

# **Emirates Telecommunications Group Company PJSC**

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

**for the six month period ended 30 June 2018**

# Emirates Telecommunications Group Company PJSC

Review report and condensed consolidated interim financial information for the six month period ended 30 June 2018

<b>Contents</b>	<b>Pages</b>
Management report	1
Report on review of condensed consolidated interim financial information	2-3
Condensed consolidated interim statement of profit or loss	4
Condensed consolidated interim statement of other comprehensive income	5
Condensed consolidated interim statement of financial position	6
Condensed consolidated interim statement of changes in equity	7
Condensed consolidated interim statement of cash flows	8
Notes to the condensed consolidated interim financial information	9- 29

# Emirates Telecommunications Group Company PJSC

## Management report on the condensed consolidated interim financial information for the period ended 30 June 2018

### Financial Review

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

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

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

The Group's financial performance for the six month period ended 30 June 2018 is summarised in the financial metrics below:

- i) Consolidated revenue amounted to AED 26,203 million, representing an increase of AED 913 million (3.6%) over the revenue of the corresponding period in the prior year.
- ii) Profit attributable to the equity holders of the Company amounted to AED 4,311 million, representing an increase of AED 250 million (6.2%) when compared to the corresponding period in the prior year.
- iii) Earnings per share increased by AED 0.03 when compared to the corresponding period in the prior year.

#### 3. Group net assets

As compared to 31 December 2017, the Group's net assets decreased by AED 969 million to AED 57,237 million as at 30 June 2018.

#### 4. Capital expenditure

The Group incurred AED 3,432 million on capital expenditure in the six month period ended 30 June 2018 (AED 3,781 million in the six month period ended 30 June 2017).

#### 5. Dividends

A final dividend for the year 2017 at the rate of AED 0.40 per share was approved for distribution to the shareholders registered at the close of business on 21 March 2018. This brought the total dividend for the year 2017 to AED 0.80 per share.

On 24 July 2018, the Board of Directors declared the first interim dividend for the year 2018 at the rate of AED 0.40 per share.

#### 6. International operations

##### Acquisition of additional 10% stake in Onatel S.A.

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 Burkina Faso subsidiary to 61%.

##### Disposal Group assets held for sale/discontinued operations

##### Thuraya Telecommunications Company PJSC ("Thuraya")

On 26 April 2018, Etisalat Group and Star Satellite Communication Company PJSC, signed a Sale and Purchase Agreement ("SPA") for the sale of Etisalat Group's shareholding of 28.04% in Thuraya.

Closing of the transaction is subject to a number of conditions precedent including, among others, regulatory approval and the purchase offer being accepted by Thuraya shareholders representing at least 75% of all of the shares.

##### Etisalat Lanka (Pvt) Ltd ("ESL")

On 26 April 2018, Etisalat Group and CK Hutchison Group ("Hutch") signed Definitive Agreement to merge their mobile telecommunication operations in Sri Lanka.

The completion of the transaction is still subject to a number of conditions precedent, which include, among others, securing the necessary competition and regulatory approvals in Sri Lanka.

## Emirates Telecommunications Group Company PJSC

Condensed consolidated interim statement of profit or loss for the six month period ended 30 June 2018

	Notes	(Unaudited)			
		Three months ended 30 June		Six months ended 30 June	
		2018 AED'000	2017 (Restated) AED'000	2018 AED'000	2017 (Restated) AED'000
<b>Continuing operations</b>					
<b>Revenue</b>		13,098,910	12,825,957	26,203,262	25,289,979
Operating expenses	4	(8,374,238)	(8,219,064)	(16,870,483)	(16,189,556)
Impairment and other losses		(54,787)	(184,720)	(58,137)	(185,386)
Share of results of associates and joint ventures	5	(20,159)	(53,136)	(41,679)	(90,874)
<b>Operating profit before federal royalty</b>		<b>4,649,726</b>	<b>4,369,037</b>	<b>9,232,963</b>	<b>8,824,163</b>
Federal royalty	4	(1,490,715)	(1,610,212)	(3,047,875)	(3,268,951)
<b>Operating profit</b>		<b>3,159,011</b>	<b>2,758,825</b>	<b>6,185,088</b>	<b>5,555,212</b>
Finance and other income		352,159	307,923	518,050	507,282
Finance and other costs		(236,762)	(302,111)	(548,651)	(603,865)
<b>Profit before tax</b>		<b>3,274,408</b>	<b>2,764,637</b>	<b>6,154,487</b>	<b>5,458,629</b>
Income tax expenses		(420,580)	(406,641)	(756,944)	(659,960)
<b>Profit for the period from continuing operations</b>		<b>2,853,828</b>	<b>2,357,996</b>	<b>5,397,543</b>	<b>4,798,669</b>
<b>Discontinued operations</b>					
Loss from discontinued operations	19	(23,165)	(46,540)	(57,111)	(89,874)
<b>Profit for the period</b>		<b>2,830,663</b>	<b>2,311,456</b>	<b>5,340,432</b>	<b>4,708,795</b>
Profit attributable to:					
The equity holders of the Company		2,199,204	1,957,045	4,311,482	4,061,682
Non-controlling interests		631,459	354,411	1,028,950	647,113
		<b>2,830,663</b>	<b>2,311,456</b>	<b>5,340,432</b>	<b>4,708,795</b>
<b>Earnings per share</b>					
From continuing and discontinued operations					
Basic and diluted	7	AED 0.25	AED 0.23	AED 0.50	AED 0.47
From continuing operations					
Basic and diluted	7	AED 0.25	AED 0.24	AED 0.50	AED 0.48

The accompanying notes on pages 9 to 29 form an integral part of the condensed consolidated interim financial information.  
The independent auditors report is set out on pages 2 to 3

## Emirates Telecommunications Group Company PJSC

Condensed consolidated interim statement of comprehensive income for the six month period ended 30 June 2018

(Unaudited)

	Notes	Three months ended 30 June		Six months ended 30 June	
		2018 AED'000	2017 (Restated) AED'000	2018 AED'000	2017 (Restated) AED'000
<b>Profit for the period</b>		2,830,663	2,311,456	5,340,432	4,708,795
<b>Other comprehensive income / (loss)</b>					
<b>Items that may be reclassified subsequently to profit or loss:</b>					
Exchange differences arising during the period :					
Exchange differences on translation of foreign operations		(1,382,658)	917,947	(1,449,631)	1,337,516
Gain/(loss) on hedging instruments designated in hedges of the net assets of foreign operations	18	477,930	(450,378)	193,849	(591,313)
Fair value gain arising on cash flow hedge during the period		1,758	-	7,481	-
(Loss)/gain on revaluation of financial assets during the period		(1,129)	36,829	(4,118)	139,710
<b>Items reclassified to profit or loss:</b>					
Reclassification adjustment relating to financial assets on disposal		(209)	(6)	(211)	(16)
<b>Total other comprehensive (loss) / income</b>		<b>(904,308)</b>	<b>504,392</b>	<b>(1,252,630)</b>	<b>885,897</b>
<b>Total comprehensive income for the period</b>		<b>1,926,355</b>	<b>2,815,848</b>	<b>4,087,802</b>	<b>5,594,692</b>
Attributable to:					
The equity holders of the Company		1,940,226	2,135,459	3,808,377	4,463,439
Non-controlling interests		(13,871)	680,389	279,425	1,131,253
		<b>1,926,355</b>	<b>2,815,848</b>	<b>4,087,802</b>	<b>5,594,692</b>

