etisalat

YEARS OF
GROWING
TOGETHER

# Annual Report 2016

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# key highlights of 2016

**52.4**
AED
Billion
Revenue

**26.3**
AED
Billion
EBITDA

**8.4**
AED
Billion
Net Profit

**162**
Million
Aggregate
subscribers

**80**
Fils
Dividend
per share

**10.5**
AED
Billion
CAPEX

etisalat

# business snapshot

**Etisalat Group continued to excel and deliver strong performance and value for its shareholders and customers, despite the challenges facing the telecoms industry today.**

Our aspiration is to be the leading and most admired emerging markets telecom group by consistently and pro-actively serving our customers with a common set of brand values based on innovation, customer centricity and building trusted relationships. This is evidenced by our key strategic pillars of owning and managing an attractive, well balanced portfolio of assets; providing differentiated and innovative service offerings that leverage our high quality infrastructure and networks; and a superior customer experience.

Despite a challenging set of circumstances facing the telecoms industry today, Etisalat Group continued to deliver strong performance and value for its shareholders and customers. In 2016, we accelerated our investments in networks and partnerships to enhance our market positioning. Being a supporter of the Smart City concept, the partnerships with Dubai Parks and Resorts, are in line with our digital transformation strategy that Etisalat considers a priority to shape and advance Smart Cities in our mature markets. We will continue to focus on creating the world's best networks in all the markets that we operate, and in delivering long-term value for all our stakeholders. We have also demonstrated our next-generation capabilities through our role as Premium Partner of Expo 2020 Dubai. We will continue to focus on creating the world's best networks in all the markets that we operate, and in delivering long-term value for all our stakeholders.We have also made good progress on trials of our 5G network in the UAE, an investment that will enable our businesses to achieve transformational growth by leveraging the Internet of Things and The Cloud.

The Etisalat Group business model continues to be guided by the central principle of meeting and exceeding customers' expectations. We aspire to achieve this through the continued investment in our networks and provision of innovative service offerings, ensuring that we provide our customers with the best possible experience. At the same time, we have continued our practice of high cash generation, so that we can continue to reward our shareholders and grow our business. We have sustained a generous dividend programme with close to AED 20 billion returned to shareholders in the past 3 years, including 10% bonus share.

Over the years, we have maintained a high level of capital expenditure to support wider coverage, higher speeds and greater capacity in our networks. We believe that voice is still a growth area that we intend to tap into with the continued upgrade of our networks; however our primary focus is on securing a leadership position in the more lucrative data segment. To that end, we have in the recent past invested in spectrum licences in Egypt, Morocco, Mauritania, Pakistan, Afghanistan, Benin, Niger, Togo and Cote D'Ivoire to support our push into mobile data services and to support future growth.

For 40 years, Etisalat has helped the UAE sustain its position as the region's hub for business, trade and foreign investment by providing reliable, high quality services. This was accomplished through Etisalat's heavy investment in advanced world class networks where both fibre-to-the-home (FTTH) and LTE roll-out exceeds 92 percent and 96 percent coverage of the population. Due to these investments, the UAE today demonstrates leadership in regional technology innovation and deployment, and leads the world in terms of high-speed broadband penetration.

In the years to come, Etisalat Group plans to lead the way in terms of growth and innovation within the UAE's multi-billion-dollar telecom market, with particular focus on the ICT segment.

“Digitization is the future that will bring larger value to our customers and shareholders.”

Eissa Mohamed Al Suwaidi
Chairman of the Board

# chairman's statement

**The telecommunication industry never stands still and neither does Etisalat Group. We have witnessed unprecedented change in the forty years since our journey began. All services we enjoy today were only ideas in the making back in 1976, transitioning from simple wired voice and internet access services, into rich fixed offerings and total mobility solutions, a shift into ubiquitous connectivity that was aggravated by the proliferation of smart devices, a revolution that has commoditized connectivity and moved our industry into a new era.**

Throughout our journey, we have accomplished a renowned record of technological firsts; the same were only collateral to our sincere efforts to harness the power of technology in order to bring the best possible and the latest available to our customers. Only recently, we were one of the first few telecom operators in the world to conduct live 5G trials, driven mainly by our plans to enable the society of tomorrow that revolves around the Internet of Things.

We are fully vigilant of the rapid changes in our industry and we are adamant to stay at the forefront by embracing the inevitable change; we are facing a digital shift that dictates the development of digital services and their associated ecosystems. A massive opportunity for telecom operators that brings new challenges but great benefit, digitization is the new universal game; it is the future that will bring larger value to our customers and shareholders.

It is time to reflect on our activities in 2016, starting with our Group restructuring which has enabled us to review our operations and introduce effective improvements, including key steps towards our portfolio optimization and the expansion of licenses in selected countries. Moreover, and despite a global slowdown in economy, we have sustained our strong financial performance with AED52.4 billion consolidated revenues, AED 8.4 billion net profit after royalty, 50% EBITDA margin, dividend per share of 80 fils, and maintained our high credit rating. Meanwhile, Etisalat has been included in the international financial indexes attracting international funds. All of this will contribute positively towards asserting our position as a telecom leader.

Etisalat plays an important role as one of the contributors to the national economy of the UAE, either directly through its solid financial performance and deployment of world class telecom infrastructure as key enabler for economic progress, or indirectly through its strong leadership position in the telecommunication and ICT sector; locally, regionally and internationally. As an example, Etisalat's continued investment in fiber-to-the-home has supported the UAE to remain a global leader in fiber optic connectivity. Moreover, Etisalat is fully aligned with the government ambitious agendas and is determined to sustain its position as the government-trusted associate, we are the EXPO 2020 telecommunication and digital services premier partner, and will deliver far and beyond to support the UAE in realizing its 2021 vision.

On a related front, we also continued our mission to enhance the lives of people and communities where we operate. As a responsible corporate citizen Etisalat Group is committed to securing the trust and loyalty of people in the communities we serve; we see ourselves as their partner, not just a service provider. In Egypt Etisalat has helped bring clean water to half a million people, along with many initiatives to promote education, health and the environment. This all contributes to securing long-term, sustainable success for Etisalat Group, especially amidst the challenges that the telecom industry is facing internationally. With the UAE declaring 2017 as the 'Year of Giving' Etisalat will continue its support to the communities where we operate which reflects the aspirations of our generous leaders.

As we look ahead, we see continued success for Etisalat Group, we will always assure a healthy portfolio that brings synergy to the group and value to the shareholders, we will capitalize on our great talent and distinguished assets to generate returns and deliver high quality products and services. Our focus is on the digital transformation, and we will steer all efforts towards enabling, delivering, and leading it.

At the end, I would like to extend my sincere thanks and gratitude to our wise leadership, for their continuous support of Etisalat, represented by HH Sheikh Khalifa Bin Zayed Al-Nahyan, President of the UAE, Sheikh Mohammed Bin Rashed Al-Maktoum, Vice President and Prime Minister of the UAE, and ruler of Dubai, and Sheikh Mohammed Bin Zayed Al-Nahyan, Crown Prince of Abu Dhabi and Deputy Supreme Commander of the UAE Armed Forces. Finally, I would also like to extend my appreciation to our customers for their trust in us to deliver the latest technologies and innovations, and to our shareholders for their ongoing support, which is the main motivation that drives us to work harder to achieve a better future.

Eissa Mohamed Al Suwaidi
**Chairman - Etisalat Group**

# board of directors

Eissa Mohamed Ghanem Al Suwaidi
Chairman of the Board
Chairman of Investment & Finance Committee

Sheikh Ahmed Mohd Sultan Bin Suroor Al Dhahiri
Vice Chairman
Member of Audit Committee

Mohamed Sultan Abdulla Mohamed Alhameli
Board Member
Chairman of Nomination & Remuneration Committee

Abdulla Salem Obaid Salem Al Dhaheri
Board Member
Member of Nomination & Remuneration Committee

Hesham Abdulla Qassim Al Qassim
Board Member
Member of Nomination & Remuneration Committee

Essa Abdulfattah Kazim Al Mulla
Board Member
Chairman of Audit Committee

Abdulfattah Sayed Mansoor Sharaf
Board Member
Member of Investment & Finance Committee

Mohamed Hadi Ahmed Abdulla Al Hussaini
Board Member
Member of Investment & Finance Committee

Abdelmonem Bin Eisa Bin Nasser Alserkal
Board Member
Member of Nomination & Remuneration Committee

Khalid Abdulwahed Hassan Alrostamani
Board Member
Member of Audit Committee

Otaiba Khalaf Ahmed Khalaf Al Otaiba
Board Member
Member of Investment & Finance Committee

Hasan Al Hosani
Company Secretary

# 40 years of growing together

## 1976
Emirates Telecommunication Corporation is founded.

## 1982
Emirates Telecommunications Corporation launches Middle East's first mobilenetwork.

## 1983
The ownership structure changes with the United Arab Emirates government getting a 60% share in the company and the remaining 40% is publicly traded.

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

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

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

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

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

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

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

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

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

## 2008
Etisalat completes the rollout of a nationwide fibre optic backbone over which next generation services will be provided in the UAE.

## 2009
Etisalat acquires Tigo, a Sri Lankan operator, which is later rebranded to Etisalat Lanka.

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

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

## 2013
Etisalat signed SPA with Vivendi to acquire Vivendi's 53% stake in Maroc Telecom Group.Etisalat Benin obtains a Universal Mobile Service License.

## 2014
Etisalat completed acquisition of 53% shareholding in Maroc Telecom. Etisalat successfully issued its inaugural bond under its Global Medium Term Note (GMTN) programme listed on the Irish Stock Exchange. Etisalat signs SPA with Maroc Telecom for sale of Etisalat's shareholding in Atlantique Telecoms.

## 2015
Etisalat Group completed the sale of its operations in Benin, the Central African Republic, Gabon, the Ivory Coast, Niger, Togo and Tanzania.

Allowing foreign investors to own up to 20% of Etisalat Group's shares.

Inclusion of Etisalat in MSCI index.

## 2016
Etisalat Group completed the sale of it's shareholdings in Canar.

Etisalat Misr acquired 4G license and fixed virtual license in Egypt

Inclusion of Etisalat Group in FTSE Russell Emerging Markets Index

"Etisalat Group is in a stronger position today to seize the opportunities and overcome the challenges of our fast-evolving industry."

Saleh Al Abdooli
Chief Executive Officer - Etisalat Group

# group's ceo statement

**2016 was another year to remember in etisalat history, as we celebrated our 40th anniversary, we have took bold steps to assure our group stays ahead at the edge of tomorrow. Evidently, our industry is shifting into a new era, we are witnessing a digital revolution that will transform the world as we know it, it is the inevitable change that we should embrace in order to sustain our leadership moving forward.**

Etisalat was established in 1976 with fixed telephony services; it has evolved rapidly over the years, hence, creating one of the world's leading networks in one of the fastest growing economies. With many recorded firsts, we have positioned ourselves as the leading telecom operator in the UAE and the region. Our decision to grow beyond confined borders, by expanding operations outside the UAE market, was only natural in an industry that is facing mass convergence that has widened the spectrum of our competitors and complicated our operating models. We have created one family that brings together people with multiple backgrounds, languages, and cultures, from dispersed geographical locations, under one umbrella that is stronger because of its diversity, and bigger because of its dream.

2016 was the ideal closure for 4 decades of success; we have focused on rationalizing our portfolio and restructuring our business, while delivering strong financial and operational performance. Our consolidated revenues grew by 2% year on year driven by strong performance of domestic operations and Maroc Telecom operations, we have maintained our high credit rating despite the disturbances affecting the global economy, and were included in the FTSE Russell Emerging Markets Index. We have also continued to invest heavily in the network of the future; by enhancing coverage and reach of existing networks, and by adopting, trialing, and rolling out next generation technologies as in IoT, VoLTE, and 5G.

Today, etisalat is serving over 162 Million customers across its footprint, being governments, businesses or individuals, who are enjoying high quality services over outstanding networks, in addition to carefully designed solutions that enrich ordinary consumers' lives while addressing holistically the business needs of enterprises of all size. We strive to offer our customers superb experience levels and to surpass their exponentially increasing demands, and that is the driver for investing in bigger capacities and in networks that enable faster speeds and larger bandwidth. With the acquisition of 4G license in Egypt; we are now licensed to provide 4G services in 11 countries out of 17 countries we operate in. Our 5G trials are only paving the way for a new generation of wireless systems that will not only enable faster speeds, but will also facilitate the implementation of the Internet of things and will be able to accommodate the associated surge in digital content.

We are excited to demonstrate our capability in mega and complex digital projects that support governments in providing smarter education, smarter health systems, smarter cities, and smarter entertainment, in addition to global events. Dubai Expo 2020 is a major example of the latter, in which Etisalat will be the event's premier partner for telecommunications & digital services, the same will support the UAE government in their long-term strategy to become the global destination for trade, business and development.

As a Group, we are fully capable to lead in the digital arena, we have transitioned from a traditional telecom operator into an integrated ICT solutions provider, and currently we are solidifying our position as a digital leader. The same has inspired us to create a dedicated business unit called "Etisalat Digital", for managing the group overall digital transformation agenda across our footprint. It is challenging yet interesting journey that will entail a transformation within the group itself to be able to cope with the necessities of the new era, which dictates the adoption of new agile and collaborative operating models, and to have richer, simpler and smarter products and services.

Moreover, Customer Experience remains a key strategic pillar that predicates upon solid understanding of customer requirements; we aspire to service passionately and consistently across 17 countries, and to deliver an experience that further enhances our brand strength and its association to high quality, reliability, and innovation. As a Group, we believe in the importance of a well-integrated supply chain to enable the efficient delivery of supreme service levels, and that is why we are keen to engage with trusted partners and suppliers who share the same vision.

Finally, and as we celebrate 40 years of feats and successes, we can only express our gratitude to the UAE leaders and government for their tremendous support, which has aided our expansion strategy because of the UAE's strong political, economic, and social ties with almost all countries in the world. We are committed to support the agenda of our country, which is all about being first, leading on a global scale and breaking records for the country's greater benefit.

We are also thankful to our great employees, our loyal customers, and our trusted shareholders; we promise you another exciting decade in which the family of etisalat Group will never cease to impress you.

Saleh Al Abdooli
**Chief Executive Officer - Etisalat Group**

# management team

**Saleh Al Abdooli**
Chief Executive Officer,
Etisalat Group

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

**Serkan Okandan**
Chief Financial Officer,
Etisalat Group

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

**Younis Abdul Aziz Al Nimr**
Chief Human Resources Officer,
Etisalat Group

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



**Hatem Dowidar**
Chief Executive Officer,
Etisalat International

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

**Khalifa Al Shamsi**
Chief Strategy & Corporate
Governance Officer, Etisalat Group

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

**Abdeslam Ahizoune**
Chairman of the Management Board,
Maroc Telecom

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

# management team

## Daniel Ritz
Chief Executive Officer,
PTCL Group

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

## Hazem Metwally
Chief Executive Officer,
Etisalat Misr

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

## Ahmed Abdelsalam Aboudoma
Chief Executive Officer,
Mobily

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

## Obaid Bokisha
Chief Procurement Officer,
Etisalat Group

Obaid Bokisha was appointed as Chief Procurement Officer of the Etisalat Group in June 2012. Since joining Etisalat, he was assigned various responsibilities contributed to the network implementation of all existing systems covering GSM, UMTS, LTE and WiFi networks. Positions held include Vice President Mobile Networks Planning & Int'l Support of Etisalat UAE and Senior Vice President – Mobile Networks Optimization EG.Mr. Bokisha serves on the board and Audit Committee of eVision. Mr. Bokisha has a degree in Communications Engineering from the Etisalat College of Engineering.

## Mohamed Dukandar
Ag. Chief Internal Control &
Audit Officer, Etisalat Group

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

# Vision

To be the leading and most admired emerging markets telecom group

# Mission

- Provide best in class total customer experience for retail and business
- Deliver attractive returns to shareholders while investing in the company's long term future
- Support economic development and job creation through ICT and behave in a socially responsible manner

# strategic pillars

## One Company

Operate consistently across the portfolio with a common set of processes and systems leveraging scale economies by driving group wide synergy and value creation.

## People & culture

Strengthen company leadership by attracting, nurturing and retaining management talent for the digital era; Empower people by streamlining internal processes, delegating responsibility, holding people accountable; Execution focus by actively measuring performance.

## Operational Excellence

Manage with a strong focus on efficiency, simplicity, agility, effectiveness and harness the power of technology in all operational and support processes at Group and in operating companies as part of our 'internal' digital transformation.

## Customer Experience

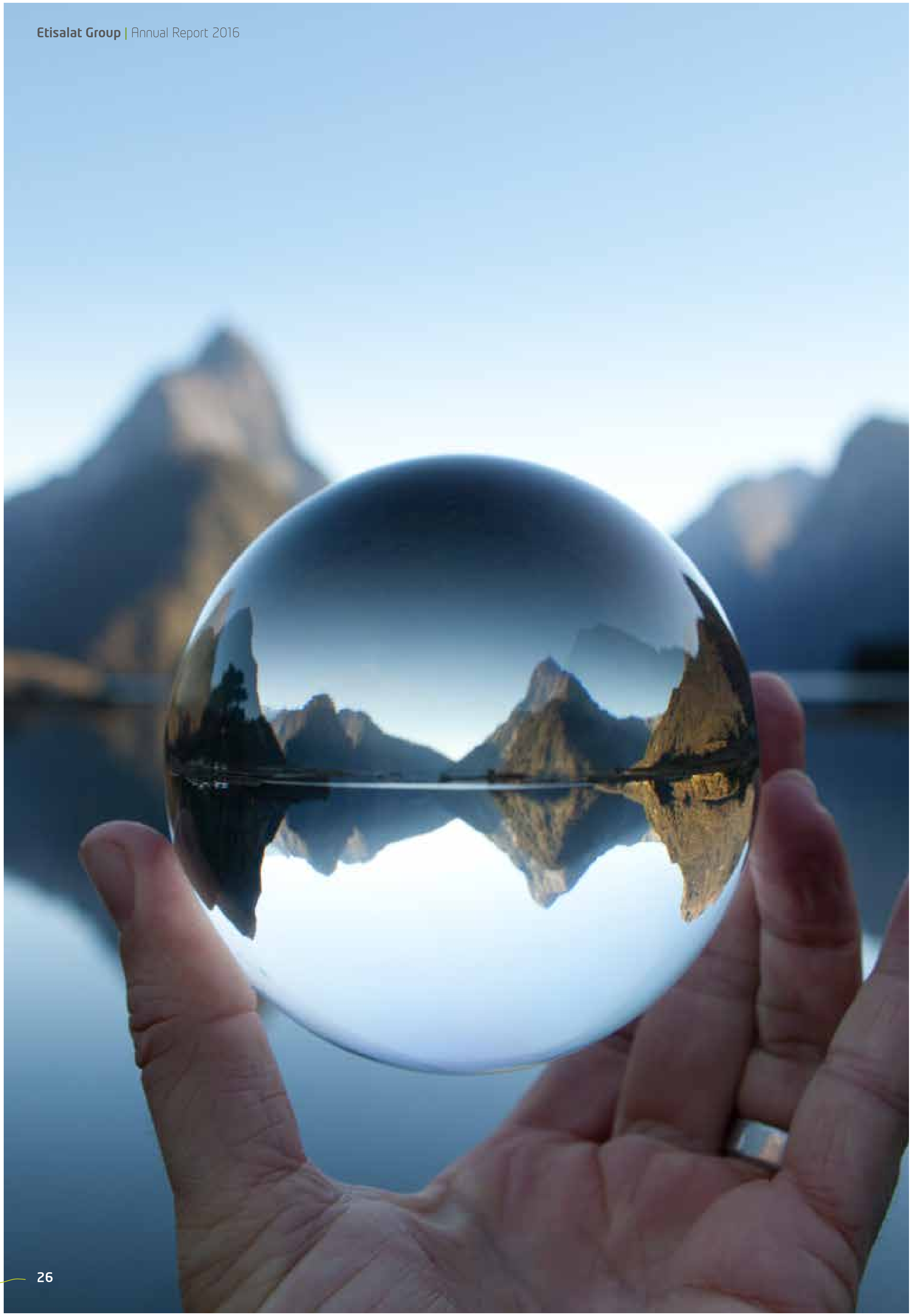
Serve customers pro-actively and consistently with high quality aligned with a common set of brand values based on in-depth customer understanding and trusted relationships.

## Service offering

Provide differentiated, simple, modular and smart services that leverage the evolution in current broadband networks through to the networks of the future. Develop and grow priority digital services and associated ecosystems across segments as part of our 'external' digital transformation.

## Portfolio

Own and manage controlling stakes in well positioned operators in target markets coupled with portfolio rationalization to balance growth and returns.



# key events of the year

## January 2016

Creating the region's first smart theme park resort: Etisalat and Dubai Parks and Resorts collaborate in creating the region's first smart theme park resort.

License acquisition in Togo: Maroc Telecom Group extended the 2G license to 3G until December 2021 in Togo for 3.7 billion CFA francs.

## February 2016

GSMA awards: Etisalat Group won two GSMA's Glomo awards including the most prestigious title of overall winner and 'supreme' Connected Life Champion and best mobile innovation for Health

Received two special awards from GSMA for the projects successfully executed in Pakistan and UAE with Digital Identity service - Mobile Connect.

## March 2016

Inclusion in the FTSE Russell Emerging Markets Index: Inclusion of Etisalat Group in the FTSE Russell Emerging Markets Index effective from after market close of 18 March 2016.

License acquisition in Ivory Coast: Maroc Telecom Group acquired a 17 years universal license in Ivory Coast for a total of 100 billion CFA francs.

## April 2016

Etisalat conducted first successful trial of Smart Parking in the Middle East: Etisalat UAE and Huawei successfully completes the first trial of smart parking in the Middle East, which ran on Etisalat's live network.

## May 2016

Etisalat in high-speed download trials: Etisalat UAE successfully completed high-speed download trials with Huawei to deliver first MEA 10Gbps broadband service

## June 2016

Etisalat partnered with Dubai's Expo 2020: Etisalat Group named as one of a few major partners of Dubai's Expo 2020 mega event where it will be involved in creating the infrastructure for the Expo site.

4G services in Ivory Coast: Moov Ivory Coast begins marketing its 4G offer

## July 2016

Credit Ratings affirmed: Credit Ratings Agencies S & P Global and Moody's affirmed Etisalat Group's high credit rating at AA-/Aa3;

Launch of first Voice over LTE services: Etisalat launched the UAE's first Voice over LTE (VoLTE) service, offering better quality of calls through improved network performance.

Etisalat's first NFV telco cloud: Etisalat activated its first live Network Function Virtualization telco cloud in Abu Dhabi.

Maroc Telecom's first Smart Home and Cloud services: Maroc Telecom launched innovative and exclusive Smart Home services, Cloud and Google Apps Work for its corporate and professional customers.

## August 2016

Etisalat Group completed the sale of Canar: Etisalat Group completed the sale of Etisalat's shareholdings of 92.3% in Canar Telecommunication Company Limited (Canar)

## October 2016

Etisalat Group launched Digital Business unit in UAE: Etisalat launched a new Digital Business Unit in the UAE – Etisalat Digital will help UAE-based government and corporate clients to transform their businesses by means of technologies such as cloud computing, Internet of Things, mobile applications and big data services.

## November 2016

License acquisition in Egypt: Etisalat Misr acquired 4G license and Fixed line virtual license in Egypt.

# operational highlights

162 mn
2016

163 mn
2015

Aggregate Subscribers (mn)

## Subscribers

Aggregate subscribers reached 162 million in 2016. The net loss of 1.2 million subscribers in the year was mainly a factor of subscriber disconnection in compliance with the regulatory mandated registration in various markets. However, we maintained strong subscriber growth in the UAE, Egypt, Morocco, Ivory Coast, Burkina Faso, Benin, Togo, Niger and Afghanistan.

In the UAE the active subscriber base grew to 12.3 million subscribers in 2016 representing a year on year growth of 6%. Subscriber growth is driven by strong performance of mobile and eLife segments. The mobile subscriber base grew year on year by 7% to over 10.4 million subscribers representing a net addition of 0.7 million subscribers of which 27% was in the high quality postpaid segment. Fixed line voice only subscriber segment contracted 7% year on year primarily due to migration of subscribers to the eLife segment that continued to drive consistent growth with 10% year on year increase. Total broadband segment grew by 5% year on year to 1.1 million subscribers.

In the international operations, Maroc Telecom Group's subscriber base reached 54.0 million customers in 2016, representing a year over year growth of 6%. In Nigeria subscriber base reached 20.7 million in 2016, representing year over year decline of 7% attributed to sim disconnection in compliance with the regulator mandated registration process and challenging macroeconomic environment. In Pakistan, subscriber base declined by 9% year over year to 21.9 million. This decline is attributed to strategic shift to value in the mobile segment and fixed to mobile substitution in the fixed segment.

52.4
2016

51.3
2015

Revenues (AED Bn)

## Revenues

Etisalat Group's consolidated revenue grew 2% to AED 52.4 billion in 2016 driven by strong performance of domestic operations and Maroc Telecom Group.

In the UAE, revenue grew year on year by 5% to AED 30.3 billion, as a result of growth of the subscriber base with increased bundled propositions, strong performance of fixed broadband segment and increased offering of business solutions, digital and ICT services.

Revenues of International consolidated operations for 2016 declined year-on-year by 2% to AED 21.5 billion negatively impacted by the unfavourable exchange rate movements that continued to impact the financial performance of the countries of operations such as Egypt in addition to competitive pressure of mobile segment in Morocco and fixed segment in Pakistan. Revenues from International operations represented 41% of Group consolidated revenue.

In Maroc Telecom consolidated revenue for 2016 amounted to AED 12.6 billion representing a year over year growth of 2% attributed to strong performance of international operations that grew year-on-year by 9% in local currency, resulting in 43% contribution to Maroc Telecom Group's consolidated revenue, and increase of 2 points compared to 2015. In Morocco, revenue increased by 1% attributed to the fixed line and internet activities while mobile segment impacted by stringent regulatory environment.

In Egypt, revenue declined by 11% to AED 4.0 billion, due to unfavourable exchange rate movements of Egyptian Pound against AED. In local currency, revenue growth was 8% mainly attributed to growth in the data segment and higher subscriber base. In Pakistan, revenue for 2016 was AED 4.1 billion, a decline of 3% from the prior year. Revenue continued to be impacted by a highly competitive pricing environment in the long distance international business.

## EBITDA

Group Consolidated EBITDA amounted to AED 26.3 billion representing a year-over-year decline of 1% in 2016, while EBITDA margin decreased 1 point to 50%. EBITDA growth is negatively impacted by unfavourable exchange rate movements in Egypt, competitiveness pressure in Morocco and non-telecom operations.

In the UAE, EBITDA in 2016 remained flat at AED 16.3 billion resulting in EBITDA margin of 54%, 3 point lower than prior year. EBITDA impacted by higher regulatory charges, interconnection and termination costs, terminal costs and marketing expenses.

EBITDA of International consolidated operations in 2016 decreased by 1% to AED 9.4 billion contributing 36% to Group Consolidated EBITDA. This decrease is attributed to unfavorable movement in the Egyptian Pound against Dirham and competitiveness of the Moroccan operations. In Maroc Telecom's consolidated EBITDA amounted to AED 6.3 billion with EBITDA margin declining 1 point to 50%. In local currency, EBITDA in absolute terms increased by 1% due to international operations that grew by 5% offsetting the 1% decline in Morocco. In Egypt, EBITDA was AED 1.6 billion with an EBITDA margin of 39%, 2 points higher than 2015. EBITDA was impacted by unfavourable foreign exchange rate movements, higher marketing costs and provision for staff costs. EBITDA continued to improve in local currency driven by enhanced revenue trend. In Pakistan EBITDA increased year over year by 8% to AED 1.4 billion with EBITDA margin increasing by 3 points to 34%. This increase is mainly due to cost control initiatives in addition to improved performance of mobile segment revenue as compared to prior year.

AED

26.3
2016

26.4
2015

EBITDA (AED Bn)

## Net Profit and EPS

Consolidated net profit after Federal Royalty grew by 2% to AED 8.4 billion resulting in profit margin of 16%. The increase in profit is attributed to lower share of losses from associates and lower royalty charges.

Earnings per share (EPS) amounted to AED 0.97 for the full year of 2016. On 8 of March 2016 the Board of Directors has resolved to propose a final dividend for 2016 at the rate of 40 fils per share, bringing the full year dividend to 80 fils per share. This proposal is subject to shareholder approval at the Annual General Meeting scheduled for the 9 April 2017.

| Net Profit (AED Bn) | EPS (Fils) | |
|---|---|---|
| 8.4 | 97 | 2016 |
| 8.3 | 95 | 2015 |

# operational highlights

10.5
2016

10.2
2015

CAPEX (AED Bn)

## CAPEX

Consolidated capital expenditure increased by 2% to AED 10.5 billion resulting in capital intensity ratio of 20% similar to the prior year. This increase in capital spending is impacted by the license acquisitions in Egypt, Ivory Coast and Togo. Adjusting for cost of licenses, capital expenditures would have been AED 8.1 billion and capital intensity ratio 15%.

In the UAE, capital expenditure in 2016 decreased by 28% to AED 3.6 billion while capital intensity ratio decreased 5 point to 12%. Capital expenditure was committed to mobile network modernization and coverage improvement in addition to building digital and ICT capabilities.

Capital expenditure in consolidated international operations amounted to AED 6.9 billion, an increase of 31% from year 2015 level. In Maroc Telecom, capital expenditure declined by 10% to AED 3.0 billion resulting in a capital intensity ratio of 24%. Adjusting for the cost of licences renewal and acquisition, on a like for like basis, capital spending increased by 2%. In Egypt, capital expenditure increased year-on-year by 216% to AED 2.8 billion resulting in a capital intensity ratio of 69%. This increase in capital spending is attributed to acquisition of 4G license and virtual fixed-line service license. Pakistan operations capital expenditure was AED 1.1 billion, up 6% year on year and capital intensity ratio of 26%, 2 points higher than 2015. The increase in capital spending focused on enhancing capacity of the mobile network and stores modernization.

22.3
2016

22.1
2015

DEBT (AED Bn)

## DEBT

Total consolidated debt amounted to AED 22.3 billion as of December 2016, as compared to AED 22.1 billion as at 31 December 2015 an increase of AED 0.2 billion.

As at 31 December 2016, the total amounts issued under the global medium term note (GMTN) programme split by currency are US$ 1.4 billion and Euro 2.4 billion, representing a total amount of AED 14.2 billion. Consolidated debt breakdown by operations as of 31 December 2016 is as following:

- Etisalat Group (AED 14.8 billion)
- Maroc Telecom (AED 3.6 billion)
- Etisalat Misr (AED 2.6 billion)
- PTCL Group (AED 1.3 billion)

More than 76% of the debt balance is of long-term maturity that is due beyond 2018. Currency mix for external borrowings is 41% in Euros, 31% in US Dollars, 11% in MAD and 17% in various currencies. Consolidated cash balance amounted to AED 23.7 billion as of 31 December 2016 leading to a net cash position of AED 1.4 billion.

