17,436,429
Finance and other income	1,174,467	20,191	1,194,658
Taxation	1,240,988	4,253	1,245,241
Loss from discontinued operations	(194,147)	(27,488)	(221,635)
Profit for the year	9,772,318	(27,588)	9,744,730

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Notes to the consolidated financial statements for year ended 31 December 2018

43. Acquisition of a subsidiary

On 1 May 2018, Etisalat completed the acquisition of additional 35% stake in UTT, which was a joint venture, for consideration of AED 72 million, bringing its total shareholding in UTT to 85%.

The following table summarises the fair values of the assets acquired, liabilities assumed, _as of the acquisition date on a provisional basis.

	Provisional fair values
Intangible assets	138
Cash and bank balances	67,993
Trade and other receivables	35,197
Due from Related Parties	13,050
Trade and other payables	(52,174)
Due to Related Parties	(11,367)
Provision for employees end of service benefits	(72)
Net identifiable assets acquired	52,765
Non-controlling interests in the acquiree	(30,939)
Customer relationships	153,491
Fair value of investment	175,317
Net cash inflow arising on acquisition:	
Cash and bank balances	67,993

Net cash outflow on acquisition of UTT	AED'000
Consideration paid	72,190
Less: Cash and bank balances	(67,993)
	4,197

NOTICE FOR ANNUAL GENERAL MEETING

The Board of Directors of Emirates Telecommunications Group Company PJSC ("Etisalat Group") has the pleasure to invite the esteemed shareholders to attend the Company's Annual General Meeting ("AGM") to be held on Wednesday, 20th March 2019, at 4:30 p.m. in Etisalat Group's Head Office building located at the intersection of Sheikh Zayed II Street and Sheikh Rashid Bin Saeed Al Maktoum Road in Abu Dhabi, to discuss the following agenda:

1. To hear and approve the report of the Board of Directors on the Company's activities and its financial position for the financial year ended 31st December 2018.

2. To discuss and approve the External Auditor's report for the financial year ended 31st December 2018.

3. To discuss and approve the Company's consolidated financial statements for the financial year ended 31st December 2018.

4. To consider the Board of Directors' recommendation regarding the distribution of dividends amounting to 40 Fils per share for the second half of the year 2018 to bring the total dividend pay out per share for the financial year ended 31st December 2018 to 80 Fils per share (80 % of the nominal value of the share).

5. To absolve the Members of the Board of Directors from liability for the financial year ended 31st December 2018.

6. To absolve the External Auditor from liability for the financial year ended 31st December 2018.

7. To appoint the External Auditor(s) for the year 2019 and to determine their fees.

8. To approve the proposal concerning the remunerations of the Board Members for the financial year ended 31st December 2018.

9. To pass Special Resolutions in respect of:

   9.1 Approval of a budget of not more than 1% of the Company's average net profits of the last two years (2017-2018) for voluntary contributions to the community (Corporate Social Responsibility), and to authorize the Board of Directors to effect payments of such contributions to beneficiaries to be determined at the Board's own discretion.

   9.2 Approval of lifting the restriction of voting rights of foreign shareholders on the decisions of the AGM.

   9.3 Approval of setting a Borrowing Cap at 1.5 times (150%) of consolidated Net Debt to EBITDA for the last 12 months as per IFRS compliant consolidated financial statements of Etisalat Group or thirty billion dirhams, whichever is lower. This Borrowing Cap includes debentures, financial obligations or facilities, bonds or sukuks, whether convertible or non-convertible to shares in the company, and bank guarantees. The Articles of Association shall specify the terms, conditions and procedures in addition to the powers of the Board of Directors within the Borrowing Cap and the cases requiring the approval of the General Assembly and the Special Shareholder.

   9.4 Approval of amending the AoA Clauses relating to the above agenda items 9.2 and 9.3 after obtaining the approval of the competent authority. Such amendment will include Clauses No. 1, 7, 9, 21, 26 and 55 of the AoA, as well as amending any other Clauses which may be affected by the above-mentioned amendments.