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**Emirates Telecommunications Group Company PJSC**  
**Condensed consolidated interim statement of financial position as at 30 June 2018**

		(Reviewed) 30 June 2018	(Audited) 31 December 2017 (Restated)	(Audited) 1 January 2017 (Restated)
	Notes	AED'000	AED'000	AED'000
<b>Non-current assets</b>				
Goodwill	8	14,270,984	14,803,324	14,097,902
Intangible assets	9	15,151,577	15,437,454	14,710,048
Property, plant and equipment	10	42,364,772	43,666,804	42,356,207
Investment property		38,867	40,125	27,230
Investments in associates and joint ventures		4,162,313	4,306,733	4,414,352
Other investments		1,838,466	1,701,144	879,207
Other receivables	11	499,489	211,857	156,612
Finance lease receivables		193,860	209,491	-
Derivative financial instruments	18	14,403	10,481	331,313
Contract assets		281,682	221,711	205,270
Deferred tax assets		90,993	94,135	128,210
		<b>78,907,406</b>	<b>80,703,259</b>	<b>77,306,351</b>
<b>Current assets</b>				
Inventories		569,103	557,741	708,825
Trade and other receivables	11	17,512,431	17,803,890	18,224,245
Current income tax assets		647,411	673,557	593,270
Finance lease receivables		40,639	38,223	-
Due from associates and joint ventures		224,918	187,242	440,643
Contract assets		1,277,888	1,186,859	1,209,040
Derivative financial instruments	18	1,860	-	-
Cash and bank balances	12	24,166,793	27,125,158	23,676,170
Assets classified as held for sale	19	669,338	618,247	993,664
		<b>45,110,381</b>	<b>48,190,917</b>	<b>45,845,857</b>
		<b>124,017,787</b>	<b>128,894,176</b>	<b>123,152,208</b>
<b>Total assets</b>				
<b>Non-current liabilities</b>				
Other payables	13	2,547,727	1,477,540	1,564,114
Borrowings	17	18,914,031	20,035,133	18,203,902
Payables related to investments and licenses		107,541	90,353	542,968
Derivative financial instruments	18	57,828	79,149	-
Deferred tax liabilities		2,964,732	3,225,478	3,265,377
Finance lease liabilities		527	1,909	4,905
Provisions		182,405	187,566	149,143
Provision for end of service benefits	22	1,571,144	1,608,782	1,636,959
Contract liabilities		142,945	11,389	36,500
		<b>26,488,880</b>	<b>26,717,299</b>	<b>25,403,868</b>
<b>Current liabilities</b>				
Trade and other payables	13	24,292,872	29,811,330	27,893,274
Contract liabilities		3,101,752	3,075,112	2,921,470
Borrowings	17	6,421,120	4,670,208	4,074,738
Payables related to investments and licenses		3,088,782	3,269,516	3,255,327
Current income tax liabilities		242,167	225,282	257,492
Finance lease liabilities		2,898	3,273	5,512
Provisions		2,788,307	2,509,251	2,488,839
Deferred tax liabilities		-	-	6,345
Derivative financial instruments	18	-	-	2,830
Due to associates and joint ventures		9,011	-	-
Liabilities directly associated with the assets classified as held for sale	19	345,288	407,181	396,275
		<b>40,292,197</b>	<b>43,971,153</b>	<b>41,302,102</b>
		<b>66,781,077</b>	<b>70,688,452</b>	<b>66,705,970</b>
<b>Total liabilities</b>				
<b>Net assets</b>				
		<b>57,236,710</b>	<b>58,205,724</b>	<b>56,446,238</b>
<b>Equity</b>				
Share capital	23	8,696,754	8,696,754	8,696,754
Reserves		26,529,135	26,991,023	26,120,437
Retained earnings		9,569,636	8,829,020	8,393,466
<b>Equity attributable to the equity holders of the Company</b>		<b>44,795,525</b>	<b>44,516,797</b>	<b>43,210,657</b>
Non-controlling interests		12,441,185	13,688,927	13,235,581
<b>Total equity</b>		<b>57,236,710</b>	<b>58,205,724</b>	<b>56,446,238</b>

The accompanying notes on pages 9 to 29 form an integral part of the condensed consolidated interim financial information.  
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## Emirates Telecommunications Group Company PJSC

Condensed consolidated interim statement of changes in equity for the six month period ended 30 June 2018 (Reviewed)

	Attributable to equity holders of the Company						Total equity
	Notes	Share capital AED'000	Reserves AED'000	Retained earnings AED'000	Owners' equity AED'000	Non-controlling interests AED'000	
<b>Balance at 1 January 2017 (as previously reported)</b>		<b>8,696,754</b>	<b>26,121,149</b>	<b>7,883,501</b>	<b>42,701,404</b>	<b>13,213,374</b>	<b>55,914,778</b>
Impact of changes in accounting policy	25	-	(712)	509,965	509,253	22,207	531,460
<b>Balance at 1 January 2017 (as restated)</b>		<b>8,696,754</b>	<b>26,120,437</b>	<b>8,393,466</b>	<b>43,210,657</b>	<b>13,235,581</b>	<b>56,446,238</b>
Total comprehensive income for the period		-	401,757	4,061,682	4,463,439	1,131,253	5,594,692
Other movements in equity		-	-	(2,422)	(2,422)	(2,049)	(4,471)
Transfer to reserves		-	65,836	(65,836)	-	-	-
Transaction with owners:							
Repayment of equity contribution to non-controlling interests for acquisition of a subsidiary		-	-	-	-	(76,091)	(76,091)
Dividends	6	-	-	(3,477,198)	(3,477,198)	(1,470,205)	(4,947,403)
<b>Balance at 30 June 2017</b>		<b>8,696,754</b>	<b>26,588,030</b>	<b>8,909,692</b>	<b>44,194,476</b>	<b>12,818,489</b>	<b>57,012,965</b>
<b>Balance at 1 January 2018 (as previously reported)</b>		<b>8,696,754</b>	<b>26,988,837</b>	<b>8,356,613</b>	<b>44,042,204</b>	<b>13,661,772</b>	<b>57,703,976</b>
Impact of changes in accounting policy	25	-	2,186	472,407	474,593	27,155	501,748
<b>Balance at 1 January 2018 (as restated)</b>		<b>8,696,754</b>	<b>26,991,023</b>	<b>8,829,020</b>	<b>44,516,797</b>	<b>13,688,927</b>	<b>58,205,724</b>
Total comprehensive income for the period		-	(503,105)	4,311,482	3,808,377	279,425	4,087,802
Other movements in equity		-	-	(6,675)	(6,675)	(11,816)	(18,491)
Transfer to reserves		-	69,750	(69,750)	-	-	-
Transaction with owners:							
Repayment of advances to non-controlling interests		-	-	-	-	(29,767)	(29,767)
Acquisition of additional stake in subsidiary		-	(28,533)	(17,243)	(45,776)	(129,543)	(175,319)
Capital contribution by non-controlling interest		-	-	-	-	16,740	16,740
Acquisition of a subsidiary		-	-	-	-	30,939	30,939
Dividends	6	-	-	(3,477,198)	(3,477,198)	(1,403,720)	(4,880,918)
<b>Balance at 30 June 2018</b>		<b>8,696,754</b>	<b>26,529,135</b>	<b>9,569,636</b>	<b>44,795,525</b>	<b>12,441,185</b>	<b>57,236,710</b>

The accompanying notes on pages 9 to 29 form an integral part of the condensed consolidated interim financial information.