## Profit and Loss Summary

| (AED m) | 2015 | 2016 |
|---|---|---|
| Revenue | 51,329 | 52,360 |
| EBITDA | 26,436 | 26,283 |
| EBITDA Margin | 52% | 50% |
| Federal Royalty | (6,055) | (5,010) |
| Net Profit | 8,263 | 8,421 |
| Net Profit Margin | 16% | 16% |

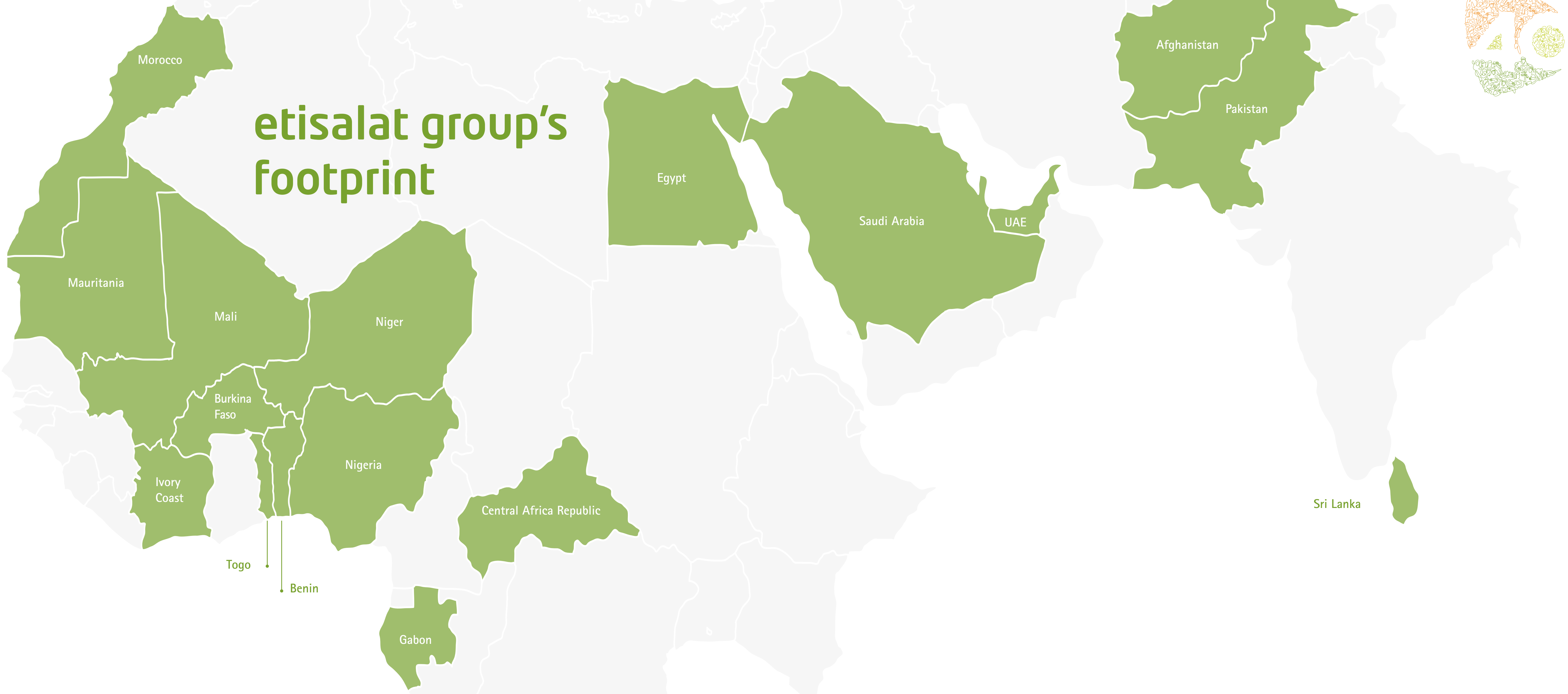
## Balance Sheet Summary

| (AED m) | 2015 | 2016 |
|---|---|---|
| Cash & Bank Balances | 21,422 | 23,676 |
| Total Assets | 127,235 | 122,546 |
| Total Debt | 22,080 | 22,279 |
| Net Cash / (Debt) | (658) | 1,398 |
| Total Equity | 59,673 | 55,915 |

## Cash flow Summary

| (AED m) | 2015 | 2016 |
|---|---|---|
| Operating | 20,425 | 18,637 |
| Investing | (9,349) | (9,361) |
| Financing | (8,108) | (7,292) |
| Net change in cash | 2,967 | 1,983 |
| Effect of FX rate changes | (9) | 211 |
| Reclassified as held for sales | (78) | 60 |
| Ending cash balance | 21,422 | 23,676 |

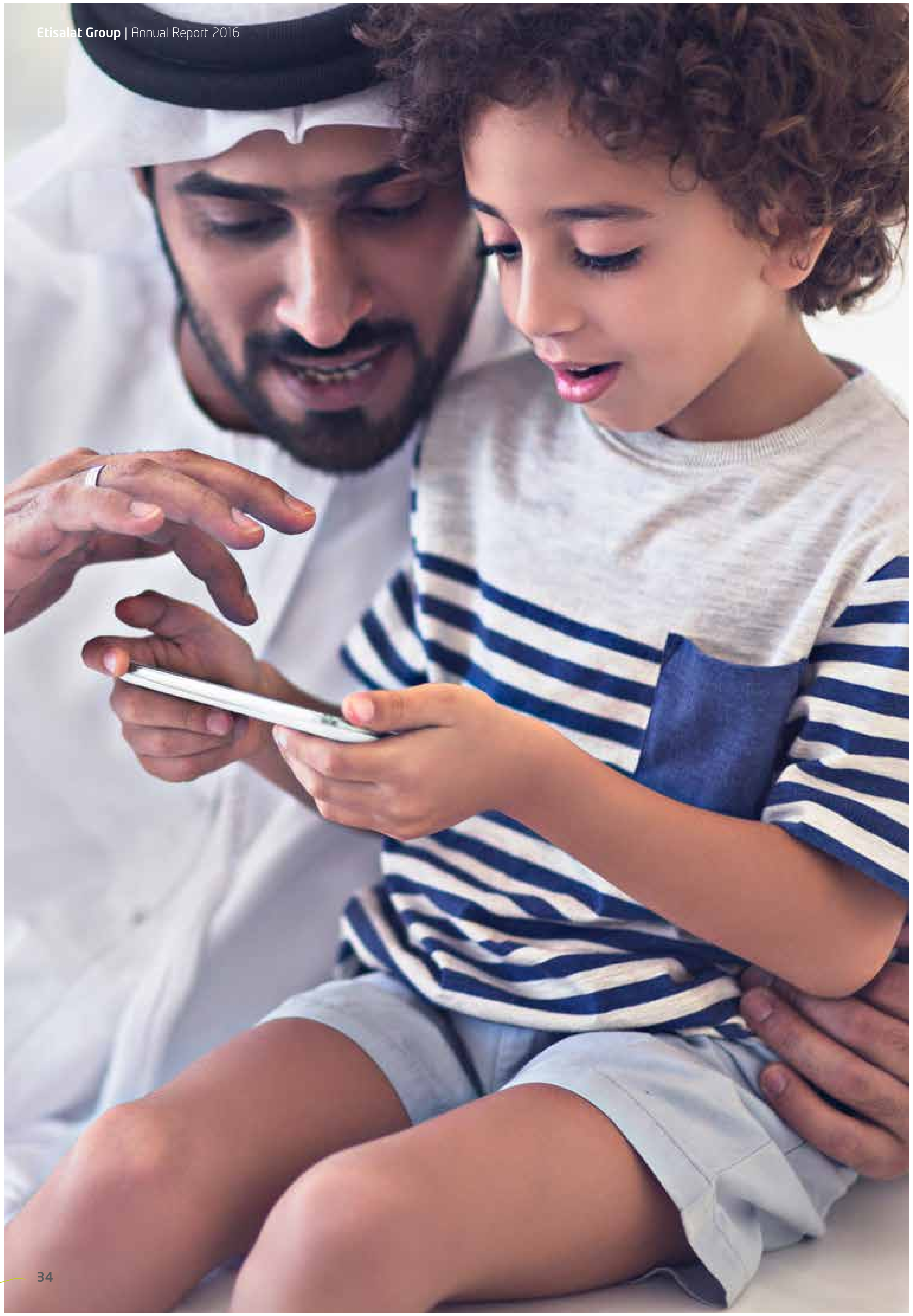
# etisalat group's footprint




| Operator | Etisalat | Etislat Misr | Etisalat | Moov | Gabon Telecom / Moov | Mauritel |
|---|---|---|---|---|---|---|
| Country | United Arab Emirates | Egypt | Sri Lanka | Benin | Gabon | Mauritania |
| Licence Type | Mobile, Fixed and Internet | Mobile and Internet | Mobile | Mobile | Mobile, Fixed and Internet | Mobile, Fixed and Internet |
| Etisalat Ownership | 100% | 66% | 100% | 48% | 25% | 20% |
| Popluation (Million) | 9 | 93 | 21 | 11 | 2 | 4 |
| Penetration | Mobile 230% Fixed 26% | 110% | 124% | 83% | 156% | 94% |
| Numbers of Operators | 2 | Mobile 3 | Mobile 5 | 4 | 3 | 3 |

| Operator | Thuraya | Etisalat | Maroc Telecom | Onatel | Moov | Moov |
|---|---|---|---|---|---|---|
| Country | United Arab Emirates | Afghanistan | Morocco | Burkina Faso | Ivory Coast | Niger |
| Licence Type | Satellite Telecommunication | Mobile | Mobile and Fixed | Mobile, Fixed and Internet | Mobile | Mobile |
| Etisalat Ownership | 28% | 100% | 48% | 25% | 41% | 48% |
| Popluation (Million) |  | 33 | 34 | 18 | 24 | 18 |
| Penetration |  | 87% | Mobile 123% Fixed 8% | Mobile 77% | 114% | 41% |
| Numbers of Operators | Satellite 4 | Mobile 4 | 3 | 3 | 3 | 4 |

| Operator | Etihad Etisalat ( Mobily) | PTCL / Ufone | Etisalat | Moov | Sotelma | Moov |
|---|---|---|---|---|---|---|
| Country | Saudi Arabia | Pakistan | Nigeria | Central African Republic | Mali | Tago |
| Licence Type | Mobile, Fixed and Internet | Mobile, Fixed and Internet | Mobile | Mobile | Mobile, Fixed and Internet | Mobile |
| Etisalat Ownership | 28% | 23% | 40% | 48% | 25% | 46% |
| Popluation (Million) | 32 | 193 | 187 | 5 | 17 | 8 |
| Penetration | 154% | Mobile 70% Fixed 2% | 83% | 19% | 99% | 67% |
| Numbers of Operators | Mobile 3 | Mobile 4, Fixed 11 | Mobile 4 | 4 | 2 | 2 |



etisalat

# united arab emirates

**Following a versatile and balanced strategy has allowed Etisalat UAE to maintain its leadership position in the market, and to tap into new areas that have further augmented its portfolio, enriched its core services, and allowed it to be a key player in the ICT and digital arena. 2016 was another successful year that has proved Etisalat's mettle as an innovative operator who is customer centric, and delivering value for money through a differentiated approach, over one of the world's best network infrastructures.**

In a world that revolves around connectivity, innovations in Mobile Services will never brake. Etisalat UAE has continued its efforts to rejuvenate Mobile beyond traditional services, and to bring new things to all customer types. From unique market offers; such as iPhone for life which reinforces etisalat's position as devices leader, to "Deal of the Day" for prepaid; which asserts etisalat as a value for money provider, to new services like "Data Balance Transfer", "Talk and Get Free Data", or "Start/Stop Data"; which gives prepaid customers the option to use data only when required; making data easy-to-use and affordable while further bolstering the company's position as an innovator in the mobile data space.

In addition, Etisalat UAE has advanced in the Mobile financial services space beyond the co-branded credit card. In 2016, the company launched the Etisalat Wallet, a convenient and secure service that allows customers to make purchases, pay bills, or recharge prepaid lines using one simple application. Moreover, Etisalat UAE is already enabling 100+ millions of 3rd party transactions via carrier-billing agreements with all major platforms, including Google Play Store, and the Apple iTunes Store for apps, music and e-books purchases.

In 2016, Etisalat launched 'MobileHub', a first of its kind business mobile proposition in the UAE, which offers businesses greater control, flexibility and real time management of their mobile needs. Through Etisalat 'MobileHub', businesses can control their spending by taking advantage of special mobile tariffs with higher commitment plans in addition to the ability to allocate mobile services, add-ons (ex. data, roaming and devices) and allowances up to a group or individual level depending on their business needs. 'MobileHub' also offers businesses the flexibility of split billing, bulk subscriber management, in addition to real time monitoring, troubleshooting and self-diagnostic. All of this is possible through a user friendly online portal accessible 24x7 by the authorized business representative, ensuring an exceptional customer experience.

Moving from connectivity on the move, to entertainment at home, Etisalat UAE has continued to invest in its e-Life fixed service offering, portfolio, and experience. E-life has become the platform for premium content, by bringing the best of regional and global content catering to all segments' needs. The product portfolio was expanded to adjacent categories like gaming consoles, VR headsets, etc. And e-Life services are now available nationwide, even in areas where Etisalat fibre is not available by utilizing the company's fixed LTE network which delivers superior synergies, performance and customer satisfaction. This will also support in driving adoption of high-speed 3Play bundles and migrating customers from legacy copper-based services, hence, improving customer experience.

Etisalat's UAE strides towards customer experience were not limited to making supreme services available across all geographical locations, but also by becoming physically nearer to the customers through expansion and enhancement of customer experience across all channels.

Etisalat UAE has increased the direct retail footprint by growing the number of branded shops by 16%. In parallel, existing stores are

**10.4 million**
Mobile Subscribers

**0.8 million**
Landline Subscribers

**1.1 million**
Fixed Broadband Subscribers

being upgraded to the "Smart Store" concept with improved ergonomic store design, paperless transactions, product experience zones with dedicated product experts, and digital screens and smart queuing systems. Etisalat has now more than 100 "Smart Stores" in the UAE, which are helping to reduce the waiting time by almost half, and contributing towards further improvement of Customer experience and satisfaction. Not only that, but also Etisalat UAE launched the solar-powered eco-friendly Mobishops, retail stores "on wheels" to serve customers at their doorsteps, hence, becoming nearer and closer.

A key area that captured a large fragment of Etisalat's UAE agenda in 2016 was the "Digital" thrust, which is all about being on the edge of tomorrow and leading in the inevitably digitized future. Stemming from that conviction, Etisalat UAE has launched a new business unit called 'Etisalat Digital' to help governments and businesses lead in the digital space using the latest technologies. The unit focuses on providing digital solutions in various domains including cloud, cyber security, digital marketing, mobile commerce, Internet of Things (IoT) and big data and analytics. It provides end-to-end digital vertical propositions to enable smarter education, healthcare, city, government, transportation, resource management and cashless economy.

All Digital Solutions will leverage on Etisalat's state-of-the art infrastructure and platforms, such as cloud, M2M and IoT, expertise, capabilities and strong track record of delivering leading ICT projects. The same has enabled the company to deliver the flagship smart city project Dubai Parks and Resorts (DPR); to be the 'Premier Partner' for telecommunications and digital services for Expo 2020 Dubai; to partner with Ministry of Education for connecting schools; and to partner with Toyota and Nissan to enhance the connected car ecosystem in the UAE and the region.

Etisalat UAE has partnered with Dubai Parks and Resorts (DPR), the region's largest integrated theme park destination, to create the region's first-of-its-kind integrated 'smart' theme park resort in the United Arab Emirates. As the exclusive ICT and digital solutions provider for DPR, Etisalat designed and built a park-wide robust and scalable ICT and security infrastructure and implemented creative end-to-end smart solutions to deliver a seamless and engaging guest experience. Etisalat also implemented a set of smart applications and solutions at the entertainment destination to offer an innovative experience before, during, and after the visit to the resort; these include unified marketing and engagement, smart ticketing, digital payments, smart parking, connected transportation, connected food and beverage, as well as retail and digital entertainment.

It has been awarded 'Premier Partner' for telecommunications and digital services for Expo 2020 Dubai. Through this partnership, the site



**30.3 AED**
Billion Revenue

**16.3 AED**
Billion EBITDA

**54%**
EBITDA Margin

**7.8 AED**
Billion Net Profit

**3.6 AED**
Billion CAPEX

of Expo 2020 Dubai will be one of the fastest, smartest, and best connected places on earth during the global mega event. Etisalat will have a key role in creating the infrastructure for the Expo site to provide visitors and participants with cutting edge, immersive digital experience that brings the Expo themes to life for the 25 million expected visitors. Etisalat will bring together their people, technologies and expertise in telecommunications and digital solutions for an on-time delivery of this mega project. It is part of Etisalat's pledge to support the UAE's long-term strategy in becoming the most sought-after global destination for trade, business and development.

In addition, and in line with the UAE leadership vision of creating a modern education system, Etisalat partnered with the Ministry of Education to provide connectivity and access to state-of-the-art IT infrastructure through a robust and secure network to connect 419 schools, education zones and ministry buildings across the country. This enables the Ministry of Education to create a digital education platform by giving teachers and students access to the latest educational tools and technologies, igniting the evolution to digital education.

Lastly, the future prospects in the automotive industry are tremendous; hence, Etisalat UAE has been working closely with leading automotive manufacturers like Toyota and Nissan to develop connected car technologies and applications to enhance the connected car ecosystem in the UAE and the region. Through this collaboration it is possible to deliver scalable, secure, interoperable and intuitive connected car solutions and experiences to customers.

'My Drive UAE' connected car service is now available on the new 2017 model of Toyota Land Cruiser; the service is enabled via Etisalat M2M connectivity platform, which is designed to meet the growing consumer demand for revolutionary technologies. Etisalat continuous investments in M2M and IoT platforms will help the automobile industry to launch futuristic platforms and vehicles and will enable Etisalat to capture one of the biggest M2M opportunities.

Recently, Etisalat UAE joined forces with Dubai Future Accelerators (DFA), a government initiative having the vision to transform the future by bringing together entrepreneurs, government entities and the best companies. The aim of this partnership is to attract and partner with the best technology startups and talent from around the world and work with them to address critical challenges in key industries such as healthcare, education, and smart cities enabled by digital technologies. Etisalat will be supporting the startups through its platforms, expertise and resources to enable them to achieve the targeted goals.
The same spirit of innovation and successful partnerships brought us "Intelak," which is an

open innovation platform that was fused in a unique crucible that brings Etisalat together with the Emirates Group, GE and Dubai Silicon Oasis Authority, creating the first travel and aviation focused incubator in the MENA region. This open innovation initiative brings together selected entrepreneurs and students from across the UAE to participate in making travel simpler, better or more exciting. Winning teams are selected through a rigorous judging process, win a cash prize, and are enrolled in the full 'Intelak' incubator training program, to fund and further develop their ideas. This initiative is in line with the UAE vision to drive transformational growth in the region and around the world and contributes to building the country's innovation landscape.

Augmenting end-to-end digital solutions, Etisalat offers integrated, holistic, and efficient solutions that serve the booming Small and Medium Business (SMB) segment in the UAE. Etisalat has introduced Business in a Box, a managed end-to-end communications and collaboration solution that enables SMBs to run their operations efficiently while controlling their costs.

From high-speed Internet broadband to advanced IP telephony and world class 24x7 network, hardware and software support- all these from one single service provider. Business in a Box is a comprehensive solution that empowers SMBs with all the business productivity tools and devices they need through a single consolidated platform and on installment basis. Therefore, whether it is a new business looking for a one-stop-shop for their Information and Communications Technology (ICT) needs or an existing business looking to upgrade their current infrastructure and reduce their total cost of ownership, Business in a Box is the flexible, scalable and affordable solution that takes SMBs in the UAE to the next level.

On another front, Etisalat solidified its reputation as the leading Carrier & Wholesale Services provider in the Middle East. It has succeeded in becoming the largest voice carrier in the region and ranked 12th internationally with 15+ Billion Minutes via its network. Having more than 140 direct interconnections with tier 1 carriers using the latest technologies.

When it comes to roaming, Etisalat has extended Global LTE roaming to more than 200 international destinations making it one of the largest provider of LTE service worldwide. This is in addition to the GSM roaming connectivity to more than 760 mobile operators around the world. In short, Etisalat customers will be able to enjoy seamless connectivity in any corner of the world.

Etisalat's SmartHub, the innovative solution for carriers & content providers who are looking for a reliable infrastructure in the Middle East region, has also evolved into a major wholesale industry brand by becoming the leading capacity and content hub in the region with an ISO certified data center serving more than 35 high profile carriers and Content providers.

Moreover, landing the BBG (Bay of Bengal Gateway) Submarine cable system connecting Singapore, Malaysia, Sri Lanka, India, Oman & UAE, has expanded the company's reach, international connectivity, and improved diversity.

None of the above achievements would have been possible without anchoring on a mountain. Etisalat UAE's network is a national pride and an enabler for all the company successes; that is why the company has continued to invest in networks transformation, including coverage and expansion, modernization, capacity, bandwidth, customer service and next generation technologies.

For mobile network, Etisalat UAE has completed major areas of mobile access network modernization and integrated over 590 new sites, increasing the 3G voice traffic to an equivalent of 62% of overall voice traffic. The implementation of 4G and 4G+ Networks, lead to increase of 4G data usage to an equivalent of 62% of total mobile data traffic.



The LTE coverage in major cities increased to 96% of the major populated areas. The data traffic per month has doubled from 5.9PB in 2015 to 9.5PB in 2016.

Through GITEX event, Etisalat UAE has demonstrated the region's fastest trial for 5G with 36Gbps speed. This contribution will add a lot of value towards 5G design and standardization and hence enable acceleration of the deployment across Telco's.

Moving to fixed network, the company has progressed in deploying fiber network, increasing FTTH coverage to approximately 92% of homes and 1.74M home Pass Coverage across the UAE. This positions UAE to be No.1 in Fiber Penetration in the World.

Moreover, Etisalat UAE has launched the first live NFV Telco Cloud Service Virtual Evolved Packet Core (vEPC) in the region and successfully tested Fixed LTE voice and data. IPV6 Readiness established, hence putting Etisalat as First in the Region to offer IPV6 services over fixed broadband. Parallel to that came the successful commercial launch of VoLTE features of high definition voice and video browsing; positioning Etisalat to be the First in the Region with this mass rollout.

To achieve Services uplifting, several initiatives were introduced to enhance customer experience, such as Self-care for Mobile services, and Set Top Box Plug and Play (PnP). In addition, and as part of it digital transformation journey, Etisalat has adopted in June Robotics Process in Automation at Customer Service to handle part of its back office operations.

When it comes to next generation technologies, Etisalat UAE has adopted 3GPP based technology named NB-IoT (Narrow Band Internet of Things), deployed IoT platform, cloud architecture and conducted proof of concept of IoT/Smart City Solutions, which is a major step in the transformation towards Internet of Things (IoT) and smart city solutions.

Moreover, connected cars and Smart Parking solutions Proof of Concepts were successfully completed in April 2016 to track vehicles; monitor mileage, speed, fuel consumption, and drivers' behavior; and manage large parking slots in malls.

All of this will enable Etisalat to be the first operator in MENA to introduce IoT Solutions for mass connectivity of various machines and devices, ranging from smart meters to multiple sensors for vertical industries, e.g. utilities, health, energy, travel, security, etc. in order to fulfill requirements of smart city and other strategic initiatives.

Thanks to these initiatives and others, Etisalat UAE earned numerous awards and accolades within the mobile sector in 2016. Among others, Etisalat UAE received the title of "Connected Life Champion" at the Global Mobile Awards (best connectivity attracting mass service usage). Etisalat UAE also won the "Business Service Innovation Award" for its Managed WAN proposition. GTB (Global Telecoms Business) presented its Telecoms Innovation & Technology Awards on 25 May 2016 to leading operators across the Globe. Etisalat won after demonstrating a transformation of the traditional Dubai Financial Market connectivity to all the financial brokerage entities in UAE to a unified financial network, ensuring stability and business continuity for one of the key critical financial networks in the UAE.

Moving forward, Etisalat UAE foresee a digital future in which success is underpinned by the ability to transform and provide end to end, integrated propositions, that seamlessly cover all aspects of our customers' live and businesses. It is a future in which telcos' survival hinges upon the ability to enable smarter living in efficient ways. As such, Etisalat is on the right track, and will continue to lead the digital transformation of the UAE society.

موبايلي
mobily

# saudi arabia

**In 2016, Telecom industry in Saudi Arabia faced few challenges attributed to macroeconomic slowdown, regulatory requirement for SIM registration and intense competition. However, Mobily faced these challenges via a combination of strategic partnerships, human capital development, and innovative products and services.**

Mobily have achieved several major milestones over the course of 2016. The Company began the year by launching it's first-ever Resellers Service Centre in Riyadh. This has helped the Company to enhance the efficiency of communication with its resellers while also providing improved customer service.

Compliance and enforcement continued to be focus areas for Mobily in light of the new requirements laid out by the Communications and Information Technology Commission (CITC), for the fingerprint authentication process. The CTIC now dictates that all Saudi telecom operators must utilise customer fingerprint validation, which Mobily has successfully applied, having registered all active subscribers. Mobily has taken necessary steps to strengthen its end-to-end registration processes. This encompassed upgrades and improvements to IT and back-end processing.

In October, the CITC announced its decision to grant Unified License to allow all mobile operators to provide fixed-line services. This universal licence will enhance competition and enable Mobily to compete on a more equal footing in selling fixed-line and mobile solutions to the lucrative corporate segment.

2016 witnessed the commencement of several new or extended partnerships with key industry players. Through these collaborations, the Company is extending its reach farther than ever before. For instance, via its new partnership with NEC Corporation, Mobily will enhance the competency of its network to provide the best services to its business sector customers. Moreover, the Company entered into a pivotal agreement with logistics specialists, the Al Majdouie Group for the provision of sustainable Virtual Server Recovery solutions. Mobily also partnered with Huawei to enhance the reliability of its network.

A new deal with UK software development company, Digital Barriers enabled Mobily to launch the first highly secure, zero-latency Video Surveillance as a Service (VSaaS) offering in the KSA at the beginning of 2016. In July, Mobily signed an MoU with STC to explore joint options for the tower portfolios. Both companies continue to evaluate the strategic option for these assets. In August, to further improve its network, the Company entered into a partnership with Ericsson to double its data speed, using 4x4 multiple-input-multiple-output (MIMO) technology.

The Company successfully finished laying a 25 000 km high-capacity submarine cable off the coast of the Red Sea port city of Jeddah. This cable, which spans between Africa, Asia and Europe, will connect countries in the Far East to Europe through the Middle East and Africa.

Meanwhile, the marketing team ensured top-of-mind awareness of the Mobily brand via several strategic sponsorships and related initiatives in 2016. Some high-profile Mobily-sponsored events included the Euromoney Saudi Arabia Conference and the Telecoms World Middle East Conference.

Underlying this push for external growth, however, was a strong and consistent emphasis on internal development across all departments. Mobily continues to place a very high premium on professional growth of its people. In 2016, Mobily brought in its third batch of graduates from the prestigious Mobily Elite programme. This initiative flagship development programme aims to attract and develop talented young Saudi nationals as part of the Mobily team.

**12.6 SAR**
Billion Revenue

AED

**4.0 SAR**
Billion EBITDA

AED

**3.2 SAR**
Billion CAPEX

etisalat

# egypt - etisalat misr

**In 2016, Etisalat Misr took a balanced approach – incorporating continued customer engagement and cost effective business-driven spending – to navigate a complex and challenging telecom landscape.**

The instability of the Egyptian economy in 2016, with the government implementing various policies and conditions to curb the availability of foreign currency, has had a considerable impact on consumer spending and economic growth. Egyptian telcos had to contend with unfavourable macro policies and conditions (currency devaluation, high inflation and interest rates, gradual reduction of subsidy bills, and implementation of new VAT tax) as well as increased competition and regulatory pressures. By year-end, the regulator had awarded 4G licenses, and virtual fixed licenses to all existing mobile operators. A 4G license was also awarded to the incumbent fixed operator to become the fourth entrant to the mobile market.

In response to these challenges, Etisalat Misr implemented a balanced approach focusing on increasing customer engagement while driving cost efficiency. Under its new slogan, "Imagine Tomorrow", the Company set about thanking existing customers for honouring Etisalat with the opportunity to touch 30 million Egyptian lives, thus laying the groundwork for future innovations and enhanced customer experience.

Two such innovations introduced in 2016 were Etisalat Misr's new internet-based dashboard for mobile devices and its Hekaya tariff. The dashboard enables Etisalat customers to track and control their mobile internet (MI) usage, purchase bundles and migrate to other available rate plans via the My.Etisalat.Eg website. Etisalat Misr launched Hekaya, a unique new hybrid tariff (the first of its kind in Egypt), giving customers the best of prepaid, post-paid and control tariffs. Customers can now consistently and easily control their on-net, cross-net and megabyte allocation.

Etisalat Misr continued its emphasis on customer centricity and launched a strategic partnership with online transportation network, Uber Egypt. This first-of-its-kind partnership offered free rides to Etisalat customers with promo codes. The campaign generated extensive market buzz among young and high-value customers . Another initiative in 2016, was Etisalat Summer promotion that targeted the HV and Youth segments with on-the-ground activations at Egypt's hottest beach locations. The Company used the Etisalat Summer promotion to launch new products and services - such as the double promotion (double your internet quota) and a first-in-market data-instalment package - to this target market.

Another highly customer-centric initiative launched in 2016 was "Cinema 7070", a partnership with leading movie theatre venues, IMAX, Point 90, and Americana Plaza, as part of Etisalat Misr's Loyalty Portfolio. This new partnership allows Etisalat customers to reserve movie tickets through dialling 7070 and receive a free coupon as a reward.

Etisalat Misr further enhanced the customer centricity of its offerings via various digitalisation initiatives in 2016. In May, the Company launched its fully revamped mobile self-care application, "My Etisalat". The "My Etisalat" app offers a superb user interface for viewing personal information, paying bills via credit or recharge cards, requesting home collection, recharging balances, performing balance transfers, locating stores, filing and managing complaints, and viewing the loyalty programme. Furthermore, Etisalat Misr gained popularity across top social media platforms through continuous engagement and online service support in 2016. This success is largely due to Etisalat's use of the latest social relationship platform, "Sprinkle", to segment the social base, analyse the customer voice, and give priority to social media influencers.

In 2017, Etisalat Misr intends to lead the market by introducing innovative 4G services to its customers with distinctive propositions and improved customer experience.

**10.4 EGP**
Billion Revenue

AED

**4.0 EGP**
Billion EBITDA

AED

**9.2 EGP**
Billion CAPEX

# morocco

**Maroc Telecom Group capitalised on its capacity for innovation to offer broader access to telephone and Internet services as well as a vast range of digital content – both to its own customers and to the community.**

Despite extensive regulatory changes and the challenges they pose to the Moroccan telecom industry, the Maroc Telecom Group was able to maintain its market position in 2016. New regulatory guidelines have been adopted by Government to review operators' pricing and permit competitors to present prepaid packages with differing on-net vs. off-net pricing. This required Maroc Telecom to provide a minimum margin of 20% for the replicability test for fixed-line and mobile internet connections. At the same time, 2016 also saw European operators increase their termination rates, which influenced the price of Maroc Telecom customers' calls to Europe. The Group dealt with these and other challenges with a range of innovative new products, strategic partnerships, customer centricity, and considerable investment in its network infrastructure.

In 2016, Maroc Telecom focused on network investment to improve speed, coverage and network quality. In Morocco, close to 75% of the mobile park has been upgraded via single radio access network (RAN) equipment, which is the most advanced technology available. Similarly, for fixed-line access, multi-service access node (MSAN) equipment is now deployed close to customers to provide faster Internet speeds and greater service quality. Furthermore, Maroc Telecom continued to expand its fibre-to-the-home (FTTH) access network in all major cities in Morocco, enabling the Group to offer Internet access at speeds of up to 100 Mbps to its fixed-line customers. Moreover, by the end of September 2016, Maroc Telecom was able to offer ultra-high-speed (up to 225 Mbps) mobile broadband via its 4G+ network. Maroc Telecom also broadened its 4G Roaming coverage to 42 networks in 26 destinations.

Meanwhile, the Maroc Telecom Group's subsidiaries also implemented programmes to strengthen and update their infrastructures, thus facilitating the development of innovative services and improvement of Quality of Service (QoS), and increasing data-transfer speeds in 2016. Atlantique Telecom Côte d'Ivoire and Atlantique Telecom Togo launched the latest-generation mobile networks (4G and 3G+ respectively) in their regions, whilst Gabon Telecom introduced FTTH to the general populace. At the same time, Mauritel, Onatel and Sotelma managed to double their ADSL rates without influencing their pricing.

Group international subsidiaries also continued to expand their mobile payment solutions thereby providing more convenience to their customers who can transfer money to a greater number of international destinations. Several completely new services have also been added; these include convenient mobile channels for paying TV subscriptions, purchasing electricity units, and more. In 2016, Maroc Telecom continued to expand its mobile offers to meet the varying needs of all its customers. As part of this, the Group introduced competitive mobile plans with a generous download volume, to support new users of mobile Internet. At the same time, the Group continued to

**50.7 million**
Mobile Subscribers

**1.9 million**
Landline Subscribers

**1.3 million**
Fixed Broadband Subscribers

diversify its prepaid mobile top-up plans in a similar manner.

2016 was also the year of the "Smart Home" and connected objects for Maroc Telecom. The Group launched its "Smart Home" package, which allows remote control of connected devices, installed at home or at the workplace. Maroc Telecom's "Smart Kids" package, meanwhile, allows parents to keep an eye on their children by following their real-time movements via their smartphones. With "Smart Kids", children are also to make emergency calls (by pressing the designated SOS buttons on their devices).

In another smart-living initiative, Maroc Telecom enriched its video-on-demand (VOD) offerings in 2016 by signing a partnership with STARZPlay (after introducing ICFLIX service offering, the first legal streaming service in the North African region in 2015). Maroc Telecom customers can now enjoy unlimited content of Hollywood movies, documentaries, children's entertainment, and Arabic content in full HD on five different devices via the Internet.

Beyond this, Maroc Telecom also expanded the customized services available to corporates and professionals on its network over the past year. In addition to enhancing its dedicated mobile and fixed-line offers (including new rate plans, free hours and services, faster speeds, and so forth), the Group introduced several new solutions. "MT Cloud", the first Cloud service hosted entirely in Morocco, enabling companies to outsource all or part of their information systems securely. During the year, Maroc Telecom launched "Google Apps for Work", a set of Cloud-based IT tools (including email communication, file storage, and office automation) for improving productivity. Another business benefit enjoyed by Maroc Telecom customers in 2016 was a 33% reduction in the subscription price for "InfiniFix", a fixed-line service aimed at business customers, plus free subscription above a predetermined monthly consumption level.
These and other initiatives reflected Maroc Telecom's continued commitment to customer centricity and its active policy of making information and communication technology (ICT) more affordable and accessible. In line with this principle of customer centricity, the communication campaigns (including themed raffles) that support all Maroc Telecom product launches have a powerful impact, appeal to a wide audience, convey a simple and clear message, and further entrench the Group's reputation for being attuned to the needs of its customers.

To the same end, Maroc Telecom's information technology systems for customer relationship management (CRM), along with all other systems, are continuously evolving to support, inform and guide the customer faster and more effectively. Fidelio, the first points-based loyalty programme in Morocco, allows post-paid mobile and fixed-line customers to accumulate points (based on usage) toward benefits in the form of free or discounted



**35.3 MAD**
Billion Revenue

**16.9 MAD**
Billion EBITDA

**48%**
EBITDA Margin

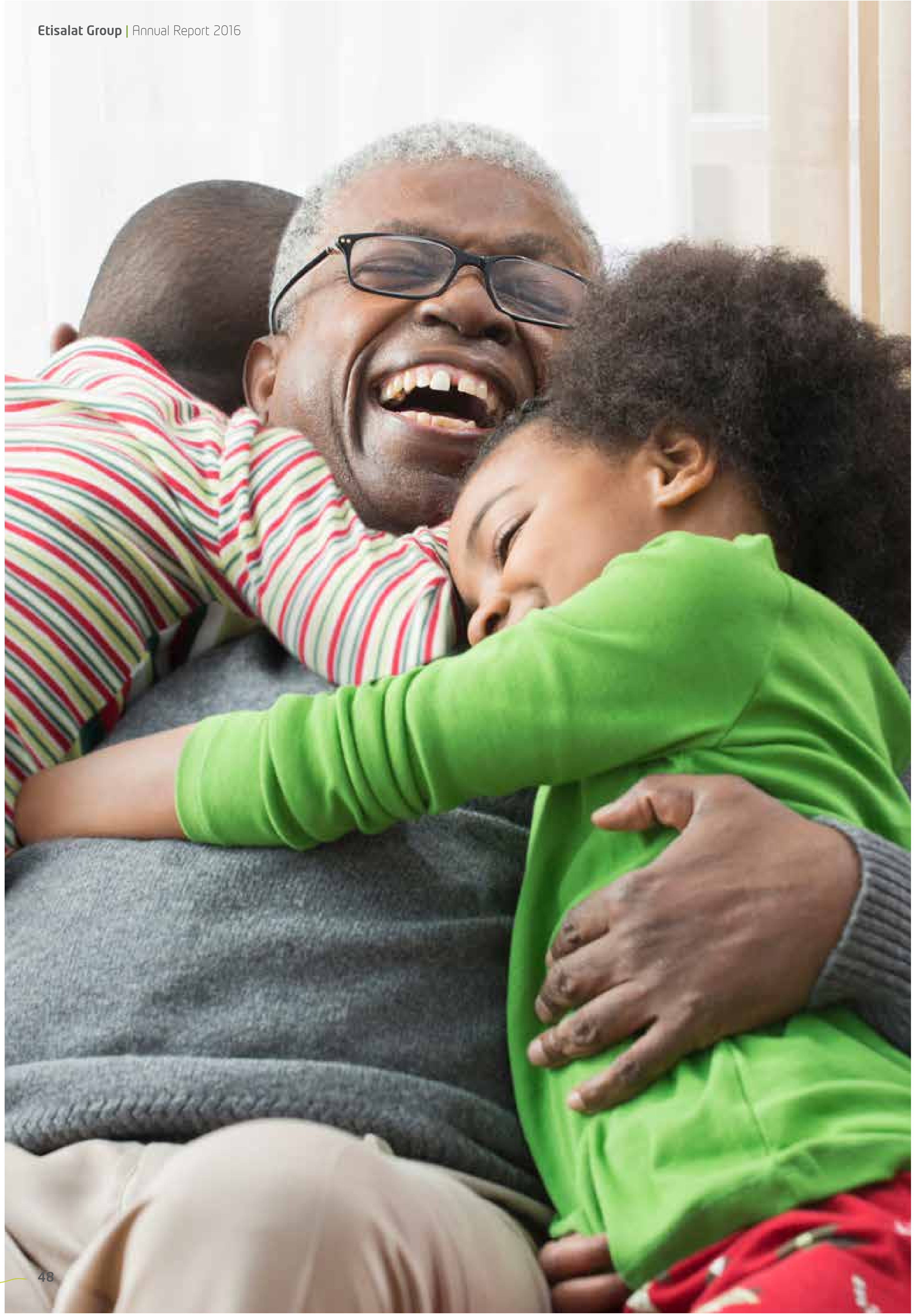
**5.6 MAD**
Billion Net Profit

**8.0 MAD**
Billion CAPEX

products or services.
As part of the Etisalat Group Global family, Maroc Telecom continued to develop points of synergy with the Group's operating companies, with the objective of maximising investment and sharing technological and operational expertise, in 2016. To this end, the Group undertook a range of projects across all subsidiaries to upgrade the management process, pool purchases, optimise costs through Group negotiation, enhance the security of sensitive infrastructure, and ensure service continuity for customers.

