etisalat

INVESTING FOR THE FUTURE

ANNUAL REPORT 2017

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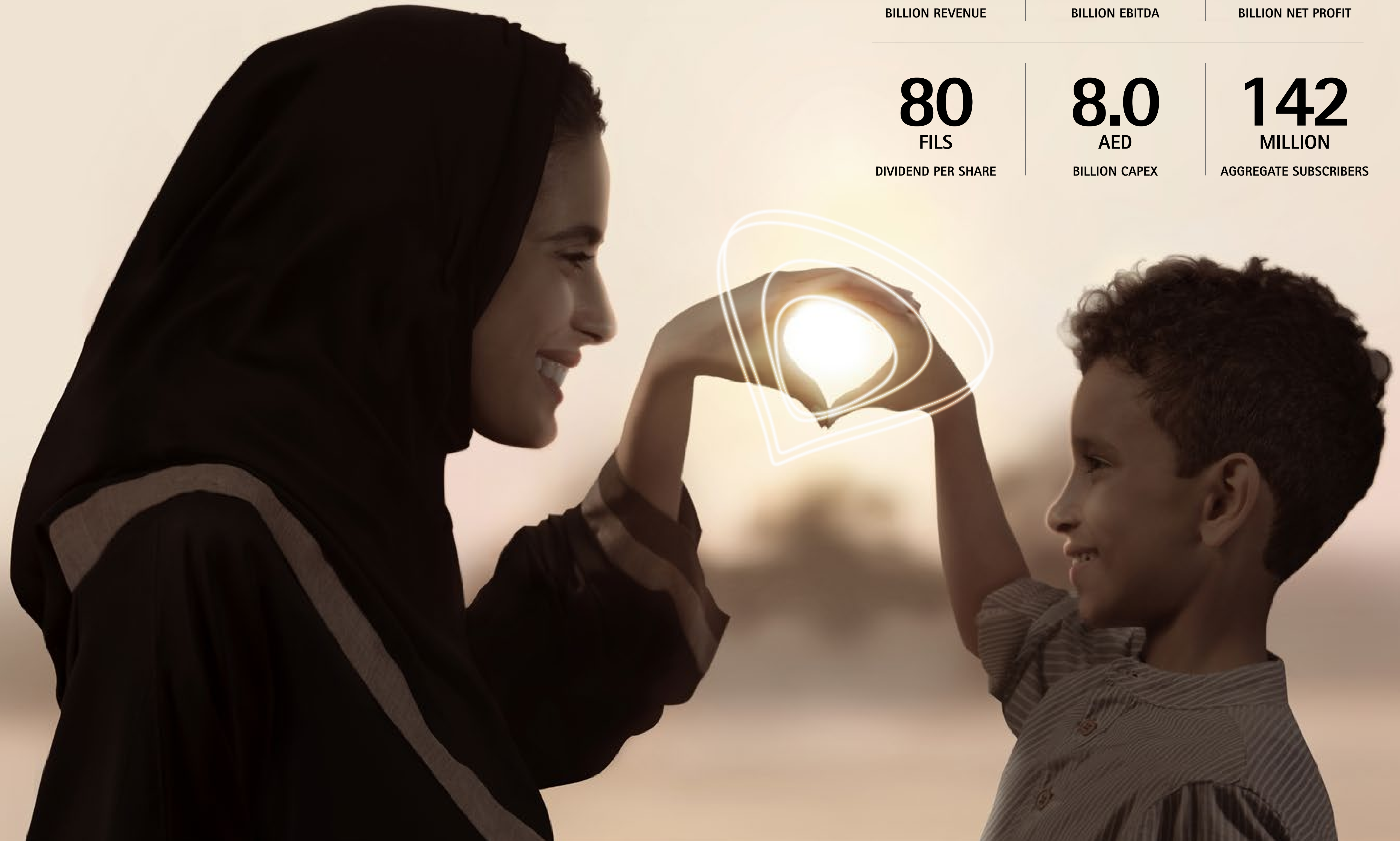
KEY HIGHLIGHTS OF 2017

51.7 AED BILLION REVENUE	**26.0** AED BILLION EBITDA	**8.4** AED BILLION NET PROFIT
80 FILS DIVIDEND PER SHARE	**8.0** AED BILLION CAPEX	**142** MILLION AGGREGATE SUBSCRIBERS



BUSINESS SNAPSHOT

The future of the telecoms industry is undoubtedly digital and this will present a wide array of new challenges and opportunities. In 2017, Etisalat Group's drive to invest in the undoubtedly digital future of telecommunications gained momentum. The Group and its operating companies harnessed the potential of emerging technology via the establishment of a digital unit, a strong corporate strategy based on new core values, accelerated investment in network infrastructure, and spectrum licenses to empower customers, shareholders, and society in general.

Etisalat's bold new vision to drive the digital future of telecoms saw the establishment of a dedicated digital unit in 2017. This unit is propelling the Group's evolution in this arena by enabling operating companies across the footprint to develop their unique competencies, thereby capitalising on the growing digital opportunities within these regions.

At the same time, Etisalat Group's investment in the future involved a consistent proactive approach to all operations, based on the Group's new core values (Customer Centricity, Collaboration, Agility and Empowerment). The Group's new corporate strategy underpinned the following vital focus areas for the transformation of operating companies into market strongholds: Ownership and management of an attractive, well-balanced portfolio of assets; Growth of business-to-business and digital market penetration across the footprint; Capability and talent development; Accelerated value generation through innovation and digitisation.

To further enhance its market position and go on exceeding customer expectations, Etisalat accelerated its investments in network coverage and partnerships in 2017. As part of this, the Group expanded its 4G+ network coverage in Morocco to 93% of population, deployed a 4G network in Egypt, acquired additional spectrum and was awarded universal license in Saudi Arabia, and invested in network licenses and expansion in the sub-Saharan region. The Group also successfully launched the first 5G Ultra-Mobile broadband experience in the United Arab Emirates. By leveraging the Internet of Things (IoT) and The Cloud, this new network will facilitate the Group's digital growth and transformation.

At the same time, Etisalat has continued its practice of high cash generation, so that it can continue to reward its shareholders and grow its business. The Group has sustained a generous dividend programme with close to AED 21 billion, including 10% bonus share, returned to shareholders over the past three years.

Since its inception, Etisalat has maintained a high level of capital expenditure to support wider coverage, higher speeds, and greater capacity in its networks. Etisalat's primary focus at present is on securing a leadership position in the more lucrative data segment and expanding into Digital and ICT segments. To this end, the Group recently invested in spectrum licences in Egypt, Morocco, Mauritania, Pakistan, Afghanistan, Benin, Niger, Togo and Cote D'Ivoire to support its push into mobile data services and to support future growth.

Etisalat Group's investments in its own infrastructure and assets are ultimately investments in the regions in which it operates. This, in turn, further strengthens Etisalat's capacity to do business in these countries. In particular, Etisalat has helped the UAE to sustain its position as the region's business, trade and foreign investment hub by providing reliable, high-quality services for over 40 years. It has accomplished this through extensive investment in the development of world-class networks where both fibre-to-the-home (FTTH) and LTE roll-out covers over 95% of the population. As a result of these endeavours, the UAE leads the region and the world in technology innovation and deployment as well as high-speed broadband penetration.

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

CHAIRMAN'S STATEMENT

"We look at the future with confidence and optimism. We are determined to continue innovation and focus on driving the digital transformation"

Etisalat Group achieved positive performance in 2017 despite the rapid developments in the telecom sector as a result of the transition to the digital era and the unprecedented changes in the macroeconomic and geopolitical arenas in our footprint.

As an industry leader, and as part of our natural progression, we are transitioning into a digital organization both internally and externally across our markets, albeit with different trajectories. Etisalat Group has led the transformation in the region by proactively responding to technological developments, and by adopting to the latest innovations and industry trends.

Under our new powerful digitally inspired vision, our operating companies will be working jointly to realize such digital ambition that will maximize growth opportunities moving forward. Etisalat Group's vision captures its winning, transformative position as it will help re-shape the lives of consumers, accelerate the economic growth of businesses, and enhance the competitiveness of the markets where it operates.

Today, by developing one of the best infrastructures in the world, Etisalat has supported in building a diversified and sustainable economy and will continue to be driven by UAE's vision that aims at making the country among the best in the world by the Golden Jubilee of the union. We are honored that Etisalat was able to contribute in realizing the aspirations of UAE's leadership when it comes to being at the forefront of the digital development in the region.

For more than four decades, Etisalat has been able to meet the needs and expectations of millions of our customers across its footprint. Enhancing customer experience remains at the core of our strategy enabling us to launch innovative services and solutions making a positive impact on their daily lives.

In 2017, Etisalat Group continued to achieve strong positive results with consolidated net profit after Federal Royalty amounted to AED 8.4 billion resulting in a net profit margin of 16%. While Aggregate subscriber base reached 142 million, 12.6 million of which are in the UAE representing YOY increase of 3%. Etisalat Group also continued to maintain its high credit rating.

Etisalat Group continues to be a partner to the communities in countries it operates in by being committed to improving their lives with continuous contributions to local, regional and international development and humanitarian initiatives. In 2017, and under the 'Year of Giving', Etisalat was active throughout the year with activities that gave back to various sectors of the society.

Today technology has a major impact on the daily lives of people with our efforts focused on creating unique capabilities and improving competitive advantage through the interaction of technology and people. Etisalat worked on initiatives to target specific segments of the society. Maroc Telecom is an example of ICT integration in teaching and learning working alongside with the government implemented ICT initiatives across schools in Morocco. Our long-standing commitment to supporting good health was visible across our footprint such as Etisalat Misr's participation with World Health Organisation to provide free treatment to thousands of Hepatitis C patients.

Etisalat will continue to contribute to the country's progress and prosperity, both through the group's positive performance, advanced infrastructure, and contribution to national agenda, and by being a socially responsible corporate citizen who demonstrates the country values.

Our geographic footprint today presents substantial opportunities and at the same time some challenges. Etisalat has always seen beyond the obstacles and acted diligently to protect the long-term interests of its shareholders and will continue its efforts to maintain a healthy business portfolio.

Today, we look at the future with confidence and optimism and are determined to build on solid ground to continue innovation and focus on driving digital transformation to take advantage of future opportunities that will enable us to add value to our shareholders and customers.

I would like to thank the leadership of the UAE for their continued support to Etisalat Group and like to express my sincere appreciation to our customers for their unwavering confidence and our shareholders for their continued support and special thanks to Etisalat management team for their commitment and dedicated work that will drive us to move forward and continue our progress and success.

Eissa Mohamed Ghanem Al Suwaidi
Chairman - Etisalat Group

BOARD OF DIRECTORS

Eissa Mohamed Ghanem Al Suwaidi

Chairman of the Board
Chairman of Investment & Finance Committee

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

BOARD OF DIRECTORS

Abdulfattah Sayed Mansoor Sharaf

Board Member
Member of Investment & Finance Committee

Abdelmonem Bin Eisa Bin Nasser Alserkal

Board Member
Member of Nomination & Remuneration Committee

Mohamed Hadi Ahmed Abdulla Al Hussaini*

Board Member
Member of Investment & Finance Committee

*Resigned from the board on 28th February 2018

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

INVESTING FOR THE FUTURE

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.