**Emirates Telecommunications Group Company PJSC**  
**Condensed consolidated interim statement of cash flows for the six month period**  
**ended 30 June 2018**

	Notes	Reviewed six-month ended 30 June	
		2018 AED'000	2017 (Restated) AED'000
<b>Operating profit including discontinued operations</b>		6,125,609	5,471,911
<b>Adjustments for:</b>			
Depreciation		2,867,172	2,814,842
Amortisation		793,518	740,412
Impairment and other losses		63,884	187,463
Share of results of associates and joint ventures		40,068	108,773
Provisions and allowances		301,713	14,799
Unrealised currency translation (gain)/loss		(64,610)	289,887
Other non-cash movements		-	236,807
<b>Operating cash flows before changes in working capital</b>		<b>10,127,354</b>	<b>9,864,894</b>
Changes in working capital:			
Inventories		(27,747)	142,283
Due from associates and joint ventures		(98,872)	(5,301)
Trade and other receivables		(510,845)	57,451
Trade and other payables		(4,104,449)	(2,627,458)
<b>Cash generated from operations</b>		<b>5,385,441</b>	<b>7,431,869</b>
Income taxes paid		(930,571)	(804,232)
Payment of end of service benefits		(51,272)	(233,647)
<b>Net cash generated from operating activities</b>		<b>4,403,598</b>	<b>6,393,990</b>
<b>Cash flows from investing activities</b>			
Proceeds from disposal of investments at amortised cost/held-to-maturity investments		-	328,216
Acquisition of investments at amortised cost		(165,206)	-
Acquisition of subsidiary net of cash acquired	24	(4,197)	-
Acquisition of investment classified as fair value through profit or loss		(21,503)	(789,910)
Proceeds from disposal of investment classified as fair value through profit or loss		7,847	4,675
Acquisition of other investments		-	(24,932)
Acquisition of investment classified as fair value through OCI		(55,765)	-
Proceeds from disposal of investment classified as fair value through OCI		6,974	-
Acquisition of interest in associates		-	(106,449)
Purchase of property, plant and equipment		(2,791,336)	(3,500,740)
Proceeds from disposal of property, plant and equipment		31,184	8,651
Purchase of other intangible assets		(640,335)	(280,281)
Proceeds from disposal of other intangible assets		314	206
Dividend income received from associates and other investments		1,881	22,239
Term deposits made with maturities over three months	12	(6,349,528)	(8,239,367)
Term deposits matured with maturities over three months	12	12,493,269	12,620,935
Proceeds from unwinding of derivative financial instruments	18	15,230	-
Finance and other income received		513,751	495,981
<b>Net cash generated from investing activities</b>		<b>3,042,580</b>	<b>539,224</b>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings and finance lease obligations		3,217,729	6,169,683
Repayments of borrowings and finance lease obligations		(2,193,892)	(3,767,226)
Capital contribution by non controlling interests		16,740	-
Equity repayment to non-controlling interests for acquisition of a subsidiary		-	(76,091)
Dividends paid		(4,737,339)	(4,905,879)
Finance and other costs paid		(526,498)	(558,621)
<b>Net cash used in financing activities</b>		<b>(4,223,260)</b>	<b>(3,138,134)</b>
<b>Net increase in cash and cash equivalents</b>		<b>3,222,918</b>	<b>3,795,080</b>
Cash and cash equivalents at the beginning of the period		3,863,568	3,022,906
Effect of foreign exchange rate changes		(28,841)	(49,474)
<b>Cash and cash equivalents at the end of the period</b>	12	<b>7,057,645</b>	<b>6,768,512</b>

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## Emirates Telecommunications Group Company PJSC

### Notes to the condensed consolidated interim financial information for the six month period ended 30 June 2018

#### 1. General information

The Emirates Telecommunications Group (“the Group”) comprises the holding company Emirates Telecommunications Group Company PJSC (“the Company”), formerly known as Emirates Telecommunications Corporation (“the Corporation”) and its subsidiaries. The Corporation was incorporated in the United Arab Emirates (“UAE”), with limited liability, in 1976 by UAE Federal Government decree No. 78, which was revised by the UAE Federal Act No. (1) of 1991 and further amended by Decretal Federal Code No. 3 of 2003 concerning the regulation of the telecommunications sector in the UAE.

In accordance with Federal Law No. 267/10 for 2009, the Federal Government of the UAE transferred its 60% holding in the Corporation to the Emirates Investment Authority with effect from 1 January 2008, which is ultimately controlled by the UAE Federal Government.

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 (an agency of the federal Government of the United Arab Emirates) 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.

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

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

These condensed consolidated interim financial information were approved by the Board of Directors and authorised for issue on 24 July 2018.

## 2. Significant accounting policies

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

### a) Basis of preparation

The condensed consolidated interim financial information have been prepared in accordance with IAS 34 *Interim Financial Reporting*, and the applicable provisions of UAE Federal Law No. (2) of 2015. The information presented herein should be read in conjunction with the Group's last annual consolidated financial statements as at and for the year ended 31 December 2017. This financial information does not include all the information required for a complete set of IFRS financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual financial statements.

The preparation of financial information in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. Actual results may differ from these estimates and judgments. The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual financial statements, except for those related to the application of IFRS 15, which are described in Note 2(b).

The condensed consolidated interim financial information are prepared under the historical cost convention except for the revaluation of certain financial instruments and in accordance with the Group's accounting policies as described in the last annual financial statements as at and for the year ended 31 December 2017 of this financial information.

The accounting policies applied in the condensed consolidated financial information are the same as those applied in Group's consolidated financial statements as at and for the year ended 31 December 2017, except for the effects of adoption of IFRS 15 as described in Note 2(b). The changes in accounting policies are also expected to be reflected in the Group's consolidated financial statements as at and for the year ending 31 December 2018.

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

## 2. Significant accounting policies (continued)

### b) New and amended standards adopted by the Group

The following revised new and amended standards have been adopted in the condensed consolidated financial information.

#### **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 condensed consolidated interim financial information are described below.

#### **Revenue recognition accounting policy**

Revenue is measured at an amount that reflects the consideration, 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 mobile networks 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).

2. Significant accounting policies (continued)

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

IFRS 15 Revenue from Contracts with Customers (continued)

**Nature and timing of satisfaction of performance obligation:**

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	Performance obligations	Point of revenue recognition
Mobile services contracts	<ul style="list-style-type: none"> <li>SIM activation, special number</li> <li>Value Added Service (VAS), voice, data, messaging</li> <li>Devices loyalty points</li> </ul>	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.
Unlocked devices contracts	Unlocked devices bundled in a service contract	Revenue is allocated to unlocked device in the ratio of relative standalone selling price and recognised on date of transfer of control, which is generally on the date of signing the contract.
Consumer Fixed (eLife) contracts	<ul style="list-style-type: none"> <li>TV service</li> <li>Broadband Services</li> <li>Fixed Telephone Service</li> <li>Unlocked Devices (IP Phone and Routers)</li> </ul>	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)
Business Fixed contracts	<ul style="list-style-type: none"> <li>Internet Service</li> <li>Gateway router</li> <li>Fixed Voice</li> <li>Office Application</li> <li>Security Solution and Managed Services</li> <li>Ancillary Devices (laptop, printer, IP Telephone, etc)</li> </ul>	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)
Business Solutions contracts	<ul style="list-style-type: none"> <li>Connectivity service (IPVPN, leased lines, etc)</li> <li>Managed Services</li> <li>IPTV services,</li> </ul>	<p>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.</p> <p>If the customer cannot benefit from hardware on its own, then not considered distinct PO and revenue is recognised over the service period.</p>
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.
Miscellaneous	Installation services	Installation services provided for service fulfillment are not distinct PO and the amount charged for installation service is recognised over the service period.