Maroc Telecom worked with its subsidiaries to strengthen their collective international capacity, particularly through the Group's "TransAfricain" terrestrial fibre-optic cable (which links Morocco, Mauritania, Mali and Burkina Faso), the interconnections between subsidiaries, and the Group's consortia of submarine cables (SAT3, ACE and SMW3).

Moving beyond the bottom line, Maroc Telecom remained true to its commitments to corporate social responsibility and environmentally sustainable development in 2016. In November, Maroc Telecom renewed its commitment to support and fully respect the ten founding principles of the United Nations Global Compact, to which it has subscribed since 2012. These principles relate to human rights, labour rights, the environment, and the fight against corruption. In keeping with this, Maroc Telecom also continued to minimise its environmental footprint over the past year. The Group engaged in ongoing actions to increase its use of renewable energies and installed free-cooling equipment at its technical sites (yielding a 70% reduction in electricity consumption), and employed the most economical technologies (Single RAN) available to promote dematerialisation. Moreover, after identifying and categorising the waste generated by its operations, Maroc Telecom took the necessary actions to recycle each type of waste in accordance with the applicable regulations and industry best practices.
In 2017, Maroc Telecom Group focus will be on defending leadership position in its home market across all segments by leveraging the best in class infrastructure it deployed in Morocco in addition to brining more innovative and unique services to its customers. Moreover, management will remain focus on implementing strategic aspects to enhance the contribution of the international subsidiaries into the Group results.



etisalat

# nigeria

**In 2016, the Nigerian telecommunications sector was confronted with considerable challenges, as the country's economy slipped into recession and regulatory constraints persisted. Nevertheless, Etisalat Nigeria addressed these challenges with a powerful combination of innovation, new products and services, valuable partnerships, customer centricity, and the leveraging of its diverse human capital.**

The innovative solutions introduced by Etisalat Nigeria in 2016 extended to products, services, and even customer service. Most significantly, on 8 October, the Company successfully launched its new 4G LTE service in Lagos enabling customers to enjoy faster broadband internet, uninterrupted connectivity to clearer voice calls, increased access to online streaming, and ultra-high-definition videos. As such, Etisalat Nigeria's 4G LTE service became a lifestyle enabler, supporting smarter Nigerian homes and businesses. This is enhanced by the fact that Etisalat Nigeria is the only network in the Country that does not require a SIM swap before customers can access 4G connectivity.

Another 2016 innovation was the introduction of the Etisalat Nigeria easymobile app and its subsequent evolution into the myetisalat self-service solution. This highly customer-centric app allowed customers to monitor data and airtime balances, and purchase services - all with just a few taps on their screens.

Etisalat Nigeria also introduced a diverse array of new products - including EasyFlex Evolution, Easybusiness, Easy Status, KwikCash and Flip among others in 2016.

EasyFlex Evolution is a prepaid plan designed to target the niche high-value market segment. It is the first-ever plan that lets customers purchase bundles (such as the Voice+ or Data+ packages) that combine talk time and data, according to their individual needs and at the same great value as that of existing plans. Meanwhile, Easybusiness 2.0, an innovative, scalable and competitive plan, caters to the telecommunication needs of small home/home-office (SoHo) and semi-structured businesses, micro-professionals, and small informal businesses.

Etisalat Nigeria also introduced KwikCash in 2016. This first-of-its-kind lending service is available solely to Etisalat subscribers, giving them access to cash loans based on their activity on the network. Subscribers can now apply for and obtain loans, which are instantly credited to their bank accounts, at the touch of a button via their mobile devices.

Flip is Africa's first airtime-billing-enabled digital library, which makes local and international books and comics available to mobile subscribers, in 2016. The fact that Flip is enabled for airtime billing makes digital distribution and monetisation easier for local authors and publishers.

In addition to the launch all of these new products, the introduction of Etisalat Nigeria Franchise Experience Centres was one of the Company's key strategic initiatives in 2016. In deploying these centres, Etisalat Nigeria's key objectives included rapid expansion, leading to growth of retail touch points; and reduction of capital and operating expenditure.

The Customer, however, remained Etisalat Nigeria's most important partner in 2016 and the Company's emphasis on customer centricity extended beyond service excellence and product quality to active community engagement.

Successful community-engagement initiatives continued or actioned in 2016 included the Etisalat FC Barcelona School Cup, the CliqFest football activation, the Lagos Photo Festival, the Etisalat Prize for Literature, and the Etisalat Prize for Innovation.

**228.6 NGN**
Billion Revenue

AED

**33.0 NGN**
Billion EBITDA

AED

**21.5 NGN**
Billion CAPEX

# pakistan

| 117.2 PKR | 39.7 PKR | 34% | 1.6 PKR | 31.0 PKR |
|---|---|---|---|---|
| Billion Revenue | Billion EBITDA | EBITDA Margin | Billion Net Profit | Billion CAPEX |

**18.6 million**
Mobile Subscribers

**3.3 million**
Fixed Subscribers

# pakistan - ptcl

**In 2016, PTCL responded to the numerous challenges facing the country's telecommunications industry with innovation, customer-centricity and collaboration to consolidate its position as market leader and trend-setter.**

Telecom sector was impacted in 2016 by falling data prices driven by price competition within the mobile operators. . This, in turn, exerted pressure on the fixed-line sector, resulting in substantial fixed-to-mobile substitution. PTCL responded to the increasing competitiveness within the cellular mobile sector by diversifying its innovative portfolio of products and services and focusing on providing more added value services to customers.

In 2016, PTCL introduced Loyalty Packages to demonstrate the value with which it regards its long-standing customers. A special upgrade offer was designed to enhance the PTCL experience for these users, giving all existing 3G Evo 3.1 and 9.3 customers the opportunity to trade in their existing devices for newer Charji LTE products at a  discount. Similarly, all Evo 3.1 customers were given the option to upgrade to Evo 9.3 Wingle free of charge.

In addition, during the month of Eid, PTCL ran a special Eid Treat campaign for children who enjoyed one months' free "e-Junior on Demand" subscription with access to a vast catalogue of kids' programmes.

In the same line, in 2016,  PTCL collaborated with Netflix Inc. to officially launch Netflix Pakistan, with PTCL thus becoming the first ISP in Pakistan to integrate Netflix propriety cache servers into its core network. All PTCL broadband customers are now able to stream their favourite content over Netflix.

PTCL further enhanced its overall customer service delivery by improving the walk-in experience at its shops. 30 key shops were converted into cutting-edge PTCL Smart Shops allowing clients to use Auto Bill Payment Machines, which are available 24-hours a day. Another customer-centric PTCL billing innovation was the introduction of e-billing.

Meanwhile, in keeping with its constant pursuit of innovation-driven development, PTCL introduced a number of new mobile applications in 2016. In June, the Company launched the Smart TV App, enabling users to enjoy the entire Smart TV service on their smart devices. Thereafter, in September, PTCL launched its Smart Link App, with which users can essentially take their landlines with them when they travel, both locally and abroad.

Also in September, PTCL introduced a comprehensive self-service strategy with the launch of the PTCL Touch App. Developed for all major platforms (including Android, iOS and Windows Mobile), the PTCL Touch App provides numerous features in a very simple, user-friendly format. The app's "My Accounts" section, for example, gives customers easy access to their (detailed) accounts and allows them to pay bills, log complaints, and track orders on their smart phones. To date, the PTCL Touch App has been downloaded by more than 100 000 customers.

Meanwhile, PTCL demonstrated its understanding of the dynamism of the broadband market in 2016 by developing relevant packages that cater to the ever-changing needs of its customers. This included a new customized DSL Starter Package, which gives subscribers access to high-speed 4Mbps internet, capped at 20GB.

Moving into 2017, PTCL will focus on implementing the comprehensive modernisation programme that was defined in 2016. This programme will assist PTCL to realise greater operational efficiency and improved network capacity, while better addressing customer needs and expanding the Company's reach.

# pakistan - ufone

**Ufone continued to make its mark within the increasingly competitive Pakistani telecommunications industry throughout 2016 with innovative solutions to strengthen its market position. With a fresh brand execution strategy, the Company made a definitive shift from customer volume to customer value, an insightful move that has reaped handsome rewards.**

Ufone adopted a new segment-based strategy in 2016 focused on quality (high-value customers) rather than quantity (high volumes of customers) and has positioned the Company to provide better services to a select segment of high-value customers. Ultimately, it has significantly improved customer satisfaction and, consequently, increased competitive strength and customer retention.

The 2016 Ufone strategy also included extensive price optimisation. This entailed, among others, a "transparency" project, whereby the Ufone product portfolio was overhauled to remove any hidden charges, thus eliminating the risk of disgruntled "bill-shocked" customers. Measures such as this have greatly enhanced the overall customer experience and, subsequently, improved public perception of the Ufone brand.

This emphasis on retaining quality customers and rewarding them with highly competitive pricing was communicated via an intensive, all-encompassing advertising campaign. Instead of aggressively promoting special offers, Ufone enacted a thematic promotional campaign, addressed directly at the Company's new niche target market. The campaign featured real-life heroes who epitomise Ufone's core values of integrity, hard work and honesty. In this way, an emotional connection was established between the Ufone brand and the target audience. All of this formed part of an integrated marketing strategy incorporating electronic, print and out-of-home media, amplified by brand activations and digital and social media coverage.

As part of its competitive strategy, Ufone also placed much emphasis on rewarding new customers in 2016. The New Joiners Programme (NJP) was launched in order to enhance the experience of new Ufone Customers and serves to solicit feedback from these new customers about their initial impressions of the Ufone experience. This feedback is utilised to close any service delivery gaps that may reveal themselves and to identify high-end customers early on. These customers are then assigned to the Priority Services team for proactive service

In terms of face-to-face customer interaction, the Own Shop Project, which was initiated in 2015, continues to enhance Ufone customers' retail experience and has now been rolled out to nine business centres. Additionally, Ufone and PTCL joined forces in 2016 to begin the refurbishment of 30 existing PTCL One-Stop Shops to operate as convenient Joint Shops to service both companies' customers under one roof.

This focus on convenience extended to the expansion of Ufone's Self-Service Kiosk project, with 10 more Virtual Teller Machines (VTMs) with enhanced features being deployed in 2016. The VTM solution was developed in-house to serve as an independent office, capable of performing all Customer Services Counter functions. The project has been a great success and the Company is currently in the process of acquiring more machines to be installed at Ufone Own Shops as well as high customer traffic areas.

Finally, Ufone and the entire Pakistani telecom industry experienced a significant uptake in data in 2016 - a trend that is set to continue in 2017. In addition, operating environment also is expected to improve in the coming months, as favourable policies promised by regulatory authorities begin to take effect. Ufone will build on these positive changes, aiming to increase customer loyalty with more innovative solutions.

# etisalat services holding

**In 2016, Etisalat Services Holding (ESH) continued its commitment to operational excellence across all business units, thereby paving the way for innovation and revenue maximisation in the coming year. ESH offers strategic value addition for Etisalat Group companies by delivering exceptional telecom-related business services.**

ESH manages a portfolio of seven operating entities. These are Etisalat Facilities Management (EFM), Emirates Data Clearing House (EDCH), E-Marine, Tamdeed Projects, Etisalat Information Services (eIS), Ebtikar Card Systems (ECS), and Etisalat Academy (EA). It also address the needs of global telecom operators, large clients in various other industries, and numerous prominent government entities. With clients spread across the MENA region as well as the Far East, ESH is capable of delivering innovative solutions seamlessly across a broad geographical area.

ESH also boasts numerous industry firsts. Its subsidiary, EFM, employs the largest number of UAE nationals of any facilities management company in the UAE. EDCH, meanwhile, is the only data and financial clearing roaming house in the Middle East. ESH proudly presents ground breaking customised training programmes to develop the skills - primarily relating to innovation, infrastructure and value-added services - of UAE nationals.

## Etisalat Facilities Management (EFM)

EFM is an actively developing facilities management solution that is both advanced and dynamic and has expanded its operations to almost all EFM business sectors. The Company is driven by its people and constant quest for innovation, and is inspired by its passion collaboration with its business partners. EFM's energy-saving product, "Mabanina", further boosted the Company's contribution to both the environment and UAE society. This impact is expected to grow exponentially in the coming years and ESH is planning several other, similarly unique, initiatives to strategically invest in innovative products and solutions for a better future for the UAE.

## Emirates Data Clearing House (EDCH)

EDCH has distinguished itself as the most reliable intelligent roaming and revenue-management partner in the country by constantly striving to enhance the subscriber experience and mobile operator performance. EDCH helps mobile operators to enhance their revenues visibly while reducing operational costs. The Company is a regional leader in the provision of innovative cloud-based solutions to more than 50 carriers across a broad geographical footprint.

In 2016, EDCH launched several services and innovative products - including a mobile money hub, a Wi-Fi roaming hub, a data package engine, silent-roamer analysis, an IREG dashboard, an interconnect ecosystem, and bill-shock prevention - to add to its long list of roaming support solutions. The Company has maintained its ISO27001 security certification since 2009, ensuring that all products and services meet the highest security standards.

## E-Marine

E-Marine is the trusted principal provider of submarine cable solutions in the Middle East and Sub-Continent and is committed to the expansion and advancement of the region. In 2016, E-Marine added a new cable ship (the CS Maram) to its fleet to help maintain dominance in the core submarine cable business. The Company is also preparing to tap into the oil and gas market, so that, when this market inevitably recovers from its current lull in the next two or three years, E-Marine will be ready with a vessel specific to the energy sector to capture a piece of this highly lucrative sector. In addition, to cater to the need of the developing East African market, E-Marine is in the process of opening a third depot in this region. This will give the Company a strategic advantage, enabling it to procure additional business and add an extra pillar to support the development of the region's digital infrastructure.

## Tamdeed Projects

With decades of ISP and OSP experience, Tamdeed Projects has made extensive progress toward transforming itself into a respected technology solutions specialist. In fact, Tamdeed is well on its way to becoming one of the region's leading technology solutions providers for infrastructure, networking, security and comfort in modern buildings and on high-tech campuses. The Company also dominates the buildings solutions domain by supplying the very latest technology, including fibre-based LAN, Internet of Things, and integrated IP solutions to provide customers with energy-efficient products with improved return on investment.

Largely by collaborating with ESH's other business units, Tamdeed has become a market leading single-service provider capable of undertaking turnkey infrastructure projects. On these projects, Tamdeed's services include infrastructure design and delivery, system design and implementation, and managing communication and application of the project.

## Etisalat Information Services (eIS)

eIS is considered to be the leading local search provider in the UAE. It maintains a business listings directory, which is used by Directory Enquires (181), and publishes printed and digital directories both on the Web and via mobile app platforms. As of 2015, in light of the rapid evolution of the directory media advertising industry in the digital space eIS began to focus primarily on digital media and has collaborated with global industry innovators to launch www.connect.ae, the country's first hyper-local search engine enabling location-based search and information on all small and medium-sized businesses in the country. Beyond this, eIS also signed multiple partnerships with industry leaders - including Booking.com, Roundmenu.com and Zomato - in the digital play in 2016. The Company will continue to develop various verticals by capitalising on these partnerships.

## Ebtikar Card Systems (ECS)

ECS is a major provider of smart card solutions and one of the best secure industrial organisations in the UAE that fulfil the growing smart card business and application demands of the market. In 2016, ECS enhanced the internal production capacity of its factory to support market growth, demonstrating its ability to produce large volumes of high-quality SIM cards while adhering to the strictest standardised security criteria. In addition, the Company simultaneously ensured operational excellence and drastically reduced operating expenditure by negotiating with its reliable suppliers to minimise procurement costs. ECS also introduced several new products in 2016. These include Trio Cards (multi plug-in SIMs), M2M and 4G/LTE SIM cards, and quarter SIM cards.

## Etisalat Academy (EA)

Through its Kawadir Nationalization Centre, in partnership with Absher initiative and the Ministry of Human Resources and Emiratisation, EA continued to prepare UAE nationals for the job market in 2016. In the summer of 2016, and for the second consecutive year, EA organised one of the largest and most diverse youth summer camps in the UAE. Sponsored by the ICT Fund of the TRA, the camp activities were conducted in five cities (Abu Dhabi, Dubai, Fujairah, Ras Al Khaimah and Al Ain) and over 1900 Emirati primary, preparatory and secondary school students participated. In addition, EA held several programmes and events - aligned with the UAE government's developmental themes, including reading, innovation and happiness - in 2016.

ESH has earmarked 2017 as the year of growth through introducing innovative and unique services within a highly competitive landscape. It has already lined up several strategic initiatives across its operating companies and is working with industry leaders to develop winning partnerships.

# afghanistan

**Although 2016 presented challenges at the political, economical and regulatory levels, Etisalat Afghanistan managed to come out stronger reached some important milestones over the course of the year.**

Most of Etisalat Afghanistan's success in these trying times has been due to its own efforts. In particular, the Company's strong focus on customer centricity, through initiatives such as Etisalat Afghanistan's generous loyalty programme, continued to pay off in 2016. This programme shows the Company's appreciation of its long-time customers via exciting loyalty rewards. Among others, these rewards include point redemption, free airtime, and loyalty cards (which come with their own string of benefits, such as discounts at numerous retailers and restaurants). The highlight of the 2016 customer loyalty programme, however, was when the Company rewarded several of its high-value customers with an all-expenses-paid trip to Mecca (Hajj) .

Successful customer service improvements actioned in 2016 include the introduction of the sales token system with agent interaction. Customers also enjoyed greater access and convenience, thanks to several channel enhancements and process developments, including the introduction of 360-degree access to services (IVR, self-care, and unstructured supplementary service data), the implementation of PCRF for better a browsing and download experience on 3G, and the introduction of 3D voice quality to improve the calling experience.

Concurrent to boosting customer service, Etisalat Afghanistan also invested great efforts in the development of new strategic partnerships in 2016. Significant partners acquired in 2016 include the TIC IRAN for the provision of upstream internet access for our internet service provider ISP and 3G data and backup for KBL, MZR and QDR traffic; Azizi Bank for mobile banking via ISP, SMS, SIP office for call centres; ACG for retail site rentals; Boloro for point-of sale shopping with mHawala, Etisalat Afghanistan's Mobile Financial Service; the United Nations Children's Fund (UNICEF) for salary payment; and several corporate social responsibility partnerships related to cash disbursement to refugees.

Meanwhile, Etisalat Afghanistan brought enhancement to its operating models in 2016 with the aim of improving efficiencies and cost effectiveness. These included Radio Access Network (RAN) site sharing and renting and post-warranty services that replacement of faulty equipment free of charge.

Over and above this, 2016 also saw the introduction of several groundbreaking products and services by Etisalat Afghanistan. These included the Company's new eStore (an online store and apps that enables purchasing through mWallet and subscribers' accounts), sGate (an international filtration and monetising system), Application-to-Person (A2P incoming messages and iDream.)

Beyond its business focus, Etisalat Afghanistan always places a very high premium on its corporate social responsibility. In 2016, this involved several exciting initiatives, ranging from supporting rising entrepreneurs to providing aid to refugees.

Looking ahead to 2017, Etisalat Afghanistan will continue, first and foremost, to serve its community and to deliver only the best services to its customers. Next year will also see increased focus on providing the leading mobile data services, improving the Company's portfolio of digital services, launching new service offerings, and taking serious steps towards creating innovative cloud-based solutions.

# sri lanka

**In 2016, Etisalat Sri Lanka focused on enhancing customer service to encourage brand loyalty and engagement. This included a marketing and sales strategy that placed the right product in the right place at the right time.**

In a highly competitive and saturated data market, Etisalat Sri Lanka introduced "Anytime Data" package as a unique way to differentiate itself and stay ahead of the competition. With "Anytime Data", instead of paying more for daytime vs. night-time data usage as the case with other telecom operators, existing Etisalat's data and smartphone users can enjoy unrestricted access to data at the best available deal for all-day data packages.

In 2016, the Company became the first Sri Lankan telecom operator to introduce a special SIM specifically for the youth segment to meet the connectivity requirements of young Sri Lankans by offering more anytime data, messages, mobile TV and voice time.

In addition to bringing out unique new products and services, Etisalat Sri Lanka continued to pay special attention to customer service in 2016. Because Etisalat understands that its customers' reach is not limited by geography as they navigate the global village, the Company provides services that customers can use to make the most of this reach.

The "Game of Tunes" Promotion, which ran for three months period, during which time participating customers received daily and weekly cash prizes, was one such customer-centric initiative. The "Sooro" Scratch & Win promotion, launched in July, was another channel by which Etisalat Sri Lanka rewarded loyal customers while increasing customer usage and retention in 2016. The promotion offered consumers a chance to win instant prizes and become eligible for a grand prize. Notably, this was the first telecom promotion of its kind in Sri Lanka.

In addition to these limited-time promotions, the Etisalat Epic Rewards and Etisalat Premier programmes show how greatly Etisalat Sri Lanka appreciates its loyal customers. The Epic Rewards programme enhances discount offers and promotions for high-value customers to suit their lifestyles, encouraging them to utilise RINGS and enjoy epic experiences with loved ones. This includes the ever-popular Epic Movies concept and free and discounted tickets for concerts and events, brand merchandise, home appliance giveaways, and other promotions. Etisalat Premier, meanwhile, is focused on the very high-value segment and involves giving customers access to a series of special events and experiences.

Of course, all of this would have little value if it were not for the day-to-day efforts of the Customer Service team and Call Centre. In fact, the Etisalat Sri Lanka Call Centre continues to be recognised as one of the best call centres Sri Lanka. Underpinning this reputation for excellence are the centre's exceptional use of automated service delivery via Interactive Voice Response (IVR) based solutions as well as its utilisation of agents and unparalleled cost optimisation. In fact, thanks to its consistently unrivalled service-level delivery (time for initial response to speak to an agent), the Etisalat Sri Lanka Call Centre maintained its status as the best of all operators in the country between the fourth quarter of 2015 and second quarter of 2016 as per the quality of service audit conducted by the Telecommunications Regulatory Commission of Sri Lanka.

Etisalat Sri Lanka's primary focus in 2017 will be on implementing an aggressive companywide cost-optimisation programme. Enhanced network modernisation will also be a key focus area, with particular emphasis on the improvement of operating expenditure efficiency in addition to the expansion of network coverage.

THURAYA

# thuraya

**Building upon its acknowledged reputation for innovation, Thuraya has developed a roadmap for the launch of new products for enterprise, government and consumer markets.**

Thuraya remains a key player in the Mobile Satellite Services (MSS) market, with prime orbital slots, valuable L-band spectrum, an established network of distributors, roaming agreements with global operators, a scaled customer base, and an established history of innovation.

With the rising demand for constant communication and continuous data collection and utilisation (whether person-to-person, machine-to-machine or a hybrid thereof), MSS are playing an increasingly crucial role in how people communicate. MSS remain the only viable solutions to maintain contact across oceans, through airspace, and remote areas without any reliable and secure terrestrial communications services.

Unfortunately, several events have occurred recently that have strongly limited opportunities for market growth in the MSS industry. These significant changes include military troop withdrawals from certain countries, government budget cuts, lower investment in the oil and gas sectors, the media sector's shift to cellular (from satellite) providers, and the general proliferation of cellular communication.

However, Thuraya has tackled these challenges with a proactive approach involving innovation and customer centricity. In fact, via its release of devices such as the SatSleeve and expansion into non-traditional distribution channels, Thuraya is actively helping to improve market awareness of MSS. As a result of these and other interventions, the Company has already achieved a substantial turnaround of business performance within its current sphere of operations. Indeed, Thuraya overcame obstacles such as limited coverage, legacy issues, and a challenging market, to outperform the MSS industry consistently from 2011 to 2015.

Based on its proven record of product innovation and convergence, Thuraya was thus able to extend its geographical reach, move into new market sectors and launch new services and devices in 2016. In March, the Company launched the IP Commander, a robust voice and data terminal that provides reliable broadband access. It is engineered to enable mission-critical voice and data connectivity in minutes, however remote the location.

Working in partnership with ViaSat, Thuraya is expanding the reach of its coverage area to include North America for the first time. In addition, the Company launched a dedicated machine-to-machine (M2M) service terminal that is available across its extensive existing coverage area as well as in North America. As part of Thuraya's overall M2M strategy, the launch built on the momentum of existing M2M solutions offered via Thuraya's network of device and application development partners. The robust IP-based, secure two-way communications M2M network already enables real-time M2M and Internet of Things (IoT) application deployment beyond the confines of traditional cellular networks.

In September 2016, Thuraya announced its next-generation constellation plans, which are set to deliver a unique, multidimensional programme of expansion and diversification. The Company's L-band network will evolve extensively, as the current satellite footprint will be enhanced significantly with the planned launch of several next-generation satellites, starting in 2020. Thuraya's next-generation system will focus on delivering high-mobility services in core and new markets. These will be complemented by High Throughput Satellite (HTS) services for bandwidth-hungry applications in land, maritime and aeronautical markets. This will enable Thuraya to address new growth markets requiring the mobility, capability and coverage that are uniquely available through L-band or HTS services - or, in many instances, a combination of both.

In 2016, Thuraya announced an agreement with Singapore-based Seven Seas Electronic to offer technical support to Thuraya's service partners in the Asia Pacific region. The new service agreement aims to speed up response times for service partners in need of vital maintenance work. This will ensure faster response times for service partners and end-users. The agreement comes in the wake of the recent expansion of Thuraya's maritime portfolio, with the launch of Atlas IP. Atlas IP is an easy-to-install terminal that offers managers and crew seamless access to the Internet, enhanced connectivity, and high-speed onboard efficiency with best-in-class data rates.

Thuraya has maintained its focus on the maritime segment, which began four years ago and grew extensively in 2016 via the engagement of sectors like the fishing communities of Southeast Asia. This transoceanic customer engagement is anticipated to increase upon the implementation of its devised strategic "FUTURA" plan projects, as these will facilitate access to hitherto inaccessible customers. The "FUTURA" plan, which will be implemented in 2017, will evolve Thuraya's L-band constellation, integrate high-throughput capabilities, and expand the Company's current footprint.

Meanwhile, as mentioned, Thuraya has already ventured into the IoT space via its release of a product with ViaSat and support of a major mountaineering expedition with WiCis Sports in 2016. This involvement is expected to grow with the improvements in the Company's capabilities following implementation of "FUTURA" project.

As Thuraya moves into 2017, the Company will focus on maintaining its role as a key provider of MSS, delivering data and voice connectivity to end-users in the Middle East, Africa, Asia and Europe. Thuraya also plans to combat the aforementioned macroeconomic and industry-related threats to MSS revenue streams by simultaneously tapping more into the retail and mobile network operator markets to grow revenue in non-traditional ways. All the while, Thuraya will remain committed to controlling costs while pursuing strategic initiatives that prepare the company for the next generation constellation. Finally, Management will have primary focus on implementing "FUTURA" plan to enable Thuraya to maintain its status as an international provider of choice.



# human capital

In 2016, Etisalat Group continued to place a high premium on happiness and engagement of its employees across its footprint, endeavouring to make Etisalat a truly great company to work for.

Etisalat's new corporate values of customer centricity, collaboration, agility, and empowerment formed the foundation of all Group actions in 2016.

The success of Etisalat's various Human Resources teams' efforts to improve employee satisfaction and motivation is reflected on the results of its annual global employee engagement survey. In 2016, 85% of Etisalat employees participated in this survey and employee satisfaction rose by another 3% compared to 2015. Furthermore, based on employees' feedbacks, Etisalat has launched a number of initiatives - including employee recognition programmes, improved internal communication, new career management and development programmes, and flexible working hours, among others - to enhance employee satisfaction. Etisalat UAE, organized a Wellness festival to promote health and nutrition through a number of fun activities. Many social events were also hosted across all countries to foster cohesion and sense of belonging among employees. Examples of highly successful initiatives in 2016 that helped Management to communicate more effectively with all staff include the Toastmasters Club at Mobily in the Kingdom of Saudi Arabia, "0809ja Talk" in Etisalat Nigeria, and Let's Connect and Workplace (a corporate version of Facebook) at PTCL in Pakistan.

Because of these and other initiatives, Etisalat's employer brand image continues to improve. In 2016, Etisalat received many HR awards. For example, Etisalat was recognised for "Excellence in Employee Engagement" and named "Private Sector Employer of the Year" at the 11th Human Capital Forum MENA (Middle East and North Africa). Meanwhile, the 2016 GCC GOV HR Awards presented Etisalat with the award for Innovation in Employee Engagement for "creating a breakthrough in people performance across the Gulf Cooperation Council region", recognising the Group's emphasis on human resources and engagement to drive business performance.

Performance, quality and excellence are indeed at the heart of Etisalat's business strategy. With Group objectives well aligned for all Executives across all its operating companies, Etisalat can effectively deliver its strategy with a high degree of alignment and collaboration. In order to raise the level of excellence of its HR practices, Etisalat successfully completed its sixth annual Global HR Excellence programme, with the average Excellence level increasing by 15% globally and all participating countries achieving improved scores. The Group also remodelled its management structure and digitised some of its infrastructures, including in human capital.

Etisalat Group's commitment to its people encompasses all the elements required to ensure complete job satisfaction - career development, training, recognition, stimulating work, the necessary tools to perform assigned tasks, and a safe and pleasant work environment. Etisalat employees know that they are valued and respected and this both enhances their employment experience and strengthens their work ethic and loyalty to the Group.

With employees from almost 90 different nationalities across its footprint, diversity is at the heart of Etisalat's human capital - a quality we view as a great asset. Etisalat promotes equal opportunity employment and development for talented people from all backgrounds, regardless of gender, colour or creed. Etisalat Group also encourages international mobility of staff to share knowledge and experience. A number of UAE nationals are also seconded to other countries as an opportunity to have international exposure and develop their skills in other markets.

Ultimately, the different perspectives, experience, and skills of this dynamic workforce generate an energised innovative approach to business that sets Etisalat apart from its competitors. This is also how Etisalat remains so well in touch with the needs of its various customer segments.

In the United Arab Emirates, Etisalat has continued its commitment to supporting the progress, learning and development of UAE nationals as part of the wider goal of developing local communities across the Group footprint. As such, Emiratization (nurturing local talent and investing in enhancing the skills and capabilities of UAE nationals) remains a key strategic priority. UAE nationals now occupy 73% of top management roles, 50% of middle management positions, and 50% of technical roles. Female UAE nationals also comprise 73% of the total female workforce. Etisalat UAE's overall nationalisation percentage increased to more than 46% in 2016.

Etisalat takes care in placing best-in-class specialists within their areas of expertise. Talent acquisition teams across Etisalat's footprint utilise numerous channels to identify and attract employees of this calibre. Because Etisalat Group's workforce is geographically, culturally and economically diverse, its talent initiatives involve a range of programmes, each suited to its unique context. The rate and extent of employee development are closely monitored to ensure that these initiatives effectively build a cohesive, skilful workforce for a complex and changing environment.

Etisalat invests considerably in career management as well as learning and development across all its subsidiaries to benefit from this multifaceted best-in-class workforce. Its High Potentials programme identifies high-potential employees to develop its future leaders from within. This, and other development programmes, reflects on the growing number of critical executive positions filled internally.

Through several local and international talent initiatives in 2016, Etisalat Group companies were able to reduce the gap between skills and performance, and marry employee aspirations to business needs. For example, in Etisalat UAE, the fifth cohort of the Qadat Al Mostaqbal (Leaders of the Future) programme commenced its training in 2016. Designed in line with Etisalat's overarching organisational leadership development needs and corporate values and in collaboration with globally renowned executive education partners to leverage a handful of critical learning methodologies. This entailed mass rollouts of relevant online and contact training as well as the utilisation of skills sharing to maximise best practice. On the expert track, employees are able to deepen their technical expertise in strategic and operational areas, with little or no People Management responsibilities. Employees demonstrate their readiness to move to the next level through a combination of periodic technical/ functional tests, on-the- job achievements, and line-manager evaluation to drive their own progress.

In Egypt, Etisalat deployed a "PULL" learning technique that gives employees the autonomy to choose their training according to their personal development plans. This encouraged employees to take ownership of their professional development and increased their level of commitment to their careers and to the Company. Similarly, Ufone in Pakistan implemented the "LISTEN" (Learn, Involve, Support, Engage and Nurture) platform, which enables employees to identify potential for engagement and set realistic milestones with line-management support. Etisalat Nigeria, meanwhile, expanded career options for qualified employees beyond the "management track" to include an "expert career track" for technical/functional specialists.

As mentioned, in addition to job satisfaction and career growth, employees require a safe and pleasant work environment in order to enjoy a truly fulfilling work experience. Thus, Etisalat takes great care to ensure the protection of all employees, especially in high-risk zones. Beyond their immediate physical safety, employees' overall health and wellbeing are of paramount importance, which is why Etisalat promotes and supports healthy living habits in its employees. In 2016, this took the form of, among others, Health, Safety and Environment (HSE) training sessions, the coordination of HSE committees and representatives, and a number of events (such as the NMC Healthcare Wellness Week in the UAE) to raise health awareness and encourage employees to adopt healthier lifestyles in and beyond the workplace.