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

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

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

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

2008
Etisalat completes the rollout of a nation-wide fibre optic backbone 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.

2014
- Etisalat completes 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.

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 and institutional investors to own up to 20% of Etisalat Group's shares.
- Inclusion of Etisalat in the MSCI indexes.

2016
- Etisalat Group completed the sale of Etisalat's shareholdings of 92.3% in Canar.
- Etisalat Misr acquired 4G license and fixed virtual license in Egypt.
- Inclusion of Etisalat Group in FTSE Russell Emerging Markets Index.

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

GROUP CEO'S STATEMENT

"Our journey in 2017 has set the path for gearing the company, its customers and shareholders towards achieving successful digital transformation"

Our journey in 2017 has set the path for maintaining good performance while gearing the company, its customers and shareholders towards achieving successful digital transformation. Our continued investments in next generation technologies, open innovation, and our entrepreneurship across all fields were the levers that allowed us to reach this far.

Our achievements in 2017 are a clear indication that we remain in a strong position, and represent the outcome of our sincere efforts and focused strategies. We were able to deliver consolidated revenues of AED 51.7 billion and consolidated operating profit before federal royalty of AED 17.45 billion representing 3% increase YOY. Despite the global economic challenges, such performance and accomplishments has helped Etisalat to stand out as the most valuable brand in the Middle East with a brand value of 7.7 billion USD, which was the outcome of many qualities and core competencies that underpin our success, and the ultimate translation of all our achievements and the lasting associations that we leave behind in people's minds and hearts.

Etisalat has launched a new bold vision and an associated corporate strategy to maximize shareholder value in light of the ongoing evolution within the telecom sector and the challenging macroeconomic and geopolitical situations exhibited in some of its operating markets.. From the slowdown of GDP in certain countries to devaluation of some currencies, the circumstances remain challenging, yet we continue focus on our balanced and healthy portfolio.

Etisalat's footprint today is spread across 16 countries serving 142 million subscribers in the Middle East, Asia, and Africa. And while our operating companies differ in the level of their digital maturity, we believe in our ability to transform internally and to elevate the digital capability across all markets organically. Such effort will go hand in hand with our strategic imperative of solidifying our position in all operating markets aided by superior network, strong core business, and new revenue streams.

Moreover with the acquisition of 4G license in Egypt via Etisalat Misr, we are now offering 4G services in the majority of our operations. We foresee such investments as foundational in our digital journey and a solid testament of our plans to make technology available to our customers.

Launch of swyp, which is the new youth digital platform in the UAE, was an important acknowledgement of the major shift in consumer behaviours and a declaration of the importance of the new tech savvy generation, the millennials. With a complete new customised digital platform and substantial value, we managed to offer a unique proposition in a digital, hassle free approach to such a growing segment.

And while talking about 2017, it would be hard to miss the new game changing developments in the fields of Artificial Intelligence and Robotics, which we didn't overlook and considered primitively in various trials, as we pioneered a dedicated strategic program with prime focus on assuring that Etisalat capitalizes such technology for the best interest of business and customers. Such a move will support our digital transformation and is believed be to promising on the longer term.

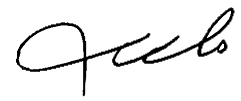
Etisalat's belief of the importance of open innovation and the need to elevate the innovation level in the surrounding ecosystem, was the drive behind establishing the 'Etisalat Open Innovation Center' in 2017 marked another important milestone where we aim to showcase future technologies and solutions to our customers enabling them to make decisions that support in making the digital dream a reality.

Etisalat also aims to continue giving young companies a platform to engage with experts, have access to Etisalat's robust network and utilise our digital technologies to build viable products that create new revenue streams. Moreover, Etisalat's partnership with Dubai Future Accelerators, the world's largest government supported accelerator, was an important step in this direction, which paired top start-ups with government entities allowing them to build, test and deploy solutions for 21st-century challenges.

Etisalat will remain committed to sustaining its technological leadership by investing in emerging and next generation technologies; Etisalat's investment in 5G technologies is a prime example that has gained relevance because it is considered a major enabler for the gigabit internet and the Internet of Things, which is expected to surge exponentially as a natural outcome of global adoption of connected devices. With its implementation, 5G will provide opportunities for economic growth and massive developments in the areas of education, employment, transportation and more.

Within that context, we had a successful launch of the first 5G Ultra-Mobile broadband experience in the region. A pre-commercial 5G network was deployed in certain locations within the UAE. With the fastest 5G live trial reaching 71Gbps, this was another record in the region,

At the end, I would like to thank the leadership of the UAE for their continuous support and for paving the way with their futuristic vision, hence, giving us a platform to excel and demonstrate our capabilities. The UAE's strong ties and relationships across our footprint have helped grow and expand our achievements taking it on a global scale. Appreciation is also extended to our dedicated employees, loyal customers, and shareholders who by trusting and investing in our growth have contributed at every stage in Etisalat Group's success story.



Saleh Abdulla Al Abdooli
Chief Executive Officer - Etisalat Group

MANAGEMENT TEAM

SALEH ABDULLA AL ABDOOLI
Chief Executive Officer,
Etisalat Group

Engineer Saleh Abdulla 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 Group, Mobily, Etisalat Misr and is the chairman of Etisalat Services Holding and Thuraya. Al Abdooli holds Bachelor's and Master's in Electrical Engineering and Telecom from University of Colorado at Boulder, USA.

SERKAN OKANDAN
Chief Financial Officer,
Etisalat Group

Mr. Okandan joined Etisalat in January 2012 as Chief Financial Officer of Etisalat Group. Prior to his appointment, he was the Group Chief Financial Officer of Turkcell. Mr. Okandan started his professional career at PricewaterhouseCoopers in 1992, and worked for DHL and Frito Lay as a Financial Controller before joining Turkcell. Mr. Okandan is a board member and Chairman of the audit and risk committee of PTCL, Ufone, Etisalat Services Holding. He is also a board and audit committee member of Maroc Telecom Group 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. Al Nimr was appointed as Chief Human Resources Officer of 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. 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 Group, PTCL, Ufone and Etisalat Misr. 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

Mr. 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 Group

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 Chief Strategy Officer 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 ABOUDOMA
Chief Executive Officer,
Etihad Etisalat (Mobily)

Mr. Aboudoma 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. Aboudoma 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.

RASHID KHAN
Chief Executive Officer,
Ufone Pakistan

Mr. Khan was appointed CEO of Ufone in August 2017. Mr. Khan started his career in the Pakistan telecom industry in 1994 with Paktel, moving to Mobilink as Chief Commercial Officer from 2000 to 2006, and then to Banglalink in Bangladesh as Managing Director and a Board Member till 2008. Just prior to joining Ufone, he was the CEO and a Board member of Mobilink Pakistan for 6 years. During that period, he also served as a Board member of a couple of Orascom Telecom subsidiaries and as the Chairman of Waseela Microfinance Bank. Mr. Khan has previously worked for 15 years in the Silicon Valley, California for various start-up companies. He holds a Master's degree in Electrical Engineering from the USA and is the co-inventor of 3 USA patents.

ALI AMIRI
Chief Carrier & Wholesale
Officer, Etisalat Group

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

AHMED AL AWADI
Chief Procurement Officer,
Etisalat Group

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

MOHAMED DUKANDAR
Chief Internal Control & Audit
Officer, Etisalat Group

Mr. Dukandar was appointed as Chief Internal Control & Audit Officer in September 2016. Mr. Dukandar is a Chartered Accountant (SA), Certified Internal Auditor (CIA) and Certified Control Self Assessor (CCSA) with over 20 Years of experience in governance, risk management, insurance, internal/ external audit and forensics. Prior to Etisalat, he was the Group Executive Telkom Audit Services 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

Drive the digital future to empower societies

STRATEGY

In recent years, telecoms and adjacent industries have been in a state of flux on account of ongoing changes within the macro-economic environment and the increasing and evolving influence of digital developments. In light of this, the Etisalat Group has conceived a new vision supported by a bold corporate strategy to maximise shareholder value in this developing market landscape.

A Digitally-Powered Market in Flux

With an international footprint that extends to 16 countries across Asia, the Middle East and Africa, Etisalat Group operates in a wide array of macro-economic and geo-political contexts. Whilst, the Group anticipates that GDP growth will remain solid for the foreseeable future in countries such as the UAE, Morocco, Egypt and Pakistan, volatile oil prices, currency devaluation, a slight slow-down in population growth across certain countries, and relative regional political instability present challenges that demand transformed business and operating models. The Group clearly requires a dynamic and adaptable corporate strategy in order to thrive in all of these varying contexts.

Added to this is the fact that the telecoms industry itself is undergoing unprecedented transformation, driven by various factors, including evolving technologies, new business models, changing customer behaviours, and the emergence of new over-the-top (OTT) competitors. These new factors can not be ignored as they are slowly eating into the traditional core telecoms services revenues, that retain a sizable portion of the Group's countries of operations.

Underpinning the transformation of the Telecoms industry and in fact all industries is end-to-end digitisation, which influences telecoms operators both internally, in terms of operating models, and externally, in terms of business models and value propositions. This digital revolution is enabling consumers to adopt increasingly tech-savvy lifestyles, businesses to change the way they operate and deliver value, and governments to offer ever-smarter solutions on the route towards truly smart governments and cities.

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

T

To Drive the Digital Future to Empower Societies

A Accelerate value generation through innovation and digitization

R Raise capabilities and develop talent across the group

G Grow B2B/Digital across the footprint

E Expand portfolio in MENA and knowledge economies

T Transform Operating Companies into strongholds

A New, Digitally Inspired Vision

Capitalising on the current digital wave, the Etisalat Group continues to transition from a traditional telecoms operator to an integrated ICT solutions provider. This is in parallel to the steady digitisation of consumer needs in all of Etisalat's markets. Consequently, the Etisalat Group has taken this opportunity to develop an overarching vision, which is both powerful and digitally inspired: **Drive the Digital Future to Empower Societies.**

The Etisalat Group's new vision will cement its industry-leading position while embracing transformation by working toward the following aims:

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

With this new vision, the entire Group will be inspired to adopt a more digitally oriented focus to align the strategic direction of all operating companies, thereby taking full advantage of growth opportunities going forward.

A New Strategy for a New Vision

In support of this vision, the Etisalat Group's new "TARGET" strategy highlights and rejuvenates the Group's priorities, focus areas, direction, and ambitions within the following framework:

Transform Operating Companies into Strongholds

The Etisalat Group will continue to provide strategic and operational support for all operating companies to maintain and improve their market positions by defending their core businesses and enhancing digital capabilities.