## 2. Significant accounting policies (continued)

### b) 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 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 point in time when the SIM card is sold and service is activated.

- **Loyalty points programme**

Under IFRIC 13 Customer Loyalty Programme, the Group allocates 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 recognized 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 remained 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 relative stand alone selling price ("SSP"). The adoption of IFRS 15 has only resulted in reallocation of revenues for the prior period in between the services and equipment.

- **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 timing of revenue recognition.

Due to adoption of IFRS 15, revenue from upfront set-up and installation fee has been decreased by AED 2.1 million for the period ended 30 June 2017. Further, this has also resulted in decrease in opening retained earnings as at 1 January 2017 by an amount of AED 76 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**

Certain customer contracts include variable discounts and concessions, which are provided to the customers during the contract period. Variability arises due to contractual terms and conditions, whereby customers are provided discounts upon reaching certain volume threshold. In addition to the contractual terms, the Group also provides goodwill adjustments or service credits to certain customers in accordance with the customary business practices.

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

## 2. Significant accounting policies (continued)

### b) New and amended standards adopted by the Group (continued)

#### IFRS 15 Revenue from Contracts with Customers (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 provision of equipment and devices on instalment plans. The amount of financing component adjusted from total transaction price is AED 3 million for the period ended 30 June 2017. This has also resulted in increase in opening retained earnings as at 1 January 2017 by an amount of AED 2.2 million.

- **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 does not have any significant implication in the adoption of IFRS 15.

- **Consideration payable to the customer**

Consideration payable to a customer includes cash amounts that an entity pays or expects to pay, to the customer (or to other parties that purchase the entity'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 entity (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 entity. This does not have any significant implication in the adoption of IFRS 15.

#### 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 performance obligation is the observable price for the good or service sold by Etisalat in similar circumstances to similar customers. Under IFRS 15, the impact on revenue due to SSP allocation was increase in device revenue by AED 8 million for the period ended 30 June 2017 and resulting decrease on the other SSP allocation amounting to AED 14 million for the period ended 30 June 2017. Overall impact of these adjustments resulted in 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 commission (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 other 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.

Under IFRS 15, these have been capitalised as contract costs and included in contract assets in the consolidated statement of financial position resulting in decrease in operating expenses for the period ended 30 June 2017 by AED 5 million and increase in opening retained earnings as a 1 January 2017 by AED 551 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.

2. Significant accounting policies (continued)

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

IFRS 15 Revenue from Contracts with Customers (continued)

• 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 management analysis of both the legal form and of the substance of the underlying agreement between the Group and its channel partners. Such judgements impacts the amount of reported revenue and operating expenses and does not have any impact on the reported assets, liabilities or cash flows. This does not have any significant implication in the adoption of IFRS 15.

Impact of the adoption of IFRS15

Refer to Note 25 for the details of the impact of transition to IFRS 15 as at 1 January 2017, 31 December 2017 and for the period ended 30 June 2017.

c) New and amended standards not effective and not yet adopted by the Group

IFRS 16 Leases

IFRS 16 replaces existing leases guidance, including IAS17 *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. Early adoption is permitted.

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.

At the date of the condensed consolidated financial information, the following other standards, amendments and Interpretations have not been effective and have not been early adopted by the Group:

New and amended standards not effective and not yet adopted by the Group	Effective date
IFRIC 23 <i>Uncertainty Over Income Tax Treatments</i>	1 January 2019
<i>Prepayment Features with Negative Compensation (Amendments to IFRS 9)</i>	1 January 2019
<i>Annual Improvements to IFRS 2015 – 2017 Cycle (Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23)</i>	1 January 2019
<i>Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)</i>	1 January 2019
<i>Sale or Contribution of Assets between an Investor and its Associates or Joint Venture (Amendments to IFRS 10 and IAS 28)</i>	Available for optional adoption/effective date deferred indefinitely

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

**2. Significant accounting policies (continued)**

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

The carrying values of investments in associates and joint ventures are reviewed on a regular basis and if impairment in the value has occurred, it is written off in the period in which those circumstances are identified.

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

The Group's share of associates' and joint ventures' results is based on the most recent financial information 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 subsidiaries) and its associates or joint ventures are recognized in the Group's financial information only to the extent of Group's unrelated interests in its associates or joint ventures. Losses may provide an evidence of impairment on the asset transferred, in which case a respective charge is taken to the statement of profit and loss.

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.

**e) IFRS 9 Financial instruments**

The Group has early adopted IFRS 9 effective from 1 January 2017. As per IFRS 9, financial assets and liabilities are required to be recognised in the statement of financial position when the entity becomes a party to the contractual provisions of the instrument. Derecognition occurs when the contractual rights to the cash flows to the financial asset expire or is sold, based on whether the entity has transferred substantially all the risks and rewards of ownership of the financial asset. For financial liabilities, derecognition occurs when the obligation is paid off, cancelled or expired.

**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, regardless of whether that price is directly observable or 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 OCI with recycling', 'fair value through OCI without recycling', 'fair value through profit or loss'. The classification depends on the business model for managing the financial asset and the contractual cash flow characteristics of financial asset and is determined at the time of initial recognition.

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



## 2. Significant accounting policies (continued)

### e) IFRS 9 Financial instruments (continued)

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

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

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

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

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

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost and at 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.

#### 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;
- part of a portfolio of identified financial instruments that are managed together and for which there is an 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, unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

**2. Significant accounting policies (continued)**

**e) IFRS 9 Financial instruments (continued)**

**vi) Fair value through profit and loss**

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

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

**3. Segmental information**

Information regarding the Group's operating segments is set out below in accordance with IFRS 8 *Operating Segments*. IFRS 8 requires operating segments to be identified on the basis of internal reports that are regularly reviewed by the Group's chief operating decision maker and used to allocate resources to the segments and to assess their performance.

**a) Products and services from which reportable segments derive their revenues**

The Group is engaged in a single line of business, being the supply of telecommunications services and related products. The majority of the Group's revenues, profits and assets relate to its operations in the UAE. Outside of the UAE, the Group operates through its subsidiaries and associates in sixteen countries which are divided in to the following operating segments:

- Pakistan
- Egypt
- Morocco
- International - others

Revenue is attributed to an operating segment based on the location of the associated companies reporting the revenue. Inter-segment sales are charged at agreed terms and prices.

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

**b) Segment revenues and results**

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

**c) Segment assets**

For the purposes of monitoring segment performance and allocating resources between segments, the Board of Directors monitors the total and non-current assets attributable to each segment. Goodwill is allocated based on separately identifiable CGUs. Assets used jointly by reportable segments are allocated on the basis of the revenues earned by individual reportable segments.

The segment information has been provided on the following page.