In conclusion, human capital management plays an important role in Etisalat's recruitment process. It ensures that talent acquisition teams hire according to Etisalat's standards, orients a new employee to the system, and helps employees to upgrade their knowledge with time to cope with the changing situations.

By recognising that its employees are its greatest asset, Etisalat Group can leverage this asset to deliver unparalleled service excellence. As such, in 2017, Etisalat will build on the successful human capital initiatives of 2016, whilst searching for more innovative and effective solutions to motivate and grow talent and, thereby, drive performance.

This will include strengthening Etisalat's Global Succession Management Programme, increasing collaboration between operating countries, and remaining committed to fostering happiness of all Etisalat employees.

# corporate social responsibility

**Technology is a force for social good, driving up access to vital services, such as education and health that can uplift communities. Through technology people can be more informed about the world around them and receive services that previously were denied to them. Mobile technologies also have a beneficial environmental impact in reducing energy consumption and carbon emissions. And the impact will only increase as technology becomes more efficient, more connected and more present in our lives.**

Etisalat Group remains committed to being a responsible corporate citizen. With technology as an enabler of progress, we have a role to play in supporting and empowering local communities, and are humbled by every request to help we receive. On a global level, Etisalat Group is a signatory of the United Nations Global Compact. Across our international footprint, we work with a great variety of partners to pursue projects and initiatives, which are relevant in the countries where we operate. Etisalat is proud to be a partner and honoured to be invited to participate in such projects, which help transform peoples' lives.

As technology is a driver for progress, a central pillar of Etisalat's strategy is how we can use our technical expertise for good. The focus of our CSR activity is in three main areas: Education, Health and the Environment. A prime example of how our approach comes together is the Drones 4 Good initiative, which was the recipient of a prestigious Global Mobile Award (GLOMO) in 2016.

Etisalat is using the latest technology and expertise to countries exposed to polio. Every child should be vaccinated against polio, including those living in the most remote and isolated places in the world. Keeping the vaccinations frozen in transit is a significant challenge. In Nigeria, Pakistan, and Afghanistan, Etisalat has deployed special purpose drones designed to transport polio vaccine to the most remote locations, recharging cold boxes and drone batteries at the GSM Base Stations while ensuring temperature control and flight route management through GSM and Satellite networks.

By expertly aggregating all the data from both the drones and the immunization teams, Etisalat maps polio risk areas and tracks routes covered by the immunisation teams. Geo-mapping has helped achieve the successful immunisation of at least 85 percent of the child population in the mapped risk areas with multiple immunisation teams trained and deployed. The service has been introduced in close cooperation with the Sheikh Zayed Military Hospital, UN Afghanistan, Saudi Aramco, Shell Nigeria, UNICEF and WHO.

Across its international footprint, Etisalat's operating companies undertake a variety of CSR initiatives, appropriate to local cultural and social circumstances. In the UAE in 2016, Etisalat supported projects focused on health and education. As part of our support for the Thalassemia Centre at Latifa Hospital (which is the only centre in the Arabian Gulf to treat such diseases), Etisalat provided free of cost "life time" E-life connection to entertain patients awaiting treatment. Through our partnership with Sharjah Media Foundation, Etisalat supported patients in need of special treatment as part of the 'Pain and Hope' programme. In the UAE Etisalat also supported efforts to tackle cancer. We work with the cancer patient society – 'Rahma' – to support patients and their families and developed cancer awareness videos in collaboration with Abu Dhabi Health Authority and Al Jalila Foundation.

Etisalat UAE was equally active in supporting education initiative in 2016. In the UAE 2016 was declared the 'Year of Reading' and Etisalat supported this through the distribution of books, toys and school kits to a variety of schools across the country, participated in books fairs (both in the UAE and internationally) and was the sponsor of the 'Etisalat Awards for Arabic Children's Literature'. As part of its support, Etisalat send out 25 million push and pulls

SMSs, as well as hosting an auction of special mobile phone numbers. In partnership with 'Dubai Cares', Etisalat sent SMS to 2 million customers to raise awareness for the annual walk for education. Etisalat also collaborated with E-SAFE, a UAE based non-profit organisation, on a video to promote responsible internet use and to protect children from online risks.

2016 was also a special year for people with disabilities. As part of its partnership with UAE Disabled Sports Federation, Etisalat is the official sponsor of the UAE Special Olympics team, which this year participated in the Paralympics in Brazil. The team's performance was rewarded with seven medals. In addition, Etisalat introduced its Freedom Plan for people with disabilities, which provides a range of discounts, offers and other benefits to the people with disabilities, and participated in awareness campaigns in schools and other organisations.

Education, health and the environment were also highlighted in the work across our operating companies in 2016. The Maroc Telecom Group is deeply involved in the implementation of programmes promoting the use of ICT in schools and universities. In the third phase of the 'Génie' programme started in 2016, Maroc Telecom provided equipment to more than 3,200 schools, bringing ADSL Internet access and a filtering solution to protect students from sensitive content on the Internet. Maroc Telecom has already connected 1,300 schools during the first and second phases of 'Génie'. Since the launch of the 'Injaz' program, 76,000 students have benefited from mobile broadband Internet access, and access the latest generation laptops and tablets, at affordable prices. Whilst through the 'Nafida@' programme, almost 230,000 teachers are equipped with internet connections at attractive prices.

Maroc Telecom has a long-standing commitment to the environment, adopting world-renowned sustainable development standards to measure, promote and build on its performance. In 2016 it renewed its commitment to the United Nations Global Compact. It is also involved in the Voluntary Carbon Offsetting Program, run by the Mohammed VI Foundation for Environmental Protection, for which it is involved in the Clean Beaches program and continues to maintain one of the oldest gardens in Marrakech, ArsatMoulayAbdesla.

Etisalat Misr is in the process of establishing its foundation to focus driving sustainable long-term CSR initiatives and activities for the benefit of Egyptian society. Meanwhile, in 2016, Etisalat partnered with the National Telecommunication Regulatory and National Telecommunication Institute to provide on ground training for 21 communication post graduate engineers. Etisalat Misr also undertook an internship program for 60 students from Egyptian universities. Etisalat Misr's 'Origin' programme continues to deliver clean water, by 2016 it had benefitted more than half a million Egyptians.

In Pakistan, PTCL's Management Associate Program (MAP) has seen 400 talented young graduates experiencing work in the company and receive training to prepare them to succeed in their future career. PTCL also goes out into universities, providing on-campus talk sessions in universities, at which senior PTCL executives share their professional experiences and provide career advice to students.

Throughout 2016, PTCL set up special medical camps for under-privileged segments of society in rural areas, as well as in educational institutes that cater to children with special needs.

This included a 'Mega Mobile Medical Camp', which provided free screening of Hepatitis B and C, and vaccinations for Hepatitis B. The company also arranges free-of-cost medical checkups, offering free blood sugar and cholesterol testing, along with complimentary medicines for deserving patients and small gift hampers for children treated in the medical camps. PTCL has also conducted Health Awareness Sessions through a total of 452 mobile medical units and health awareness activities conducted in far flung areas in Pakistan, benefiting around 30,000 patients.

Etisalat Sri Lanka continued its 'DenethakataSenahasak' (Caring for Your Eyes) campaign in 2016. The campaign has seen over 78,000 school children from almost 100 schools were screened for vision impairments, with around 900 students benefitting from receiving custom-made prescription spectacles. Etisalat Sri Lanka also provided support for people affected by the natural disaster that hit Sri Lanka in May enabling people in the refugee camps to remain in continuous communication with their families through a free toll number.

Etisalat Nigeria's flagship Etisalat Telecommunications Engineering Postgraduate Programme (ETEPP) continues to provide Nigerian youth with the opportunity to get first-rate training in the area of telecommunications engineering. Its M.Sc. is a first in the country and is supported by Etisalat Academy. Since its launch in 2013, the programme has led to more than 60 young professionals trained and certified. In addition, through a tertiary scholarship scheme, over 1,400 students have been given the opportunity to secure grants to be used for furthering education. While in 2016 we also partnered with Global Shapers (a World Economic Forum affiliate in Nigeria) to conceive and deploy a Community Schools Support Programme (CSSP) to promote enrolment and attendance in schools in the areas worst affected by conflict. Through the CSSP, 1,000 pupils returned to school, through the provision of uniforms, books, school bags and writing utensils.

Heath-related initiatives in 2016 included, Etisalat Nigeria launching an initiative to fight malaria. As part of this initiative Etisalat matched each staff purchase of insecticide-treated nets. The 'Give a Net save a Life' campaign was successfully in controlling malaria, as well as increasing staff participation. In addition, Etisalat Fight Malaria clubs were launched in Lagos and Cross River. The Malaria clubs are in primary, secondary and tertiary educational institutions; and are designed to equip youth with information and tips on preventing the malaria scourge through computer equipment, also provided by Etisalat. Etisalat Nigeria also formed a strategic partnership with state governments to reduce maternal and infant mortality. Etisalat provided high-end configured tablets for field data collection by health workers and distributed over 200 maternal birth kits (MAMA™ kits) to vulnerable women across key communities.

# company governance

## The General Assembly:

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

The General Assembly of the Company is entitled to look into all matters related to the Company as stipulated in the Company's Incorporation Law and in its Articles of Association, and is, in particular, entrusted with approving the Annual Report on the Company's activities, the Company's financial position during the preceding financial year, appointing external auditors and setting their fees and approving their reports as well as discussing and approving the balance sheet and the profit and loss accounts for the previous year. The GA also has the power to approve the Board of Directors' recommendations with regard to dividend pay-outs and bonus shares, if any.

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

## Board of Directors:

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

Etisalat's Board of Directors currently consists of 11 members, seven of them including the Chairman of the Board, were appointed by virtue of Federal Decree No. 30 of 2015 concerning the appointment of Government representatives in Etisalat's Board of Directors.

The other four members of the Board of Directors were elected during the General Assembly meeting, which was held on the 24th of March 2015 by the shareholders who own 40% of the Company's shares; i.e. those shares not held by the Emirates Investment Authority (the entity that represents the Federal Government's stake in Etisalat).

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

## Committees of the Board of Directors:

For the purpose of rendering the assistance to the Board of Directors in discharging its responsibilities, the Board has established three Committees:
1) Audit Committee;
2) Nominations and Remunerations Committee; and
3) Investment and Finance Committee.

## Audit Committee:

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

- Reviewing the financial and accounting policies and measures in the company.
- Reviewing and monitoring the soundness and integrity of the Company's financial statements and reports (annual, semi-annual and quarterly) as well as inspecting the notes, suggestions and reservations raised by the Company's external auditor in relation to accounting books or financial statements and to ensure that the auditor receives timely response from the Management to his fundamental notes. The Committee also looks into any significant and uncustomary items included or should be included in the reports and financial statements.

- Developing and implementing a policy for contracting with the external auditors and ensuring their compliance with the applicable rules, regulations, resolutions and the Company's Articles of Association in addition to following up and monitoring their independence and meeting and discussing with them the nature, scope and efficiency of their audit and all relevant matters.

- Reviewing, appraising and implementing the Company's systems of internal control and risk management in addition to supervising the Internal Control and Audit Department, studying its reports and following up the rectification measures for the shortcomings raised therein to ensure that it is undertaking its duties accurately.

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

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

The Committee's Charter has detailed the Audit Committee's duties, composition, conditions and quorum for convening its meetings and the mechanisms of its decision-making.
The Committee is comprised of four members who are well-versed and experienced in financial and accounting matters. Three of the Committee's members were selected from among the non-executive and independent members of the Board of Directors, and the fourth is an external member who holds finance-related qualifications with relevant experience. The Committee convenes quarterly or whenever necessary.

## Nominations and Remunerations Committee:

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

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

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

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

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

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

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

### Investment and Finance Committee:

In addition to the Audit Committee and the Nominations and Remunerations Committee provided for in the legislations related to Governance Rules and Corporate Discipline Standards, the Board of Directors established the Investment and Finance Committee to assist the Board in carrying out its functions related to the Company's internal and external investments. The Charter of the Committee defines the functions and duties assigned to the Committee and specifies the cases in which the Committee is entitled to make decisions as it deems appropriate. At the same time, it provides for those cases in which the Committee's role is confined to making recommendations to the Board for passing appropriate resolutions thereon. That Charter is deemed an authorization by the Board for the Committee to carry out the functions and responsibilities stipulated therein.
The Committee assumes a wide array of responsibilities, the major ones among which are the carry-out of reviews and making recommendations to the Board concerning the policies and frameworks related to the treasury, investment and divestment strategies, allocation of funds, disposal of surplus funds, injection of money, structuring of subsidiaries, the Company's dividend policies which have regard to regulatory requirements and have impact on surplus funds, issuance of guarantees and pledges and definition of operational and financial KPIs as included in the Board's Dashboard and KPIs.

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

### Operating Structure of the Company:

During 2016, Etisalat continued to implement its revised structure, which commenced in 2009. The purpose of the revision was to manage its international expansion strategy, protect value resulting from the Company's operations in the United Arab Emirates and overseas, and gain the trust of its stakeholders by implementing a solid structure based on best governance practices and corporate discipline standards.

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

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



# enterprise risk management

Etisalat Group recognizes that the proactive management of risk is essential to the achievement of our strategic objectives. The Internal Control function within Etisalat is responsible for the Enterprise Risk Management ('ERM') process to ensure that principal risks are identified, assessed and managed across the Etisalat Group of Operating Companies ('OpCos').

Our Enterprise Risk Management framework provides reasonable assurance that significant risks are identified and addressed.

### Internal Control Environment

We adopt a robust approach to ERM which forms part of the 'three lines of defence' internal control environment within Etisalat.

The first line of defence is the day to day management of risk across OpCos which is governed by existing policies and procedures. This includes the regular review of identified risks and the ongoing management of risk mitigation activities. The responsibility and oversight for risk management is designated within each OpCo.

The second line of defence involves corporate functions responsible for the oversight and monitoring of risks. Dedicated functions such as Finance (Fraud Management and Revenue Assurance), Regulatory Affairs, Legal and Internal Control (ERM) undertake a range of activities to mitigate and manage a wide range of risks.

The third line of defence provides independent assurance over the Group & OpCos internal control environment by Internal Audit in addition to the other assurance functions outlined in the second line of defence.

The Internal Control and Internal Audit areas are independent from Executive Management. They report functionally to the Audit Committee, which is authorized by the Board of Directors to supervise the functions of these areas.

### Risk Governance

Each OpCo has an Audit Committee which receives updated risk reports on a regular basis. The continuous review and monitoring of organizational wide risks is undertaken by Enterprise Risk Management Committees ('ERMC') which are established within each OpCo and within Etisalat Group. These committees meet on a regular basis, at least quarterly, and review top risk information such as the existing controls in place, the movement of Key Risk Indicators (KRIs) and the status of planned risk mitigation actions. Summary risk reports are then provided to the Audit Committee.

### ERM Process

The ERM process involves the identification, assessment, management and continuous review of those uncertainties and risks which could adversely impact upon our ability to achieve our strategic objectives.

Regular risk assessments are conducted across all areas in which Etisalat Group and its OpCos operate. Risk assessment and mitigation is an integral part of the Group's annual business planning and budgeting process. Our ERM framework is aligned to international best practices such as ISO 31000 standard.

### Principal Risks & Uncertainties

We continually monitor and review the principal risks which could materially affect our business, financial performance and reputation. Whilst other risks exist, in addition to those listed below, the following threats are those which are of significance to our operations.

| Etisalat Group Board (Audit Committee) | | |
|---|---|---|
| Etisalat Group Managment | | |
| First Line of Defence | Second Line of Defence | Third Line of Defence |
| Oversight & Control | Functions Including | Independent Assurance |
| • Line Managment<br>• Policies & Procedures<br>• Internal Controls | • Fraud Managment & Revenue Assurance<br>• Regulation & Legal<br>• Internal Control (ERM) | • Internal Audit |

## Strategic Challenges

- **Geo-political threats:** the ongoing threat of political and geographical uncertainty is a continuous challenge across a number of the African and Asian countries within which we operate. We work closely with the respective OpCo management to leverage local expertise and knowledge. For example, the security of local employees is proactively managed by local OpCo arrangements.

- **Macro-Economic conditions:** changes in regional and global economic conditions (such as the relatively low price of oil) within a number of the markets where we operate is an ongoing challenge. Such factors are considered during financial budgeting and planning processes.

- **Over the Top Threat:** is a common threat across the Telecommunications industry which is impacting mobile voice revenues across a number of our more mature mobile markets. The increase in the use of non telecom applications for voice calls and messaging is cannibalizing traditional telecom operators' revenues. Various commercial strategies in response to such OTT threats are considered and implemented by respective commercial teams across the impacted OpCos.

## Operational Threats

- **Cyber Security:** the ongoing threat of external cyber attacks across our network and IT infrastructure is ever present particularly across the MENA region. Network and IT security teams proactively monitor activity across our networks to identify and mitigate possible cyber security threats and data privacy breaches.

- **Competition & Pricing Pressures:** We operate in markets which are characterised by: high levels of competition (exiting or new); declining prices; technology substitution; market and product convergence; customer churn; and regulatory intervention to promote competition. We closely analyse and monitor the trends in these markets, and invest in our networks and products to compete effectively.

- **Service Continuity:** the sustained continuity of our network across all our OpCos is key to our continued success. We face the threat of disruption, malfunction, loss or damage to network infrastructure from natural or other uncontrollable events. We have designated Business Continuity Management teams in place across our OpCos responsible for developing and testing business continuity plans and crisis management arrangements.

Insurance policies are also in place with regards to infrastructure property damage.

## Compliance Challenges

- **Regulatory Challenges & Uncertainties:** as we operate in various different and developing markets, we are faced with ongoing regulatory and legal challenges. Governments and regulatory agencies can alter existing policies or implement new policies which can significantly impact upon our operations and financial performance. These challenges are managed by the respective OpCo's Regulatory Departments along with support from the Group Regulatory teams.

- **Litigation:** like any other organization, we are subject to the risk of litigation by competitors, customers, regulators and other parties which can impact the financial performance and reputation of our OpCos. Legal counsels within each OpCo oversee and actively manage such litigation cases. The Group Legal team also provides ongoing support to the OpCos, where required.

## Financial Risks:

- **Foreign Exchange Exposures:** we are exposed to the uncertainty of foreign exchange rate volatility in some of the countries where we operate. Specifically, this volatility may impact consolidated results and the overall value of Etisalat's investment in overseas operations. Group Corporate Finance has established policies, procedures and tools to monitor, manage and report any such exposures.

- **Other Financial Exposures:** the Group's financial assets and liabilities are exposed to additional financial threats including interest rate, liquidity and credit risks.

  Further details of financial risk management is discussed in more detail in Financial Instruments section of this report (page 128 till 133).

The Internal Control function develops an annual plan which is approved by the Audit Committee. This aims to strengthen the existing three lines of defence model such as maturing the ERM processes across the Group and OpCos.


# Independent auditor's report

To the Shareholders of
Emirates Telecommunications Group Company PJSC
Abu Dhabi, UAE

## Opinion

We have audited the consolidated financial statements of Emirates Telecommunications Group Company PJSC ("the Company") and its subsidiaries (together, the "Group") set out on pages 82 to 142, which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2016 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

## Basis for Opinion

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

## Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. We have communicated the key audit matters to the Audit Committee but they are not a comprehensive reflection of all matters that were identified by our audit and that were discussed with the Audit Committee. On the following pages, we have described the key audit matters we identified and have included a summary of the audit procedures we performed to address those matters.

The key audit matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Independent auditor's report (continued)

Key Audit Matters (continued)

| Key Audit Matter | How our audit addressed the key audit matter |
|---|---|
| **Accuracy and completeness of revenue recognised and related IT systems**<br><br>The Group reported revenue of AED 52,360 million from telecommunication and related activities.<br><br>The application of revenue recognition accounting standards is complex and involves a number of key judgements and estimates, including those applied on revenue arrangements with multiple elements and those contracts where there is existence of principal and agent relationship.<br><br>Due to the estimates and judgement involved in the application of the revenue recognition accounting standards and the degree of complexity of IT systems and processes used, we have considered this matter as a key audit matter.<br><br>The Group's accounting policies with regards to revenue recognition are presented in note 2 to the consolidated financial statements. | Our audit approach included a combination of controls testing, data analytics and substantive procedures covering the following:<br><br>– understanding the significant revenue processes including performance of an end to end walkthrough of the revenue assurance process and identifying the relevant controls (including IT systems, interfaces and reports);<br>– involving our internal IT specialists to test IT general controls, system interfaces, data/ information reporting and application specific controls surrounding relevant revenue systems;<br>– performing data analysis and analytical reviews of significant revenue streams;<br>– reviewing key reconciliations performed by the Revenue Assurance team;<br>– performing specific procedures to test the accuracy and completeness of adjustments relating to multiple element arrangements and grossing up certain revenue and costs; and<br>– performing procedures to ensure that the revenue recognition criteria adopted by each group entity for all major revenue streams is appropriate and in line with the Group's accounting policies.<br><br>Through our instructions, supervision and review, the auditors of the Group's significant entities performed consistent audit procedures on revenue. |



Independent auditor's report (continued)

Key Audit Matters (continued)

| Key Audit Matter | How our audit addressed the key audit matter |
|---|---|
| **Federal royalty computation**<br><br>In accordance with the UAE Cabinet of Ministers decision 320/15/23 of 2012, the UAE Ministry of Finance ("MOF") guidelines dated 25 February 2015 (the "Guidelines") and subsequent correspondence with the UAE MOF received up to the date of issuance of the 2016 consolidated financial statements, the Group has a total of AED 5.01 billion of federal royalty payable as of 31 December 2016.<br><br>As stated in note 3 to the consolidated financial statements, the Company had made certain judgments for the computation of federal royalty.<br><br>Accordingly, the computation of the federal royalty for the year ended 31 December 2016 is considered to be a key audit matter. | In responding to this risk, our key audit procedures included:<br><br>– meeting with management and reviewing correspondence exchanged between management and the MOF;<br>– assessing the reasonableness of the judgements made in the computation of the federal royalty for the current year based on the Guidelines and subsequent correspondence;<br>– evaluating the classification of regulated and non-regulated revenues in the computation for the federal royalty on the UAE telecom operations;<br>– testing the allocation of indirect costs on non-regulated activities based on clarifications received from MOF;<br>– evaluating the exclusion of items which are not subject to the computation of federal royalty payable based on the Guidelines and clarifications received;<br>– evaluating the accumulated annual accounting losses which have been offset from the profit for the year used in computing the federal royalty payable; and<br>– reviewing the arithmetical accuracy of the computation of the federal royalty for the year. |

## Carrying value of goodwill, the Company's investments and loan to a related party

Independent auditor's report (continued)

Key Audit Matters (continued)

### Key Audit Matter

**Carrying value of goodwill, the Company's investments and loan to a related party**

The Group's goodwill amounting to AED 14,098 million represents 11.5% of its total assets. The Group also has a loan receivable from one of its related parties as disclosed in note 16.

The evaluation of the recoverable amount of these assets requires significant estimates in determining the key assumptions supporting the expected future cash flows of the business and the utilisation of the relevant assets.

Please refer to note 9 to the consolidated financial statements for details of management's impairment test and assumptions.

### How our audit addressed the key audit matter

We focused our testing on impairment of goodwill, investments and loan to the related party on the key assumptions made by management which are long term forecast cash flows, working capital estimates, discount rates and capital expenditure. Our audit procedures involved engaging our internal specialists and carrying out the below procedures:

- Evaluating whether the model used by management to calculate the value in use of each CGU complies with IAS 36 Impairment of Assets.
- Obtained and analysed the business plans provided by management for each subject asset to determine whether they are reasonable and supportable based on historical performance;
- Analysed the discount rates calculated by management and calculated Weighted Average Cost of Capital (WACC) independently and compared with management's calculations;
- Assessed long term growth rates for reasonableness by reference to growth in GDP and projected inflation rates;
- Cross checked values with market multiples where applicable; and
- Assessed the reasonableness of key cash flow assumptions based on historical performance and industry information.

We performed sensitivity analysis around the key assumptions used by management to ascertain the extent of change in those assumptions that either individually or collectively would be required for an additional impairment charge.

We also assessed the appropriateness of the related disclosures of goodwill, investments and loan to related party.



Independent auditor's report (continued)

Key Audit Matters (continued)

### Key Audit Matter

**Provisions and contingent liabilities**

The Group operates across a large number of jurisdictions and is subject to a number of legal, regulatory and tax cases. The high level of judgement required to establish the level of provisioning, increases the risk that provisions and contingent liabilities may not be appropriately provided against or adequately disclosed.

Accordingly, this matter is considered to be a key audit matter.

Management's disclosures with regards to contingent liabilities and key judgements are presented in notes 3 (ix), 31 and 36 to the consolidated financial statements respectively.

### How our audit addressed the key audit matter

We assessed how the Group monitors legal, tax and regulatory developments and their assessment of the potential impact on the Group.

We read the summary of litigation matters provided by the Group's Legal Counsel Team and discussed each of the material cases noted in the report to determine the Group's assessment of the likelihood and magnitude of any liability that may arise.

We reviewed the reports from the auditors of the significant group entities and held discussions regarding the material cases with their auditors and their management.

We read, where applicable, external legal or regulatory advice sought by the Group and reviewed related correspondence and minutes of executive meetings.

In light of the above, we reviewed the level of provisions recorded and assessed the adequacy of disclosures in the consolidated financial statements.

Independent auditor's report (continued)

## Other Information

Management is responsible for the other information. The other information comprises the Chairman's statement, CEO statement and the other information in the annual report, which we obtained prior to the date of this auditors' report and the annual report, which is expected to be made available to us after that date. The other information does not include the consolidated financial statements and our auditor's report thereon.

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

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

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

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

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

## Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Independent auditor's report (continued)

Auditor's responsibilities for the audit of the consolidated financial statements (continued)

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

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

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

## Report on Other Legal and Regulatory Requirements

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

i. We have obtained all the information we considered necessary for the purposes of our audit;
ii. The consolidated financial statements have been prepared and comply, in all material respects, with the applicable provisions of the UAE Federal Law No. (2) of 2015;
iii. The Group has maintained proper books of account;
iv. The financial information included in the Chairman's statement is consistent with the books of account of the Group;
v. As disclosed in note 12 to the consolidated financial statements, the Group has further invested in shares in subsidiaries during the financial year ended 31 December 2016;
vi. Note 16 to the consolidated financial statements discloses material related party transactions and balances, and the terms under which they were conducted;
vii. Based on the information that has been made available to us nothing has come to our attention which causes us to believe that the Group has contravened during the financial year ended 31 December 2016 any of the applicable provisions of the UAE Federal Law No. (2) of 2015 or in respect of the Company, its Articles of Association which would materially affect its activities or its financial position as at 31 December 2016; and
viii. Note 5 to the consolidated financial statements discloses the social contributions made during the financial year ended 31 December 2016.

Deloitte & Touche (M.E.)
Signed by:
Rama Padmanabha Acharya
Registered Auditor Number 701
8 March 2017, Abu Dhabi , United Arab Emirates

# financials

Emirates Telecommunications Group Company PJSC
Consolidated statement of profit or loss for the year ended 31 December 2016

| | Notes | 2016 AED'000 | 2015 (Restated) AED'000 |
|---|---|---|---|
| Continuing operations | | | |
| Revenue | 4 | 52,360,037 | 51,328,919 |
| Operating expenses | 5 | (34,605,422) | (32,572,913) |
| Impairment and other losses | 9 | (1,077,131) | (993,749) |
| Share of results of associates and joint ventures | 13 | (101,350) | (315,929) |
| Operating profit before federal royalty | | 16,576,134 | 17,446,328 |
| Federal royalty | 5 | (5,010,127) | (6,054,976) |
| Operating profit | | 11,566,007 | 11,391,352 |
| Finance and other income | 6 | 1,020,105 | 881,238 |
| Finance and other costs | 7 | (1,461,626) | (1,184,114) |
| Profit before tax | | 11,124,486 | 11,088,476 |
| Taxation | 8 | (1,205,513) | (1,259,083) |
| Profit for the year from continuing operations | | 9,918,973 | 9,829,393 |
| Discontinued operations | | | |
| Loss from discontinued operations | 34 | (431,911) | (318,475) |
| | | | |
| Profit for the year | | 9,487,062 | 9,510,918 |
| Profit attributable to: | | | |
| The equity holders of the Company | | 8,421,185 | 8,262,756 |
| Non-controlling interests | | 1,065,877 | 1,248,162 |
| | | 9,487,062 | 9,510,918 |
| Earnings per share | | | |
| From continuing and discontinuing operations | | | |
| Basic and diluted | 33 | AED 0.97 | AED 0.95 |
| From continuing operations | | | |
| Basic and diluted | 33 | AED 1.02 | AED 0.98 |

Chairman

Board Member

The accompanying notes on pages 87 to 142 form an integral part of these consolidated financial statements.
The Independent Auditor's report is set out on pages 75 to 81.



# financials

Emirates Telecommunications Group Company PJSC
Consolidated statement of comprehensive income for the year ended 31 December 2016

| | Notes | 2016 AED'000 | 2015 (Restated) AED'000 |
|---|---|---|---|
| Profit for the year | | 9,487,062 | 9,510,918 |
| | | | |
| Other comprehensive (loss) / income | | | |
| Items that will not be reclassified subsequently to profit or loss: | | | |
| Remeasurement of defined benefit obligations - net of tax | | (2,275) | (55,432) |
| | | | |
| Items that may be reclassified subsequently to profit or loss: | | | |
| Exchange differences arising during the year | | | |
| Exchange differences on translation of foreign operations | | (5,159,212) | (3,248,799) |
| Gain on hedging instruments designated in hedges of the net assets of foreign operations | 22 | 250,656 | 1,255,830 |
| Available-for-sale financial assets | | | |
| Loss on revaluation of financial assets during the year | | (142,520) | (172,162) |
| Items reclassified to profit or loss: | | | |
| Available-for-sale financial assets | | | |
| Reclassification adjustment relating to available-for-sale financial assets impaired during the year | 28 | 194,759 | 295,964 |
| Reclassification adjustment relating to available-for-sale financial assets on disposal | 28 | (2,838) | (16,076) |
| Cumulative loss/ (gain) transferred to profit or loss on disposal of foreign operation | 35 | 505,820 | (162,993) |
| Total other comprehensive loss | | (4,355,610) | (2,103,668) |
| | | | |
| Total comprehensive income for the year | | 5,131,452 | 7,407,250 |
| Attributable to: | | | |
| The equity holders of the Company | | 5,826,390 | 7,511,515 |
| Non-controlling interests | | (694,938) | (104,265) |
| | | 5,131,452 | 7,407,250 |

The accompanying notes on pages 87 to 142 form an integral part of these consolidated financial statements.
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# financials

Emirates Telecommunications Group Company PJSC
Consolidated statement of financial position as at 31 December 2016

| | Notes | 2016<br>AED'000 | 2015<br>(Restated)<br>AED'000 | 2014<br>(Restated)<br>AED'000 |
|---|---|---|---|---|
| **Non-current assets** | | | | |
| Goodwill | 9 | 14,097,902 | 14,577,512 | 15,690,382 |
| Other intangible assets | 9 | 14,710,048 | 17,193,072 | 19,094,776 |
| Property, plant and equipment | 10 | 42,450,127 | 46,269,981 | 45,972,612 |
| Investment property | 11 | 27,230 | 39,357 | 41,378 |
| Investments in associates and joint ventures | 14 | 4,414,352 | 4,528,974 | 4,849,130 |
| Other investments | 15 | 879,207 | 812,338 | 983,997 |
| Other receivables | 18 | 156,612 | 213,645 | 240,066 |
| Derivative financial instruments | 22 | 331,313 | 675,412 | 293,584 |
| Loans to related party | 16 | - | 1,232,884 | 2,390,194 |
| Deferred tax assets | 8 | 128,210 | 308,734 | 317,383 |
| | | **77,195,001** | **85,851,909** | **89,873,502** |
| **Current assets** | | | | |
| Inventories | 17 | 708,825 | 774,089 | 624,652 |
| Trade and other receivables | 18 | 18,796,545 | 17,305,934 | 16,943,110 |
| Current income tax assets | | 593,270 | 703,089 | 637,299 |
| Due from related parties | 16 | 582,871 | 565,804 | 459,855 |
| Cash and bank balances | 19 | 23,676,170 | 21,422,354 | 18,542,859 |
| | | **44,357,681** | **40,771,270** | **37,207,775** |
| Assets classified as held for sale | 34 | 993,663 | 612,230 | 532,757 |
| **Total assets** | | **122,546,345** | **127,235,409** | **127,614,034** |
| **Non-current liabilities** | | | | |
| Other payables | 20 | 1,558,549 | 1,533,176 | 1,075,481 |
| Borrowings | 21 | 18,203,902 | 17,880,525 | 18,619,459 |
| Payables related to investments and licenses | 23 | 542,968 | 693,661 | 936,699 |
| Derivative financial instruments | 22 | - | 1,607 | - |
| Deferred tax liabilities | 8 | 3,255,952 | 4,015,579 | 4,702,839 |
| Finance lease obligations | 24 | 4,905 | 10,934 | 17,283 |
| Provisions | 25 | 149,143 | 207,808 | 126,736 |
| Provision for end of service benefits | 26 | 1,636,959 | 1,910,480 | 2,044,540 |
| | | **25,352,378** | **26,253,770** | **27,523,037** |
| **Current liabilities** | | | | |
| Trade and other payables | 20 | 30,798,177 | 31,358,842 | 29,977,736 |
| Borrowings | 21 | 4,074,738 | 4,199,637 | 3,609,711 |
| Payables related to investments and licenses | 23 | 3,255,327 | 3,213,147 | 3,133,794 |
| Current income tax liabilities | | 257,491 | 320,115 | 369,379 |
| Derivative financial instruments | 22 | 2,830 | - | - |
| Finance lease obligations | 24 | 5,512 | 7,070 | 6,983 |
| Provisions | 25 | 2,488,839 | 1,918,844 | 1,976,404 |
| | | **40,882,914** | **41,017,655** | **39,074,007** |
| Liabilities directly associated with the assets classified as held for sale | 34 | 396,275 | 291,152 | 504,785 |
| **Total liabilities** | | **66,631,567** | **67,562,577** | **67,101,829** |
| **Net assets** | | **55,914,778** | **59,672,832** | **60,512,205** |
| **Equity** | | | | |
| Share capital | 27 | 8,696,754 | 8,696,754 | 7,906,140 |
| Reserves | 28 | 26,121,149 | 27,583,414 | 27,440,371 |
| Retained earnings | | 7,883,502 | 7,506,616 | 7,171,574 |
| **Equity attributable to the equity holders of the Company** | | **42,701,405** | **43,786,784** | **42,518,085** |
| Non-controlling interests | 12 | 13,213,373 | 15,886,048 | 17,994,120 |
| **Total equity** | | **55,914,778** | **59,672,832** | **60,512,205** |

Chairman

Board Member

The accompanying notes on pages 87 to 142 form an integral part of these consolidated financial statements.
The Independent Auditor's report is set out on pages 75 to 81.