The focus will be on driving excellence across sales and marketing, IT/network, procurement, and regulatory agenda management. In particular, the Group will actively manage customer experiences to offer an optimal balance between digital and traditional channels for a true omni-channel experience. End-to-end digitisation will both complement and enable these focus areas, which will centre on key technologies, such as Big Data, artificial intelligence and robotics. Collectively, these efforts will yield a portfolio of stronghold operations that will maximise shareholder value.

Expand portfolio in MENA and Knowledge Economies

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

Grow B2B/Digital across the footprint

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

Raise Capabilities and develop Talent across the Group

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

Accelerate Value Generation through Innovation and Digitisation

As the rate of industry disruption picks up speed, the Etisalat Group will accelerate and enrich the development of its portfolio of open innovation initiatives essential for competition in the digital world. A key principle of the Group's innovation strategy will be to maintain relevance with the core business as well as the relevant digital adjacencies.

As part of this, the Etisalat Group will adopt a range of open innovation tools – such as scouting in major global innovation hubs, working more extensively with ecosystem partners including start-ups, and remaining open to different investment vehicles – to fast-track the Group's achievement of its ambitious objectives. Revenue growth, digital capability development, customer experience improvement, and efficiency optimisation will serve as anchors for this strategy.

KEY EVENTS DURING 2017

February:
- Etisalat Received Tier III Gold Certification for Operational Sustainability
- Announcement of the Federal Royalty scheme for the period 2017 to 2021.
- Mobily awarded unified license from CITC to provide all telecom services including fixed-line voice and internet services.

March:
- UAE ranked as global leader in Fiber Optic Network by FTTH Council
- Etisalat Group has been ranked as the most valuable telecom operator in the Middle East by Brand Finance
- Etisalat 'first telco in UAE' to achieve ISO 20000 certification.

April:
- E-Vision partnered with MBC GROUP in Exclusive IPTV/OTT Channel Distribution Rights deal in the UAE
- Inauguration of Saudi Arabia's first smart city in Yanbu in collaboration between the Royal Commission of Yanbu and Bayanat Company, Mobily's subsidiary

May:
- Credit Rating Agencies Standards & Poor's and Moody's affirmed Etisalat Group's high credit rating at AA-/Aa3 with stable outlook;
- Etisalat and Ericsson successfully conducted a 5G trial with outdoor mobility. First 5G trial with outdoor mobility in the region that achieved aggregate site throughput of greater than 24 Gbps.
- Etisalat UAE launched 'Smiles' Customer Engagement Program.
- Maroc Telecom launched a "Datacenter Hosting" service aimed at its corporate customers.

June:
- Mobily acquired additional spectrum 2X5 MHZ block in the 1800 MHZ band;
- Etisalat Misr and Telecom Egypt signed commercial agreements for national roaming and international voice services;
- Etisalat Group exited Nigeria;

August:
- Mobily signed 3-year framework agreements with Nokia, Huawei and Ericsson to modernize its mobile network.

September:
- Etisalat launched new mobile brand "Swyp" targeting the youth segment in the UAE;
- Etisalat launched the first IPX Exchange platform in the Middle East and Africa region to support IPX traffic exchange; an integral part of Smart Hub services;
- Etisalat Misr launched 4G services in Egypt;

October:
- Etisalat successfully completed the fastest 5G live trial globally reaching 71 Gbps during GITEX

November:
- Etisalat successfully completed the first MENA IPTV service on 4G network
- PTCL signed a data center hosting agreement with 1LINK Guarantee, a Pakistani national payment network for ATMs and POSs.

December:
- Etisalat successfully deployed the first regional pre-commercial 5G
- Maroc Telecom awarded the "Best Mobile Network in Morocco" Prize for 2017 and won the Vigeo-Eiris "Best EM Performers" award for in the category of companies achieving the best CSR performance among emerging countries
- Etisalat unveiled 'Open Innovation Center' to showcase Smart Solutions and Drive Digital Transformation; Center to help drive digital transformation by enabling the use of latest technologies

OPERATIONAL HIGHLIGHTS

Subscribers

Aggregate subscribers reached 142 million in 2017 reflecting a net addition of 0.7 million during the last 12 month period on a like for like basis (after excluding subscriber numbers in Nigeria from last year). The net gain in the year was mainly a factor of strong subscriber growth in the UAE, Morocco, Ivory Coast, Benin, Togo, Niger, Egypt and Afghanistan.

In the UAE the active subscriber base grew to 12.6 million subscribers in 2017 representing a year on year growth of 3% driven by strong performance of mobile and eLife segments. The mobile subscriber base grew year on year by 3% to over 10.8 million subscribers representing a net addition of 0.4 million subscribers. eLife segment continued to drive consistent growth with 5% year on year increase to over 1 million subscribers. Total broadband segment grew by 2% year on year to 1.1 million subscribers.

Maroc Telecom Group's subscriber base reached 57.0 million customers in 2017, representing a year over year growth of 6%. This growth is attributable to the domestic and international operations. In Pakistan, subscriber base was stable at 21.9 million impacted by the higher competition facing EVO product from mobile operators.

2017
142
MILLION

AGGREGATE SUBSCRIBERS (MN)

2016
141
MILLION

Revenues

Etisalat Group's consolidated revenue declined 1% to AED 51.7 billion in 2017 impacted by unfavourable exchange rate movements mainly in Egypt. In constant currencies, year over year revenue growth was 2%.

In the UAE, revenue grew year on year by 3% to AED 31.2 billion, as a result of growth of the subscriber base especially in the eLife segment driven by customers uptake of premium content and higher speed packages, increase in handsets sales due to enrich device portfolio with new exclusive deals, increased offering of business solutions, digital and ICT services, and increase in wholesale segment.

Revenues of International consolidated operations for 2017 declined year-on-year by 7% to AED 20.0 billion negatively impacted by the unfavourable exchange rate movements in Egypt in addition to competitive pressure of mobile segment in Morocco and fixed segment in Pakistan. Revenues from International operations represented 39% of Group consolidated revenue.

2017
51.7
BILLION

REVENUES (AED BN)

2016
52.4
BILLION

In Maroc Telecom consolidated revenue for 2017 amounted to AED 12.6 billion representing a stable year over year growth attributed to stringent regulatory environment in mobile segment in the Morocco due to the re-establishment of a 20% asymmetry on mobile call termination rates as from the beginning of March 2017 and the decrease of incoming international revenue due to the deregulation of IP telephony as from November 2016. In Morocco, revenue in local currency decreased by 3.6% attributed to the mobile segment while international operations grew year-on-year by 2.7%, resulting in 45% contribution to Maroc Telecom Group's consolidated revenue.

In Egypt, revenue declined by 38% to AED 2.5 billion, due to unfavourable exchange rate movements of Egyptian Pound against AED. In local currency, revenue growth was 17% mainly attributed to growth in the data segment, new pricing of scratch cards, higher international incoming revenue and handsets sales. In Pakistan, revenue for 2017 was AED 4.1 billion, a decline of 1% from the prior year. Revenue impacted by lower usage and lower revenue from EVO due to competition from mobile operators.

EBITDA

Group Consolidated EBITDA amounted to AED 26.0 billion representing a year-over-year decline of 1% in 2017, while EBITDA margin remained stable at 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 2017 grew year-over-year by 2% to AED 16.7 billion resulting in EBITDA margin of 53%, at comparable level to prior year. EBITDA impacted by higher interconnection and termination costs, terminal costs and marketing expenses.

EBITDA of International consolidated operations in 2017 decreased by 4% to AED 9.0 billion contributing 35% 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 grew year-on-year by 3% to AED 6.5 billion with EBITDA margin increasing 2 points to 51%. In local currency, EBITDA in absolute terms increased by 1% due to international operations that grew by 8% offsetting the 2% decline in Morocco. In Egypt, EBITDA declined year-over-year by 28% to AED 1.0 billion while maintaining EBITDA margin stable at 39%. EBITDA was impacted by unfavourable foreign exchange rate movements and inflationary pressure that impacted operating costs. EBITDA continued to improve in local currency driven by enhanced revenue trend. In Pakistan EBITDA decreased year over year by 1% to AED 1.4 billion with EBITDA margin stable at 34%. This decrease is mainly due to higher interconnection and termination costs and higher staff costs as compared to prior year.

2017
26.0
BILLION

EBITDA (AED BN)

2016
26.3
BILLION

Net Profit and EPS

Consolidated net profit after Federal Royalty grew by 0.3% to AED 8.4 billion resulting in profit margin of 16%. Net profit was impacted by higher share of losses from associates and higher royalty charges.

Earnings per share (EPS) amounted to AED 0.97 for the full year of 2017.

On 20 February 2018, the Board of Directors proposed a final dividend for the second half of 2017 at the rate of 40 fils per share, bringing the full year dividend to 80 fils per share. This proposal is subject to shareholder approval at the Annual General Meeting scheduled on 21 March 2018.

2017
8.4
NET PROFIT (AED BN)
0.97
EPS (AED FILS)

2016
8.4
NET PROFIT (AED BN)
0.97
EPS (AED FILS)

OPERATIONAL HIGHLIGHTS

CAPEX

Consolidated capital expenditure decreased by 23% to AED 8.0 billion resulting in capital intensity ratio of 16%, 5 points lower than prior year. Adjusting for cost of licenses, capital expenditures would have declined by 1% and capital intensity ratio would have been stable at 15%.

In the UAE, capital expenditure in 2017 decreased by 16% to AED 3.0 billion while capital intensity ratio decreased 2 point to 10%. Capital expenditure was committed to mobile network modernization, building digital and ICT capabilities and store rollout.

Capital expenditure in consolidated international operations amounted to AED 4.9 billion, a decrease of 28% from year 2016 level. In Maroc Telecom Group, capital expenditure increased year on year by 7% to AED 3.2 billion resulting in a capital intensity ratio of 25%.

2017
8.0
BILLION

CAPEX
(AED BN)

2016
10.5
BILLION

Capital expenditure in Morocco increased year over year by 18% due to the acceleration of roll-out of high speed networks with 4G coverage reaching 93% of population. Capital expenditure of international operations decreased year over year by 11%. In Egypt, capital expenditure decreased year-on-year by 75% to AED 0.7 billion resulting in a capital intensity ratio of 27%. This decrease in capital spending is attributed to prior year acquisition of 4G license and virtual fixed-line service license. Adjusting for the cost of license from prior year, the year on year decline in capital spending is 6% and capital intensity ratio is higher by 9 points. Pakistan operations capital expenditure was AED 1.1 billion, down 5% year on year and capital intensity ratio of 25%, 1 point lower than 2016. The increase in capital spending focused on fixed network transformation programme.

DEBT

Total consolidated debt amounted to AED 24.7 billion as of 31 December 2017, as compared to AED 22.3 billion as at 31 December 2016 an increase of AED 2.4 billion.