## Emirates Telecommunications Group Company PJSC

Notes to the condensed consolidated interim financial information for the six month period ended 30 June 2018

### 3. Segmental information (continued)

	International					Eliminations AED'000	Consolidated AED'000
	UAE AED'000	Morocco AED'000	Egypt AED'000	Pakistan AED'000	Others AED'000		
<b>Six months ended 30 June 2018</b>							
<b>Revenue</b>							
External revenue	15,940,798	3,674,486	1,306,199	1,936,273	3,345,506	-	26,203,262
Inter-segment revenue	141,116	347,985	39,886	31,258	72,561	(632,806)	-
<b>Total revenue</b>	<b>16,081,914</b>	<b>4,022,470</b>	<b>1,346,085</b>	<b>1,967,531</b>	<b>3,418,067</b>	<b>(632,806)</b>	<b>26,203,262</b>
<b>Segment result</b>	<b>7,146,385</b>	<b>1,269,736</b>	<b>222,824</b>	<b>(4,416)</b>	<b>598,434</b>	<b>-</b>	<b>9,232,963</b>
Federal royalty							(3,047,875)
Finance and other income							518,050
Finance and other costs							(548,651)
<b>Profit before tax</b>							<b>6,154,487</b>
Income tax expenses							(756,944)
<b>Profit for the period from continuing operations</b>							<b>5,397,543</b>
Total assets at 30 June 2018	61,505,327	32,894,380	7,661,549	17,262,297	18,419,858	(13,725,624)	124,017,787

### Six months ended 30 June 2017 (restated)

<b>Revenue</b>							
External revenue	15,765,917	3,374,492	1,092,909	2,081,442	2,975,219	-	25,289,979
Inter-segment revenue	135,716	227,208	22,968	1,340	98,246	(485,478)	-
<b>Total revenue</b>	<b>15,901,633</b>	<b>3,601,700</b>	<b>1,115,877</b>	<b>2,082,782</b>	<b>3,073,465</b>	<b>(485,478)</b>	<b>25,289,979</b>
<b>Segment result</b>	<b>7,029,998</b>	<b>1,026,622</b>	<b>220,285</b>	<b>31,508</b>	<b>515,750</b>	<b>-</b>	<b>8,824,163</b>
Federal royalty							(3,268,951)
Finance and other income							507,282
Finance and other costs							(603,865)
<b>Profit before tax</b>							<b>5,458,629</b>
Taxation							(659,960)
<b>Profit for the period from continuing operations</b>							<b>4,798,669</b>
Total assets at 31 December 2017	63,821,984	33,529,077	8,520,836	18,803,971	18,949,423	(14,731,115)	128,894,176

### Breakdown of external revenue

The following is an analysis of the Group's revenue

<b>Six months ended 30 June 2018</b>							
Mobile	6,310,612	2,129,251	1,140,251	756,662	3,022,472	-	13,359,248
Fixed	5,587,213	1,356,224	59,284	952,757	264,288	-	8,219,766
Equipment	1,026,371	68,660	21,866	11,017	11,873	-	1,139,787
Others	3,016,602	120,351	84,798	215,837	46,873	-	3,484,461
<b>Total revenue</b>	<b>15,940,798</b>	<b>3,674,486</b>	<b>1,306,199</b>	<b>1,936,273</b>	<b>3,345,506</b>	<b>-</b>	<b>26,203,262</b>
<b>Six months ended 30 June 2017</b>							
Mobile	6,529,979	2,031,104	999,619	807,488	2,687,597	-	13,055,787
Fixed	5,499,629	1,164,720	42,291	1,081,753	246,085	-	8,034,478
Equipment	803,572	55,072	39,233	8,720	137	-	906,734
Others	2,932,737	123,596	11,768	183,481	41,398	-	3,292,980
<b>Total revenue</b>	<b>15,765,917</b>	<b>3,374,492</b>	<b>1,092,911</b>	<b>2,081,442</b>	<b>2,975,217</b>	<b>-</b>	<b>25,289,979</b>

## Emirates Telecommunications Group Company PJSC

Notes to the condensed consolidated interim financial information for the six month period ended 30 June 2018

### 4. Operating expenses and federal royalty

	Three months ended 30 June		Six months ended 30 June	
	2018	2017	2018	2017 (Restated)
a) Operating expenses	AED'000	AED'000	AED'000	AED'000
Direct cost of sales	3,232,421	3,134,593	6,439,117	5,996,696
Staff costs	1,231,726	1,273,082	2,471,682	2,554,748
Depreciation	1,419,937	1,390,663	2,822,981	2,756,710
Network and other related costs	645,883	591,073	1,269,442	1,135,479
Amortisation	376,218	338,086	774,871	733,389
Marketing expenses	225,939	199,970	428,514	421,165
Regulatory expenses (ii)	338,844	306,329	661,346	594,048
Operating lease rentals	93,430	89,797	189,536	179,522
Foreign exchange loss	189,489	134,240	217,712	175,639
Hedge ineffectiveness on net investment hedges	(110,409)	108,648	(69,596)	168,479
Loss on allowances (i)	197,430	237,136	544,995	467,476
Other operating expenses	533,330	415,447	1,119,883	1,006,205
<b>Operating expenses (before federal royalty)</b>	<b>8,374,238</b>	<b>8,219,064</b>	<b>16,870,483</b>	<b>16,189,556</b>

i) Loss on allowances	2018	2017	2018	2017
	AED'000	AED'000	AED'000	AED'000
Allowances on trade receivables	170,545	237,136	466,076	467,476
Allowances on due from other telecommunication operators/carriers	25,071	-	82,936	-
Allowances on finance lease receivables	1,814	-	(4,017)	-
<b>Total loss on allowances</b>	<b>197,430</b>	<b>237,136</b>	<b>544,995</b>	<b>467,476</b>

#### ii) Regulatory expenses:

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

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

#### b) Federal Royalty

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

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

On 25 February 2015, the UAE Ministry of Finance ("MOF") issued revised guidelines (which was received by the Company on 1 March 2015) for the computation of federal royalty for the financial years ending 31 December 2014, 2015 and 2016 ("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 period 2017 to 2021 ("new royalty scheme"). According to the new royalty scheme, the Group will pay 15% royalty fees on the UAE regulated revenue and 30% royalty fees on profit generated from 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 30 June 2018 was in accordance with the new royalty scheme.

The federal royalty has been treated as an operating expense in the consolidated interim statement of profit or loss on the basis that the expenses the Company would otherwise have had to incur for the use of the federal facilities would have been classified as operating expenses.

## Emirates Telecommunications Group Company PJSC

Notes to the condensed consolidated interim financial information for the six month period ended 30 June 2018

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

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 are as of the date of this report not completed.

The existing management and technical support related agreements between Etisalat Group and EMTS have been terminated effective from 30 June 2017. The agreements governing the use of Etisalat's brand and related IP rights have also terminated effective from 21 July 2017. Accordingly, since EMTS BV no longer controls EMTS, and the Group does not have significant influence on EMTS, the investment in the associate has been derecognised in the consolidated financial statements.

b) On 26 April 2018, Etisalat Group and Star Satellite Communication Company PJSC, signed a Sale and Purchase Agreement ("SPA") for the sale of Etisalat Group's shareholding of 28.04% in Thuraya.

Closing of the transaction is subject to a number of conditions precedent including, among others, regulatory approval and the purchase offer being accepted by Thuraya shareholders representing at least 75% of all of the shares.

Accordingly carrying amount of investment in Thuraya amounting to AED 73.95 million has been classified to "assets classified as held for sale".