# financials

Emirates Telecommunications Group Company PJSC
Consolidated statement of changes in equity for the year ended 31 December 2016

| | | Attributable to equity holders of the Company | | | | | |
|---|---|---|---|---|---|---|---|
| | Notes | Share Capital<br>AED'000 | Reserves<br>AED'000 | Retained earnings<br>AED'000 | Owners' equity<br>AED'000 | Non-controlling interests<br>AED'000 | Total equity<br>AED'000 |
| **Balance at 1 January 2015 (as previouly reported)** | | 7,906,140 | 27,440,371 | 6,873,841 | 42,220,352 | 17,994,120 | 60,214,472 |
| Effects of restatement | 37 | - | - | 297,733 | 297,733 | - | 297,733 |
| **Balance at 1 January 2015 (as restated)** | | **7,906,140** | **27,440,371** | **7,171,574** | **42,518,085** | **17,994,120** | **60,512,205** |
| Total comprehensive income for the year | | - | (738,270) | 8,249,785 | 7,511,515 | (104,265) | 7,407,250 |
| Other movements in equity | | - | - | 770 | 770 | 16,362 | 17,132 |
| Transfer to reserves | 28 | - | 881,313 | (881,313) | - | - | - |
| Transactions with owners: | | | | | | | |
| Disposal of a subsidiary | 35 | - | - | - | - | 115,450 | 115,450 |
| Acquisition of non-controlling interests | 12 | - | - | (434) | (434) | (5,664) | (6,098) |
| Repayment of equity contribution to non-controlling interests for acquisition of a subsidiary | 12 | - | - | - | - | (209,094) | (209,094) |
| Bonus issue of 790.614 million fully paid shares of AED 1 | 27 | 790,614 | - | (790,614) | - | - | - |
| Dividends | 32 | - | - | (6,243,152) | (6,243,152) | (1,920,861) | (8,164,013) |
| **Balance at 31 December 2015** | | **8,696,754** | **27,583,414** | **7,506,616** | **43,786,784** | **15,886,048** | **59,672,832** |
| **Balance at 1 January 2016** | | **8,696,754** | **27,583,414** | **7,506,616** | **43,786,784** | **15,886,048** | **59,672,832** |
| Total comprehensive income for the year | | - | (2,593,846) | 8,420,236 | 5,826,390 | (694,938) | 5,131,452 |
| Other movements in equity | | - | - | (4,704) | (4,704) | (4,854) | (9,558) |
| Transfer to reserves | 28 | - | 1,131,581 | (1,131,581) | - | - | - |
| Transactions with owners: | | | | | | | |
| Disposal of a subsidiary | 35 | - | - | - | - | (27,477) | (27,477) |
| Movements in non-controlling interests | 12 | - | - | 47,331 | 47,331 | (66,843) | (19,512) |
| Repayment of equity contribution to non-controlling interests for acquisition of a subsidiary | 12 | - | - | - | - | (78,843) | (78,843) |
| Dividends | 32 | - | - | (6,954,396) | (6,954,396) | (1,799,720) | (8,754,116) |
| **Balance at 31 December 2016** | | **8,696,754** | **26,121,149** | **7,883,502** | **42,701,405** | **13,213,373** | **55,914,778** |

The accompanying notes on pages 87 to 142 form an integral part of these consolidated financial statements.
The Independent Auditor's report is set out on pages 75 to 81.

# financials

**Emirates Telecommunications Group Company PJSC**
Consolidated statement of cash flows for the year ended 31 December 2016

| | Notes | 2016 AED'000 | 2015 (Restated) AED'000 |
|---|---|---|---|
| Operating profit including discontinued operations | | 11,507,596 | 11,087,406 |
| Adjustments for: | | | |
| Depreciation | 10, 11 | 5,895,574 | 5,837,793 |
| Amortisation | 9 | 1,783,013 | 1,828,310 |
| Impairment and other losses | 9,10 | 1,077,123 | 995,330 |
| Share of results of associates and joint ventures | 13 | 101,350 | 315,929 |
| Provisions and allowances | | 1,211,792 | 886,759 |
| Other non-cash movements | | 153,071 | (84,654) |
| Operating profit before changes in working capital | | 21,729,519 | 20,866,873 |
| Changes in working capital: | | | |
| Inventories | | 166,661 | (176,155) |
| Due from associates and joint ventures | | 168,447 | (104,283) |
| Trade and other receivables | | (2,516,489) | (1,372,078) |
| Trade and other payables | | 1,275,358 | 3,419,825 |
| Cash generated from operations | | 20,823,496 | 22,634,182 |
| Income taxes paid | | (1,650,564) | (1,762,003) |
| Payment of end of service benefits | 26 | (536,426) | (447,258) |
| Net cash generated from operating activities | | 18,636,506 | 20,424,921 |
| Cash flows from investing activities | | | |
| Acquisition of other investments | | (76,845) | (33,792) |
| Proceeds from disposal of held-to-maturity investments | | 363,845 | - |
| Acquisition of held-to-maturity investments | | (949,956) | - |
| Purchase of property, plant and equipment | | (7,728,741) | (8,779,322) |
| Proceeds from disposal of property, plant and equipment | | 387,315 | 196,558 |
| Purchase of other intangible assets | | (2,829,037) | (1,529,228) |
| Proceeds from disposal of other intangible assets | | 168 | 127,329 |
| Movement in term deposits with maturities over three months | 19 | (4,724,667) | (3,457,471) |
| Dividend income received from associates and other investments | | 17,451 | 7,800 |
| Net cash inflow/(outflow) on disposal of a subsidiary | | 279,033 | (22,756) |
| Acquisition of subsidiary | | - | (99,956) |
| Proceeds from unwinding of derivative financial instruments | | 282,898 | - |
| Finance and other income received | | 892,571 | 783,982 |
| Net cash used in investing activities | | (14,085,965) | (12,806,856) |
| Cash flows from financing activities | | | |
| Proceeds from borrowings and finance lease obligations | | 7,043,199 | 5,694,619 |
| Repayments of borrowings and finance lease obligations | | (4,352,263) | (4,186,981) |
| Equity repayment to non-controlling interests for acquisition of a subsidiary | | (78,843) | (209,094) |
| Dividends paid | | (8,754,090) | (8,164,013) |
| Finance and other costs paid | | (1,149,801) | (1,242,993) |
| Net cash used in financing activities | | (7,291,798) | (8,108,462) |
| Net decrease in cash and cash equivalents | | (2,741,257) | (490,397) |
| Cash and cash equivalents at the beginning of the period | | 5,553,300 | 6,052,923 |
| Effects of foreign exchange rate changes | | 210,863 | (9,226) |
| Cash and cash equivalents at the end of the year | 19 | 3,022,906 | 5,553,300 |

During the year, the Group disposed of a property in one of its subsidiaries having a non cash impact of AED 153 million.

During the previous year, the Group concluded the swap of its entire stake in one of the available for sale financial assets with the stake of one of the minority shareholders in Canar and the derecognition of the spectrum in PTCL, having a non cash impact of AED 6.1 million and AED 80 million respectively, which have been reflected as non-cash transactions in the consolidated statement of cash flows for the year ended 31 December 2015.

The accompanying notes on pages 87 to 142 form an integral part of these consolidated financial statements.
The Independent Auditor's report is set out on pages 75 to 81.



# financials

**Emirates Telecommunications Group Company PJSC**
Notes to the consolidated financial statements for the year ended 31 December 2016

## 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 x1976 by UAE Federal Government decree No. 78, which was revised by the UAE Federal Act No. (1) of 1991 and further amended by Decretal Federal Code No. 3 of 2003 concerning the regulation of the telecommunications sector in the UAE. In accordance with Federal Law No. 267/10 for 2009, the Federal Government of the UAE transferred its 60% holding in the Corporation to the Emirates Investment Authority with effect from 1 January 2008, which is ultimately controlled by the UAE Federal Government.

In accordance with the Decree by Federal Law no. 3 of 2015 amending certain provisions of the Federal Law No. 1 of 1991 (the "New Law") and the new articles of association of Emirates Telecommunications Group Company PJSC (the "New AoA"), Emirates Telecommunications Corporation has been converted from a corporation to a public joint stock company and made subject to the provisions of UAE Federal Law no. 2 of 2015 on Commercial Companies (the "Companies Law") unless otherwise stated in the New Law or New AoA. Accordingly, the name of the corporation has been changed to Emirates Telecommunications Group Company PJSC. The New Law introduces two new types of share, ie ordinary shares and one Special Share held by the Government of the United Arab Emirates and carries certain preferential rights related to the passing of certain decisions by the company or the ownership of the UAE telecommunication network. Under the New Law, the Company may issue different classes of shares, subject to the approval of the Special Shareholder. The New Law reduces the minimum number of ordinary shares held by any UAE government entity in the Company from owning at least 60% shares in the Company's share capital to an ownership of not less than 51%, unless the Special Shareholder decides otherwise. Under the New Law, shareholders who are not public entities of the UAE, citizens of the UAE, or corporate entities of the UAE wholly controlled by citizens of the UAE, (which includes foreign individuals, foreign or UAE free zone corporate entities, or corporate entities of the UAE that are not fully controlled by UAE citizens ) may own up to 20% of the Company's ordinary shares, however the shares owned by such persons / entities shall not hold any voting rights in the Company's general assembly (however, holders of such shares may attend such meeting). The Company has undertaken the procedures required to implement and align its status with the provisions of the New Law. The address of the registered office is P.O. Box 3838, Abu Dhabi, United Arab Emirates. The Company's shares are listed on the Abu Dhabi Securities Exchange.

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

These consolidated financial statements were approved by the Board of Directors and authorised for issue on 8 March 2017.

## 2. Significant accounting policies

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

### Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to companies reporting under IFRS and the applicable provisions of UAE Federal Law No. (2) of 2015. The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 3. The consolidated financial statements are prepared under the historical cost convention except for the revaluation of certain financial instruments and in accordance with the accounting policies set out herein.

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

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

### New and amended standards adopted by the Group

The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial

# financials

Emirates Telecommunications Group Company PJSC
Notes to the consolidated financial statements for the year ended 31 December 2016

## 2. Significant accounting policies (continued)

### Basis of preparation (continued)

statements for the year ended 31 December 2015, except for the adoption of the following new or amended accounting policies and new standards and interpretations effective as of 1 January 2016.

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

- Amendments to IFRS 10, IFRS 12 and IAS 28 - relating to applying the consolidation exception for investment entities.
- Amendments to IFRS 11 - Accounting for acquisitions of Interests in Joint operations.
- Ammendments to IAS 1 - relating to the disclosure initiative.
- Amendments to IAS 16 and IAS 38 - clarification of acceptable methods of depreciation and amortisation.
- Amendment to IAS 27 (as amended in 2011) - relating to reinstating the equity method as an accounting option for investments in in subsidiaries, joint ventures and associates in an entity's separate financial statements.
- Annual Improvements to IFRSs 2012 - 2014 - Cycle covering amendments to IFRS 5, IFRS 7, IAS 19 and IAS 34.

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

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

### IFRS 9 Financial Instruments

IFRS 9 issued in November 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in July 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements

| | Effective date |
|---|---|
| IFRS 9 Financial Instruments (revised versions in 2009, 2010, 2013 and 2014) | 1 January 2018 |
| Amendment to IFRS 7 Financial Instruments: Disclosures relating to transition to IFRS 9 (or otherwise when IFRS 9 is first applied) | When IFRS 9 is first applied |
| IFRS 7 Financial Instruments: Disclosures relating to the additional hedge accounting disclosures (and consequential amendments) resulting from the introduction of the hedge accounting chapter in IFRS 9 | When IFRS 9 is first applied |
| IFRS 15 – Revenue from contracts with customers | 1 January 2018 |
| IFRS 16 Leases | 1 January 2019 |
| Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures (2011) relating to the treatment of the sale or contribution of assets from and investor to its associate or joint venture | Effective date deferred indefinitely |
| IAS 12 amendments regarding the recognition of deferred tax assets for unrealised losses | 1 January 2017 |
| IAS 7 Statement of cash flows relating to disclosure initiatives | 1 January 2017 |
| Amendments to IFRS 1 and IAS 28 resulting from Annual Improvements 2014–2016 Cycle. | 1 January 2018 |
| Amendments to IFRS 12 resulting from Annual Improvements 2014–2016 Cycle regarding clarifying the scope of the standard. | 1 January 2017 |
| Amendments to IAS 40 clarifying transfers of property to, or from, investment property. | 1 January 2018 |



# financials

Emirates Telecommunications Group Company PJSC
Notes to the consolidated financial statements for the year ended 31 December 2016

## 2. Significant accounting policies (continued)

### IFRS 9 Financial Instruments (continued)

by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.

A finalised version of IFRS 9 which contains accounting requirements for financial instruments, replacing IAS 39 Financial Instruments: Recognition and Measurement. The standard contains requirements in the following areas:

- Classification and measurement: Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. The 2014 version of IFRS 9 introduces a 'fair value through other comprehensive income' category for certain debt instruments. Financial liabilities are classified in a similar manner to under IAS 39, however there are differences in the requirements applying to the measurement of an entity's own credit risk.
- Impairment: The 2014 version of IFRS 9 introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognised
- Hedge accounting: Introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures.
- Derecognition: The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39.

### IFRS 15 Revenue from Contracts with Customers:

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

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

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

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

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

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

# financials

Emirates Telecommunications Group Company PJSC
Notes to the consolidated financial statements for the year ended 31 December 2016

## 2. Significant accounting policies (continued)

### IFRS 16 Leases:

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

IFRS 16 distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases (off balance sheet) and finance leases (on balance sheet) are removed for lessee accounting and 15 replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for leases by lessees (i.e. all on balance sheet) except for short-term leases and leases of low value assets.

Management anticipates that the application of the above Standards and Interpretations in future periods will have no material impact on the consolidated financial statements of the Group in the period of initial application with the exception of IFRS 15 Revenue from Contracts with Customers, IFRS 9 Financial Instruments and IFRS 16 Leases which management is currently assessing.

### Basis of consolidation

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

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

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

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Non-controlling interests consist of the amount of those interests at the date of the original business combination and the non-controlling interests share of changes in equity since the date of the business combination. Total comprehensive income within subsidiaries is attributed to the Group and to the non-controlling interest even if this results in non-controlling interests having a deficit balance.
Subsidiaries are consolidated from the date on which effective control is transferred to the Group and are excluded from consolidation from the date that control ceases. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

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

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

### Business combinations

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

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

The non-controlling interest in the acquire is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

### Step acquisition

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



# financials

Emirates Telecommunications Group Company PJSC
Notes to the consolidated financial statements for the year ended 31 December 2016

## 2. Significant accounting policies (continued)

### Associates and joint ventures

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

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

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

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

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

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

### Revenue

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for telecommunication products and services provided in the normal course of business. Revenue is recognised, net of sales taxes, discounts and rebates, when it is probable that the economic benefits associated with a transaction will flow to the Group and the amount of revenue and associated cost can be measured reliably. Revenue from telecommunication services comprises amounts charged to customers in respect of monthly access charges, airtime usage, messaging, the provision of other mobile telecommunications services, including data services and information provision and fees for connecting users of other fixed line and mobile networks to the Group's network.

Access charges and airtime used by contract customers are invoiced and recorded as part of a periodic billing cycle and recognised as revenue over the related access period, with unbilled revenue resulting from services already provided from the billing cycle date to the end of each period accrued and unearned revenue from services provided in periods after each accounting period deferred. Revenue from the sale of prepaid credit is recognised on the actual utilisation of the prepaid credit and is deferred as deferred income until such time as the customer uses the airtime, or the credit expires.

Revenue from data services and information provision is recognised when the Group has performed the related service and, depending on the nature of the service, is recognised either at the gross amount billed to the customer or the amount receivable by the Group as commission for facilitating the service.
Incentives are provided to customers in various forms and are usually offered on signing a new contract or as part of a promotional offering. Where such incentives are provided on connection of a new customer or the upgrade of an existing customer, revenue representing the fair value of the incentive, relative to other deliverables provided to the customer as part of the same arrangement, is deferred and recognised in line with the Group's performance of its obligations relating to the incentive.

In revenue arrangements including more than one deliverable that

# financials

Emirates Telecommunications Group Company PJSC
Notes to the consolidated financial statements for the year ended 31 December 2016

## 2. Significant accounting policies (continued)

### Revenue (continued)

have value to a customer on standalone basis, the arrangement consideration is allocated to each deliverable based on the relative fair value of the individual elements. The Group generally determines the fair value of individual elements based on prices at which the deliverable is regularly sold on a standalone basis.

Contract revenue is recognised under the percentage of completion method. Profit on contracts is recognised only when the outcome of the contracts can be reliably estimated. Provision is made for foreseeable losses estimated to complete contracts.

Revenue from interconnection of voice and data traffic with other telecommunications operators is recognised at the time the services are performed based on the actual recorded traffic.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial assets to that asset's net carrying amount.

### Leasing

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

#### i) The Group as lessor

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

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

#### ii) The Group as lessee

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

### Foreign currencies

#### i) Functional currencies

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

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

#### ii) Consolidation

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

#### iii) Foreign exchange differences

Exchange differences are recognised in the consolidated statement of profit or loss in the period in which they arise except for exchange differences that relate to assets under construction for future productive use. These are included in the cost of those assets when they are regarded as an adjustment to interest costs on foreign currency borrowings. Exchange differences on transactions



# financials

Emirates Telecommunications Group Company PJSC
Notes to the consolidated financial statements for the year ended 31 December 2016

## 2. Significant accounting policies (continued)

### Foreign currencies (continued)

entered into to hedge certain foreign currency risks and exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur, which form part of the net investment in a foreign operation are recognised initially in other comprehensive income and reclassified from equity to the consolidated statement of profit or loss on disposal of net investment.

### Borrowing costs

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

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

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

### Government grants

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

### End of service benefits

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

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

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

### Taxation

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of profit or loss because it excludes items of income or expense that are taxable or deductible in other periods and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the liability method.

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

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

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

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business

# financials

Emirates Telecommunications Group Company PJSC
Notes to the consolidated financial statements for the year ended 31 December 2016

## 2. Significant accounting policies (continued)

### Taxation (continued)

combination) of other assets and liabilities in a transaction that affects neither taxable profit nor the accounting profit.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.
Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

### Property, plant and equipment

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

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

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

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

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

During the year, some of the Group's subsidiaries have amended the useful life of their tangible assets. The impact of these changes is not material to these consolidated financial statements.

| Buildings | Years |
|---|---|
| Permanent – the lesser of 20 – 50 years and the period of the land lease. | |
| Temporary – the lesser of 4 – 10 years and the period of the land lease | |
| Civil works | 10 – 25 |

| Plant and equipment: | Years |
|---|---|
| Submarine – fibre optic cables | 15 – 20 |
| Coaxial cables | 10 – 15 |
| Cable ships | 15 – 25 |
| Coaxial and fibre optic cables | 15 – 25 |
| Line plant | 10 – 25 |
| Exchanges | 5 – 15 |
| Switches | 8 – 15 |
| Radios/towers | 10 – 25 |
| Earth stations/VSAT | 5 – 15 |
| Multiplex equipment | 10 – 15 |
| Power plant | 5 – 10 |
| Subscribers' apparatus | 3 – 15 |
| General plant | 2 – 25 |
| | |
| Other assets: | |
| Motor vehicles | 3 – 5 |
| Computers | 3 – 5 |
| Furniture, fittings and office equipments | 4 – 10 |



# financials

Emirates Telecommunications Group Company PJSC
Notes to the consolidated financial statements for the year ended 31 December 2016

## 2. Significant accounting policies (continued)

### Property, plant and equipment (continued)

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the consolidated statement of profit or loss.

### Investment property

Investment property, which is property held to earn rentals and/or for capital appreciation, is carried at cost less accumulated depreciation and impairment loss. Investment properties are depreciated on a straight-line basis over the lesser of 20 years and the period of the lease.

### Intangible assets

#### (i) Goodwill

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

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units (CGUs) expected to benefit from the synergies of the combination. CGUs to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other non-financial assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

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

#### (ii) Licenses

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

#### (iii) Internally-generated intangible assets

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

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

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

#### (iv) Indefeasible Rights of Use ("IRU")

IRUs correspond to the right to use a portion of the capacity of a terrestrial or submarine transmission cable granted for a fixed period. IRUs are recognised at cost as an asset when the Group has the specific indefeasible right to use an identified portion of the underlying asset, generally optical fibres or dedicated wavelength bandwidth, and the duration of the right is for the major part of the underlying asset's economic life. They are amortised on a straight line basis over the shorter of the expected period of use and the life of the contract which ranges between 10 to 20 years.

#### (v) Other intangible assets

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

### Impairment of tangible and intangible assets excluding goodwill

The Group reviews the carrying amounts of its tangible and intangible assets whenever there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss. Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. An intangible asset with an indefinite useful life (including goodwill) is tested for impairment annually.
Recoverable amount is the higher of an asset's fair value less costs

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**Emirates Telecommunications Group Company PJSC**
Notes to the consolidated financial statements for the year ended 31 December 2016

## 2. Significant accounting policies (continued)

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

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

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

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

### Inventory

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

### Financial instruments

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

### i) Fair value

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

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

### ii) Financial assets

Financial assets are classified into the following specified categories: 'held-to-maturity' investments, 'available-for-sale' financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

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

### iii) 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 on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period.

Income is recognised on an effective interest rate basis for debt instruments that are held-to-maturity, are available-for-sale, or are loans and receivables.

### iv) Held-to-maturity investments

Bonds and Sukuk bonds with fixed or determinable payments and fixed maturity dates that the Group has the positive intent and ability to hold to maturity are classified as held-to-maturity investments. Held-to-maturity investments are recorded at amortised cost using the effective interest method less any impairment, with revenue recognised on an effective yield basis. The Group considers the credit risk of counterparties in its assessment of whether such financial instruments are impaired.

### v) Available-for-sale financial assets ("AFS")

Listed securities held by the Group that are quoted in an active market are classified as being AFS and are stated at fair value at the end of each reporting period. Gains and losses arising from



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**Emirates Telecommunications Group Company PJSC**
Notes to the consolidated financial statements for the year ended 31 December 2016

## 2. Significant accounting policies (continued)

### Financial instruments (continued)

changes in fair value are recognised directly in equity in the investment revaluation reserve with the exception of impairment losses, interest calculated using the effective interest method and foreign exchange gains and losses on monetary assets, which are recognised directly in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in the investments revaluation reserve is included in the consolidated statement of profit or loss.

Dividends on AFS equity instruments are recognised in the consolidated statement of profit or loss when the Group's right to receive the dividends is established.

The fair value of AFS monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the exchange rate prevailing at the end of each reporting period. The foreign exchange gains/losses that are recognised in the consolidated statement of profit or loss are determined based on the amortised cost of the monetary asset. Other foreign exchange gains/losses are recognised in other comprehensive income.

The Group assesses at the end of each reporting period whether there is objective evidence that AFS assets are impaired. In the case of equity securities, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. When an AFS financial asset is impaired, the cumulative loss that had been recognised in other comprehensive income shall be reclassified from equity to profit or loss as a reclassification adjustment even though the financial asset has not been derecognised. Impairment losses previously recognised in profit or loss for an investment in an equity instrument classified as available for sale shall not be reversed through profit or loss.

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment losses at the end of each reporting period.

### vi) Loans and receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method less impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.Appropriate allowances for estimated irrecoverable amounts are recognised in the consolidated statement of profit or loss where there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the assets's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The allowance for doubtful debts reflects estimates of losses arising from the failure or inability of the Group's customers to make required payments. The estimates are based on the ageing of customer's accounts and the Group's historical write-off experience.

### vii) Cash and cash equivalents

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

### viii) Financial asset at fair value through profit or loss

Financial asset at fair value through profit or loss is a financial asset that meets either of the following conditions:

a. It is classified as held for trading, i.e. it is:
   1. acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
   2. part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking; or
   3. a derivative (except for a derivative that is a designated and effective hedging instrument)

b. Upon initial recognition it is designated by the entity as "at fair value through profit or loss" (FVTPL). An entity may use this designation only when doing so results in more relevant information (i.e. it eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities and their gains and losses on different basis; or a group of financial assets and/or financial liabilities is both managed and its performance is evaluated on a fair value basis; or if the instrument contains one or more embedded derivatives.

c. Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interst earned on the financial asset and is included in the 'other gains and losses' line item.

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Emirates Telecommunications Group Company PJSC
Notes to the consolidated financial statements for the year ended 31 December 2016

## 2. Significant accounting policies (continued)

### viii) Financial asset at fair value through profit or loss (continued)

### ix) Financial liabilities

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

### x) Financial guarantee contract liabilities

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

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

### xi) Financial liabilities at FVTPL

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

### xii) Other financial liabilities

Other financial liabilities (including borrowings and trade and other payables) are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

### xiii) Derecognition of financial liabilities

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

### xiv) Derivative financial instruments

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

### xv) Embedded derivatives

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

### xvi) Hedge accounting

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

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

### xvii) Derecognition of financial assets

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

### Provisions

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



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Emirates Telecommunications Group Company PJSC
Notes to the consolidated financial statements for the year ended 31 December 2016

## 2. Significant accounting policies (continued)

### Provisions (continued)

required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

### Transactions with non-controlling interests

The Group applies a policy of treating transactions with non-controlling interest holders as transactions with parties external to the Group. Disposals to non-controlling interest holders result in gains and losses for the Group and are recorded in the consolidated statement of profit or loss. Purchases from non-controlling interest holders result in goodwill, being the difference between any considerations paid and the relevant share acquired of the carrying value of net assets of the subsidiary.

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

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

### Dividends

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

### Disposal of Assets/ Assets Held for Sale

- Assets may be disposed of individually or as part of a disposal group. Once the decision is made to dispose of an asset, it is classified as "Held for Sale" and shall no longer be depreciated. Assets that are classified as "Held for Sale" must be disclosed in the financial statements.
- An asset is considered to be Held for Sale if its carrying amount will be recovered principally through a sale transaction, not through continuing use. The criteria for classifying an asset as Held for Sale are as follows:
  - o It must be available for immediate sale in its present condition,
  - o Its sale must be highly probable, and
  - o It must be sold, not abandoned.

## 3. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in Note 2, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

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

### i) Fair value of other intangible assets

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

# financials

Emirates Telecommunications Group Company PJSC
Notes to the consolidated financial statements for the year ended 31 December 2016

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

### Fair value of other intangible assets (continued)

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

### ii) Business combinations

The recognition of business combinations requires the purchase price of acquisitions to be allocated to the identifiable assets acquired and the liabilities assumed measured at their acquisition-date fair values. The Group makes judgments and estimates in relation to the fair value determination of the assets acquired and liabilities assumed and allocation of the purchase price. If any unallocated portion is positive it is recognised as goodwill and if negative, it is recognised in the statement of profit or loss.

### iii) Impairment of goodwill and associates

Determining whether goodwill is impaired requires an estimation of the value-in-use of the cash-generating unit to which the goodwill has been allocated. The value-in-use calculation for goodwill and associates requires the Group to calculate the net present value of the future cash flows for which certain assumptions are required, including management's expectations of:

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

Further, in assessing the recoverability of its loans to associate, management has taken into consideration the estimation of the value-in-use of that related party in determining its ability to repay the loans and the resulting impairment amount, if any.

The key assumptions used and sensitivities are detailed on Note 9 of the consolidated financial statements. A change in the key assumptions or forecasts might result in an impairment of goodwill and investment in associates.

### iv) Impairment of intangibles

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

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

### v) Property, plant and equipment

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

### vi) Impairment of trade receivables

The Group determines the impairment of trade receivables based on their ageing when objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of the trade receivables. Management exercises significant judgments in assessing the impact of adverse indicators and events on recoverability of trade receivables.

### vii) Classification of associates, joint ventures and subsidiaries

The appropriate classification of certain investments as subsidiaries, associates and joint ventures requires significant analysis and management judgement as to whether the Group exercises control, significant influence or joint control over these investments. This may involve consideration of a number of factors, including ownership and voting rights, the extent of Board representation, contractual arrangements and indicators of defacto control. Changes to these indicators and management's assessment of the power to control or influence may have a material impact on the classification of such investments and the Group's consolidated financial position, revenue and results.

### viii) Federal royalty

The computation of Federal Royalty in accordance with the Cabinet of Ministers of UAE decision No. 320/15/23 of 2012 and guidelines issued by the UAE Ministry of Finance ("the MoF") dated 21 January 2013 and subsequent clarification letters dated 24 April 2013, 30 October 2013 and 29 January 2014 required a number of calculations. In performing these calculations, management had made certain critical judgments, interpretations and assumptions.



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Emirates Telecommunications Group Company PJSC
Notes to the consolidated financial statements for the year ended 31 December 2016

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

### Federal royalty (continued)

These mainly related to the segregation of items between regulated and other activities and items which the Company judged as not subject to Federal royalty or which may be set off against profits which are subject to Federal royalty.

During the year, the Company finalised discussions with MOF and agreed on the basis of allocation of indirect costs between regulated and non-regulated services and the resulting federal royalty amount for the year ended 31 December 2015 was paid. The mechanism for computation of federal royalty for the year ended 31 December 2016 was in accordance with the Guidelines.

### ix) Regulatory expenses

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

### x) Valuation of derivative financial instruments

The fair values of derivative financial instruments measured at fair value or generally obtained by reference to quoted market prices, discounted cash flow models and recognized pricing models as appropriate. Information about the valuation techniques and inputs used in determining the fair value of derivative are disclosed in note 22.

### xi) Impairment of Available-for-sale financial assets ("AFS")

The Group determines the impairment of AFS financial assets based on the objective evidence of significant and prolonged decline in the share market price below its cost.

### xii) Recognition of deferred tax asset

The recognition of deferred tax asset is based upon whether it is more likely than not that there will be sufficient and suitable taxable profits in the relevant legal entity or tax group against which to utilise the assets in the future. Judgement is required when determining probable future taxable profits, which are estimated using the latest available profit forecasts. Prior to recording deferred tax assets for tax losses, relevant tax law is considered to determine the availability of the losses to offset against the future taxable profit.

## 4. Segmental information

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

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

The Group is engaged in a single line of business, being the supply of telecommunications services and related products. The majority of the Group's revenues, profits and assets relate to its operations in the UAE. Outside of the UAE, the Group operates through its subsidiaries and associates in seventeen 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 Company reporting the revenue. Inter-segment sales are charged at arms' length prices.

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

### b) Segment revenues and results

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

### c) Segment assets

For the purposes of monitoring segment performance and allocating resources between segments, the Board of Directors monitors the total and non-curremt assets attributable to each segment. All assets are allocated to reportable segments. Goodwill is allocated based on separately identifiable CGUs as further disclosed in Note 9. Assets used jointly by reportable segments are allocated on the basis of the revenues earned by individual reportable segments.

The segment information has been provided on the following page.

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Emirates Telecommunications Group Company PJSC
Notes to the consolidated financial statements for the year ended 31 December 2016

## 4. Segmental information (continued)

| | UAE | International | | | | Eliminations | Consolidated |
|---|---|---|---|---|---|---|---|
| | | Morocco | Egypt | Pakistan | Others | | |
| | AED'000 | AED'000 | AED'000 | AED'000 | AED'000 | AED'000 | AED'000 |
| **31 December 2016** | | | | | | | |
| **Revenue** | | | | | | | |
| External sales | 31,076,789 | 7,652,270 | 3,992,859 | 4,060,663 | 5,577,456 | - | 52,360,037 |
| Inter-segment sales | 343,992 | 71,902 | 40,522 | 51,173 | 187,729 | (695,318) | - |
| Total revenue | 31,420,781 | 7,724,172 | 4,033,381 | 4,111,836 | 5,765,185 | (695,318) | 52,360,037 |
| **Segment result** | **13,400,118** | **1,963,963** | **223,805** | **85,350** | **902,898** | **-** | **16,576,134** |
| **Federal royalty** | | | | | | | **(5,010,127)** |
| Finance and other income | | | | | | | 1,020,105 |
| Finance and other costs | | | | | | | (1,461,626) |
| **Profit before tax** | | | | | | | **11,124,486** |
| Total assets | 60,055,024 | 31,226,594 | 6,814,677 | 20,100,018 | 18,286,911 | (13,936,879) | 122,546,345 |
| Non-current assets * | 24,679,138 | 28,160,103 | 5,781,992 | 16,955,576 | 13,633,360 | (12,474,691) | 76,735,478 |
| Depreciation and amortisation | 2,130,795 | 2,156,917 | 750,264 | 1,244,699 | 1,260,586 | - | 7,543,261 |
| Impairment and other losses | 1,025,948 | - | 258 | 45,352 | 5,573 | - | 1,077,131 |
| 31 December 2015 (as restated) | | | | | | | |
| **Revenue** | | | | | | | |
| External sales | 29,474,199 | 7,629,195 | 4,509,866 | 4,178,315 | 5,537,344 | - | 51,328,919 |
| Inter-segment sales | 380,799 | 78,901 | 33,636 | 58,053 | 168,900 | (720,289) | - |
| **Total revenue** | **29,854,998** | **7,708,096** | **4,543,502** | **4,236,368** | **5,706,244** | **(720,289)** | **51,328,919** |
| **Segment result** | **14,065,038** | **2,155,718** | **774,019** | **41,383** | **410,170** | **-** | **17,446,328** |
| Federal royalty | | | | | | | (6,054,976) |
| Finance and other income | | | | | | | 881,238 |
| Finance and other costs | | | | | | | (1,184,114) |
| **Profit before tax** | | | | | | | **11,088,476** |
| Total assets | 56,817,002 | 32,604,589 | 12,982,700 | 19,909,477 | 19,773,636 | (14,851,995) | 127,235,409 |
| Non-current assets * | 25,299,915 | 29,643,138 | 11,062,738 | 17,151,841 | 14,740,594 | (13,030,463) | 84,867,763 |
| Depreciation and amortisation | 1,930,585 | 2,045,383 | 870,844 | 1,188,459 | 1,413,749 | - | 7,449,020 |
| Impairment and other losses | 947,274 | - | - | 5,627 | 40,848 | - | 993,749 |

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

**Breakdown of external revenue**

The following is an analysis of the Group's external revenue:

| | UAE | International | | | | Consolidated |
|---|---|---|---|---|---|---|
| | | Morocco | Egypt | Pakistan | Others | |
| | AED'000 | AED'000 | AED'000 | AED'000 | AED'000 | AED'000 |
| **31 December 2016** | | | | | | |
| Revenue from rendering of services | 28,971,495 | 7,536,542 | 3,874,555 | 4,003,032 | 5,533,708 | 49,919,332 |
| Revenue from sale of telecom and other equipment | 1,284,167 | 115,728 | 116,343 | 16,237 | 20,307 | 1,552,782 |
| Other revenues | 821,127 | - | 1,961 | 41,395 | 23,440 | 887,923 |
| | 31,076,789 | 7,652,270 | 3,992,859 | 4,060,663 | 5,577,456 | 52,360,037 |
| 31 December 2015 (as restated) | | | | | | |
| Revenue from rendering of services | 27,099,305 | 7,546,660 | 4,402,961 | 4,138,653 | 5,502,463 | 48,690,042 |
| Revenue from sale of telecom and other equipment | 1,599,118 | 82,534 | 104,461 | 24,764 | 5,985 | 1,816,862 |
| Other revenues | 775,776 | - | 2,444 | 14,898 | 28,896 | 822,015 |
| | **29,474,199** | **7,629,194** | **4,509,866** | **4,178,315** | **5,537,344** | **51,328,918** |

| **UAE Segment revenue breakup:** | 2016 | 2015 |
|---|---|---|
| | AED'000 | AED'000 |
| UAE Revenue - TRA regulated | 25,781,146 | 24,724,284 |
| UAE Revenue - Non-regulated | 5,639,635 | 5,130,714 |
| | **31,420,781** | **29,854,998** |

| **Impairment details** | 2016 | 2015 |
|---|---|---|
| | AED'000 | AED'000 |
| of which relating to intangible assets and property, plant and equipment | 147,943 | 6,433 |
| of which relating to other financial assets | - | 40,042 |
| of which relating to available-for-sale financial assets (quoted equity instruments) (Note 28) | 194,759 | 295,964 |
| of which relating to loans to related party | 734,429 | 651,310 |
| | **1,077,131** | **993,749** |



# financials

Emirates Telecommunications Group Company PJSC
Notes to the consolidated financial statements for the year ended 31 December 2016

## 4. Segmental information (continued)

## 5. Operating expenses and federal royalty

| a) Operating expenses (before federal royalty) | 2016 | 2015 (Restated) |
|---|---|---|
| | AED'000 | AED'000 |
| Direct cost of sales | 11,629,331 | 11,011,722 |
| Staff costs | 5,171,889 | 5,395,159 |
| Depreciation | 5,773,460 | 5,648,532 |
| Network and other related costs | 2,881,139 | 2,835,364 |
| Amortisation | 1,769,801 | 1,800,488 |
| Marketing expenses | 943,144 | 952,277 |
| Regulatory expenses | 1,604,105 | 1,013,150 |
| Operating lease rentals | 441,051 | 468,107 |
| Foreign exchange losses | 985,062 | 230,882 |
| Other operating expenses | 3,406,440 | 3,217,232 |
| **Operating expenses (before federal royalty)** | **34,605,422** | **32,572,913** |

Operating expenses include an amount of AED 37.86 million (2015: AED 10.48 million), relating to social contributions made during the year.