As at 31 December 2017, the total amounts issued under the global medium term note (GMTN) programme split by currency are US$ 1.4 billion and Euro 2.4 billion, representing a total amount of AED 15.5 billion. Consolidated debt breakdown by operations as of 31 December 2017 is as following:

- Etisalat Group (AED 16.1 billion)
- Maroc Telecom Group (AED 4.4 billion)
- Etisalat Misr (AED 2.7 billion)
- PTCL Group (AED 1.5 billion)

2017
24.7
BILLION

DEBT
(AED BN)

2016
22.3
BILLION

More than 61% of the debt balance is of long-term maturity that is due beyond 2019. Currency mix for external borrowings is 42% in Euros, 28% in US Dollars, 12% in MAD and 18% in various currencies.

Consolidated cash balance amounted to AED 27.1 billion as of 31 December 2017 leading to a net cash position of AED 2.4 billion.

Profit and Loss Summary

(AED m)	2016	2017
Revenues	52,360	51,666
EBITDA	26,283	25,977
EBITDA Margin %	50%	50%
Federal Royalty	(5,010)	(6,039)
Net Profit	8,421	8,444
Net Profit Margin %	16%	16%

Balance Sheet Summary

(AED m)	2016	2017
Cash & Bank Balances	23,676	27,125
Total Assets	122,521	128,284
Total Debt	22,279	24,705
Net Cash / (Debt)	1,398	2,420
Total Equity	55,915	57,704

Cash flow Summary

(AED m)	2016	2017
Operating	18,926	20,306
Investing	(9,361)	(7,567)
Financing	(7,726)	(9,027)
Net change in cash	1,839	3,712
Effect of FX rate changes	355	(288)
Reclassified as held for sales	60	25
Ending cash balance	23,676	27,125

ETISALAT'S GREATER EMPHASIS ON BRAND BUILDING INITIATIVES

40 Years, 16 Countries, Together As One

Etisalat has come a long way. Over its 40-year journey starting in the UAE, the company grew to become a multinational telecommunications services provider that connects people across 16 countries every day.

To commemorate Etisalat's history and showcase its pioneering spirit, Etisalat launched its first ever group brand campaign called 'Together as One'.

In addition to appealing to the nostalgia of Emiratis and expats alike who grew up with Etisalat in the UAE, the campaign also speaks a more international language of togetherness by highlighting Etisalat's footprint across 16 countries.

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

The first phase of campaign, celebrating Etisalat's journey in the UAE launched with overwhelmingly high reach across the country, partly indicated by millions of impressions and views on digital channels, as well as positive word of mouth and ad likeability across Emirati and expat segments.

Etisalat and Manchester City Football Club:

Football connects us

Etisalat's sponsorship as Official Telecommunications Partner of Manchester City Football Club endeavors to reach and engage fans across its markets and fulfill Etisalat's vision through sport.

Football, being the most watched and played sport in the world, serves as a common thread that can link Etisalat's footprint countries. Its international impact is visible through the success of professional football leagues in Europe including the popular and widely followed English Premier League.

Manchester City is a top-tier club that currently leads the English Premier League and competes among the best in Europe and the world. The club's drive to innovate the sport of football connects seamlessly with Etisalat's vision to drive the digital future.

Etisalat heavily activated its Manchester City sponsorship through various initiatives including key advertising campaigns featuring first team players, as well as rebranding of its phone booths in the UAE and areas of its Abu Dhabi headquarters.

Etisalat also collaborated with Manchester City to bring a flagship piece of digital content to football fans featuring exclusive behind the scenes footage straight from the tunnel of Manchester City's stadium, as players and members of Manchester City and opposing teams go on and off the football pitch during matches.

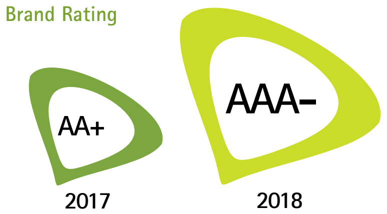
ETISALAT MOST VALUABLE BRAND IN MENA REGION WITH A VALUE OF USD 7.7 BN

Brand Finance, the world's leading independent branded business valuation firm, has ranked Etisalat as the Most Valuable Brand in Middle East and North Africa region. Etisalat brand value has grown to $7.7 billion - higher than any other brand in the MENA region. The only telecom provider from the region to break the US$7 billion brand value mark, Etisalat brand value jumped by 40%.

On a portfolio basis, when we include the brand value of non-branded subsidiaries, the brand value has jumped by 25% to USD 9.6 Bn.

Etisalat's brand value has grown over the year due to innovative customer service driven strategy, adapting well to digital savvy marketplace, leadership position on the 5G revolution, successful launch of global brand building initiatives and renewed support for global football sponsorships with further focus on its partnership with Manchester City Football Club.

With its overall strategy focused on 'Driving the Digital Future'. Etisalat is working on several digital initiatives in the space of digital infrastructure, entertainment and smart cities. The brand has smartly leveraged today's scale for tomorrow's agile society.



As the premier digital and telecommunications partner of Dubai Expo2020, Etisalat is set to deliver one of the fastest, smartest and best-connected places on earth during the global mega event. Through its digital infrastructure expertise, Etisalat is poised to bring the Expo themes to life.

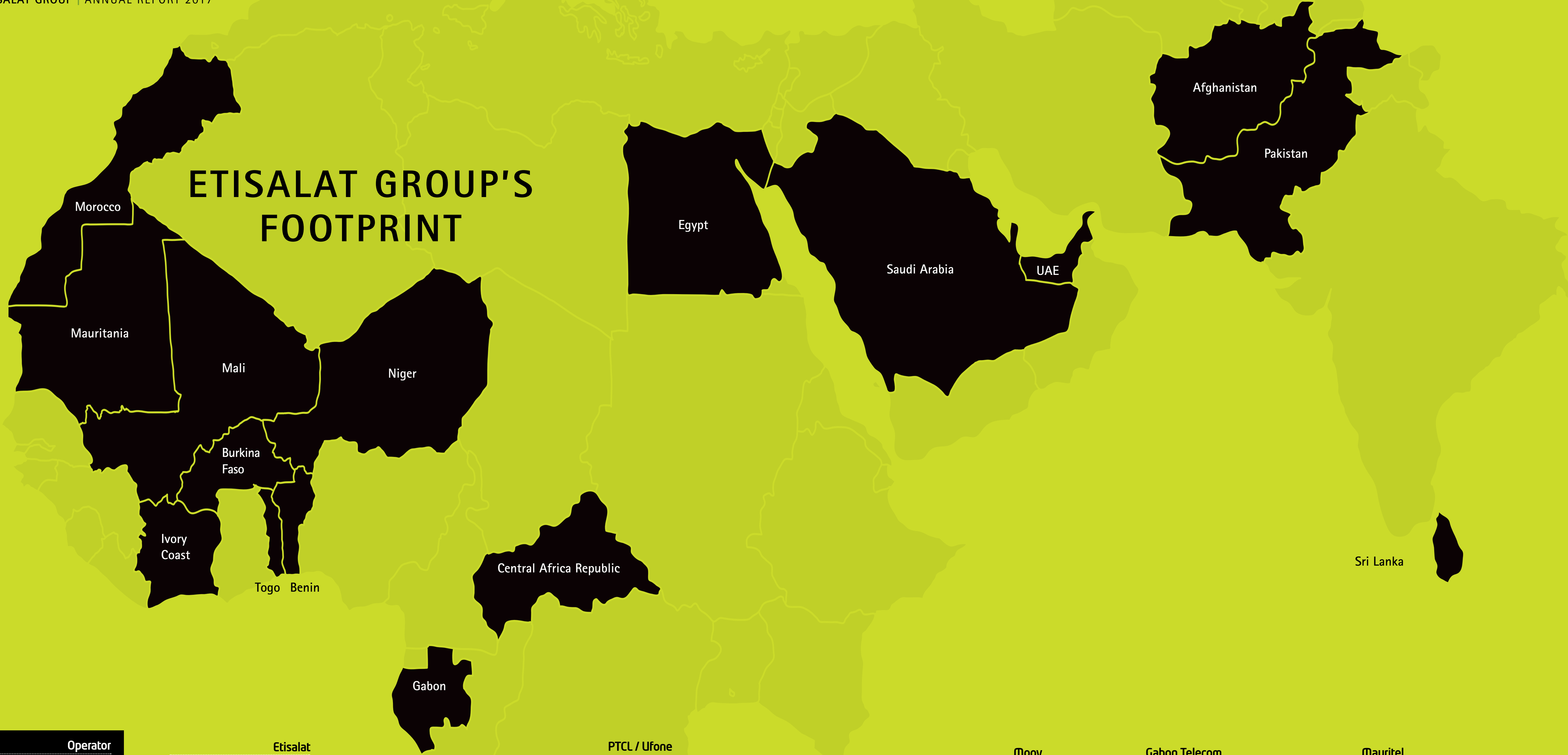
The brand is behind the infrastructure digitization of first of its kind Dubai Parks and Resorts project. This included digital channels, different smart services such as smart parking, smart ticketing, connected transportation and connected food and beverage.

On retail innovation front, Etisalat amplified roll out of its smart stores. This new concept focuses on transforming a brick and mortar retail environment to a fully digital and seamless experience for customers making interactions effortless.

Etisalat Ranks As MENA's Most Valuable Brand 2018

Source: Brand Finance Global 500, 2018

ETISALAT GROUP'S FOOTPRINT



Operator	Country	Licence Type	Etisalat Ownership	(Popluation (Million	Penetration	Numbers of Operators
Etisalat	United Arab Emirates	Mobile, Fixed and Internet	100%	9	Mobile 225% Fixed 27%	2
Thuraya	United Arab Emirates	Satellite Telecommunication	28%			Satellite 4
Etihad Etisalat (Mobily)	Saudi Arabia	Mobile, Fixed and Internet	28%	33	139%	Mobile 3
Etislat Misr	Egypt	Mobile and Internet	66%	98	110%	Mobile 4
Etisalat	Afghanistan	Mobile	100%	36	79%	Mobile 4
PTCL / Ufone	Pakistan	Mobile, Fixed and Internet	23%	197	Mobile 71% Fixed 1%	Mobile 4, Fixed 11
Etisalat	Sri Lanka	Mobile	100%	21	136%	Mobile 5
Maroc Telecom	Morocco	Mobile and Fixed	48%	35	Mobile 127% Fixed 6%	3
Moov	Benin	Mobile	48%	11	81%	4
Onatel	Burkina Faso	Mobile, Fixed and Internet	25%	19	Mobile 88%	3
Moov	Central African Republic	Mobile	48%	5	38%	4
Gabon Telecom	Gabon	Mobile, Fixed and Internet	25%	2	166%	3
Moov	Ivory Coast	Mobile	41%	24	114%	4
Sotelma	Mali	Mobile, Fixed and Internet	25%	18	108%	3
Mauritel	Mauritania	Mobile, Fixed and Internet	20%	4	114%	3
Moov	Niger	Mobile	48%	21	41%	4
Moov	Tago	Mobile	87%	8	71%	2

UNITED ARAB EMIRATES

2017 was another successful year for Etisalat UAE; it unequivocally demonstrated Etisalat's strategic focus and serious commitment towards digital transformation, innovation, and customer centricity. It also reaffirmed the company's determination when it comes to harnessing the power of technology for the benefit of customers and businesses. In this way, Etisalat UAE sustained its technological and market leadership, while enabling the development of a truly digital society.