### 6. Dividends

Amounts recognised as distribution to equity holders:

AED'000

#### Six months ended 30 June 2018

Final dividend for the year ended 31 December 2017 of AED 0.40 per share	3,477,198
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#### Six months ended 30 June 2017

Final dividend for the year ended 31 December 2016 of AED 0.40 per share	3,477,198
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### 7. Earnings per share

	Three months ended 30 June		Six months ended 30 June	
	2018	2017 (Restated)	2018	2017 (Restated)
<b>Earnings (AED'000)</b>				
Earnings for the purposes of basic earnings per share being the profit attributable to the equity holders of the Company	2,199,204	1,957,045	4,311,482	4,061,682
<b>Number of shares ('000)</b>				
Weighted average number of ordinary shares for the purposes of basic earnings per share	8,696,754	8,696,754	8,696,754	8,696,754
<b>Earnings per share</b>				
From continuing and discontinued operations				
Basic and diluted	AED 0.25	AED 0.23	AED 0.50	AED 0.47
From continuing operations				
Basic and diluted	AED 0.25	AED 0.24	AED 0.50	AED 0.48

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

## Emirates Telecommunications Group Company PJSC

Notes to the condensed consolidated interim financial information for the six month period ended 30 June 2018

### 8. Goodwill

The movement in the Goodwill is provided below:

	Note	30 June 2018 AED'000	31 December 2017 AED'000
<b>Opening balance</b>		<b>14,803,324</b>	<b>14,097,902</b>
Exchange difference		(532,340)	705,422
<b>Closing balance</b>		<b>14,270,984</b>	<b>14,803,324</b>

### 9. Intangible assets

The movement in other intangible assets is provided below:

	Note	30 June 2018 AED'000	31 December 2017 AED'000
<b>Opening balance</b>		<b>15,437,454</b>	<b>14,710,048</b>
Additions		640,335	675,000
Transfer		-	720,257
Other non cash movements		-	2,787
Disposals		(314)	(3,013)
Amortisation and impairment losses		(793,518)	(1,632,788)
Reclassified as held for sale	19	2,619	11,905
Customer relationship on acquisition of UT Technology LLC ("UTT")	24	153,629	-
Exchange difference		(288,628)	953,258
<b>Closing balance</b>		<b>15,151,577</b>	<b>15,437,454</b>

### 10. Property, plant and equipment

	Note	30 June 2018 AED'000	31 December 2017 (Restated) AED'000
<b>Opening balance</b>		<b>43,666,804</b>	<b>42,356,206</b>
Additions		2,789,644	7,289,355
Transfers		-	(720,258)
Transfer to investment property		-	(17,148)
Disposals		(37,242)	(307,383)
Depreciation		(2,864,221)	(5,616,764)
Impairment losses		(1,726)	(382,275)
Reclassified as held for sale	19	40,992	155,929
Exchange difference		(1,229,479)	909,142
<b>Closing balance</b>		<b>42,364,772</b>	<b>43,666,804</b>

### 11. Trade and other receivables

		30 June 2018 AED'000	31 December 2017 (Restated) AED'000
Amount receivable for services rendered		11,176,999	10,272,890
Amounts due from other telecommunication operators/carriers		5,001,123	6,193,563
<b>Total gross carrying amount</b>		<b>16,178,122</b>	<b>16,466,453</b>
Lifetime expected credit loss		(3,035,419)	(2,594,631)
<b>Net trade receivables</b>		<b>13,142,703</b>	<b>13,871,822</b>
Prepayments		1,178,882	690,972
Accrued income		951,887	787,345
Advances to suppliers		248,615	164,997
Other receivables		2,489,833	2,500,611
<b>Net trade and other receivables</b>		<b>18,011,920</b>	<b>18,015,747</b>
<b>Total trade and other receivables</b>		<b>18,011,920</b>	<b>18,015,747</b>
of which current trade and other receivables		17,512,431	17,803,890
of which non-current other receivables		499,489	211,857

## Emirates Telecommunications Group Company PJSC

Notes to the condensed consolidated interim financial information for the six month period ended 30 June 2018

		30 June 2018	31 December 2017
	Note	AED'000	AED'000
<b>12. Cash and cash equivalents</b>			
of which maintained locally		22,376,020	24,344,342
of which maintained overseas, unrestricted in use		1,777,856	1,839,546
of which maintained overseas, restricted in use		36,553	956,205
<b>Cash and bank balances</b>		<b>24,190,429</b>	<b>27,140,093</b>
Reclassified as held for sale	19	(23,636)	(14,935)
<b>Cash and bank balances from continuing operations</b>		<b>24,166,793</b>	<b>27,125,158</b>
Less: Deposits with maturities exceeding three months from the date of deposit		(17,132,784)	(23,276,525)
<b>Cash and cash equivalents from continuing operations</b>		<b>7,034,009</b>	<b>3,848,633</b>

Cash and cash equivalents comprise cash on hand and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. These are denominated primarily in UAE Dirham, with financial institutions and banks. Interest is earned on these investments at prevailing market rates. The carrying amount of these assets approximates to their fair value.

		30 June 2018	31 December 2017 (Restated)
		AED'000	AED'000
<b>13. Trade and other payables</b>			
<b>Current</b>			
Federal royalty		3,048,767	5,735,532
Trade payables		5,926,238	6,603,303
Amounts due to other telecommunication administrators		4,217,455	5,425,492
Advances from customers		573,862	601,495
Deferred revenue		384,059	333,702
Other payables and accruals		10,142,491	11,111,806
		<b>24,292,872</b>	<b>29,811,330</b>
<b>Non-current</b>			
Other payables		2,547,727	1,477,540
		<b>2,547,727</b>	<b>1,477,540</b>

### 14. Contingent liabilities

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

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

iii) The Group's associate, Etisalat Etihad Company (Mobily) has received several penalty resolutions from the Communication Information Technology Commission (CITC's) Violation Committee which Mobily has 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 legal cases were filed by Mobily against CITC at the Board of Grievances to oppose such resolutions of the CITC's committee in accordance with the Telecommunication regulations. The status of these legal cases as of 30 June 2018, was as follows:

- There are 723 legal cases filed by Mobily against CITC amounting to approximately AED 687 million (SAR 704 million);
- The Board of Grievance has issued 221 preliminary verdicts in favor of Mobily voiding 221 resolutions of the CITC's violation committee with total penalties amounting to approximately AED 460 million (SAR 473 million); and
- Some of these preliminary verdicts have now become conclusive (after they were affirmed by the appeal court) resulting in cancellation of penalties with an approximate total amount of AED 428 million (SAR 466 million).

## Emirates Telecommunications Group Company PJSC

### Notes to the condensed consolidated interim financial information for the six month period ended 30 June 2018

#### 14. Contingent liabilities (continued)

In addition, 24 legal cases were filed by Mobily against CITC in relation to the mechanism of calculating the governmental fees and other subjects. 17 of these cases are specifically related to the governmental fees. Out of these 17 cases, Mobily received as of 30 June 2018, one preliminary favorable judgment, seven final favorable judgments stating that the subject matter of such cases falls under the jurisdiction of the Ministry of Finance, three final favorable judgments upon which the CITC filed a motion of reconsideration and four final favorable judgments. The remaining two cases are still being adjudicated before the Administrative Court. It is difficult to determine with a proper level of accuracy the due amount of claims due to the difference in the calculation method. Although Mobily believes that these claims have no legal basis and recent developments reinforced this position, they may have a material impact on Mobily's business in case of retroactive change in the regulatory framework which is difficult to assess.

Mobily received additional claims from CITC during the three-months period ended 30 June 2018, considered the progress of the legal cases described above, and, on that basis, Mobily has reassessed the provisions required against the claims as at 30 June 2018 and has recorded the resulting appropriate amount of provisions.