### 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 Company. Under this mechanism a distinction was made between revenue earned from services regulated by Telecommunications Regulatory Authority ("TRA") and non-regulated services as well as between foreign and local profits. The Company was required to pay 15% royalty fee on the UAE regulated revenues and 35% of net profit after deduction of the 15% royalty fee on the UAE regulated revenues. In respect of foreign profit, the 35% royalty was reduced by the amount that the foreign profit has already been subject to foreign taxes.

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

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

During the year, the Company finalised discussions with MOF and agreed on the basis of allocation of indirect costs between regulated and non-regulated services and the resulting federal royalty amount for the year ended 31 December 2015 was paid. The mechanism for computation of federal royalty for the year ended 31 December 2016 was in accordance with the Guidelines.

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

# financials

Emirates Telecommunications Group Company PJSC
Notes to the consolidated financial statements for the year ended 31 December 2016

## 6. Finance and other income

| | 2016 AED'000 | 2015 (Restated) AED'000 |
|---|---|---|
| Interest on bank deposits and held-to-maturity investments | 627,517 | 403,231 |
| Other income | 392,588 | 478,007 |
| | 1,020,105 | 881,238 |

## 7. Finance and other costs

| | 2016 AED'000 | 2015 (Restated) AED'000 |
|---|---|---|
| Interest on bank overdrafts, loans and other financial liabilities | 382,088 | 416,146 |
| Interest on other borrowings | 524,529 | 501,652 |
| Other costs | 525,676 | 233,019 |
| Unwinding of discount | 29,333 | 33,297 |
| | 1,461,626 | 1,184,114 |
| Total borrowing costs | 1,499,332 | 1,189,554 |
| Less: amounts included in the cost of qualifying assets (Note 9, 10) | (37,706) | (5,440) |
| | 1,461,626 | 1,184,114 |

All interest charges are generated on the Group's financial liabilities measured at amortised cost. Borrowing costs included in the cost of qualifying assets during the year arose on specific and general borrowing pools. Borrowing costs attributable to general borrowing pools are calculated by applying a capitalisation rate of 3.44% to 16.20% (2015: 8.50%) for expenditure on such assets. Borrowing costs have been capitalised in relation to loans by certain of the Group's subsidiaries.



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Emirates Telecommunications Group Company PJSC
Notes to the consolidated financial statements for the year ended 31 December 2016

## 8. Taxation

| | 2016 AED'000 | 2015 (Restated) AED'000 |
|---|---|---|
| Current tax expense | 1,683,002 | 1,768,096 |
| Deferred tax credit | (477,489) | (509,013) |
| | 1,205,513 | 1,259,083 |

### a) Current tax

Corporate income tax is not levied in the UAE for telecommunication companies and accordingly the effective tax rate for the Company is 0% (2015: 0%). The table below reconciles the difference between the expected tax expense, (based on the UAE effective tax rate) and the Group's tax charge for the year.

| | 2016 AED'000 | 2015 (Restated) AED'000 |
|---|---|---|
| Profit before tax | 11,124,486 | 11,088,476 |
| Tax at the UAE corporate tax rate of 0% (2015: 0%) | - | - |
| Effect of different tax rates of subsidiaries operating in other jurisdictions | 1,683,002 | 1,768,096 |
| Current tax expense for the year | 1,683,002 | 1,768,096 |

### b) Current income tax assets and liabilities

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

### c) Deferred tax

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

| | 2016 AED'000 | 2015 (Restated) AED'000 |
|---|---|---|
| Deferred tax assets | 128,210 | 308,734 |
| Deferred tax liabilities | (3,255,952) | (4,015,579) |
| | (3,127,742) | (3,706,845) |

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

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Emirates Telecommunications Group Company PJSC
Notes to the consolidated financial statements for the year ended 31 December 2016

## 8. Taxation (continued)

| Deferred tax liabilities | Accelerated tax depreciation AED'000 | Deferred tax on overseas earnings AED'000 | Others AED'000 | Total AED'000 |
|---|---|---|---|---|
| At 1 January 2015 | 4,965,787 | 120,908 | 103,510 | 5,190,205 |
| (Credit) to the consolidated statement of profit or loss | (335,484) | (14,838) | (19,762) | (370,084) |
| Exchange differences | (365,000) | - | (25,856) | (390,856) |
| At 31 December 2015 | 4,265,303 | 106,070 | 57,892 | 4,429,265 |
| (Credit) to the consolidated statement of profit or loss | (292,039) | (8,812) | (7,065) | (307,916) |
| Charge to other comprehensive income | - | - | 409 | 409 |
| Reclassified from deferred tax liability to deferred tax asset | 1,328 | - | - | 1,328 |
| Reclassified as held for sale (Note 34) | (67,201) | - | - | (67,201) |
| Exchange differences | (203,850) | - | (2,270) | (206,120) |
| At 31 December 2016 | 3,703,541 | 97,258 | 48,966 | 3,849,765 |

| Deferred tax assets | Retirement benefit obligations AED'000 | Tax losses AED'000 | Others AED'000 | Total AED'000 |
|---|---|---|---|---|
| At 1 January 2015 | 257,823 | 293,466 | 253,460 | 804,749 |
| (Charge)/credit to the consolidated statement of profit or loss | (13,970) | 52,502 | 81,890 | 120,422 |
| Charge to other comprehensive income | (133,657) | - | - | (133,657) |
| Exchange differences | (11,720) | (38,017) | (19,357) | (69,094) |
| At 31 December 2015 | 98,476 | 307,951 | 315,993 | 722,420 |
| (Charge)/credit to the consolidated statement of profit or loss | (2,781) | 60,906 | 111,447 | 169,572 |
| (Charge)/credit to other comprehensive income | (2,760) | - | 2,298 | (462) |
| Reclassified from deferred tax liability to deferred tax asset | - | - | 1,328 | 1,328 |
| Reclassified as held for sale (Note 34) | (737) | (63,116) | (4,640) | (68,493) |
| Exchange differences | (8) | 2,777 | (105,113) | (102,344) |
| At 31 December 2016 | 92,190 | 308,518 | 321,313 | 722,022 |

| Unused tax losses | 2016 AED million | 2015 AED million |
|---|---|---|
| Total unused tax losses | 1,443 | 1,369 |
| of which deferred tax assets recognised for | 1,349 | 1,147 |
| of which no deferred tax asset recognised, due to unpredictability of future taxable profit streams | 94 | 221 |
| of the unrecognized tax losses, losses that will expire in the next three years | - | 1 |



# financials

Emirates Telecommunications Group Company PJSC
Notes to the consolidated financial statements for the year ended 31 December 2016

## 9. Goodwill, other intangible assets, impairment and other losses

| | | Other intangible assets | | | |
|---|---|---|---|---|---|
| | Goodwill AED'000 | Licenses AED'000 | Trade names AED'000 | Others AED'000 | Total AED'000 |
| At 1 January 2015 | 17,844,589 | 19,476,840 | 2,225,979 | 4,717,136 | 26,419,955 |
| Additions | 47,496 | 1,004,996 | - | 439,172 | 1,444,168 |
| Transfer from assets under construction | - | - | - | 125,681 | 125,681 |
| Reclassified as held for sale (Note 34) | - | (88,390) | - | (47,774) | (136,164) |
| Disposals | (4,412) | (167,499) | - | (788,534) | (956,033) |
| Exchange differences | (1,160,311) | (1,524,948) | (192,373) | (422,988) | (2,140,309) |
| At 31 December 2015 | 16,727,362 | 18,700,999 | 2,033,606 | 4,022,693 | 24,757,298 |
| | | | | | |
| Amortisation and impairment | | | | | |
| At 1 January 2015 | 2,154,207 | 5,410,585 | 70,383 | 1,844,211 | 7,325,179 |
| Charge for the year | - | 820,342 | 94,246 | 902,529 | 1,817,117 |
| Elimination on items reclassified as held for sale (Note 34) | - | (55,307) | - | (7,240) | (62,547) |
| Disposals | - | (91,712) | - | (661,900) | (753,612) |
| Exchange differences | (4,357) | (374,079) | (10,075) | (377,757) | (761,911) |
| At 31 December 2015 | 2,149,850 | 5,709,829 | 154,554 | 1,699,843 | 7,564,226 |
| Carrying amount | | | | | |
| At 31 December 2015 | 14,577,512 | 12,991,170 | 1,879,052 | 2,322,850 | 17,193,072 |
| Cost | | | | | |
| At 1 January 2016 | 16,727,362 | 18,701,001 | 2,033,606 | 4,022,691 | 24,757,298 |
| Additions | - | 340,985 | - | 425,294 | 766,279 |
| Advance against licenses * | - | - | - | 2,053,942 | 2,053,942 |
| Reclassified as held for sale (Note 34) | (206,122) | (71,251) | - | (4,861) | (76,112) |
| Disposals | - | - | - | (4,121) | (4,121) |
| Exchange differences | (273,488) | (5,383,747) | (48,268) | (299,846) | (5,731,861) |
| At 31 December 2016 | 16,247,752 | 13,586,988 | 1,985,338 | 6,193,099 | 21,765,425 |
| | | | | | |
| Amortisation and impairment | | | | | |
| At 1 January 2016 | 2,149,850 | 5,709,827 | 154,554 | 1,699,845 | 7,564,226 |
| Charge for the year | - | 780,321 | 89,219 | 907,807 | 1,777,347 |
| Impairment losses | - | 5,831 | - | - | 5,831 |
| Elimination on items reclassified as held for sale (Note 34) | - | (44,942) | - | (4,754) | (49,696) |
| Disposals | - | - | - | (3,952 | (3,952) |
| Exchange differences | - | (2,059,459) | (3,908) | (175,012) | (2,238,379) |
| At 31 December 2016 | 2,149,850 | 4,391,578 | 239,865 | 2,423,934 | 7,055,377 |
| Carrying amount | | | | | |
| At 31 December 2016 | 14,097,902 | 9,195,410 | 1,745,473 | 3,769,165 | 14,710,048 |

| Others - net book values | 2016 AED'000 | 2015 AED'000 |
|---|---|---|
| IRU | 414,596 | 526,212 |
| Computer software | 611,277 | 713,175 |
| Customer relationships | 139,800 | 568,859 |
| Others * | 2,603,492 | 514,604 |
| | 3,769,165 | 2,322,850 |

An amount of AED 31.8 million (2015: AED Nil) is included in intangible assets on account of capitalisation of borrowing costs for the year.

* Included in others is an amount of AED 2,054 million relating to advance paid by Etisalat Misr for acquisition of 4G license and virtual fixed line service in Egypt, for which the spectrum/frequency has not been received yet.

# financials

Emirates Telecommunications Group Company PJSC
Notes to the consolidated financial statements for the year ended 31 December 2016

## 9. Goodwill, other intangible assets, impairment and other losses (continued)

### a) Impairment and other losses

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

| | 2016<br>AED'000 | 2015<br>(Restated)<br>AED'000 |
|---|---|---|
| Pakistan Telecommunication Company Limited (PTCL) | 45,352 | 5,627 |
| of which relating to property, plant and equipment (Note 10) | 45,352 | 5,627 |
| Etisalat UAE | 96,760 | - |
| of which relating to property, plant and equipment (Note 10) | 96,760 | - |
| Atlantique Telecom S.A (AT) | - | 40,318 |
| of which relating to property, plant and equipmen t (Note 10) | - | 276 |
| of which relating to other financial assets | - | 40,042 |
| Others | 935,019 | 947,804 |
| of which relating to loans to related party | 734,429 | 651,310 |
| of which relating to available-for-sale financial assets (quoted equity instruments) (Note 28) | 194,759 | 295,964 |
| of which relating to intangible assets | 5,831 | 530 |
| Total impairment and other losses for the year | 1,077,131 | 993,749 |

Impairment losses were primarily driven by increased discount rates as a result of increase in inflation in the operating countries and challenging economic and political conditions, as well as negative currency fluctuation. Impairment losses of the Group's investment in available-for-sale financial assets was triggered by a significant and prolonged decline in the fair value of the quoted investments.

### b) Cash generating units

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

| Cash generating units (CGU) to which goodwill is allocated : | 2016<br>AED'000 | 2015<br>AED'000 |
|---|---|---|
| Maroc Telecom | 8,179,359 | 8,425,822 |
| Maroc Telecom International Subsidiaries | 1,782,528 | 1,812,985 |
| Pakistan Telecommunication Company Limited (PTCL) | 4,126,218 | 4,108,560 |
| Etisalat Misr (Etisalat) S.A.E. | 9,797 | 24,023 |
| Etisalat Lanka (Pvt) Limited (Etisalat Lanka) | - | 206,122 |
| | 14,097,902 | 14,577,512 |

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

### c) Key assumptions for the value in use calculations :

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

#### Long term cash flows and working capital estimates

The Group prepares cash flow forecasts and working capital estimates derived from the most recent annual business plan approved by the Board of Directors for the next five years. The business plans take into account local market considerations such as the revenues and costs associated with future customer growth, the impact of local market competition and consideration of the local macro-economic and political trading environment. This rate does not exceed the average long-term growth rate for the relevant markets and it ranges between 1.8% to 5.5% (2015: 1.8% to 6.5%).

#### Discount rates

The discount rates applied to the cash flows of each of the Group's operations are based on an internal study conducted by the management. The study utilized market data and information from comparable listed mobile telecommunications companies and where available and appropriate, across a specific territory. The pre-tax discount rates use a forward looking equity market risk premium and ranges between 6.4% to 18% (2015: 7.01% to 17.7%).

#### Capital expenditure

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



# financials

Emirates Telecommunications Group Company PJSC
Notes to the consolidated financial statements for the year ended 31 December 2016

## 10. Property, plant and equipment

| | Land and Buildings AED'000 | Plant and equipment AED'000 | Motor vehicles, computer, furniture AED'000 | Assets under construction AED'000 | Total AED'000 |
|---|---|---|---|---|---|
| Cost | | | | AED'00 | |
| At 1 January 2015 | 10,468,956 | 62,151,131 | 5,152,258 | 4,578,421 | 82,350,766 |
| Additions | 228,156 | 1,831,213 | 73,328 | 6,773,730 | 8,906,427 |
| Transfer to Intangibles | - | - | - | (125,681) | (125,681) |
| Transfers | 396,964 | 5,135,194 | 703,258 | (6,235,416) | - |
| Disposals | (170) | (1,086,142) | (76,992) | (28,565) | (1,191,869) |
| Reclassified as held for sale (Note 34) | (25,549) | (248,025) | (23,365) | 381 | (296,558) |
| Exchange differences | (595,148) | (4,261,389) | (279,069) | (128,890) | (5,264,496) |
| At 31 December 2015 | 10,473,209 | 63,521,982 | 5,549,418 | 4,833,980 | 84,378,589 |
| Depreciation and impairment | | | | | |
| At 1 January 2015 | 2,570,844 | 30,340,846 | 3,406,697 | 59,767 | 36,378,154 |
| Charge for the year | 221,132 | 4,926,138 | 648,808 | - | 5,796,078 |
| Impairment losses | - | 8,014 | - | - | 8,014 |
| Disposals | (61) | (860,879) | (106,088) | - | (967,028) |
| Elimination on items reclassified as held for sale (Note 34) | (16,121) | (141,355) | (19,861) | - | (177,337) |
| Exchange differences | (158,129) | (2,562,792) | (208,352) | - | (2,929,273) |
| At 31 December 2015 | 2,617,665 | 31,709,972 | 3,721,204 | 59,767 | 38,108,608 |
| Carrying amount | | | | | |
| At 31 December 2015 | 7,855,544 | 31,812,010 | 1,828,214 | 4,774,213 | 46,269,981 |
| Cost | | | | | |
| At 1 January 2016 | 10,473,209 | 63,521,982 | 5,549,418 | 4,833,980 | 84,378,589 |
| Additions | 88,533 | 2,366,058 | 259,087 | 5,127,129 | 7,840,807 |
| Transfer to inventory | - | - | - | (128,371) | (128,371) |
| Transfer from investment property | - | - | - | 12,154 | 12,154 |
| Transfers | 290,925 | 4,131,362 | 752,627 | (5,174,914) | - |
| Disposals | (152,746) | (1,820,796) | (80,747) | (5,910) | (2,060,199) |
| Reclassified as held for sale (Note 34) | (844) | (1,238,165) | (56,255) | (87,276) | (1,382,540) |
| Exchange differences | (265,458) | (4,862,619) | (902,578) | (1,041,537) | (7,072,192) |
| At 31 December 2016 | 10,433,619 | 62,097,822 | 5,521,552 | 3,535,255 | 81,588,248 |
| Depreciation and impairment | | | | | |
| At 1 January 2015 | 2,617,665 | 31,709,972 | 3,721,204 | 59,767 | 38,108,608 |
| Charge for the year | 204,280 | 4,965,675 | 714,770 | - | 5,884,725 |
| Impairment losses | - | 142,111 | - | - | 142,111 |
| Disposals | (114,227) | (1,395,659) | (77,334) | - | (1,587,220) |
| Elimination on items reclassified as held for sale (Note 34) | (183) | (780,981) | (41,738) | - | (822,902) |
| Exchange differences | (70,637) | (1,796,080) | (720,484) | - | (2,587,201) |
| At 31 December 2016 | 2,636,898 | 32,845,038 | 3,596,418 | 59,767 | 39,138,121 |
| Carrying amount | | | | | |
| At 31 December 2016 | 7,796,721 | 29,252,784 | 1,925,134 | 3,475,488 | 42,450,127 |

The carrying amount of the Group's land and buildings includes a nominal amount of AED 1 (2015: AED 1) in relation to land granted to the Group by the Federal Government of the UAE. There are no contingencies attached to this grant and as such no additional amounts have been included in the consolidated statement of profit or loss or the consolidated statement of financial position in relation to this.

An amount of AED 5.9 million (2015: AED 5.4 million) is included in property, plant and equipment on account of capitalisation of borrowing costs for the year.

Borrowings are secured against property, plant and equipment with a net book value of AED 3,148 million (2015: AED 3,190 million).
Assets under construction include buildings, multiplex equipment, line plant, exchange and network equipment.

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## 11. Investment property

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

| | 2016 AED'000 | 2015 AED'000 |
|---|---|---|
| **Cost** | | |
| At 1 January | 60,025 | 59,425 |
| Additions | 1,960 | 600 |
| Transfer to property plant and equipment | (12,154) | - |
| **At 31 December** | 49,831 | 60,025 |
| **Depreciation** | | |
| At 1 January | 20,668 | 18,047 |
| Additions | 1,932 | 2,621 |
| **At 31 December** | 22,600 | 20,668 |
| **Carrying amount at 31 December** | 27,230 | 39,357 |
| **Fair value at 31 December** | 50,266 | 72,211 |

| Investment property rental income and direct operating expenses | 2016 AED'000 | 2015 AED'000 |
|---|---|---|
| Property rental income | 8,224 | 7,933 |
| Direct operating expenses | 1,022 | 1,203 |

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



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## 12. Subsidiaries

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

| Names | Country of incorporation | Principal activity | Percentage shareholding 2016 | Percentage shareholding 2015 |
|---|---|---|---|---|
| Emirates Telecommunications and Marine Services FZE | UAE | Telecommunications services | 100% | 100% |
| Emirates Cable TV and Multimedia LLC | UAE | Cable television services | 100% | 100% |
| Etisalat International Pakistan LLC | UAE | Holds investment in Pakistan Telecommunication Co. Ltd | 90% | 90% |
| E-Marine PJSC | UAE | Submarine cable activities | 100% | 100% |
| Etisalat Services Holding LLC | UAE | Infrastructure services | 100% | 100% |
| Etisalat Software Solutions (Private) Limited | India | Technology solutions | 100% | 100% |
| Canar Telecommunications Co. Limited | Republic of Sudan | Telecommunications services | - | 92% |
| Etisalat International Nigeria Limited | UAE | Holds investment in EMTS B.V. (Netherlands) | 100% | 100% |
| Etisalat Afghanistan | Afghanistan | Telecommunications services | 100% | 100% |
| Etisalat Misr S.A.E. | Egypt | Telecommunications services | 66% | 66% |
| Atlantique Telecom S.A. | Togo | Telecommunications services | 100% | 100% |
| Etisalat Lanka (Pvt.) Limited | Sri Lanka | Telecommunications services | 100% | 100% |
| Pakistan Telecommunication Company Limited | Pakistan | Telecommunications services | 23% * | 23% * |
| Etisalat Investment North Africa LLC | UAE | Holds investment Société de Participation dans les Télécommunications (SPT) | 91.3% | 91.3% |
| Société de Participation dans les Télécommunications (SPT) | Kingdom of Morocco | Holds investment in Maroc Telecom | 91.3% | 91.3% |
| Etisalat Al Maghrib S.A (Maroc Telecom) | Kingdom of Morocco | Telecommunications services | 48%* | 48% * |
| Etisalat Mauritius Private Limited | Mauritius | Holds investment in Etisalat DB Telecom Private Limited | 100% | 100% |

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

### Current year changes in shareholdings

The Group completed the sale of its 92.3% shareholding in Canar to Bank of Khartoum on 7 August 2016 after securing all regulatory approvals from the Sudanese National Telecommunications Corporation and the Sudanese competition authorities. (note 35).

During the year, Atlantique Telecom S.A. acquired the remaining 10% shareholding in Atlantique Telecom Gabon. Subsequently, Atlantique Telecom S.A. sold the 10% shareholding to Maroc Telecom. Consequently, a merger between Maroc Telecom's subsidiaries, Atlantique Telecom Gabon and Gabon Telecom, was also finalised. The disposal of the 10% shareholding of Atlantique Telecom Gabon to Maroc Telecom and the merger of the two subsidiaries have been accounted for by the Group as transactions under common control.

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Emirates Telecommunications Group Company PJSC
Notes to the consolidated financial statements for the year ended 31 December 2016

## 12. Subsidiaries (continued)

### Previous years' changes in shareholdings

On 1 April 2015, PTCL acquired 100% ownership of DVCOM Data. The entity has Wireless Local Loop (WLL) License of 1900 MHz spectrum in nine telecom regions of Pakistan.

On 12 October, 2015, PTCL incorporated a wholly owned new entity, Smart Sky as a private Limited company to provide Direct-to-Home (DTH) television service throughout the country under the license from the authorities. However the said license is yet to be auctioned by the authorities and the entity has not yet started commercial operations.

On 4 May 2014, the Group announced the signing of an agreement with Maroc Telecom for the sale of the Group's shareholdings in its operations in Benin, CAR, Gabon, Cote d'Ivoire, Niger and Togo to Maroc Telecom, for a total consideration of EUR 474 million. The transaction was closed on 26 January 2015 and has been accounted for by the Group as a transaction under common control.

On 22 October 2015, the Group completed the sale of its 85% shareholdings in Zanzibar Telecom Limited (Zantel) to Millicom after securing all regulatory approvals from the Tanzanian Communication Regulatory Authority and the Fair Competition Commission (Note 35).

### a) Disclosures relating to subsidiaries

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

| | Maroc Telecom consolidated | PTCL consolidated | Etisalat Misr consolidated |
|---|---|---|---|
| AED'000 | | 2016 | |
| Information relating to non-controlling interests: | | | |
| Non-controlling interest (shareholding %) | 51.6% | 76.6% | 34% |
| Profit/(loss) | 1,099,664 | (13,408) | (22,551) |
| Total comprehensive (loss)/profit | (197,216) | 7,396 | (1,565,021) |
| Dividends | (1,480,334) | (264,935) | (54,052) |
| Non-controlling interests as at 31 December | 6,662,429 | 5,620,189 | 935,446 |
| Summarised information relating to subsidiares: | | | |
| Current assets | 5,437,055 | 3,144,443 | 994,486 |
| Non-current assets | 31,774,638 | 16,955,576 | 5,820,191 |
| Current liabilities | 13,072,614 | 6,048,884 | 2,060,273 |
| Non-current liabilities | 3,576,966 | 5,159,971 | 1,997,694 |
| AED'000 | | 2015 | |
| Information relating to non-controlling interests: | | | |
| Non-controlling interest (shareholding %) | 51.6% | 76.6% | 34% |
| Profit | 1,112,165 | 28,367 | 149,254 |
| Total comprehensive loss | (763,259) | (370,002) | (239,802) |
| Dividends | (1,530,453) | (338,811) | (51,585) |
| Non-controlling interests as at 31 December | 7,397,153 | 5,891,136 | 2,577,070 |
| Summarised information relating to subsidiaries: | | | |
| Current assets | 6,613,092 | 2,757,637 | 1,919,962 |
| Non-current assets | 33,217,963 | 17,151,841 | 11,062,738 |
| Current liabilities | 12,588,260 | 5,420,384 | 3,924,046 |
| Non-current liabilities | 4,299,232 | 5,390,308 | 1,441,883 |




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Emirates Telecommunications Group Company PJSC
Notes to the consolidated financial statements for the year ended 31 December 2016

## 12. Subsidiaries (continued)


### b) Movement in non-controlling interests

The movement in non-controlling interests is provided below:

| | 2016 AED'000 | 2015 AED'000 |
|---|---|---|
| As at 1 January | 15,886,048 | 17,994,120 |
| Total comprehensive income: | | |
| Profit for the year | 1,065,877 | 1,248,162 |
| Remeasurement of defined benefit obligations - net of tax | (1,325) | (42,461) |
| Exchange differences on translation of foreign operations | (1,759,489) | (1,300,678) |
| Loss on revaluation of available-for-sale financial assets | (1) | (9,288) |
| Other movement in equity | (4,854) | 16,362 |
| Transaction with owners: | | |
| Disposal of a subsidiary | (27,477) | 115,450 |
| Movements in non-controlling interests | (66,843) | (5,664) |
| Repayment of equity contribution to non-controlling interests for acquisition of a subsidiary | (78,843) | (209,094) |
| Dividends | (1,799,720) | (1,920,861) |
| As at 31 December | 13,213,373 | 15,886,048 |

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

| | 2016 AED'000 | 2015 AED'000 |
|---|---|---|
| Associates excluding EMTS (Note 14 b) | (109,017) | (327,904) |
| Joint ventures (Note 14 f) | 7,667 | 11,975 |
| Total | (101,350) | (315,929) |

In prior years, the Group had reassessed its accounting treatment for the share of results of one of its associates. Consequently, the Group had discontinued the recognition of the share of results of that associate with effect from 1 January 2013. Accordingly, no share of losses have been offset against loans due from associates as the investment in associate has already been fully written down by prior year losses. The amount receivable towards interest on loan to the associate of AED 927 million (2015: AED 817 million) has been impaired during the year. The net unrecognised share of losses in the associate for the year ended 31 December 2016 amounted to AED 3,409 million (2015: AED 779 million). The cumulative net unrecognised share of losses as at 31 December 2016 amounted to AED 7,361 million (2015: AED 3,952 million).

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Emirates Telecommunications Group Company PJSC
Notes to the consolidated financial statements for the year ended 31 December 2016

## 14. Investment in associates and joint ventures

### a) Associates

| Names | Country of incorporation | Principal activity | Percentage shareholding |
|---|---|---|---|
| Etihad Etisalat Company ("Mobily") | Saudi Arabia | Telecommunications services | 27% |
| Thuraya Telecommunications Company PJSC ("Thuraya") | UAE | Satellite communication services | 28% |
| Emerging Markets Telecommunications Services Limited ("EMTS Nigeria") | Nigeria | Telecommunications services | 40% |

### b) Movement in investments in associates

| | Mobily | | All Associates | |
|---|---|---|---|---|
| | 2016 AED'000 | 2015 AED'000 | 2016 AED'000 | 2015 AED'000 |
| Carrying amount at 1 January | 4,306,333 | 4,600,247 | 4,450,754 | 4,778,884 |
| Share of results (Note 13) | (64,807) | (293,914) | (109,017) | (327,904) |
| Other movements | 1,727 | - | 1,728 | (226) |
| Carrying amount at 31 December | 4,243,253 | 4,306,333 | 4,343,465 | 4,450,754 |

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

| | Mobily | | All Associates | |
|---|---|---|---|---|
| | 2016 AED'000 | 2015 AED'000 | 2016 AED'000 | 2015 AED'000 |
| Net assets | 14,562,923 | 14,792,822 | (936,434) | 1,532,055 |
| Our share in net assets of associates * | 3,998,833 | 4,061,961 | 4,298,656 | 4,406,536 |
| Others ** | 244,420 | 244,372 | 244,809 | 244,218 |
| Impairment | - | - | (200,000) | (200,000) |
| | 4,243,253 | 4,306,333 | 4,343,465 | 4,450,754 |

* Our share in the net assets of associates does not include the share of results of EMTS effective from 1 January 2013 (refer note 13).
** "Others" include an amount of AED 150 million (2015: AED 150 million) relating to premium paid on rights issue in prior years.

### d) Aggregated amounts relating to associates

| | Mobily | | All Associates | |
|---|---|---|---|---|
| | 2016 AED'000 | 2015 AED'000 | 2016 AED'000 | 2015 AED'000 |
| Current assets | 7,617,255 | 8,219,218 | 8,813,364 | 10,322,709 |
| Non-current assets | 32,492,274 | 33,077,396 | 36,204,962 | 38,768,991 |
| Current liabilities | (17,771,976) | (26,203,474) | (20,455,104) | (29,604,399) |
| Non-current liabilities | (7,774,630) | (300,318) | (25,499,656) | (17,955,246) |
| Net assets | 14,562,923 | 14,792,822 | (936,434) | 1,532,055 |
| Revenue | 12,307,325 | 14,112,564 | 15,541,666 | 18,811,004 |
| Loss | (235,954) | (1,069,514) | (8,139,574) | (3,886,080) |
| Total comprehensive loss | (235,954) | (1,069,514) | (8,139,574) | (3,886,080) |

Contingent liabilities relating to the associates are disclosed in note 31.

In the prior year borrowings amounting to AED 8,247 million classified as non current liabilities in the financial statements of Mobily have been reclassified to current liabilities in the above table, to comply with the requirements of IFRS.

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




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Emirates Telecommunications Group Company PJSC
Notes to the consolidated financial statements for the year ended 31 December 2016


## 14. Investment in associates and joint ventures (continued)

### e) Market value of an associate

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

| | 2016 AED'000 | 2015 AED'000 |
|---|---|---|
| Etihad Etisalat Company ("Mobily") | 4,966,376 | 4,920,891 |

### f) Joint ventures

| Name | Country of incorporation | Principal activity | Percentage shareholding |
|---|---|---|---|
| Ubiquitous Telecommunications Technology LLC | UAE | Installation and management of network systems | 50% |
| Smart Technology Services DWC – LLC | UAE | ICT Services | 50% |

### Movement in investment in joint ventures

| | 2016 AED'000 | 2015 AED'000 |
|---|---|---|
| Carrying amount at 1 January | 78,220 | 70,245 |
| Share of results | 7,667 | 11,975 |
| Dividends | (15,000) | (4,000) |
| Carrying amount at 31 December | 70,887 | 78,220 |

### g) Aggregated amounts relating to joint ventures

| | 2016 AED'000 | 2015 AED'000 |
|---|---|---|
| Current assets | 206,964 | 245,962 |
| Non-current assets | 15,099 | 13,610 |
| Current liabilities | (79,830) | (103,136) |
| Net assets | 142,233 | 156,436 |
| Revenue | 193,940 | 185,294 |
| Profit or loss | 15,796 | 23,949 |

The Group has not identified any contingent liabilities or capital commitments in relation to its interest in joint ventures.