Commercially and in the mobile segment, Etisalat continued to pursue a differentiated approach, which transforms all aspects of the customer value proposition – from products and services, to distribution and care channels, to experience and engagement. The drive behind the launch of the SWYP sub-brand acknowledged the emergence of digital-only segments and catered to the young "digital natives" demographic.

Etisalat UAE also launched mobile combos and various mobile data tariffs and promotions, both for local and roaming business. At the same time, the company expanded its devices portfolio to include the most desired smartphones, tablets, smart watches, and connected cameras from multiple vendors. This portfolio strategy, combined with the widest retail presence in the country, has supported and increased Etisalat's revenue resilience to changes in consumer consumption. It has also reasserted Etisalat's position as the operator of choice for smart devices in the UAE.

With regard to fixed consumer services, Etisalat reinforced eLife's position as the UAE's favourite family entertainment platform with the commercial launch of the company's 4K TV service. To the same end, Etisalat UAE continued to invest in enriching its content offerings by bringing the best of regional, global, linear, and on-demand content. In this way, the company caters to the various segments' needs. This focus on superior content propositions is driving the uptake of premium packages, with a positive impact in average revenue per user (ARPU) development.

Furthermore, Etisalat UAE continues to leverage its wide fibre coverage to drive the adoption of high-speed triple play packages and to migrate customers from legacy copper-based services. In areas where fibre is not yet available, Etisalat has successfully completed the trial of IPTV over Fixed LTE connections, which are used to bring the eLife TV content to customers.

In terms of distribution, Etisalat UAE continued its focus on innovation and the enhancement of the customer experience across all channels in 2017. It proceeded with upgrades to its retail network to realise the "Smart Store" concept. Smart Stores feature improved ergonomic store design, paperless transactions, digital screens, product zones with dedicated experts, and smart queuing systems. Etisalat has now more than 119 Smart Stores, which are helping to reduce the waiting time and contributing towards further improvement of Customer experience, in the UAE.

In 2017, Etisalat UAE unified its existing engagement platforms (Deal of the Day, Etisalat Rewards, Etisalat Marketplace, and Etisalat Wednesdays) under a single rewards programme, "Smiles". A major milestone in enhancing customer engagement, the Smiles platform aims to augment Etisalat customers' lifestyles through a range of offers and discounts from 200+ partners, available in 1 500+ outlets.

With the customer in mind, Etisalat UAE is revamping and promoting the adoption of its digital and self-service touch points (website, self-care mobile app, and payment terminals), in order to assure a consistent end-to-end experience. It also continues to see a steady decrease in complaints-related calls, driven by programmes to systematically reduce avoidable complaints, increase the resolution rate in the first contact, and increase adoption of self-service channels.

In 2017, Etisalat UAE took large strides toward fostering open innovation and embedding it into the corporation's products and services. Collaborating with Dubai Future Accelerators (DFA) for start-up businesses resulted in the launch of two challenges pertaining to health and digital security risks throughout the year.

10.8 MILLION
MOBILE SUBSCRIBERS

1.0 MILLION
eLIFE SUBSCRIBERS

1.1 MILLION
FIXED BROADBAND SUBSCRIBERS

31.2 AED
BILLION REVENUE

The partnership supported Etisalat's innovation strategy. It also played a role in the appointment of the company as the digital transformation partner for Dubai International Financial Center's (DIFC) FinTech Hive, the region's first financial technology accelerator programme. Moreover, in late December, the company launched the Etisalat Digital Open Innovation Center, which showcases the latest digital solutions and how they can be incorporated into government and businesses to enable a smarter today.

Innovation in the payment space was demonstrated with the launch of the Etisalat Wallet, which allows customers to make purchases, pay bills, or recharge prepaid lines conveniently and securely, using one simple application. Additionally, Etisalat UAE is already enabling 100+ millions of third-party transactions via carrier-billing agreements with all major platforms, including the Android store and Apple iTunes Store for app, music and e-book purchases.

When it comes to embracing and promoting Artificial Intelligence (AI) and Robotics, 2017 was an exceptional year for the UAE in general and Etisalat specifically. It generated massive momentum with its drive to adopt robots for process efficiency and compliance enhancement, and the launch of a dedicated AI programme to test possible use cases for business benefits. Positive outcomes have already emerged and many more will surely follow. Etisalat UAE's plan is also to cover areas pertaining to customer interactions, using Chabots and other AI tools to leverage company capability and support in delivering quality, highly customised services efficiently. With its deep understanding of future trends and industry changes, Etisalat UAE is confident of its ability to succeed in the AI journey, just as it did in the Machine-to-Machine (M2M) and IoT space. The company has invested in platforms, command centres, and people in order to serve the current M2M connectivity and management needs and to be the cradle for the upcoming explosion in IoT requirements and applications. Etisalat is now positioned as the UAE's preferred M2M and IoT provider, with over half a million people connected SIMs on its IoT platform, covering key governmental and smart city essential services. Within this context, Etisalat UAE has successfully enabled connected business vehicles with the launch of M2M in-vehicle Wi-Fi, and launched M2M ruggedised handhelds as an end-to-end solution, comprising M2M managed connectivity, devices and comprehensive hardware support with flexible payment plans.

Moreover, Etisalat UAE continues to operate as the trusted partner for governmental entities in light of its dense infrastructure and robust network and solutions. It has collaborated with Abu Dhabi National Oil Company (ADNOC) in order to implement a smart surveillance and security solution across all ADNOC's petrol stations in the country. It is also collaborating with Dubai Civil Defense to introduce a smart monitoring system for homes in Dubai. Additionally, the company is joining forces with the Dubai Municipality to replace the traditional paper ticket with smart phone ticketing, in addition to deploying other state-of-the-art digital solutions across multiple recreational facilities operated by the Dubai Municipality. It is also collaborating with the Dubai Health Authority (DHA) on a smart application that will reduce the response time for stroke and heart attack patients.

Beyond this, Etisalat continues to offer advanced managed services solutions for reputable institutions in health and banking, while offering new and novel high-throughput satellite services to address business segments in remote locations or harsh environments. Moreover, the new Secure Cloud Wi-Fi delivers the power of visibility and automation. It is a first-of-its-kind solution in the UAE that targets small to medium businesses (SMB) and enterprise customers, allowing them to manage their wireless IT infrastructure centrally from The Cloud, through a state-of-the-art web-based dashboard.

16.7 AED
BILLION EBITDA

53%
EBITDA MARGIN

8.2 AED
BILLION NET PROFIT

3.0 AED
BILLION CAPEX

Moving to Wholesale business, in which Etisalat has managed to strengthen its position as one of the key global wholesale brands. In 2017, it became one of the Top 10 voice carriers globally. It now carries around 16 Billion minutes and provides high-quality call termination to more than 750 international fixed and mobile networks in Africa, Asia, MENA, Europe and the Americas, through more than 150 direct interconnects across all continents. It does so by using state-of-the-art technologies, including a dynamic routing engine and quality monitoring systems. Furthermore, Etisalat made great strides in the mobile wholesale market and become the preferred provider of many mobile services including SMS-hubbing, IPX services, signalling of 2/3/4G, GRX, and roaming replicator service, along with other value-added services (VAS). Etisalat also enhanced its global positioning in the A2P SMS wholesale market by connecting more directs, including a large number of carriers, Mobile Network Operators (MNOs), aggregators and over-the-top (OTT) players.

Etisalat UAE also continued to expand its roaming network globally, reaching more than 790 roaming partners and, on the LTE front, the company established connectivity with over 300 operators in more than 110 countries. Furthermore, some value-added services like SS7 Firewall, SS7 Steering, and SS7 Analytics were recently introduced to offer additional tools to MNOs to manage and protect their international roaming businesses.

Etisalat SmartHub continues to be the de facto gateway to the world and is serving as the region's most connected and credible IP exchange. It provides peering, IP transit services, Ethernet-managed services, Ethernet exchange, firewalls, and a universal connectivity hub to all types of customers including CSPs, content providers and CDNs. The number of Etisalat UAE's customers and partners continues to grow. Etisalat engaged in partnership with major content providers to localise their content via Etisalat SmartHub, thereby dramatically improving customer experience.

Etisalat UAE also successfully launched the AAE-1 cable system (Asia-Africa-Europe), which is the largest submarine cable system to be developed in more than a decade, in 2017. It was developed in cooperation with 18 other global carriers, including two Etisalat Group's operating companies – PTCL and Mobily. AAE-1 links all major Asian, African, Middle Eastern and European regions, providing the lowest latency connections between these regions. With the launch of AAE-1, Etisalat currently has the capability to activate more than 8Tbps of capacity to Asian and European regions and has expanded its direct reach to new markets, such as Vietnam, Cambodia, Thailand and Myanmar.

Etisalat UAE's infrastructure and smart network investments remained the competitive edge that underpins all of the above accomplishments and supported the company in its various strategic endeavours and market advances. The evolution of this hinges on clear strategic pillars that maintain a delicate balance between building for the digital future, modernising existing network, and enhancing customer experience and network operational efficiencies.

During Gitex 2017 event, Etisalat UAE was the first operator in the Middle East and North Africa (MENA) region to demonstrate a 5G live trial with download speeds of over 71 Gbps. This stems from the company's belief in the importance of 5G technology in fuelling Gigabit Mobile Broadband in addition to critical and mass Internet of Things (IoT). Moreover, Etisalat UAE made considerable progress on its path toward virtualisation, with the launch of the Etisalat Telco Cloud, making the company the first operator in the region to virtualise the mobile core for consumer data traffic, virtualising the customer premises equipment (CPE), and the Business CPE via the Soft VPN Service. This has planted seeds for the growth of agile products and services capable of self-care and auto-healing.

Meanwhile, Etisalat UAE continued to invest heavily in its mobile network modernisation and expansion efforts last year. This enabled it to provide best-in-class mobile service and to be ready for the ever-increasing growth in data traffic. Within the same context, the company commercially launched its VoLTE services to enhance customer experience and quality of service. Over one million smart devices are now provisioned to enjoy VoLTE services with clear voice quality, HD voice, video calling, and swift-call connectivity. Attention was also given to coverage in rural and newly developed areas, in addition to critical locations. In this regard, strong emphasis was placed on new mega-projects, malls, commercial buildings, and residential towers. The company also owns the UAE's biggest public Wi-Fi hotspots network – an outcome of Etisalat's smart connectivity initiatives, which were also served as the impetus for the provision of managed Wi-Fi service for over 417 schools in Dubai and various Northern Emirates, and 313 indoor access points at Abu Dhabi University.

In addition, network plans were augmented with soft initiatives targeting the digitisation of the workforce. Etisalat UAE strives to empower field staff and customers with the right tools to enable faster and more convenient service delivery. As such, the company is paving the way for Do-It-Yourself (DIY) service delivery routes that come with great benefits. The Plug & Play eLife Service is one example of this feature and many more such innovations will follow in the near future.