Furthermore, there are 177 lawsuits filed by some of the shareholders against Mobily before the Committee for the Resolutions of Security Disputes ("CRSD") with some still being adjudicated by such committee. Mobily has received 8 preliminary verdicts and 142 final verdicts in its favor in these claims and 14 cases have been either dismissed or abandoned and 13 cases are on-going as of 30 June 2018.

Various shareholder claims (48) have been made against the 2013/2014 members of the Board of Mobily ("Defendants") and others, and these have been filed with the CRSD. These proceedings are currently suspended by the CRSD.

In parallel with these claims, the Saudi Capital Market Authority ("CMA") had previously launched claims against the 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.

iv) In the prior years, Atlantique Telecom SA, a subsidiary of the Group, has been engaged in arbitration proceedings against SARCI Sarl ("SARCI"), a minority shareholder of one of its subsidiaries, Telecel Benin where SARCI was seeking compensation for alleged damages caused to Telecel Benin by Atlantique Telecom during the period from 2002 till 2007. Two arbitration proceedings on the same issue had been cancelled upon Atlantique Telecom's request in 2008 and 2013. In November 2015, the Arbitral Tribunal of a third proceeding launched in 2013 has awarded SARCI damages amounting to approximately EURO 416 million (AED 1.6 billion). On May 30, 2018, the Court of Appeal of Cotonou has annulled the November 2015 award.

v) In April 2016, Etisalat Misr received notice of arbitration proceedings initiated by Vodafone Egypt Telecommunication Company (Vodafone). Vodafone is seeking to recover outstanding interconnection fees payable as a result of a principle set by the Egyptian Administrative Court's decision nullifying the National Telecommunication Regulatory Authority (NTRA) set tariffs imposed on operators plus interest dues. Based on the submitted arguments and supported documents presented, management believes that the recorded interconnection transactions have been fairly recognized in the consolidated financial information as at 30 June 2018.

#### 15. Capital Commitments

The Group has approved future capital projects and investment commitments to the extent of AED 5,797 million (2017: AED 5,405 million). The Group has issued letters of credit amounting to AED 589 million (2017: AED 514 million).



## Emirates Telecommunications Group Company PJSC

### Notes to the condensed consolidated interim financial information for the six month period ended 30 June 2018

#### 16. Related party transactions

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

##### a) Federal Government and state controlled entities

As stated in Note 1, in accordance with Federal Law No. 267/10 for 2009, the Federal Government of the UAE transferred its 60% holding in the Company to the Emirates Investment Authority with effect from 1 January 2008, which is ultimately controlled by the UAE Federal Government. The Group provides telecommunications services to the Federal Government (including Ministries and local bodies). These transactions are at normal commercial terms. The credit period allowed to Government customers ranges from 90 to 120 days. Trade receivables include an amount of AED 1,473 million (2017: AED 1,455 million), which are net of allowance for doubtful debts of AED 229 million (2017: AED 187 million), receivable from Federal Ministries and local bodies. See Note 4 for disclosure of the royalty payable to the Federal Government of the UAE.

In accordance with IAS 24 (revised 2009) Related Party Disclosures the Group has elected not to disclose transactions with the UAE Federal Government and other entities over which the Federal Government exerts control, joint control or significant influence. The nature of the transactions that the Group has with such related parties is the provision of telecommunication services.

b) Joint ventures and associates	Associates		Joint Ventures	
	2018 AED '000	2017 AED '000	2018 AED '000	2017 AED '000
<b>Trading transactions for the six months ended 30 June</b>				
Telecommunication services – sales	99,211	66,551	-	-
Telecommunication services – purchases	63,489	44,879	-	-
Management and other services	48,834	68,678	-	850
Net amount due from related parties as at 30 June 2018 / 31 December 2017	131,064	146,059	84,843	41,183

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

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

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

## Emirates Telecommunications Group Company PJSC

Notes to the condensed consolidated interim financial information for the six month period ended 30 June 2018

### 17. Borrowings

	Note	Carrying Amounts	
		30 June 2018 AED'000	31 December 2017 AED'000
<b>Bank borrowings</b>			
Bank overdrafts		5,207,240	3,651,426
Bank loans		3,861,872	4,598,837
<b>Other borrowings</b>			
Bonds		15,284,191	15,528,641
Vendor financing		463,524	481,420
Others		4,165	4,082
		<b>24,820,992</b>	<b>24,264,406</b>
Advances from non-controlling interest		548,025	548,024
<b>Total Borrowings as at 30 June 2018/ 31 December 2017</b>		<b>25,369,017</b>	<b>24,812,430</b>
Reclassified as held for sale	19	(33,866)	(107,089)
<b>Borrowings from continuing operations as at 30 June 2018/ 31 December 2017</b>		<b>25,335,151</b>	<b>24,705,341</b>
of which due within 12 months		6,421,120	4,670,208
of which due after 12 months		18,914,031	20,035,133

The carrying values of the Group's bank and other borrowings, excluding bonds, approximate their fair values. Fair values of bonds are calculated using quoted market prices.

Advances from non-controlling interests represent advances paid by the minority shareholder of Etisalat International Pakistan LLC (EIP) towards the Group's acquisition of its 26% stake in PTCL, net of repayments. The amount is interest free and is not repayable within 12 months of the condensed consolidated interim statement of financial position date and accordingly the full amount is carried in non-current liabilities. The fair value of advances is not equivalent to its carrying value as it is interest-free.

The Group has listed a USD 7 billion (AED 25.7 billion) medium-term note programme which will be used to meet medium to long-term funding requirements. In 2014, the Group issued the inaugural bonds under the GMTN programme in USD and Euro tranches amounting to USD 1 billion and Euro 2.4 billion in total, respectively. Further, in May 2015, the Group issued additional bonds amounting to USD 400 million under the existing USD 5 year tranches. As at 30 June 2018, the total amounts in issue under this programme split by currency are USD 1.4 billion (AED 5.14 billion) and Euro 2.4 billion (AED 10.26 billion) as follows:

	Nominal Value 2018 AED'000	Fair Value 2018 AED'000	Carrying Value 2018 AED'000
<b>Bonds</b>			
2.375% US dollar 900 million notes due 2019	3,306,600	3,284,545	3,306,582
3.500% US dollar 500 million notes due 2024	1,837,000	1,806,487	1,821,385
<b>Bonds in net investment hedge relationship</b>			
1.750% Euro 1,200 million notes due 2021	5,130,360	5,355,532	5,099,976
2.750% Euro 1,200 million notes due 2026	5,130,360	5,639,959	5,056,248
<b>At 30 June</b>	<b>15,404,320</b>	<b>16,086,523</b>	<b>15,284,191</b>
of which due within 12 months			-
of which due after 12 months			15,284,191

	Nominal Value 2017 AED'000	Fair Value 2017 AED'000	Carrying Value 2017 AED'000
<b>Bonds</b>			
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
<b>Bonds in net investment hedge relationship</b>			
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
<b>At 31 December</b>	<b>15,670,960</b>	<b>16,576,816</b>	<b>15,528,641</b>
of which due within 12 months			-
of which due after 12 months			15,528,641

## Emirates Telecommunications Group Company PJSC

Notes to the condensed consolidated interim financial information for the six month period ended 30 June 2018

### 18. Net investment hedge relationships

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

	Three months ended 30 June		Six months ended 30 June	
	2018 AED'000	2017 AED'000	2018 AED'000	2017 AED'000
Effective part directly recognised in other comprehensive (loss) / income	477,930	(450,378)	193,849	(591,313)

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

	30 June 2018 AED'000	31 December 2017 AED'000
Fair value of forward contracts and options (derivative financial assets)	2,656	8,172
Fair value of interest rate swaps (derivative financial assets)	13,607	2,309
Fair value of derivative swaps (derivative financial liabilities)	(57,828)	(79,149)

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.