Notes:

1. Each shareholder is entitled to attend or to delegate to a proxy, who is not a Board Member, to attend the AGM on his/her behalf by virtue of a written special authorization/proxy made pursuant to the delegation form attached with the invitation dispatched by mail. All delegation forms shall be submitted to the Issuer Services Department and its address FAB Building- 4th Floor (FGB Main branch before), Khalifa Business Park – Al Qurm District, P.O. Box 6316, Abu Dhabi, latest by 17th March 2019. Only original delegation forms will be accepted. For AGM quorum purposes, a Proxy holder may not represent a number of shareholders whose aggregate shareholding is in excess of 5% of the Company's capital. However, if the proxy is representing one single shareholder, his/her proxy may exceed 5% of the Company's capital. Minors and those who have no legal capacity shall be represented by their legal representatives.

2. Natural shareholders should submit original passport or UAE I.D or family book. Corporate shareholders shall submit official documents issued by competent authorities to prove the identity and nationality of their owners.

3. Corporate shareholders may authorize one of their

representatives or one of their management members by virtue of a resolution passed by their Board of Directors (or whoever carries out the duties of the Board of Directors) to represent them in the AGM.

4. The convention of the AGM shall only be deemed valid if attended by Shareholders representing, in person or by proxy, at least 66% of the Company's ordinary shares. In case the quorum is not achieved in the first meeting, a second meeting for AGM should be held on Tuesday, 26th March 2019, at the same time and venue. The second meeting shall then be considered quorate and duly held regardless of the number of attendees.

5. The owners of the shares registered on Tuesday, 19th March 2019, shall be entitled to vote in the AGM. In case first meeting is inquorate and a second meeting is convened for the AGM on 26th March 2019, the owner of the shares registered on Monday, 25th March 2019 shall be entitled to vote in the second meeting of the AGM.

6. Notwithstanding item 5 above and for the purposes of voting in the AGM, the votes of the Associated Persons (as defined in Article 1 of Etisalat's Articles of Association "AoA") shall be counted to the extent that they do not reach 5% of the ordinary shares represented in the AGM.

7. The restricted shares owned by non-national shareholders (categories of shareholders not mentioned in Article 7 of AoA) shall neither be counted in the quorum nor shall their holders be eligible for voting or participating in the AGM deliberations.

8. The shareholders can review the Company's financial information and the governance report and the amendments to the AoA on the website of the Company and the website of Abu Dhabi Securities Exchange (ADX). They also can browse and upload the Investors Rights Manual through the below link: (https://www.sca.gov.ae/English/Documents/ImportantLinks/investors-right.pdf)

9. The AGM's resolutions shall be passed by majority of 66% of the ordinary shares represented in the AGM by owners attending in person or by proxy, unless the votable matter requires a special resolution passable by votes of shareholders owning not less than three fourths of the shares represented in the meeting.

10. Attendance record shall be closed upon announcing the quorum of the meeting. Shareholder or proxy who attends thereafter shall neither be recorded in the list nor be eligible for voting on the matters addressable during the meeting.

11. The Shareholders should update their own contact numbers and their addresses at ADX to ensure appropriate receipt of their dividends; since distribution of dividends will be through ADX.

12. The closure of record for the 2018 second half dividends shall be on Sunday 31st March 2019, and the date of the last day of share purchase that is entitled to dividends is 27th March 2019 and the date of share purchases exclusion from entitlement to dividends is 28th March 2019. In case of convening a second AGM meeting due to inquorate first AGM meeting, then the closure of record for the 2018 second half dividends shall be on Sunday 7th April 2019, and the date of the last day of share purchase that is entitled to dividends is 3rd April 2019 and the date of share purchase exclusion from entitlement to dividends is 4th April 2019.

HEAD OFFICE

ETISALAT BUILDING
Intersection of Zayed The 1st Street and
Sheikh Rashid Bin Saeed Al Maktoum Street
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