Ultimately, Etisalat UAE's success in 2017 was crowned by earning numerous awards and accolades, amongst which was the Hamdan Bin Mohammed prestigious "Innovation Idea in Program Management" Award for the successful management and completion of the Dubai Parks and Resorts project.

Moreover, Etisalat received international recognition for its unified communication and collaboration solutions at the Global Telecoms Business (GTB) Awards held in London. Meanwhile, the company's data centres were certified and recognised by various renowned institutions:

- Etisalat UAE achieved SAP certification for its data centres and cloud services in the UAE. The company's business-to-business (B2B) customers in the UAE are now be able to host their SAP application in Etisalat's Data Centre and utilise Etisalat's OneCloud service, which duly fulfils all necessary requirements of security, performance, data residency and operational processes within the region.
- The company received Tier III gold certification from globally recognised data centre authority, the Uptime Institute' for Operational Sustainability for Etisalat's Khalifa City Data Centre in Abu Dhabi. This is an acknowledgement of the highest level of operational excellence. Etisalat is the first provider in the MENA region to acquire the certificate.
- Similarly, Frost and Sullivan named Etisalat the best "UAE Third Party Data Centre Services Company 2017". The award demonstrates Etisalat's efforts to provide the best services with respect to Data centre security, compliance, performance, user experience, and connectivity.
- Etisalat SmartHub won the Excellence in Regional & Global Datacenter Connectivity award from Data Centre Dynamics 2017.

Etisalat UAE is committed to the realisation of its digital vision. The company is highly adaptive to industry and market changes, in addition to changes in consumer behaviours and it will continue to drive value and deliver best-fit options. Moreover, Etisalat UAE is aware of the revolutionary impact of artificial intelligence and the need to contribute positively to this wave, while expanding the breadth of its offerings beyond traditional telco services, through the smart monetisation of the company's big data platforms and virtualised network.

e-vision
part of etisalat

E-VISION

Since its inception in 2000, E-Vision has been a pioneer in the media industry in the region, starting with cable Pay TV services in the UAE. E-Vision has been a key contributor to the development of the Pay TV industry. During the initial decade, the company targeted the business-to-consumer (B2C) Pay TV business segment. After their success in the initial period, and the launch of the Etisalat FTTH infrastructure and eLife Services (Triple Pay offering), E-Vision underwent a business model transformation by moving from a B2C to a B2B business model. E-Vision became a content aggregation powerhouse, enabling entities to provide Pay TV services to end users. E-Vision clientele includes several Etisalat Group entities, as well as entities not associated with the Etisalat Group.

E-Vision has focused on addressing the needs of the multi-cultural demographics of the UAE and MENA region by aggregating the most compelling TV/content offering, including a range of channels, from free-to-air, premium and in-house developed TV channels. Pay-per-view or transaction on demand (TVoD) has been a core offering of E-Vision, enabling access to premium events and/or TV movies. Additionally, E-Vision in-house channels, eJunior and eMasala, have been a great success in enriching the viewership, whilst acknowledging market and cultural affinity.

E-Vision has cemented long-lasting relationships with the major international and regional broadcasters, as well as with the major Hollywood and Bollywood Studios, and Arabic production entities.

Today, E-Vision is the largest content aggregator in the region. This leading position is driven by several factors, among which are:

- diversification and depth of content aggregation services provided to Pay TV operators across multiple genres and market segment ethnicities (Linear and VoD)
- increasing the service offerings, including larger number of linear channels (FTA and Premium), Transaction-on-Demand (TVoD), Subscription-on-Demand (SVoD), Content Servicing, etc.
- Increasing the customer base and partnerships

Year 2017 witnessed several achievements. E-Vision executed a strategic partnership with MBC Group, securing multiple rights and services that enhance the quality of E-Vision services.

From a channels line-up perspective, E-Vision Pay TV partners enriched their linear channels offering by integrating 4K channels and a number of new channels rights secured during the year. Pay TV partners end-user base can now enjoy leading and cutting edge programming with the quality and customer experience of 4K technology. Additionally, E-Vision extended its strategic partnership with Fox Network by securing the rights for 3 new exclusive channels (Fox Crime HD, Fox Life HD and Fox Rewayat) in addition to the existing Fox Family Movies HD, Fox Action Movies HD and Fox Life HD.

Overall, E-Vision SVoD offerings include its in-house SVoD service as well as strategic partnerships with leading players (e.g. StarzPlay). Currently, E-Vision provides more than 10,000 hours of premium content (1st and 2nd run series and movies) catering to the different segments of the markets.

To further enhance the SVoD service, E-Vision executed another strategic partnership with Hollywood Studios, Walt Disney and Sony Pictures that secured content rights for second Pay TV windows for E-Vision SVoD service, enriching the premium catalogue for our Pay TV partners.

E-Vision continued to improve customer experience during Ramadan, securing numerous premium TV series, including Day and Date (D&D) in our SVoD offering.

Despite the challenging environment in the TVoD market globally, E-Vision continues to perform well and its catalogue is the most dynamic and attractive in the region, carrying an average of 700 titles per month, including blockbuster and D&D titles. E-Vision's strategic direction aims to be the most compelling, efficient and platform-agnostic content aggregation company in the region, enabling Pay TV operators with the richest content offering & turnkey solutions.

SAUDI ARABIA

11.4 SAR	3.6 SAR	32%	2.3 SAR
BILLION REVENUE	BILLION EBITDA	EBITDA MARGIN	BILLION CAPEX

2017 was a challenging year for the Saudi telecom sector, given the macro weakness, regulatory challenges, tough competition, increasing pressure on consumer purchasing power, and slower population growth. Mobily, nevertheless, met these challenges head-on, employing a combination of strategic partnerships, a new strategy, and innovative products and services.

Mobily began the year by introducing the company's new strategy "RISE". This strategy focuses on strengthening the company's foundations, providing excellent customer experience, and delivering world-class overall performance.

In February, Mobily achieved another major milestone by obtaining the unified license to provide all licensed telecommunication services, including fixed-line voice and internet services, in the country. This universal licence enhances the competitive strength of the company, placing it on an equal footing with other operators in the sale of fixed-line and mobile solutions to the lucrative corporate segment.

Over the course of the year, the company commenced and extended new and existing partnerships with several key industry players. For instance, by signing a five-year cooperation agreement with the Al Madinah Al Munawarah Development Authority to serve and provide the latest technical services to the city's residents and visitors, Mobily further entrenched its status as a leading provider in this region.

Mobily also commenced a new technical services and support agreement with Etisalat Group in 2017. The agreement is designed to cope with Mobily's current maturity level as well as its future challenges. It covers several supporting areas related to common procurement initiatives, digital transformation, knowledge sharing, and benefit from the Group's economies of scale.

In 2017 Mobily and Ericsson signed an agreement for central office transformation and modernisation that will allow Mobily staying abreast of the latest telecom and IT technologies, and provide cutting-edge services to its customers. Furthermore, the company awarded a contract to Cisco Systems, to modernise its enterprise and data centre networks. The deployment of Cisco's next-generation network solutions is a major step towards Mobily's evolution toward full software-defined networking infrastructure.

Further to this end, Mobily signed an agreement with various major international telecom and IT suppliers (Nokia, Huawei and Ericsson) to develop its mobile network in different regions around the Kingdom. This project, the largest of its kind in the history of the company, has an aggregate value of SAR 2.4 Billion. Additionally, in June, Mobily successfully acquired a 2x5 MHz block in the 1800 MHz band through its participation in the Communications and Information Technology Commission auction.

Finally, Mobily's strategy to support digital transformation, comply with the Kingdom's 2030 Vision, and provide the latest technical solutions for the business sector. As part of this, Mobily and Machines Talk Co signed a strategic partnership agreement , allowing Mobily to provide several smart and innovative products and services like fleet and asset management to satisfy the needs of both the government and private sectors.

EGYPT

12.1 EGP	4.7 EGP	39%	3.3 EGP
BILLION REVENUE	BILLION EBITDA	EBITDA MARGIN	BILLION CAPEX

Etisalat Misr moved closer to becoming Egypt's leading telecom operator, rising to meet various challenges – including the entrance of fourth mobile operator to the market and the intense pressure resultant of increasing inflation. The company's careful and pragmatic strategy leveraged its assets, market position, emerging digital technology, and invested in 4G network.

In 2017, Etisalat Misr faced increasingly intensified market competition with the entry of a fourth mobile player into an already saturated market. Nevertheless Etisalat Misr turned challenges into opportunities, reaffirming its leadership of the industry. Etisalat Misr also signed a five-year national roaming agreement with Telecom Egypt to provide 2G, 3G and 4G mobile services over Etisalat Misr's existing network. In addition, Etisalat Misr will receive payment on International voice calls made via the Telecom Egypt's International Gateway . Meanwhile, the company also began working toward becoming a fully integrated telecom operator, given the Virtual Fixed License.

Notably, Etisalat Misr obtained spectrum in the 900MHz and 1800MHz bands, which relieved 2G and 3G congestion and supported 4G services. This enabled EM to expand 4G LTE nationwide at the fastest rate of any operator in the country.

The company further took the lead in promoting data usage and maximising the economic value that the company can extract from the massive demand for data. Etisalat Misr's focus on managing capacity and value, rather than cost, enabled it to achieve excellent operating results and so maintain its position as the second-largest operator in the Egyptian market last year.

In addition, in keeping with Etisalat Group's vision to drive the digital future, Etisalat Misr accelerated the implementation of its digital transformation programme. This programme extends customer value through digital channels, offers a more integrated unified experience, and promotes the development of new products and services that better meet customers' needs.

Etisalat Misr's push into the digital realm in 2017 also saw the introduction of 3 new customer-centric services: The "My Etisalat" app enables customers to view their bundle consumption, pay bills, request support, tariff opt in, migrate numbers, and much more. ; Etisalat Misr's e-store sells smartphone devices and the option to reserve and buy deals online; and M-Wallet allowing customers to honour their monthly allowance commitments.

For the corporate segment, Etisalat Misr capitalised on its business applications and state-of-the-art data centres to provide an advanced solutions portfolio to support clients' business enterprises. EM expanded its direct and indirect sales channels, integrated and geographically distributed mega agents, and implemented smart sales key performance indicators to reward top achievers in 2017.

Etisalat Misr's priorities in 2018 will be to provide the best customer experience in the market, take advantage of the growth opportunities in enterprise, digital, mobile payments areas, increase adjacent revenue streams, make smart strategic investments for the future of the company, intelligently manage the competitive landscape, and continue to empower customers to lead happy and successful lives.

MOROCCO

In 2017, Maroc Telecom Group defended its leadership position in Morocco and grew its international operations leveraging the key networks investment it made, despite the extensive regulatory changes and intense competition. This flowed seamlessly through the Group's persistent drive for innovation, insightful customer-centric initiatives, and unwavering commitment to investing in the future.