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

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

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

	Three months ended 30 June		Six months ended 30 June	
	2018 AED'000	2017 (Restated) AED'000	2018 AED'000	2017 (Restated) AED'000
<b>Revenue</b>	45,248	61,569	93,986	133,160
Operating expenses	(74,765)	(97,861)	(155,075)	(198,562)
Share of results of associates and joint ventures	734	(6,617)	1,611	(17,899)
<b>Operating loss before tax</b>	<b>(28,783)</b>	<b>(42,909)</b>	<b>(59,478)</b>	<b>(83,301)</b>
Finance and other income	7,838	316	8,000	700
Finance costs	(3,906)	(3,947)	(7,319)	(7,273)
<b>Loss before tax</b>	<b>(24,851)</b>	<b>(46,540)</b>	<b>(58,797)</b>	<b>(89,874)</b>
Taxation	1,686	-	1,686	-
	(23,165)	(46,540)	(57,111)	(89,874)
<b>Loss for the period from discontinued operations</b>	<b>(23,165)</b>	<b>(46,540)</b>	<b>(57,111)</b>	<b>(89,874)</b>

## Emirates Telecommunications Group Company PJSC

Notes to the condensed consolidated interim financial information for the six month period ended 30 June 2018

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

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

	As at	
	30 June 2018 AED'000	31 December 2017 AED'000
<b>Assets classified as held for sale</b>		
Other intangible assets	11,892	14,511
Property, plant and equipment	362,720	403,712
Investments in associates	73,952	-
Deferred tax assets	50,432	52,171
Inventories	281	389
Trade and other receivables	146,425	132,530
Cash and bank balances	23,636	14,934
<b>Assets classified as held for sale</b>	<b>669,338</b>	<b>618,247</b>

	As at	
	30 June 2018 AED'000	31 December 2017 AED'000
<b>Liabilities classified as held for sale</b>		
Trade and other payables	227,145	217,517
Borrowings	33,866	107,089
Provision for end of service benefits	2,603	2,709
Provision	16,708	16,950
Deferred tax liabilities	51,820	53,607
Finance lease obligation	13,146	9,309
Liabilities associated with assets classified as held for sale	<b>345,288</b>	<b>407,181</b>
<b>Net assets classified as held for sale</b>	<b>324,050</b>	<b>211,066</b>

	Six months ended 30 June	
	2018 AED'000	2017 AED'000
<b>Cash flows from discontinued operations</b>		
Net cash inflows from operating activities	31,555	6,398
Net cash outflows inflows from investing activities	(16,297)	(21,677)
Net cash (outflows) / inflow from financing activities	(180,570)	8,955
<b>Net cash outflows</b>	<b>(165,312)</b>	<b>(6,324)</b>

#### 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.

### 20. Seasonality and cyclicity of interim operations

There are no items of seasonal or cyclical nature in the interim operations during the period ended 30 June 2018 and 2017.

### 21. Fair value disclosures

The Group has Euro bonds and cross currency swaps which are designated as net investment hedges. The Group has in place cross currency USD-EUR swaps which were designated as hedges of net investment. The fair value of the cross currency swaps were calculated by discounting the future cash flows to the net present value using appropriate market interest and prevailing foreign currency rates. The fair value of cross currency swaps represent Level 2 fair values. The Group has quoted equity investments in listed equity securities. The fair values of these equity securities are derived from quoted prices in active markets for identical assets, which in accordance with the fair value hierarchy with IFRS 7 *Financial Instruments: Disclosure*, represent Level 1 fair values. There were no transfers between Level 1 and Level 2 of the fair value hierarchy during the period.

### 22. Provision for end of service benefits

	Note	30 June 2018 AED'000	31 December 2017 AED'000
The movement in the provision for end of service benefits is provided below:			
<b>Opening balances</b>		<b>1,608,782</b>	<b>1,636,959</b>
Additions		91,306	226,648
Payments		(51,272)	(245,613)
Exchange difference		(80,609)	(17,532)
Unwinding of discounts		2,831	5,355
Remeasurement		-	3,043
Reclassified as held for sale	19	106	(78)
<b>Closing balances</b>		<b>1,571,144</b>	<b>1,608,782</b>

## Emirates Telecommunications Group Company PJSC

Notes to the condensed consolidated interim financial information for the six month period ended 30 June 2018

### 23. Share Capital

On 21 March 2018, the Etisalat Annual General Meeting approved the Company's buyback of its shares within a maximum of 5% of its paid-up capital, for the purpose of cancelling or re-selling such shares, after obtaining approval of competent authorities. As at 30 June 2018, no buyback transaction had taken place.

### 24. Acquisition of UT Technology LLC ("UTT")

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.

	Fair values based on provisional basis AED'000
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 end of service benefits	(72)
<b>Net identifiable assets acquired</b>	<b>52,765</b>
Non-controlling interests in the acquiree	(30,939)
Customer relationships	153,491
<b>Fair value of investment</b>	<b>175,317</b>
<b>Net cash inflow arising on acquisition:</b>	
Cash and bank balances	67,993
<b>Net cash outflow on acquisition of UTT</b>	<b>AED'000</b>
Consideration paid	72,190
Less: Cash and bank balances	(67,993)
	<b>4,197</b>

### 25. Restatements of comparative figures

The below restatements have been made to the prior year numbers to comply with the requirement of IFRS 15:

	As previously reported AED'000	Adjustments AED'000	As restated AED'000
<b>Consolidated statement of financial position as at 31 December 2017</b>			
Property, plant and equipment	43,806,335	(139,531)	43,666,804
Trade and other receivables	18,690,834	(675,087)	18,015,747
Contract assets	-	1,408,570	1,408,570
Inventory	541,290	16,451	557,741
Trade and other payables	34,287,120	(2,998,250)	31,288,870
Contract liabilities	-	3,086,501	3,086,501
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	472,407	8,829,020
Non-controlling interests	13,661,772	27,155	13,688,927
<b>Consolidated statement of financial position as at 1 January 2017</b>			
Property, plant and equipment	42,450,127	(93,920)	42,356,207
Trade and other receivables	19,069,703	(688,846)	18,380,857
Contract assets	-	1,414,310	1,414,310
Trade and other payables	32,331,043	(2,873,655)	29,457,388
Contract liabilities	-	2,957,970	2,957,970
Deferred tax liability	3,255,952	15,770	3,271,722
Reserve	26,121,149	(712)	26,120,437
Retained earnings	7,883,501	509,965	8,393,466
Non-controlling interests	13,213,374	22,207	13,235,581
<b>Condensed consolidated interim statement of profit or loss for the the six month period ended 30 June 2017</b>			
<b>Revenue</b>	25,288,735	1,244	25,289,979
Operating expenses	16,207,264	(17,708)	16,189,556
Share of results of associates and joint ventures	(108,773)	17,899	(90,874)
<b>Operating profit before federal royalty</b>	8,787,312	36,851	8,824,163
Finance and other income	502,611	4,671	507,282
Finance and other costs	(582,776)	(21,089)	(603,865)
Taxation	656,413	3,547	659,960
Loss from discontinued operations	(71,975)	(17,899)	(89,874)
<b>Profit for the period</b>	4,709,809	(1,014)	4,708,795