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Emirates Telecommunications Group Company PJSC
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## 15. Other investments

| | Fair value through profit and loss AED'000 | Available for sale AED'000 | Held to maturity AED'000 | Total AED'000 |
|---|---|---|---|---|
| At 1 January 2015 | 44,625 | 747,381 | 191,991 | 983,997 |
| Additions | – | 30,671 | 13,428 | 44,099 |
| Disposal | (7,616) | (8,793) | (2,114) | (18,523) |
| Investment revaluation | – | (181,297) | – | (181,297) |
| Impairment | – | (516) | – | (516) |
| Exchange differences | (3,984) | (11,438) | – | (15,422) |
| At 31 December 2015 | 33,025 | 576,008 | 203,305 | 812,338 |
| Additions | 16,774 | 98,753 | 949,956 | 1,065,483 |
| Disposal | – | (30,500) | (363,845) | (394,345) |
| Investment revaluation | – | (154,361) | (454,721) | (609,082) |
| Unwinding of interest | – | – | 13,942 | 13,942 |
| Exchange differences | (1,616) | (7,513) | – | (9,129) |
| At 31 December 2016 | 48,183 | 482,387 | 348,637 | 879,207 |

The held to maturity investment includes Sukuk which is the bond structured to conform with the principles of Islamic Sharia law. At 31 December 2016, the market value of the investment in Sukuk was AED 147 million (2015: AED 203 million). The held to maturity investments also includes investment in treasury bills.

## 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.

There were no material transactions with the members of the Board of Directors of the Company during the year. Transactions between the Group and other related parties are disclosed below.

### a) Federal Government and state controlled entities

As stated in Note 1, in accordance with Federal Law No. 267/10 for 2009, the Federal Government of the UAE transferred its 60% holding in the Company to the Emirates Investment Authority with effect from 1 January 2008, which is ultimately controlled by the UAE Federal Government. The Group provides telecommunication services to the Federal Government (including Ministries and local bodies). These transactions are at normal commercial terms. The credit period allowed to Government customers ranges from 90 to 120 days. Trade receivables include an amount of AED 1,414 million (2015: AED 1,231 million), which are net of allowance for doubtful debts of AED 156 million (2015: AED 125 million), receivable from Federal Ministries and local bodies. See Note 5 for disclosure of the royalty payable to the Federal Government of the UAE.

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



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Emirates Telecommunications Group Company PJSC
Notes to the consolidated financial statements for the year ended 31 December 2016

## 16. Related party transactions (continued)

### b) Joint ventures and associates

| | Associates | | Joint Ventures | |
|---|---|---|---|---|
| | 2016 AED'000 | 2015 AED'000 | 2016 AED'000 | 2015 AED'000 |
| **Trading transactions** | | | | |
| Telecommunication services – sales | 110,369 | 76,834 | – | – |
| Telecommunication services – purchases | 123,420 | 93,497 | – | – |
| Management and other services | 199,747 | 219,720 | 1,710 | 7,342 |
| Net amount due from related parties as at 31 December | 601,864 | 562,900 | 829 | 2,939 |
| **Loans to a related party** | | | | |
| Loans due from a related party as at 31 December, net | – | 1,232,884 | – | – |

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

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

#### i. Etihad Etisalat Company

Pursuant to the Communications and Information Technology Commission's (CITC) licensing requirements, Mobily entered into a management agreement ("the Agreement") with the Company as its operator from 23 December 2004. Amounts invoiced by the Company relate to annual management fees, fees for staff secondments and other services provided under the Agreement. The term of the Agreement was for a period of seven years and could be automatically renewed for successive periods of five years unless the Company served a 12 month notice of termination or Mobily served a 6 month notice of termination prior to the expiry of the applicable period. Refer to note 39 (iii) for a subsequent event.

#### ii. Thuraya Telecommunications Company PJSC

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

#### iii. Emerging Markets Telecommunications Services B.V.

Amounts invoiced by the Company relate to annual management fees, fees for staff secondments, interest on loan and other services. Refer to note 39 (i) for a subsequent event.

### c) Remuneration of key management personnel

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

| | 2016 AED'000 | 2015 AED'000 |
|---|---|---|
| Short-term benefits | 57,969 | 54,066 |

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Emirates Telecommunications Group Company PJSC
Notes to the consolidated financial statements for the year ended 31 December 2016

## 17. Inventories

| | 2016 AED'000 | 2015 AED'000 |
|---|---|---|
| Subscriber equipment | 404,038 | 470,501 |
| Maintenance and consumables | 354,797 | 340,039 |
| Obsolescence allowances | (50,010) | (36,451) |
| Net Inventories | 708,825 | 774,089 |

| Movement in obsolescence allowances | 2016 AED'000 | 2015 AED'000 |
|---|---|---|
| At 1 January | 36,451 | 43,857 |
| Net increase / (decrease) in obsolescence allowances | 24,700 | (4,065) |
| Exchange differences | (10,259) | (3,341) |
| Reclassified as held for sale (Note 34) | (882) | - |
| At 31 December | 50,010 | 36,451 |
| Inventories recognised as an expense during the year in respect of continuing operations | 2,288,817 | 2,744,308 |

## 18. Trade and other receivables

| | 2016 AED'000 | 2015 (Restated) AED'000 |
|---|---|---|
| Amount receivable for services rendered | 9,707,082 | 9,254,726 |
| Allowance for doubtful debts | (2,118,831) | (1,954,665) |
| Net trade receivables | 7,588,251 | 7,300,061 |
| | | |
| Amounts due from other telecommunication operators/carriers | 6,409,532 | 6,089,727 |
| Prepayments | 572,451 | 566,460 |
| Accrued income | 1,408,833 | 1,143,078 |
| Other receivables | 2,974,090 | 2,420,253 |
| At 31 December | 18,953,157 | 17,519,579 |
| Total trade and other receivables | 18,953,157 | 17,519,579 |
| of which current trade and other receivables | 18,796,545 | 17,305,934 |
| of which non-current other receivables | 156,612 | 213,645 |

The Group's normal credit terms ranges between 30 and 120 days (2015: 30 and 120 days).

Ageing of net trade receivables, including amounts due from other telecommunication operators/carriers :

| | 2016 AED'000 | 2015 (Restated) AED'000 |
|---|---|---|
| Upto 60 days | 7,189,252 | 9,044,490 |
| 61-90 days | 662,172 | 572,987 |
| 90-365 days | 2,431,059 | 1,902,223 |
| Over one year | 3,715,300 | 1,870,088 |
| Net trade receivables | 13,997,783 | 13,389,788 |



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Emirates Telecommunications Group Company PJSC
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## 18. Trade and other receivables (continued)

| Movement in allowance for doubtful debts : | 2016 AED'000 | 2015 AED'000 |
|---|---|---|
| At 1 January | 1,954,665 | 1,646,120 |
| Net increase in allowance for doubtful debts | 319,809 | 319,011 |
| Exchange differences | (139,958) | 8,254 |
| Reclassified as held for sale (Note 34) | (15,685) | (18,720) |
| At 31 December | 2,118,831 | 1,954,665 |

No interest is charged on the trade receivable balances. With respect to the amounts receivable from the services rendered the Group holds AED 234 million (2015: AED 424 million) of collateral in the form of cash deposits from customers. Amounts due from other telecommunication operators/carriers include interconnect balances with related parties.

## 19. Cash and cash equivalents

| | 2016 AED'000 | 2015 AED'000 |
|---|---|---|
| Maintained locally | 20,794,417 | 17,746,449 |
| Maintained overseas, unrestricted in use | 2,786,320 | 3,487,184 |
| Maintained overseas, restricted in use | 123,159 | 275,990 |
| Cash and bank balances | 23,703,896 | 21,509,623 |
| Reclassified as held for sale (Note 34) | (27,726) | (87,269) |
| Cash and bank balances from continuing operations | 23,676,170 | 21,422,354 |
| Less: Deposits with maturities exceeding three months from the date of deposit | (20,680,990) | (15,956,323) |
| Cash and cash equivalents from continuing operations | 2,995,180 | 5,466,031 |

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.

## 20. Trade and other payables

| | 2016 AED'000 | 2015 (Restated) AED'000 |
|---|---|---|
| Current | | |
| Federal royalty | 5,010,268 | 5,847,678 |
| Trade payables | 8,034,553 | 8,036,622 |
| Amounts due to other telecommunication administrators | 5,250,963 | 4,378,893 |
| Deferred revenue | 2,129,470 | 2,378,793 |
| Other payables and accruals | 10,372,923 | 10,716,856 |
| At 31 December | 30,798,177 | 31,358,842 |
| Non-current | | |
| Other payables and accruals | 1,558,549 | 1,533,176 |
| At 31 December | 1,558,549 | 1,533,176 |

Amounts due to other telecommunication administrators include interconnect balances with related parties.

Federal royalty for the year ended 31 December 2016 is to be paid as soon as the consolidated financial statements have been approved but not later than 4 months from the year ended 31 December 2016.

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## 21. Borrowings

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

| | Fair Value | | Carrying Value | |
|---|---|---|---|---|
| | 2016 AED'000 | 2015 AED'000 | 2016 AED'000 | 2015 AED'000 |
| **Bank borrowings** | | | | |
| Bank overdrafts | 3,318,881 | 3,055,377 | 3,318,881 | 3,055,377 |
| Bank loans | 3,871,520 | 3,441,325 | 3,934,047 | 3,511,765 |
| **Other borrowings** | | | | |
| Bonds | 15,059,387 | 15,139,036 | 14,217,614 | 14,608,777 |
| Loans from non controlling interest | 3,182 | 7,803 | 3,500 | 8,584 |
| Vendor financing | 345,595 | 271,950 | 345,595 | 271,950 |
| Others | 3,335 | 62,577 | 3,602 | 63,488 |
| | 22,601,900 | 21,978,068 | 21,823,239 | 21,519,941 |
| Advances from non controlling interest | | | 552,027 | 560,221 |
| **Total Borrowings** | | | 22,375,266 | 22,080,162 |
| Reclassified as held for sale (Note 34) | | | (96,626) | - |
| **Borrowings from continuing operations** | | | 22,278,640 | 22,080,162 |
| of which due within 12 months | | | 4,074,738 | 4,199,637 |
| of which due after 12 months | | | 18,203,902 | 17,880,525 |

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

External borrowings of AED 3,129 million (2015: AED 1,320 million) are secured by property, plant and equipment.

On 28 April 2014, the Group had entered into multi-currency facilities agreement for EUR 3.15 billion (AED 15.9 billion) with a syndicate of local and international banks for the purpose of financing the Maroc Telecom's acquisition. Financing consisted of two facilities: Tranche A was a twelve months bridge loan amounting to EUR 2.1 billion (AED 10.6 billion) at a price of Euribor plus 45 basis points for the first six months increased by 15 basis points in each of the following three months. Tranche B was a three years term loan amounting to EUR 1.05 billion (AED 5.3 billion) at a price of Euribor plus 87 basis points. Both these tranches have been settled in June 2014 following issuance of bonds as mentioned below.

On 22 May 2014, the Group had completed the listing of USD 7 billion (AED 25.7 billion) Global Medium Term Note (GMTN) programme which will be used to meet medium to long-term funding requirements on the Irish Stock Exchange ("ISE"). Under the programme, Etisalat can issue one or more series of conventional bonds in any currency and amount up to USD 7 billion. The listed programme was rated Aa3 by Moody's, AA- by Standard & Poor's and A+ by Fitch.

On 11 June 2014, the Group issued the inaugural bonds under the GMTN programme. The issued bonds were denominated in US Dollars and Euros and consisted of four tranches:

a. 5 years tranche: USD 500 million with coupon rate of 2.375% per annum
b. 7 years tranche: EUR 1,200 million with coupon rate of 1.750% per annum
c. 10 years tranche: USD 500 million with coupon rate of 3.500% per annum
d. 12 years tranche: EUR 1,200 million with coupon rate of 2.750% per annum

The effective date for the bonds term was 18 June 2014. Net proceeds from the issuance of the bonds were used for repayment of previously outstanding facilities of EUR 3.15 billion.

In May 2015, the Group issued additional bonds amounting to USD 400 million under the existing USD 5 years tranches.



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## 21. Borrowings (continued)

As at 31 December 2016, 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 9.22 billion) as follows:

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

| | Nominal Value | Fair Value | Carrying Value |
|---|---|---|---|
| | 2015 AED'000 | 2015 AED'000 | 2015 AED'000 |
| **Bonds** | | | |
| 2.375% US dollar 500 million notes due 2019 | 3,306,600 | 3,294,696 | 3,306,574 |
| 3.500% US dollar 500 million notes due 2024 | 1,837,000 | 1,859,595 | 1,815,817 |
| **Bonds in net investment hedge relationship** | | | |
| 1.750% Euro 1,200 million notes due 2021 | 4,816,800 | 4,901,576 | 4,761,356 |
| 2.750% Euro 1,200 million notes due 2026 | 4,816,800 | 5,083,169 | 4,725,030 |
| **At 31 December 2015** | 14,777,200 | 15,139,036 | 14,608,777 |
| of which due within 12 months | | | - |
| of which due after 12 months | | | 14,608,777 |

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Notes to the consolidated financial statements for the year ended 31 December 2016

## 21. Borrowings (continued)

The terms and conditions of the Group's bank and other borrowings are as follows:

| | Year of maturity | Currency | Interest rate | Carrying Value 2016 AED'000 | Carrying Value 2015 AED'000 |
|---|---|---|---|---|---|
| Variable interest borrowings | | | | | |
| Unsecured Bank Loans | 2018 | EGP | Mid Corridor +1.4% | - | 1,643,573 |
| Secured Bank Loans | 2023 | USD | LIBOR + 2.9% | 956,626 | - |
| Secured Bank Loans | 2023 | EGP | Lending Corridor 0.5%-0.75% | 936,990 | - |
| Unsecured Vendor Financing | 2021 | PKR | Bill discount rate-0.7% | 345,595 | - |
| Unsecured Overdrafts | 2017 | EGP | Mid Corridor +0.75% | 574,217 | 423,672 |
| Secured bank loan | 2018 | LKR | 3M SLIBOR+4% | 15,452 | 188,407 |
| Secured Bank Loans | 2023 | PKR | 3M KIBOR+0.25% | 944,125 | 735,000 |
| Secured Bank Loans | 2019 | USD | 6M LIBOR + 1.6% | 68,216 | - |
| Unsecured Bank Loans | 2018 | USD | 3M LIBOR + 1.9% | 169,901 | - |
| Secured Bank Overdrafts | 2020 | PKR | 1M KIBOR + 30BP | - | 271,950 |
| Fixed interest borrowings | | | | | |
| Unsecured bank overdrafts | 2017 | MAD | 10% | 2,552,857 | 2,489,855 |
| Unsecured Bank Loans | 2017 | FCFA | 4.45% | 272,476 | - |
| Secured Bank Loans | 2018 | FCFA | 4.68% | 141,845 | - |
| Secured Bank Loans | 2018 | FCFA | 8% | 140,432 | - |
| Secured Other Financing | 2017 | USD | 0% | - | 53,185 |
| Secured Bank Loans | 2017 | EUR | 2% | - | 233,959 |
| Unsecured loans from non-controlling interests | 2015 | EGP | 10% | 3,500 | 8,584 |
| Secured Bank Loans | 2017 | FCFA | 9.69% | - | 57,387 |
| Unsecured Overdrafts | 2017 | FCFA | 7% | 162,945 | - |
| Other borrowings | | | | | |
| Advances from non-controlling interests | N/A | USD | Interest free | 552,027 | 560,221 |
| Bonds | 2019 | USD | 2.375% | 1,830,443 | 1,827,933 |
| Bonds | 2019 | USD | 2.375% | 1,476,128 | 1,478,641 |
| Bonds | 2024 | USD | 3.500% | 1,817,984 | 1,815,817 |
| Bonds | 2021 | EUR | 1.750% | 4,564,684 | 4,761,356 |
| Bonds | 2026 | EUR | 2.750% | 4,528,375 | 4,725,030 |
| Others | Various | Various | Various | 320,448 | 805,592 |
| Total Borrowings | | | | 22,375,266 | 22,080,162 |
| Reclassified as held for sale (Note 34) | | | | (96,626) | - |
| Borrowings from continuing operations | | | | 22,278,640 | 22,080,162 |

### a) Interest rates

The weighted average interest rate paid during the year on bank and other borrowings is set out below:

| | 2016 | 2015 |
|---|---|---|
| Bank borrowings | 6.6% | 6.0% |
| Other borrowings | 2.6% | 2.7% |

### b) Available facilities

At 31 December 2016, the Group had AED 2,794 million (2015: AED 4,832 million) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met.



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## 22. Net investment hedge relationships

In prior years, Euro bonds issued (refer to note 21) and cross currency swaps have been designated as net investment hedges. There was no material ineffectiveness of these hedges recorded as at the end of the reporting period.

| | 2016 AED'000 | 2015 AED'000 |
|---|---|---|
| Effective part directly recognised in other comprehensive income | 250,656 | 1,255,830 |

As at the end of the reporting period the Group has 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:

| | 2016 AED'000 | 2015 AED'000 |
|---|---|---|
| Fair value of swaps designated as net investment hedge (Derivative financial assets) | 331,313 | 675,412 |
| Fair value of forward contract/swaps designated as net investment hedge (Derivative financial liabilities) | (2,830) | (1,607) |

The fair value of bonds designated as hedge is disclosed in note 21.

## 23. Payables related to investments and licenses

| | Current AED'000 | Non-current AED'000 | Total AED'000 |
|---|---|---|---|
| At 31 December 2016 | | | |
| Investments | | | |
| Etisalat International Pakistan LLC | 2,936,653 | - | 2,936,653 |
| Atlantique Telecom S.A. | 11,022 | - | 11,022 |
| Licenses | | | |
| Maroc Telecom | 149,981 | 149,981 | 299,962 |
| Pakistan Telecommunication Company Limited | 157,671 | 392,987 | 550,658 |
| | 3,255,327 | 542,968 | 3,798,295 |
| At 31 December 2015 | | | |
| Investments | | | |
| Etisalat International Pakistan LLC | 2,936,653 | - | 2,936,653 |
| Atlantique Telecom S.A. | 11,022 | - | 11,022 |
| Licenses | | | |
| Pakistan Telecommunication Company Limited | 265,472 | 693,661 | 959,133 |
| | 3,213,147 | 693,661 | 3,906,808 |

According to the terms of the share purchase agreement between Etisalat International Pakistan LLC and the Government of Pakistan ("GOP") payments of AED 6,612 million (2015: AED 6,612 million) have been made to GOP with the balance of AED 2,937 million (2015: AED 2,937 million) to be paid. The amounts payable are being withheld pending completion of certain conditions in the share purchase agreement related to the transfer of certain assets to PTCL.

All amounts payable on acquisitions are financial liabilities measured at amortised cost and are mostly denominated in either USD, AED or PKR.

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## 24. Finance lease obligations

| | Minimum lease payments | | Present value of minimum lease payments | |
|---|---|---|---|---|
| | 2016 AED'000 | 2015 AED'000 | 2016 AED'000 | 2015 AED'000 |
| Amounts payable under finance lease | | | | |
| Within one year | 6,196 | 7,230 | 5,512 | 7,070 |
| Between 2 and 5 years | 5,252 | 11,253 | 4,905 | 10,934 |
| | 11,448 | 18,483 | 10,417 | 18,004 |
| Less: future finance charges | (1,031) | (479) | - | - |
| Present value of lease obligations | 10,417 | 18,004 | 10,417 | 18,004 |
| of which due within 12 months | 5,512 | 7,070 | 5,512 | 7,070 |
| of which due after 12 months | 4,905 | 10,934 | 4,905 | 10,934 |

It is the Group policy to lease certain of its plant and machinery under finance leases. For the year ended 31 December 2016, the average effective borrowing rate was 19% (2015: 20%). The fair value of the Group's lease obligations is approximately equal to their carrying value.

## 25. Provisions

| | Asset retirement obligations AED'000 | Other AED'000 | Total AED'000 |
|---|---|---|---|
| At 1 January 2015 | 34,106 | 2,069,034 | 2,103,140 |
| Additional provision during the year | 4,151 | 963,593 | 967,744 |
| Reclassified as held for sale (Note 34) | (2,696) | - | (2,696) |
| Utilization of provision | - | (769,966) | (769,966) |
| Release of provision | (630) | (100,659) | (101,289) |
| Adjustment for change in discount rate | 1,315 | - | 1,315 |
| Unwinding of discount | 8 | 24 | 32 |
| Exchange differences | (2,933) | (68,695) | (71,628) |
| At 31 December 2015 | 33,321 | 2,093,331 | 2,126,652 |
| Included in current liabilities | 530 | 1,918,314 | 1,918,844 |
| Included in non-current liabilities | 32,791 | 175,017 | 207,808 |
| At 1 January 2015 | 33,321 | 2,093,331 | 2,126,652 |
| Additional provision during the year | 3,614 | 1,490,867 | 1,494,481 |
| Reclassified as held for sale (Note 34) | (12,516) | (3,098) | (15,614) |
| Utilization of provision | - | (305,965) | (305,965) |
| Release of provision | - | (66,172) | (66,172) |
| Adjustment for change in discount rate | 968 | - | 968 |
| Exchange differences | (15,054) | (581,314) | (596,368) |
| At 31 December 2016 | 10,333 | 2,627,649 | 2,637,982 |
| Included in current liabilities | - | 2,488,839 | 2,488,839 |
| Included in non-current liabilities | 10,333 | 138,810 | 149,143 |
| At 31 December 2016 | 10,333 | 2,627,649 | 2,637,982 |

Asset retirement obligations relate to certain assets held by certain Group's overseas subsidiaries that will require restoration at a future date that has been approximated to be equal to the end of the useful economic life of the assets. There are no expected reimbursements for these amounts.

"Other" includes provisions relating to certain indirect tax liabilities and other regulatory related items, including provisions relating to certain Group's overseas subsidiaries.



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## 26. Provision for end of service benefits

The liabilities recognised in the consolidated statement of financial position are:

| | 2016 AED'000 | 2015 AED'000 |
|---|---|---|
| Funded Plans | | |
| Present value of defined benefit obligations | 3,871,930 | 3,686,056 |
| Less: Fair value of plan assets | (3,689,908) | (3,266,580) |
| | 182,022 | 419,476 |
| Unfunded Plans | | |
| Present value of defined benefit obligations and other employee benefits | 1,454,938 | 1,491,004 |
| Total | 1,636,960 | 1,910,480 |

The movement in defined benefit obligations for funded and unfunded plans is as follows:

| | 2016 AED'000 | 2015 AED'000 |
|---|---|---|
| As at 1 January | 5,177,061 | 5,133,930 |
| Reclassified as held for sale (Note 34) | (2,631) | - |
| Service cost | 171,036 | 151,407 |
| Interest cost | 472,745 | 500,671 |
| Actuarial gain/(loss) | 9,106 | (654) |
| Remeasurements | (70,006) | 33,715 |
| Benefits paid | (492,621) | (436,562) |
| Gain and loss on settlement | 76,920 | - |
| Exchange difference | (14,742) | (205,446) |
| As at 31 December | 5,326,868 | 5,177,061 |

The movement in the fair value of plan assets is as follows:

| | 2016 AED'000 | 2015 AED'000 |
|---|---|---|
| As at 1 January | 3,266,580 | 3,089,390 |
| Interest income | 368,606 | 366,455 |
| Return on plan assets excluding amounts included in interest income | (61,077) | (73,257) |
| Contributions received | 422,578 | 257,586 |
| Benefits paid | (311,096) | (239,247) |
| Others | 5,538 | 2,547 |
| Exchange difference | (1,222) | (136,894) |
| As at 31 December | 3,689,907 | 3,266,580 |

The amount recognised in the statement of profit or loss is as follows:

| | 2016 AED'000 | 2015 AED'000 |
|---|---|---|
| Service cost | 170,730 | 151,407 |
| Net Interest cost | 103,764 | 135,927 |
| Others | 76,842 | (1,501) |
| | 351,336 | 285,833 |

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Notes to the consolidated financial statements for the year ended 31 December 2016

## 26. Provision for end of service benefits (continued)

Following are the significant assumptions used relating to the major plans

| | 2016 | 2015 |
|---|---|---|
| Discount rate | | |
| UAE | 3.13% | 2.50% |
| Pakistan | 9.5% - 11% | 9.5%- 11.5% |
| Morocco | 3.4% | 4.00% |
| Average annual rate of salary | | |
| UAE | 3.5% | 3.5% - 4% |
| Pakistan | 7% - 10% | 7% - 10% |
| Morocco | 4%-5% | 3%-5% |

Plan assets for funded plan are comprised as follows:

| | 2016 AED'000 | 2015 AED'000 |
|---|---|---|
| Debt instruments - unquoted | 3,154,439 | 2,564,547 |
| Cash and cash equivalents | 243,198 | 424,297 |
| Investment property | 285,388 | 284,173 |
| Fixed assets | 278 | 242 |
| Other assets | 59,469 | 747 |
| less: liabilities | (52,864) | (7,426) |
| | 3,689,908 | 3,266,580 |

Through its defined benefit pension plans, PTCL is exposed to a number of actuarial and investment risks, the most significant of which include, interest rate risk, property market risk, longetivity risk for pension plan and salary risk for all plans.

The expense recognised in profit or loss relating to defined contribution plan at the rate specified in the rules of the plans amounting to AED 170 million (2015: AED 132 million).

## 27. Share capital

| | 2016 AED'000 | 2015 AED'000 |
|---|---|---|
| Authorised: | | |
| 10,000 million (2015: 10,000 million) ordinary shares of AED 1 each | 10,000,000 | 10,000,000 |
| Issued and fully paid up: | | |
| 8,696.8 million (2015: 8,696.8 million) ordinary shares of AED 1 each | 8,696,754 | 8,696,754 |

At the extraordinary general meeting held on 24 March 2015, the shareholders approved the increase of the authorised share capital of Etisalat Group to AED 10 billion. The Company has amended the articles of association to reflect this increase. At the ordinary assembly meeting held on 24 March 2015, the shareholders approved the issue of one bonus shares for every ten shares held.



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## 28. Reserves

| The movement in the reserves is provided below: | 2016 AED'000 | 2015 AED'000 |
|---|---|---|
| As at 1 January | 27,583,414 | 27,440,371 |
| Total comprehensive income for the year | (2,593,846) | (738,270) |
| Transfer from retained earnings | 1,131,581 | 881,313 |
| As at 31 December | 26,121,149 | 27,583,414 |

| The movement for each type of reserves is provided below: | 2016 AED'000 | 2015 AED'000 |
|---|---|---|
| Translation reserve | | |
| As at 1 January | (3,590,118) | (2,734,834) |
| Total comprehensive income for the year | (2,643,247) | (855,284) |
| As at 31 December | (6,233,365) | (3,590,118) |
| Investment revaluation reserve | | |
| As at 1 January | 1,595 | (115,419) |
| Loss on revaluation | (142,520) | (162,874) |
| Reclassification adjustment relating to available-for-sale financial assets disposed during the year | (2,838) | (16,076) |
| Reclassification adjustment relating to available-for-sale financial assets impaired during the year | 194,759 | 295,964 |
| As at 31 December | 50,996 | 1,595 |
| Development reserve | | |
| As at 1 January and 31 December | 7,850,000 | 7,850,000 |
| Asset replacement reserve | | |
| As at 1 January | 8,190,286 | 8,166,000 |
| Transfer from retained earnings | 44,314 | 24,286 |
| As at 31 December | 8,234,600 | 8,190,286 |
| Statutory reserve | | |
| As at 1 January | 1,039,519 | 189,657 |
| Transfer from retained earnings | 1,102,077 | 849,862 |
| As at 31 December | 2,141,596 | 1,039,519 |
| General reserve | | |
| As at 1 January | 14,092,132 | 14,084,967 |
| Transfer (to)/from retained earnings | (14,810) | 7,165 |
| As at 31 December | 14,077,322 | 14,092,132 |

### a) Development reserve, asset replacement reserve and general reserve

These reserves are all distributable reserves and comprise amounts transferred from unappropriated profit at the discretion of the Group to hold reserve amounts for future activities including the issuance of bonus shares.

### b) Statutory reserve

In accordance with the UAE Federal Law No. 2 of 2015, and the respective Articles of Association of some of the Group's subsidiaries, 10% of their respective annual profits should be transferred to a non-distributable statutory reserve. The Company's share of the reserve has accordingly been disclosed in the consolidated statement of changes in equity.

### c) Translation reserve

Cumulative foreign exchange differences arising on the translation of overseas operations are taken to the translation reserve.

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Notes to the consolidated financial statements for the year ended 31 December 2016

## 29. Financial instruments

Details of the significant accounting policies and methods adopted (including the criteria for recognition, the basis of measurement and the bases of recognition of income and expenses) for each class of financial asset and financial liability are disclosed in Note 2.

### Capital management

The Group's capital structure is as follows:

| | 2016 AED'000 | 2015 AED'000 |
|---|---|---|
| Bank borrowings | (7,156,302) | (6,567,142) |
| Bonds | (14,217,614) | (14,608,777) |
| Other borrowings | (904,724) | (904,243) |
| Finance lease obligations | (10,417) | (18,004) |
| Cash and bank balances | 23,676,170 | 21,422,354 |
| Net funds | 1,387,113 | (675,812) |
| Total equity | 55,914,778 | 59,672,832 |

The capital structure of the Group consists of bonds, bank and other borrowings, finance lease obligations, cash and bank balances and total equity comprising share capital, reserves and retained earnings.

The Group monitors the balance between equity and debt financing and establishes internal limits on the maximum amount of debt relative to earnings. The limits are assessed, and revised as deemed appropriate, based on various considerations including the anticipated funding requirements of the Group and the weighted average cost of capital. The overall objective is to maximise returns to its shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

### Categories of financial instruments

| The Group's financial assets and liabilities consist of the following: | 2016 AED'000 | 2015 (Restated) AED'000 |
|---|---|---|
| Financial assets | | |
| Loans and receivables, held at amortised cost: | | |
| Loans due from associates and joint ventures | 582,871 | 1,798,688 |
| Trade and other receivables, excluding prepayments | 18,380,706 | 16,953,119 |
| | 18,963,577 | 18,751,807 |
| Available-for-sale financial assets (including other investments held for sale) | 482,387 | 576,008 |
| Fair value through profit or loss | 48,183 | 33,025 |
| Held-to-maturity investments | 348,637 | 203,305 |
| Cash and bank balances | 23,676,170 | 21,422,354 |
| Derivative financial instruments | 331,313 | 675,412 |
| | 43,850,267 | 41,661,911 |
| Financial liabilities | | |
| Other financial liabilities held at amortised cost: | | |
| Trade and other payables, excluding deferred revenue | 30,227,256 | 30,513,225 |
| Borrowings | 22,278,640 | 22,080,162 |
| Payables related to investments and licenses | 3,798,295 | 3,906,808 |
| Finance lease obligations | 10,417 | 18,004 |
| | 56,314,608 | 56,518,199 |



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## 29. Financial instruments (continued)

### Financial risk management objectives

The Group's corporate finance function monitors the domestic and international financial markets relevant to managing the financial risks relating to the operations of the Group. Any significant decisions about whether to invest, borrow funds or purchase derivative financial instruments are approved by either the Board of Directors or the relevant authority of either the Group or of the individual subsidiary. The Group's risk includes market risk, credit risk and liquidity risk.

The Group takes into consideration several factors when determining its capital structure with the aim of ensuring sustainability of the business and maximizing the value to shareholders. The Group monitors its cost of capital with a goal of optimizing its capital structure. In order to do this, the Group monitors the financial markets and updates to standard industry approaches for calculating weighted average cost of capital, or WACC. The Group also monitors a net financial debt ratio to obtain and maintain the desired credit rating over the medium term, and with which the Group can match the potential cash flow generation with the alternative uses that could arise at all times. These general principles are refined by other considerations and the application of specific variables, such as country risk in the broadest sense, or the volatility in cash flow generation, or the applicable tax rules, when determining the Group's financial structure.

### a) Market risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates, interest rates and price risks on equity investments. From time to time, the Group will use derivative financial instruments to hedge its exposure to currency risk. There has been no material change to the Group's exposure to market risks or the manner in which it manages and measures the risk during the year.

### Foreign currency risk

The Company's presentation/functional currency is United Arab Emirates Dirham ("AED"). Foreign currency risk arises from transactions denominated in foreign currencies and net investments in foreign operations.

The Group has foreign currency transactional exposure to exchange rate risk as it enters into contracts in other than the functional currency of the entity (mainly USD and Euro). The Group entities also enter into contract in it's functional currencies including Nigerian Naira, Egyptian Pounds, Pakistani Rupee, Sri Lankan Rupee, Afghani, and Moroccan Dirham. Etisalat UAE also enters into contracts in USD which is pegged to AED. Atlantique Telecom Group enters into Euros contracts as CFA is pegged to Euro and Maroc Telecom also enters into Euro contracts as Moroccan Dirham is 60% pegged to Euro. The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risk, including forward foreign exchange contracts, interest rate swaps and cross currency swaps.

In addition to transactional foreign currency exposure, a foreign currency exposure arises from net investments in the Group entities whose functional currency differs from the Group's presentation currency (AED). The risk is defined as the risk of fluctuation in spot exchange rates between the functional currency of the net investments and the Group's presentation currency. This will cause the amount of the net investment to vary. Such a risk may have a significant impact on the Group's consolidated financial statements.

This translation risk does not give rise to a cash flow exposure. Its impact arises only from the translation of the net investment into the group's presentation currency. This procedure is required in preparing the Group's consolidated financial statements as per the applicable IFRS.

The cross currency swaps involve the exchange of principal and floating or fixed interest receipts in the foreign currency in which the issued bonds are denominated, for principal and floating or fixed interest payments in the Company's functional currency. The fair value of a cross currency is determined using standard methods to value cross currency swaps and is the estimated amount that the swap contract can be exchanged for or settled with under normal market conditions. The key inputs are the yield curves, basis curves and foreign exchange rates. In accordance with the fair value hierarchy within IFRS 7 Financial Instruments: Disclosure, the fair value of cross currency swaps represent Level 2 fair values.

### Foreign currency sensitivity

The following table presents the Group's sensitivity to a 10 per cent change in the Dirham against the Egyptian Pound, the Euro, the Pakistani Rupees, Moroccan Dirham and Central African Franc. These five currencies account for a significant portion of the impact of net profit, which is considered to materially occur through cash and borrowings within the Group's financial statements in respect of subsidiaries and associates whose functional currency is not the Dirham. The impact has been determined by assuming a weakening in the foreign currency exchange of 10% upon closing foreign exchange rates. A positive number indicates an increase in the net cash and borrowings balance if the AED/USD were to strengthen against the foreign currency.