Maroc Telecom Group capitalised on its capacity for innovation to provide all Moroccans with greater access to telephone and internet services, as well as a large variety of digital content. It leveraged the expertise and experience of its teams to offer its customers intelligent, original telecommunication solutions.

In order to adapt to ever-evolving user requirements, Maroc Telecom launched a new controlled data-oriented plan, which offers 25 GB in addition to 10 hours of talk time per month, in tandem with the existing voice-oriented offer of 6 GB of data plus 20 hours talk time. Maroc Telecom also enhanced its data-only offerings, particularly for the prepaid segment, in 2017. One facet of this was the enrichment of its "MT-Talk" Social Media Pass to include Instagram access – a first in African telecommunications. Also within the prepaid segment, Maroc Telecom launched a new optical recognition (via the smartphone camera) service, which has significantly improved the prepaid customer's experience. Beyond this, Maroc Telecom responded to the growing demand for home-based internet with the launch of its long-awaited Double Play ADSL 12 MB offer, which specifically appeals to the middle-income customers.

Meanwhile, to meet strong demand for high-speed broadband, Maroc Telecom accelerated the deployment of its fibre-optic infrastructure throughout the Kingdom. As the Group rolled out this infrastructure, it actively promoted the associated services by, among others, doubling the bandwidth for free, lowering the price of the entry-level offer, and enriching these offers through the addition of a free voice line. What's more, these same benefits were also offered to the professional customer segment.

The Group further strengthened its broadband leadership position with the launch of its wide range of VSAT Satellite Internet Offers. These provide countrywide internet access (of up to 20 Mbps) to the Kingdom's various residential, business and professional market segments. For corporate customers, Maroc Telecom also now offers the satellite VPN service, to provide a virtual private connection between several remote sites with speeds of up to 6 Mbps.

With the launch of its unique new entry-level business package, Maroc Telecom began offering even greater value to companies and professionals in 2017. Maroc Telecom also expanded its business-to-business catalogue with the launch of a generous new capped data system, which provides more data and more hours of talk time to closed family members and friends.

One of Maroc Telecom's most exciting innovations in 2017 was the addition of a new on-demand music streaming service, DIGSTER, to its content portfolio. In addition to DIGSTER, the Group's on-demand catalogue includes the Anghami music-download service and two video services: ICFLIX and StarzPlay.

The highlight of 2017, in terms of value-added services, was the launch of Smart Car, a new and innovative Fleet Management service, accessible to professional and corporate clients, as well as the general public. Unlike similar solutions on the market, Maroc Telecom's Smart Car equipment is so easy to install that users can do so without the help of a specialised technician. Other significant

53.5 MILLION
MOBILE SUBSCRIBERS

2.0 MILLION
LANDLINE SUBSCRIBERS

1.5 MILLION
FIXED BROADBAND SUBSCRIBERS

35.0 MAD
BILLION REVENUE

value-added products launched over the course of the year for corporate customers include cloud-based email and web security services (from Leader ZScaler), a Hosting Offer Data Centre dedicated to the needs of companies' IT infrastructure collocation, Office 365's email and collaboration service on the Microsoft Leader cloud, and the first security service (by the leader Arbor) in Morocco to fend off DDoS attacks. Together, all of these new offerings have strengthened Maroc Telecom's status as a leading pioneer in the high-value-added cloud offer market.

As a technology leader, Maroc Telecom stands out for the reach and quality of its networks. Since 2013, as part of its proactive investment policy, the Group has devoted more than 20 billion MAD to the densification and modernisation of Morocco's telecommunications infrastructure and the introduction of ultra-high-speed broadband services to the Kingdom.

As a result, nearly 87% of Maroc Telecom's mobile site base's equipment now supports 2G, 3G and 4G connections simultaneously. Moreover, as of the end of September 2017, Maroc Telecom has made very high-speed internet access, with complete mobility, available to 86.4% of the Kingdom's population, through its 4G + network.

To strengthen its fixed-access network, Maroc Telecom deployed a great deal of Multi-Service Access Mode equipment as close to customers as possible. These devices support ADSL2+, VDSL and GPON and allow very high-speed internet access with improved quality of service. With these new devices, equipped with the latest Gigabit-Capable Passive Optical Networks (GPON) technology, Maroc Telecom's fixed-line customers now have access to fibre-to-the-home (FTTH) internet at speeds of up to 200 Mbps. The Group also supports the growth of internet data usage through the continuous expansion of internet transit capabilities and its IP/MPLS network, complete with 100 GigaEthernet (GE) interfaces.

As always, Maroc Telecom Group's proactive investment policy extended to each of the countries in which it operates in 2017. All subsidiaries implemented ambitious investment programmes to introduce innovative new services and improve of the quality of existing services, specifically to promote broadband internet access for all segments of society.

In 2017, Etisalat Benin commissioned 4G technology, whilst Moov Niger launched 3G++ services. Mauritel in Mauritania launched a fixed Duo + Internet ADSL offering starting from 2Mbps and Onatel in Burkina Faso doubled ADSL without raising prices. Gabon Telecom, meanwhile, facilitated access to FTTH technology through several promotions on migration and installation fees and the launch of a 100 Mbps bandwidth offer.

At the same time, these subsidiaries all pursued the development of value-added services such as VoD and Play VoD (Gabon Télécom), the Mobile Money Microinsurance Service (Etisalat Benin), the opening of new international money transfer destinations for mobile money, the development of mobile banking offers, and contactless payment (NFC) via Mobile Money (Moov Côte d'Ivoire).

In the interests of enhanced customer centricity, Maroc Telecom made new information and communication technologies accessible to the greatest number of people possible by continuing its existing policy of tariff cuts in 2017. To the same end, the Group put new payment channels (mobile applications, internet, terminals, ATMs, and alternative networks) in place to make it even easier to recharge and settle accounts. Meanwhile, Fidelio, Morocco's first points-based loyalty programme, allows Maroc Telecom's post-paid mobile and fixed-line customers to accumulate points based on their consumption to enjoy exclusives benefit like discounts or rewards for products and services purchased.

Maroc Telecom is also highly committed to protecting its customers' personal data (information security measures stipulated in the ISO 27001 standard, version 2013) and in compliance with the law 09/08

17.2 MAD
BILLION EBITDA

49%
EBITDA MARGIN

5.7 MAD
BILLION NET PROFIT

8.2 MAD
BILLION CAPEX

on the protection of personal data of natural persons. To achieve this, the Group continually strengthens the security of its information systems and online services. It ensures, through internal controls, that the processing of personal data does not represent any risk of invasion of privacy and that it is carried out within the framework of authorisations issued by the National Commission for Protection Control Personal Data.

Beyond its commitment to providing its clients with the best possible customer experience, Maroc Telecom is devoted to giving back to the communities in which it operates. As such, the Group allocates considerable resources to ensuring maximum coverage of territories, especially those in remote areas. Indeed, it served nearly 27,300 remote locations last year. Maroc Telecom also became the first global operator to offer "Broadband Internet Satellite VSAT", with full coverage of Moroccan territory, in 2017. Internet access via satellite transmission enables stable and efficient connections, even in the most remote Moroccan localities.

Furthermore, the Group continued its efforts to facilitate the integration of information and communication technologies (ICT) in teaching and learning, helping to improve knowledge acquisition. It remained committed to supporting public authorities in establishing and sustaining ICT programmes in schools. This is evidenced by the deployment of the third phase of the Génie engineering programme, which included the allocation of equipment to more than 3,200 schools for ADSL internet access and filtering solutions to protect young students from potentially harmful online content. During the first and second engineering phases, Maroc Telecom connected nearly 1,300 establishments, representing 49% of the total contributions of the five operators that participated in the initiative.

In addition and as part of its Injaz programme, Maroc Telecom designed innovative offers that enabled more than 88,600 students to benefit from mobile broadband internet access as well as laptops and tablets at advantageous prices. Maroc Telecom has also continued its participation in the Nafid@ programme, whereby more than 244,000 teachers were equipped with internet connections at advantageous prices by the end of September 2017. Maroc Telecom contributed 69% and 71% respectively to the Injaz and Nafid@ programmes, alongside three operators.

Beyond this, in keeping with its environmental policy objectives, the Group continued its efforts to minimise the impact of its activities on the environment. Actions to mitigate this impact included the use of renewable energies and the installation of free cooling ventilation equipment at the technical sites. This enable a reduction of up to 70% in electricity consumption, the establishment of more economical technologies (Single RAN), and the promotion of dematerialisation. Further to this end, the Group identified and classified all the waste generated by its activities and implemented actions to valorise each type of waste in accordance with the regulations in force and the good practices of the sector.

Maroc Telecom continued to participate in the Carbon Voluntary Offset Programme of the Mohammed VI Foundation for Environmental Protection and its Clean Beaches programme.

Ultimately, in all of its efforts to invest in the future, Maroc Telecom has continued to develop synergy amongst its subsidiaries to value the Group's investments. This included the sharing of technological and operational expertise and experience. Together, the continuous improvement of infrastructure security, optimisation of management processes, securing of turnover, and reinforcement of the Maroc Telecom's international capabilities all play a special role in these exchanges.

PAKISTAN

117.0 PKR
BILLION REVENUE

39.4 PKR
BILLION EBITDA

34%
EBITDA MARGIN

4.3 PKR
BILLION NET PROFIT

29.8 PKR
BILLION CAPEX

19.0 MILLION
MOBILE SUBSCRIBERS

3.0 MILLION
LANDLINE SUBSCRIBERS

1.4 MILLION
FIXED BROADBAND SUBSCRIBERS

PAKISTAN - PTCL

With its ever-present focus on enhancing the customer experience, the company launched the network transformation programme for broadband services aimed at providing high-quality ICT services while catering to the growing demand for Data.

PTCL Group, which is the only Pakistani operator with fixed and mobile presences, was able to retain its leadership of the fixed-line market and its number 2 position in terms of fixed and mobile value share in 2017. This was achieved via a combination of innovation and customer centricity, to realise significant growth in several pivotal areas.

In 2017, PTCL invested heavily in carrier and wholesale (CWS) international bandwidth, in which it has a 53% market share. Key initiatives taken by the company to maintain its leadership position in this arena include tower fiberisation, long-term fibre back-haul contracts with Telenor and Zong, and connection with the AAE-1 (Asia, Africa, and Europe) submarine cable.

As mentioned, innovation played a major role in PTCL's continued progress in 2017. As Pakistan's leading telecom and ICT provider, PTCL collaborated with the Khyber Pakhtunkhwa (KPK) Information Technology Board to deploy and manage Wi-Fi hotspot services at 26 universities throughout KPK province last year. Moreover, PTCL SmartCloud has created a niche for itself in the market by providing truly agile, flexible and innovative solutions that cater to the diverse needs of modern businesses. Finally, as part of PTCL's operational efficiency initiatives, two performance-optimised data centres were established at two sites at the Karachi, Pak Capital and PECHS exchanges and over 200 BTS and MSAG sites adopted solar power systems. These initiatives will not only assist PTCL to reduce operating expenditure; they are also environmentally friendly and will significantly increase sites' availability.