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## 29. Financial instruments (continued)

### Foreign currency sensitivity (continued)

| | 2016 AED'000 | 2015 AED'000 |
|---|---|---|
| **Increase/decrease in profit/(loss) and in equity** | | |
| Egyptian pounds | 90,168 | 41,507 |
| Euros | 906,659 | 970,526 |
| Pakistani rupees | 21,062 | (1,802) |
| Morroccon Dirhams | 252,476 | 195,230 |
| Central African Franc | 32,523 | - |

### Interest rate risk

The Group is exposed to interest rate risk as entities in the Group borrow funds at both fixed and floating interest rates. The Group monitors the market interest rates in comparison to its current borrowing rates and determines whether or not it believes it should take action related to the current interest rates. This includes a consideration of the current cost of borrowing, the projected future interest rates, the cost and availability of derivate financial instruments that could be used to alter the nature of the interest and the term of the debt and, if applicable, the period for which the interest rate is currently fixed.

### Interest rate sensitivity

Based on the borrowings outstanding at 31 December 2016, if interest rates had been 2% higher or lower during the year and all other variables were held constant, the Group's net profit and equity would have decreased or increased by AED 79 million (2015: AED 70 million). This impact is primarily attributable to the Group's exposure to interest rates on its variable rate borrowings.

### Other price risk

The Group is exposed to equity price risks arising from its equity investments. Equity investments are held for strategic rather than trading purposes. The Group does not actively trade these investments. See Note 15 for further details on the carrying value of these investments.

If equity price had been 5% higher or lower:

- profit for the year ended 31 December 2016 would increase/decrease by AED 15 million (2015: 19 million) due to loss/profit realised on impairment/disposal of investments in available-for-sale shares
- other comprehensive income for the year ended 31 December 2016 would increase/decrease by AED 9.7 million (2015: increase/decrease by AED 15 million) as a result of the changes in fair value of available-for-sale shares.

### b) Credit risk management

Credit risk refers to the risk that the counterparty will default on its contractual obligations resulting in financial loss to the Group and arises principally from the Group's bank balances and trade and other receivables. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group's exposure and the credit ratings of its counterparties are monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

For its surplus cash investments, the Group considers various factors in determining with which banks and /corporate to invest its money including but not limited to the financial health, Government ownership (if any), the rating of the bank by rating agencies The assessment of the banks and the amount to be invested in each bank is assessed annually or when there are significant changes in the marketplace.

| Group's bank balance | 2016 | 2015 |
|---|---|---|
| Investment in UAE | 88% | 83% |
| Investment outside of the UAE | 12% | 17% |



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Notes to the consolidated financial statements for the year ended 31 December 2016

## 29. Financial instruments (continued)

### b) Credit risk management (continued)

| Bank rating for Investment in UAE | 2016 AED | 2016 Rating | 2015 AED | 2015 Rating |
|---|---|---|---|---|
| By Moody's | 4.0 billion | A1 | 5.2 billion | Baa1 |
| | 4.1 billion | Aa3 | 4.1 billion | A2 |
| | 2.0 billion | Baa1 | - | - |
| | 1.9 billion | A2 | - | - |
| By S&P | 2.6 billion | BBB+ | 3.0 billion | BBB+ |

The Group's trade receivables consist of a large number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable and, where appropriate, collateral is received from customers usually in the form of a cash deposit.

The carrying amount of financial assets recorded in the consolidated financial statements, net of any allowances for losses, represents the Group's maximum exposure to credit risk without taking account of the value of any collateral obtained.

### c) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. The details of the available undrawn facilities that the Group has at its disposal at 31 December 2016 to further reduce liquidity risk is included in Note 21. The majority of the Group's financial liabilities as detailed in the consolidated statement of financial position are due within one year.

### Financial liabilities are repayable as follows:

| AED'000 | Trade and other payables, excluding deferred revenue | Borrowings | Payables related to investments and licenses | Finance lease obligations | Total |
|---|---|---|---|---|---|
| On demand or within one year | 28,668,707 | 4,074,738 | 3,255,327 | 5,512 | 36,004,284 |
| In the second year | 637,501 | 1,228,152 | 200,098 | 4,905 | 2,070,656 |
| In the third to fifth years inclusive | 820,039 | 9,675,923 | 140,088 | - | 10,636,050 |
| After the fifth year | 101,009 | 7,299,827 | 202,782 | - | 7,603,618 |
| **As At 31 December 2016** | **30,227,256** | **22,278,640** | **3,798,295** | **10,417** | **56,314,608** |
| On demand or within one year | 28,981,386 | 4,199,637 | 3,213,147 | 7,070 | 36,401,240 |
| In the second year | 883,124 | 2,246,354 | 206,250 | 10,934 | 3,346,662 |
| In the third to fifth years inclusive | 527,319 | 4,130,718 | 248,293 | - | 4,906,330 |
| After the fifth year | 121,396 | 11,503,453 | 239,118 | - | 11,863,967 |
| **As At 31 December 2015 (Restated)** | **30,513,225** | **22,080,162** | **3,906,808** | **18,004** | **56,518,199** |

The above table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

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Emirates Telecommunications Group Company PJSC
Notes to the consolidated financial statements for the year ended 31 December 2016

## 29. Financial instruments (continued)

d) Fair value measurement of financial assets and liabilities

Fair value hierarchy as at 31 December 2016

| | Level 1 AED'000 | Level 2 AED'00 | Level 3 AED'000 | Total AED'000 |
|---|---|---|---|---|
| Financial assets | | | | |
| Derivative financial assets | - | 331,313 | - | 331,313 |
| Other Investments | 454,323 | - | 424,884 | 879,207 |
| | 454,323 | 331,313 | 424,884 | 1,210,520 |
| Financial liabilities | | | | |
| Borrowings | - | 22,601,900 | - | 22,601,900 |
| | - | 22,601,900 | - | 22,601,900 |

Fair value hierarchy as at 31 December 2015

| | Level 1 AED'000 | Level 2 AED'00 | Level 3 AED'000 | Total AED'000 |
|---|---|---|---|---|
| Financial assets | | | | |
| Derivative financial assets | - | 675,412 | - | 675,412 |
| Other Investments | 578,554 | - | 233,784 | 812,338 |
| | 578,554 | 675,412 | 233,784 | 1,487,750 |
| Financial liabilities | | | | |
| Borrowings | - | 21,978,068 | - | 21,978,068 |
| Derivative financial liabilities | - | 1,607 | - | 1,607 |
| | - | 21,979,675 | - | 21,979,675 |

Level 1 classification comprises financial instruments where fair value is determined by unadjusted quoted prices in active markets for identical assets or liabilities. Level 2 classification comprises items where fair value is determined from inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly. Level 3 classification comprises unobservable inputs.

Some of the Group's financial assets and liabilities are measured at fair value or for which fair values are disclosed. Information on how these fair values are determined are provided below:

- Borrowings are measured and recorded in the consolidated statement of financial position at amortised cost and their fair values are disclosed in Note 21.
- Derivative financial instrument fair values are present values determined from future cash flows discounted at rates derived from market sourced data.
- Listed securities and Sukuk are classified as available for sale financial assets and held to maturity investments respectively and their fair values are derived from observable quoted market prices for similar items. These represent Level 1 fair values. Unquoted equity securities represent Level 3 fair values Details are included in note 15 "Other investments".

The carrying amounts of the other financial assets and liabilities recorded in the consolidated financial statements approximate their fair values.

The fair value of the Group's investment property for an amount of AED 50.3 million (2015: AED 72.2 million) has beenzdetermined based on the Construction Replacement Cost Approach (Cost approach), which reflects the amount that would be required currently to replace the service capacity of the asset. The construction replacement cost of the asset was determined with reference to Turner International Construction Index. Accordingly, the fair value is classified as level 3 of the fair value hierarchy.

The fair value of other investments amounting to AED 424 million (2015: AED 234 million) are classified as Level 3 because the investments are not listed and there are no recent arm's length transactions in the shares. The valuation technique applied is internaly prepared valuation models using future cash flows discounted at average market rates. Any significant change in these inputs would change the fair value of these investments.

There have been no transfers between Level 2 and 3 during the year.

The fair values of the financial assets and financial liabilities included in the level 2 and level 3 categories above have been determined in accordance with generally accepted pricing models based on cash flows discounted at rates derived from market sourced data.



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Emirates Telecommunications Group Company PJSC
Notes to the consolidated financial statements for the year ended 31 December 2016

## 29. Financial instruments (continued)

d) Fair value measurement of financial assets and liabilities (continued)

| Reconciliation of Level 3 | 2016 AED'000 | 2015 AED'000 |
|---|---|---|
| As at 1 January | 233,784 | 230,840 |
| Additions | 991,138 | 29,991 |
| Foreign exchange difference | (463,851) | (11,440) |
| Disposal | (340,150) | (16,409) |
| Revaluation | 6,462 | - |
| Other movement | 153 | 802 |
| As at 31 December | 427,536 | 233,784 |

## 30. Commitments

a) Capital commitments

The Group has approved future capital projects and investments commitments to the extent of AED 5,711 million (2015: AED 5,105 million).

b) Operating lease commitments

i) The Group as lessee

| | 2016 AED'000 | 2015 AED'000 |
|---|---|---|
| Minimum lease payments under operating leases recognised as an expense in the year (Note 5) | 441,051 | 468,107 |

At the end of the reporting period, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

| | 2016 AED'000 | 2015 AED'000 |
|---|---|---|
| Within one year | 251,241 | 297,436 |
| Between 2 to 5 years | 661,306 | 1,104,972 |
| After 5 years | 520,404 | 1,019,504 |
| | 1,432,951 | 2,421,912 |

Operating lease payments represent rentals payable by the Group for certain of its office and retail properties. Leases are negotiated for an average term of one to ten years.

ii) The Group as lessor

Property rental income earned during the year was AED 18 million (2015: AED 16 million). All of the properties held have committed tenants for the next 5 years.

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments:

| | 2016 AED'000 | 2015 AED'000 |
|---|---|---|
| Within one year | 18,516 | 7,551 |
| Between 2 to 5 years | 284 | 7,400 |
| | 18,800 | 14,951 |

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Emirates Telecommunications Group Company PJSC
Notes to the consolidated financial statements for the year ended 31 December 2016

## 31. Contingent liabilities

### a) Bank guarantees

| | 2016 AED million | 2015 AED million |
|---|---|---|
| i) Performance bonds and guarantees in relation to contracts | 876 | 1,403 |
| ii) Companies Overseas investments | 1,080 | 1,299 |

### b) Foreign exchange regulations

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

### c) Other contingent liabilities

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

ii) The Honorable Supreme Court of Pakistan has dismissed on 12th June, 2015 appeals made by PTCL, a subsidiary of the group, and Pakistan Telecommunication Employees Trust ("PTET") who is managing the PTCL employee's pension fund, in various court matters related to certain employees' rights under the PTCL Pension scheme. Based on the directives contained in the said order and the pertinent legal provisions, the Group is evaluating the extent of its responsibility vis-à-vis such order. PTCL and PTET have filed a review petition before the Supreme Court. A full bench of the Honorable Supreme Court has not yet started conducting hearings into this Review Petition and consequently, a decision has not been made to date. Under the circumstances, the Group is of the view that it is not possible at this stage to ascertain the financial obligations, if any, flowing from the Honorable Supreme Court decision which could be disclosed in these consolidated financial statements. In the meanwhile, PTET has issued notices to prospective beneficiaries for the determination of their entitlements. Further, through a separate order dated 27 May 2016, the Honorable Lahore High Court decided that the pensioners who availed Voluntary Separation Scheme package are not entitled to pension increases announced by the Government of Pakistan.

iii) The Group's associate, Etisalat Etihad Company (Mobily) has received several penalty resolutions from the Communication Information Technology Commission (CITC's) Violation Committee which Mobily has opposed in accordance with the Telecom regulations.

Multiple lawsuits were filed by Mobily against CITC at the Board of Grievances to oppose such resolutions of the CITC's committee in accordance with the Telecom regulations. The status of these lawsuits as at 31 December 2016 was as follows:

- There are 355 lawsuits filed by Mobily against CITC amounting to Saudi Riyals 647 million (AED 633 million);
- The Board of Grievance has issued 173 preliminary verdicts in favor of Mobily voiding 173 resolutions of the CITC's violation committee with total penalties amounting to Saudi Riyals 447 million (AED 438 million); and
- Some of these preliminary verdicts have become conclusive (after they were affirmed by the appeal court) resulting in cancellation of penalties with a total amount of Saudi Riyals 375 million (AED 367 million).

Mobily received additional claims from CITC during 2016 and has reassessed the provisions required against the claims as at the year ended 31 December 2016 and has recorded an appropriate estimate of the amount that it may ultimately have to pay to settle such claims.

Furthermore, there were 167 lawsuits filed by a number of shareholders against Mobily before the Committee for the Resolutions of Security Disputes (CRSD) and which are currently being adjudicated by the said committee. Mobily received final verdict on 87 of these cases in its favour whilst 20 decisions were appealed and the Appeals Committee of the CRSD redirected that the lower bench of the CRSD review such cases taking into account the role of Mobily as a Company and that of its management. Mobily management and Directors are currently evaluating the implications of the appeal decisions arising from the 20 cases reviewed and believe that the likelihood of additional material liabilities arising from these lawsuits is not probable from the 87 cases finally determined so far.



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Emirates Telecommunications Group Company PJSC
Notes to the consolidated financial statements for the year ended 31 December 2016

## 31. Contingent liabilities (continued)

### c) Other contingent liabilities (continued)

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

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

iv) The Company is required to pay the UAE Telecommunication Regulatory Authority (TRA) 1% of its regulated revenues generated in the UAE annually as regulatory expenses towards ICT contributions. The cumulative difference between the amount being claimed by TRA and the amount settled by the Company is approximately around AED 1,598 million as of 31 December 2016 (2015: AED 1,301 million). The cumulative difference is mainly due to the claim of the TRA on non-regulated revenues in the UAE and consolidated revenues in international markets.

v) 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). Certain local courts have considered that this award is enforceable against the Group's assets in other jurisdictions. SARCI has started execution proceedings in Benin and other African countries which with the exception of Togo were denied or have been stalled by the local Courts. Execution measures were allowed by a first instance court in Togo but have been appealed and suspended. On the substance of the award itself, Atlantique Telecom has initiated legal proceedings before the Appeal Court of Cotonou in order to obtain the cancellation of the award of this third arbitration process and the suspension of any execution thereof. The court decision on the request for stay of execution and for cancellation of the award of this arbitration, which was initially due on 26 October 2016, was postponed several times and the file was finally transferred to the Constitutional Court following a request of SARCI for unconstitutionality of the proceedings. Next hearing before The Court of Appeal is now scheduled for 22 March 2017.

vi) In April 2016, Etisalat Misr received notice of arbitration proceedings initiated by Vodafone Egypt Telecommunication Company (Vodafone). Vodafone is seeking to recover outstanding interconnection fees payable as a result of principle set by Court's decision nullifying the National Telecommunication Regulatory Authority (NTRA) set tariffs imposed on operators plus interest dues. The arbitration proceedings are still in preliminary stages. Given the early stages of this arbitration and based on the submitted arguments and supported documents presented, management believes that the recorded interconnection transactions have been fairly recognized in the consolidated financial statements as at 31 December 2016.

## 32. Dividends

Amounts recognised as distribution to equity holders:

| | AED'000 |
|---|---|
| **31 December 2015** | |
| Final dividend for the year ended 31 December 2014 of AED 0.35 per share | 2,765,954 |
| Interim dividend for the year ended 31 December 2015 of AED 0.40 per share | 3,477,198 |
| | 6,243,152 |
| **31 December 2016** | |
| Final dividend for the year ended 31 December 2015 of AED 0.40 per share | 3,477,198 |
| Interim dividend for the year ended 31 December 2016 of AED 0.40 per share | 3,477,198 |
| | 6,954,396 |

A final dividend of AED 0.40 per share was declared by the Board of Directors on 9 March 2016, bringing the total dividend to AED 0.80 per share for the year ended 31 December 2015.

An interim dividend of AED 0.40 per share was declared by the Board of Directors on 27 July 2016 for the year ended 31 December 2016.

A final dividend of AED 0.40 per share was declared by the Board of Directors on 8 March 2017, bringing the total dividend to AED 0.80 per share for the year ended 31 December 2016.

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Notes to the consolidated financial statements for the year ended 31 December 2016

## 33. Earnings per share

| | 2016 | 2015 |
|---|---|---|
| Earnings (AED'000) | | |
| Earnings for the purposes of basic earnings per share being the profit attributable to the equity holders of the Company | 8,421,185 | 8,262,756 |
| Number of shares ('000) | | |
| Weighted average number of ordinary shares for the purposes of basic earnings per share | 8,696,754 | 8,696,754 |
| Earnings per share | | |
| From continuing and discontinuing operations | | |
| Basic and diluted | AED 0.97 | AED 0.95 |
| From continuing operations | | |
| Basic and diluted | AED 1.02 | AED 0.98 |

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

### 34.1 Disposal of Canar Telecommunications Co. Limited ("Canar")

On 2 May 2016, the Group and The Sudanese Mobile Telecom (Zain) Company Limited ("Zain Sudan") signed a Share Purchase Agreement for the sale of the Group's 92.3% shareholding in Canar. Under the terms of the Share Purchase Agreement, the Group would have received a total cash consideration upon completion of the transaction of AED 349.6 million, implying a price per share of AED 17.504.

Further to the announcement on 2 May 2016, the Bank of Khartoum, an existing shareholder in Canar with a 3.7% shareholding, exercised its Right of First Refusal with regards to the sale by the Group of its shareholding in Canar to Zain Sudan.

On 13 June 2016, the Group and Bank of Khartoum signed definitive documentation for the purchase of the Group's 92.3% shareholding in Canar.

The Group completed the sale of its 92.3% shareholding in Canar to Bank of Khartoum on 7 August 2016 after securing all regulatory approvals from the Sudanese National Telecommunications Corporation and the Sudanese competition authorities. The final consideration received in return for the Group's shareholding amounted to AED 349.6 million.

### 34.2 Disposal of Zanzibar Telecom Limited ("Zantel")

On 3 June 2014, the directors approved a plan to dispose of the Group's interest in Zanzibar Telecom Limited (Zantel), one of the Group's overseas subsidiaries. The disposal is in line with the Group's strategy to optimise its returns on investments in the international segment. Further, on 4 June 2015, the Group signed a Share Purchase Agreement with Millicom International Cellular SA ("Millicom") for the sale of the Group's 85% interest in Zantel. Under the terms of the agreement, the Group will receive cash consideration of USD 1 and Millicom will assume the net liabilities in the books of Zantel. On 22 October 2015, the Group completed the sale of its 85% shareholdings in Zantel to Millicom after securing all regulatory approvals from the Tanzanian Communication Regulatory Authority and the Fair Competition Commission. The calculation of the profit or loss on disposal, are disclosed in note 35.

### 34.3 Plan to dispose one of its subsidiary

During the year, the directors approved a plan to dispose of the Group's interest in one of the subsidiaries of the group. The disposal is in line with the Group's strategy to optimise its returns on investments in the international segment. The Group is currently in negotiation with some potential buyers.





Emirates Telecommunications Group Company PJSC
Notes to the consolidated financial statements for the year ended 31 December 2016

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

### 34.3 Plan to dispose one of its subsidiary (continued)

The results of operations included in the profit for the year from discontinued operations are set out below:

### 34.4 Analysis of loss for the year from discontinued operations

The combined results of the discontinued operations included in the profit for the year are set out below. The comparative loss and cash flows from discontinued operations have been re-presented to include those operations classified as discontinued in the current year.

| | Note | 2016 AED'000 | 2015 (Restated) AED'000 |
|---|---|---|---|
| Revenue | | 530,455 | 874,496 |
| Operating expenses | | (588,873) | (1,176,835) |
| Impairment and other losses | | - | (1,581) |
| Operating losses | | (58,418) | (303,920) |
| Finance and other income | | 2,671 | 10,023 |
| Finance costs | | (18,430) | (37,279) |
| Loss before tax | | (74,177) | (331,176) |
| Taxation | | (8,605) | (26,328) |
| | | (82,782) | (357,504) |
| (Losses)/gains on disposal of operation including cumulative exchange (losses)/gains reclassified from foreign translation reserve to profit or loss | 35 | (349,129) | 39,029 |
| Loss for the year from discontinued operations | | (431,911) | (318,475) |

At 31 December 2016 the disposal group comprised the following assets and liabilities :

| Assets classified as held for sale | 2016 AED'000 | 2015 AED'000 |
|---|---|---|
| Goodwill | 206,122 | - |
| Other intangible assets | 26,416 | 73,617 |
| Property, plant and equipment | 559,638 | 119,221 |
| Deferred tax assets | 68,491 | - |
| Inventories | 1,645 | 1,262 |
| Trade and other receivables | 103,625 | 330,861 |
| Cash and cash equivalents | 27,726 | 87,269 |
| Assets classified as held for sale | 993,663 | 612,230 |

| Liabilities classified as held for sale | 2016 AED'000 | 2015 AED'000 |
|---|---|---|
| Trade and other payables | 204,251 | 288,455 |
| Borrowings | 96,626 | - |
| Provision for end of service benefits | 2,631 | - |
| Provision | 15,614 | 2,697 |
| Deferred tax liabilities | 67,201 | - |
| Finance lease obligation | 9,952 | - |
| Liabilities associated with assets classified as held for sale | 396,275 | 291,152 |
| Net assets classified as held for sale | 597,388 | 321,078 |

| Cash flows from discontinued operations | 2016 AED'000 | 2015 (Restated) AED'000 |
|---|---|---|
| Net cash inflows from operating activities | 197,303 | 149,909 |
| Net cash outflows from investing activities | (101,212) | (80,902) |
| Net cash outflows from financing activities | (190,105) | (37,043) |
| Net cash (outflows) / inflows | (94,014) | 31,964 |

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.

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## 35. Disposal of Subsidiaries

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

On 22 October 2015, the Group disposed of Zanzibar Telecom Limited (Zantel) for a consideration of US$ 1.

### 35.1 Consideration received

| | 2016 AED'000 | 2015 AED'000 |
|---|---|---|
| Total consideration received | 349,589 | - |

### 35.2 Analysis of assets and liabilities over which control was lost

| Assets | 2016 AED'000 | 2015 AED'000 |
|---|---|---|
| Goodwill | - | 44,896 |
| Other intangible assets | 73,091 | 60,385 |
| Property, plant and equipment | - | 169,833 |
| Other investments | - | 2,890 |
| Inventories | 547 | 6,799 |
| Trade and other receivables | 412,609 | 83,542 |
| Cash and cash equivalents | 70,556 | 12,149 |
| | 556,803 | 380,494 |

| Liabilities | 2016 AED'000 | 2015 AED'000 |
|---|---|---|
| Trade and other payables | 332,972 | 227,973 |
| Borrowings | - | 211,950 |
| Provision for end of service benefits | - | 1,748 |
| Asset retirement obligations | 3,456 | - |
| | 336,428 | 441,671 |
| Net assets/(liabilities) | 220,375 | (61,177) |

### 35.3 (Loss) / Gain on disposal of subsidiaries

| | 2016 AED'000 | 2015 AED'000 |
|---|---|---|
| Consideration received | 349,589 | - |
| Other cost | - | (69,691) |
| Net (assets) / liabilities disposed of | (220,375) | 61,177 |
| Non controlling Interest | 27,477 | (115,450) |
| Cumulative exchange (loss) / gain in respect of the net assets of the subsidiary reclassified from equity to profit or loss on loss of control of subsidiaries | (505,820) | 162,993 |
| (Loss) / gain on disposal | (349,129) | 39,029 |

The (loss) / gain on disposal is included in the loss for the period from discontinued operations (see note 34).



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## 35. Disposal of Subsidiaries (continued)

### 35.4 Net cash inflow on disposal of subsidiaries

| | 2016 AED'000 | 2015 AED'000 |
|---|---|---|
| Consideration received in cash and cash equivalents | 349,589 | - |
| Less: cash and cash equivalent balances disposed of | (70,556) | (22,756) |
| | 279,033 | (22,756) |

## 36. Other significant event

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

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

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

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## 37. Offsetting financial assets and financial liabilities

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position when, and only when, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously. The criteria of legal enforceable right of set-off should be applicable in the normal course of business, in the event of default and in the event of insolvency or bankruptcy of the entity and all of the counterparties.

The following table presents the recognised financial assets and liabilities that are offset, as at 31 December 2016 and 31 December 2015.

| | Gross amounts | Gross amounts set off | Net amount presented |
|---|---|---|---|
| | 2016 AED'000 | 2016 AED'000 | 2016 AED'000 |
| **Financial assets** | | | |
| Amounts due from other telecommunication administators | 12,500,362 | (6,090,830) | 6,409,532 |
| **Financial liabilities** | | | |
| Amounts due to other telecommunication administrators | 11,341,793 | (6,090,830) | 5,250,963 |

| | Gross amounts | Gross amounts set off | Net amount presented |
|---|---|---|---|
| | 2015 AED'000 | 2015 AED'000 | 2015 AED'000 |
| **Financial assets** | | | |
| Amounts due from other telecommunication administators | 12,354,739 | (6,265,012) | 6,089,727 |
| **Financial liabilities** | | | |
| Amounts due to other telecommunication administrators | 10,643,905 | (6,265,012) | 4,378,893 |



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## 38. Restatement and reclassification of comparative figures

The prior year figures were adjusted for the below items:

1. To conform with current year presentation of the results from discontinued operations.
2. Offset and reversal of balances payable to telecom administrators amounting to AED 934 million and AED 417 million respectively.
3. Alignment of accounting policies of an equity accounted investee with the Group's accounting policy.

| | As previously reported | Adjustments for a subsidiary classified as held for sale | As restated |
|---|---|---|---|
| | AED'000 | AED'000 | AED'000 |
| **Consolidated statement of profit or loss for the year ended 31 December 2015** | | | |
| **Revenue** | 51,737,018 | (408,099) | 51,328,919 |
| Operating expenses | (33,048,845) | 475,932 | (32,572,913) |
| Impairment and other losses | (995,330) | 1,581 | (993,749) |
| Share of results of associates and joint ventures | (315,929) | - | (315,929) |
| **Operating profit before federal royalty** | 17,376,914 | 69,414 | 17,446,328 |
| Federal royalty | (6,054,976) | - | (6,054,976) |
| **Operating profit** | 11,321,938 | 69,414 | 11,391,352 |
| Finance and other income | 916,078 | (34,840) | 881,238 |
| Finance and other costs | (1,212,177) | 28,063 | (1,184,114) |
| **Profit before tax** | 11,025,839 | 62,637 | 11,088,476 |
| Taxation | (1,277,590) | 18,507 | (1,259,083) |
| **Profit for the year from continuing operations** | 9,748,249 | 81,144 | 9,829,393 |
| Loss from discontinued operations | (237,331) | (81,144 ) | (318,475) |
| **Profit for the year** | 9,510,918 | - | 9,510,918 |
| Profit attributable to: | | | |
| The equity holders of the Company | 8,262,756 | - | 8,262,756 |
| Non-controlling interests | 1,248,162 | - | 1,248,162 |
| | 9,510,918 | - | 9,510,918 |

# financials

Emirates Telecommunications Group Company PJSC
Notes to the consolidated financial statements for the year ended 31 December 2016

## 38. Restatement and reclassification of comparative figures (continued)

| Consolidated statement of financial position as at 31 December 2015 | As previously reported AED'000 | Alignment of accounting policies of equity accounted investee AED'000 | Adjustments to balances held with telecom administrators AED'000 | Reversal of balances payable to telecom administrators AED'000 | As restated AED'000 |
|---|---|---|---|---|---|
| Non-current assets | | | | | |
| Investments in associates and joint ventures | 4,648,888 | (119,914) | - | - | 4,528,974 |
| Current assets | | | | | |
| Trade and other receivables | 18,215,158 | - | (933,570) | 24,346 | 17,305,934 |
| Current liabilities | | | | | |
| Trade and other payables | 32,685,713 | - | (933,570) | (393,300) | 31,358,843 |
| Equity | | | | | |
| Retained earnings | 7,208,883 | (119,914) | - | 417,647 | 7,506,616 |
| Consolidated statement of financial position as at 31 December 2014 | | | | | |
| Non-current assets | | | | | |
| Investments in associates and joint ventures | 4,969,044 | (119,914) | - | - | 4,849,130 |
| Current assets | | | | | |
| Trade and other receivables | 17,318,579 | - | (417,028) | 41,560 | 16,943,111 |
| Current liabilities | | | | | |
| Trade and other payables | 30,770,852 | - | (417,028) | (376,087) | 29,977,737 |
| Equity | | | | | |
| Retained earnings | 6,873,841 | (119,914) | - | 417,647 | 7,171,574 |

## 39. Subsequent events

i) Subsequent to year end, the Group has signed a new Shareholders Agreement with the other two shareholders in EMTS Holding BV, established in the Netherlands. As a result, the Group's voting rights in EMTS Holding BV has decreased to 25% through issuance of a new class of preferential shares in EMTS Holding BV while increasing its stake in the ordinary shares to 45% through issuance of new ordinary shares by partial conversion of shareholders loans into equity. The shareholders of EMTS Holding BV also agreed to waive all the remaining outstanding shareholders loans. (Refer to note 16 (b)).

ii) 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. According to the new scheme, the Group will pay 15 % royalty fees on the UAE regulated revenue and 30% royalty fees on profit generated from the regulated services after deduction of the 15% royalty fees on the UAE regulated revenue. Royalty fees on profits from international operations shall be considered only if similar fees paid in the country of origin are less than the fees that could have been imposed in the UAE.

iii) Subsequent to the reporting period, the Group signed a Technical Services and Support Agreement with Mobily. This agreement is for a period of five years and subject to approval of Mobily's General Assembly. (Refer to note 16 (b)).



# Notice for General Assembly Meeting

The Board of Directors of Emirates Telecommunications Group Company PJSC ("Etisalat Group") has the pleasure to invite the esteemed shareholders to attend the Company's General Assembly Meeting to be held at 4:30 p.m. on Sunday, 9th April 2017, at Etisalat Group's Head Office building located at the intersection of Sheikh Zayed 1st Street and Sheikh Rashid Bin Saeed Al Maktoum Street in Abu Dhabi, to discuss the following agenda:

1. To hear and approve the report of the Board of Directors on the Company's activities and its financial position for the financial year ended 31st December 2016.
2. To hear and approve the External Auditor's report for the financial year ended 31st December 2016.
3. To discuss and approve the Company's consolidated financial statements for the financial year ended 31st December 2016.
4. To consider the Board of Directors' recommendation regarding the distribution of dividends amounting to 40 Fils per share for the second half of the year 2016 and to approve the interim dividends amounting to 40 Fils per share which were distributed for the first half of the year 2016 by virtue of the Board resolution passed in its meeting held on 27th July 2016 to bring the total dividend pay out per share for the financial year ended 31st December 2016 to 80 Fils per share (80% of the nominal value of the share).
5. To absolve the Members of the Board of Directors from liability for the financial year ended 31st December 2016.
6. To absolve the External Auditors from liability for the financial year ended 31st December 2016.
7. To appoint the External Auditors for the year 2017 and to determine their fees.
8. To approve the proposal concerning the remunerations of the Board Members for the financial year ended 31st December 2016.
9. To pass a special resolution on approving a budget of not more than 1% of the Company's average net profits of the last two years (2015-2016) for voluntary contributions to the community (Corporate Social Responsibility), and to authorize the Board of Directors to effect payments of such contributions to beneficiaries to be determined at its own discretion.

Notes:

1. Each shareholder is entitled to attend or to delegate a proxy who is not a Board Member to attend at the Annual General Assembly Meeting on his/her behalf by virtue of a written special authorization made pursuant to the delegation form attached with the invitation dispatched by mail. All delegation forms shall be submitted to the Securities Department of the National Bank of Abu Dhabi, P.O. Box 6865-Abu Dhabi, latest by 4th April 2017. Only original delegation forms will be accepted. Proxy holders representing the shareholders who are countable in quorum of the Annual General Assembly Meeting (except for Government Shareholder) may not represent, in this capacity, more than 5% of the Company's share capital. If the proxy is representing one single shareholder, his/her proxy may exceed 5% of the Company's capital. Minors and those who have no legal capacity shall be represented by their legal representatives.
2. Natural shareholders should submit original passport or UAE I.D or Khulasat Al Qaid. The corporate shareholders shall submit official documents issued by competent authorities to prove the identity and nationality of their owners.
3. The corporate shareholder may delegate one of its representatives or management members by virtue of a resolution passed by its Board of Directors (or whoever carries out the duties of the Board of Directors) to represent it in the General Assembly Meeting.
4. The convention of the General Assembly Meeting shall only be deemed valid if attended by Shareholders representing, in person or by proxy, at least 66% of the Company's ordinary shares. In case the quorum is not achieved at the first meeting, a second meeting for General Assembly should be held on Sunday, 16th April 2017, in the same time and venue. The second meeting shall then be considered quorate and duly held regardless of the number of attendees.
5. The owners of the shares registered on Thursday, 6th April 2017, shall be entitled to vote in the General Assembly Meeting. In case first meeting is inquorate and a second meeting is convened for the General Assembly on 16th April 2017, the owner of the shares registered on Thursday, 13th April 2017 shall be entitled to vote in the second meeting of the General Assembly.
6. Notwithstanding item 5 above and for the purposes of voting in the General Assembly, the votes of the Associated Persons (as defined in Article 1 of Etisalat's Articles of Association "AoA") shall be counted to the extent that they do not reach 5% of the ordinary shares represented in the meeting.
7. The restricted shares owned by non-national shareholders (categories of shareholders not mentioned in Article 7 of AoA) shall neither be counted in the quorum nor shall their holders be eligible for voting or participating in the deliberations.
8. The shareholders can review the Company's financial statements and Governance Report on the website of the Company and the website of Abu Dhabi Securities Exchange (ADX).
9. The General Assembly's resolutions shall be passed by majority of 66% of the ordinary shares represented in the meeting by owners attending in person or by proxy, unless the subject matter requires a special resolution passed by the votes of shareholders owning no less than three fourths of the shares represented in the meeting.
10. Attendance record shall be closed upon announcing the quorum of the meeting. Shareholder or proxy who attends thereafter neither be recorded in the list nor his votes views shall be counted for in respect of the matters addressed during the meeting.
11. The Shareholders should update their own contacts and addresses at ADX to ensure appropriate receipt of their dividends since the distribution of dividends for this year will be through ADX.
12. The closure of record for the 2017 second half dividends shall be on Wednesday, 19/4/2017, and the date of the last day of share purchase that is entitled to dividends is 17/4/2017 and the date of exclusion from dividends is 18/4/2017. In case of convening a second AGM meeting due to inquorate 1st AGM meeting, then the closure of record for the 2017 second half dividends shall be on Wednesday, 26/4/2017, and the date of the last day of share purchase that is entitled to dividends is 24/4/2017 and the date of exclusion from dividends is 25/4/2017.

Head Office:
Etisalat Building
Intersection of Zayed The 1st Street and
Sheikh Rashid Bin Saeed Al Maktoum Street
P.O. Box 3838, Abu Dhabi, UAE