As always, another common thread throughout all of PTCL's activities in 2017 was customer centricity. These include the Network Transformation Project (NTP), the CharJi expansion/ launch, the 3G to 4G device exchange, the introduction of the IP and transport network, doorstep delivery of devices by courier, and enhanced international connectivity.

In 2017, PTCL initiated an (NTP) with the aim of providing high-quality ICT services, especially to its fixed broadband users. The programme aims to revamp the top 100 exchanges in major cities. About one third of the project was completed in 2017 and the project will end in early 2019. This revamp will enable the provision of high-end data services at up to 100 Mbps and will almost triple the overall broadband capacity to meet the growing demand. The NTP will improve key indicators such as revenue, churn rate, and customer experience.

During the year, PTCL launched its high-speed CharJi 4G LTE services in Azad Jammu and Kashmir (AJK). With this launch, PTCL became the first operator to offer next-generation wireless 4G LTE services in the region. The Charji LTE can provide high-speed wireless broadband internet services at up to 75Mbps.

Meanwhile, PTCL began introducing a high-capacity 100Gbps backbone network for both its IP and Transport layers to enhance the customer experience and meet ever-growing data traffic needs. The modularity and flexibility of this new solution (as compared to the existing 10Gbps backbone network) will help to reduce operating and capital expenditure. The operator also enhanced its metro network by substantially increasing capacity and introducing new technology. In four cities, PTCL replaced existing outlived platforms with a new 100Gbps network, based on the latest and most efficient Multiprotocol Label Switching – Transport Profile (MPLS-TP) technology.

In 2017, the company commissioned the Asia-Africa-Europe 1 (AAE-1) cable system, connecting South East Asia to Europe via Egypt and became the only operator in the region with four redundant and resilient submarine cable systems.

Moving into 2018, PTCL will maintain its focus on implementing the National Transformation Plan, that started in 2017, to realise greater operational efficiency and improved network capacity, while better addressing customer needs and expanding the Company's reach.

PAKISTAN - UFONE

Fuelled by its passion for collaborative solutions, Ufone launched and upgraded numerous technological innovations and expanded its network and digital footprint in pursuit of a more customer centric experience in an increasingly digitised age.

The Pakistani cellular market remained highly competitive in 2017. In particular, increased data usage was the primary source of growth for the industry last year. Lucrative as this market may be, however, profits are eroded by the fact that the telecom market of Pakistan is hyper-competitive. This is a matter of grave concern for all of the country's telecom operators, who are collectively calling for immediate regulatory remedies to curb the overall value erosion of Pakistan's telecom sector.

In addition to actively joining in this push for regulatory change, Ufone constantly strives to make the most of the rich potential posed by the boom in data and digital demands through a powerful mixture of innovation and customer centricity. In 2017, the company maximised its digital portfolio via the introduction of gaming stores, app stores, and direct carrier billing avenues to sustain value-added service (VAS) penetration into the smartphone-user base.

As part of its U900 project (second carrier for 3G data through re-farming of GSM900 MHz spectrum), Ufone continued its ongoing network upgrades in 2017. This enabled the company to boost its 3G network performance and capacity to significantly improve network quality as well as the general perception of Ufone in the market. In addition, it enhanced 3G coverage and growth in the number of active 3G users.

Innovation converged with customer centricity in many of Ufone's other pioneering initiatives in 2017. Such innovations in the service of an improved customer experience include the My Ufone customer app and various VAS.

The revamped My Ufone app now offers customers a 24/7 service channel on which they can use the app to pay bills, recharge balances, purchase Super Cards via credit/debit card (an industry first), subscribe to bundles/VAS, among others.

Ufone also upgraded its campaign management system, resulting in the integration of multiple channels into the system. This, in turn, increased the scope of activities that can be managed for subscribers through customer value management (CVM).

The Company further enhanced the customer experience in 2017 by introducing several VAS focused on consolidating and rationalising the existing portfolio and roll-out of tailored services to tap into new revenue streams. With the recent increase in data handsets, traditional VAS practices are evolving into more targeted approaches, with offerings like Caller Tunes, Advance Credit, and the recently launched My Status. As a result, Ufone invested considerably in developing the accessibility of VAS via smartphones and introduced multiple smartphone apps – including Utunes, Mobile TV (media station), Uislamic (religious content), and Ushow (movies on demand), among others – over the course of the year.

During 2017, Ufone won six of the nine zones auctioned off by the USF in Baluchistan province and Federally Administered Tribal Areas. Ufone thus enjoyed first-mover advantage as it rolled out its mobile services in various rural areas with the potential for extensive subscriber base growth and network expansion.

To further enhance the customer experience, Ufone collaborated with PTCL to introduce 29 "Joint Shops" nationwide. Moreover, 59 PTCL Smart Shops will be renovated and converted into Joint Shops in 2018. This initiative has not only resulted in cost optimisation but also promoted the spirit of looking inwards for effective collaborative solutions.

In 2018, data will remain the main growth driver for the telecom sector. Accordingly, Ufone will invest in its future by increasing its 3G footprint with intensified efforts to build data capacity. Furthermore, Ufone intends to enhance its share of subscribers' gross additions within the market by increasing its biometric footprint for more aggressive subscriber acquisition.

etisalat

AFGHANISTAN

In 2017, Etisalat Afghanistan entered its second decade of connecting Afghanistan with the world and vice versa. Building on the many successes achieved during this time, the company worked even harder to invest in its own future and that of its customers and their communities. A focus on innovation and customer centricity resulted in exponential increases in market share.

Since its advent in 2007, Etisalat Afghanistan has made excellent progress in many areas across its operations, despite an oftentimes adverse climate for telecommunications in the country. Among other achievements, the company was the first to introduce 3.75G and mobile money services to the region. Moreover, a decade of innovation has seen the company transform voice and data services across Afghanistan. As the country's most reliable network for data users, Etisalat Afghanistan now has over 1.2 million data users on its network.

In 2017, the company grew its subscribers by 20% year-on-year. Such unrivalled success is powerful testament to the level of trust that the company inspires in the people of Afghanistan. This trust relationship begins with the continued commitment of the company, as a pioneer in technology innovation, to using the power of communications to make a better world. In keeping with its motto, "together toward a better future", the Etisalat Afghanistan brand is built on optimism about the possibility of a brighter future for the people of Afghanistan.

Of course, beyond their intrinsic value, strong ties with customers are vital to Etisalat Afghanistan's capacity to sustain revenue growth. Company strategy is therefore always measured by its ability to strengthen these relationships by providing exceptional customer experiences, optimising expenditure, and investing in ongoing overall expansion.

However, without innovation, all of these efforts would come to nought. Improved engagement depends on the provision of pioneering products and services to promote the socioeconomic empowerment of Etisalat Afghanistan's customers. In 2017, the company paid attention to providing such innovative solutions to two particular customer segments: the youth and business enterprises. In order to satisfy the unique and diverse needs of customers in these categories, Etisalat Afghanistan participated in various pertinent initiatives and introduced a variety of new products and services.

To engage the youth market, the company made it easier for students to access telecom services for both communication and academic research purposes. This included the provision of affordable data packs as well as low-cost, locally manufactured hardware.

Meanwhile, Etisalat Afghanistan provided complete end-to-end enterprise solutions for its business subscribers. The company conducted several business forums, during which proven practices for successful and profitable business endeavours were shared with SME operators, in various provinces. The company also promoted the use of mobile money to enable easier access to and payment for services. In particular payment disbursement opportunities to government entities were explored.

Despite security challenges, Etisalat Afghanistan brought these and other solutions closer to where people need them via intensive retail channel expansion. This entailed the recruitment of more retailers, an incentive scheme for expanding at grassroots level, and a push for e-top-up services with a running customer bonus-on-recharge model.

In the year ahead, with continued emphasis on data as a growth engine, Etisalat Afghanistan will focus on maintaining data leadership through continued investment in new technology; leveraging small-screen vs. large-screen data propositions in pursuit of more customer-focused innovations and Wi-Fi off-loading of 3G data services for better service quality. As always, the company will constantly work to enhance the customer experience while taking full advantage of the privilege of sharing its successes with the entire Afghani community.

etisalat

SRI LANKA

A highly competitive Sri Lankan telecommunications sector, a largely unfavourable regulatory environment, and increasing revenue cannibalisation by over-the-top services posed significant challenges for Etisalat Sri Lanka in 2017. The company faced these obstacles with a combination of digital innovation, customer centricity, and a stronger focus on data services.

Etisalat Sri Lanka's primary response to these various challenges has been to give greater attention to its data offerings to tap into the significant opportunities that exist in this market. In fact, the company, with its fully equipped IP-based backbone supported by its 3.75G network across the island, regards data as its main growth driver.

The company also used innovative solutions to improve customer centricity and to stand out from the Sri Lanka's heavily saturated telecoms crowd in 2017. This included the launch of Etisalat Sri Lanka's cliQ app, a time-based proposition for pre-paid customers. It is a native mobile application that allows users to purchase time-based internet access easily and affordably, granting full control and understanding of how consumers buy, pay and use their personal digital services. Users can select a plan for whatever duration they need, be it as short as five minutes or as long as two hours, providing consumers with convenient connectivity at all times.

Another digital innovation introduced in 2017 in the service of improved customer centricity is "One Etisalat", the company's self-care app. One Etisalat provides all essential services and products in a single app, designed with the tech-savvy customer in mind. The One Etisalat home page indicates customers' outstanding fees, and available account and data balances. Other features include adjustable app settings, usage details, billing information for post-paid and pre-paid customers, credit management/ support, and various value-added services (VAS). VAS include promotions, roaming and IDD, "Call-a-Tune", profile management, caller management, loyalty rewards, locate us, and service messaging. Furthermore, for the convenience of the pre-paid data users, the aforementioned cliQ app is hosted on One Etisalat.

Beyond this, Etisalat Sri Lanka's call centre continues to be one of the most highly recognised call centres in the Etisalat footprint for its best practices in using automated service delivery via Interactive Voice Response (IVR) solutions as well as agent utilisation and as one of the Group's best cost-optimised operators. In fact, a Quality of Service audit initiated by the Telecommunications Regulatory Commission of Sri Lanka in 2017 recognised the Etisalat Sri Lanka Call Centre's service-level delivery performance (time for initial response to speak to an agent) as the best of all operators in the country from Quarter 4 of 2015 to the end of Quarter 1 of 2017.

Because Etisalat Sri Lanka understands that customer centricity is about more than service delivery, the company engaged in numerous corporate social responsibility initiatives in 2017. In the wake of the May 2017 floods and landslides, which affected over 400,000 people in 15 districts across Sri Lanka, Etisalat launched its "Manudam Sapiri Nobindunu Sabadiyawa" campaign to provide relief for the victims. Etisalat Sri Lanka collected donations from the public to support those affected. The aid was then distributed to the affected families in the Kalutara, Matara and Rathnapura Districts.

In addition, the Etisalat Business Solutions team used their mobile platform management expertise to provide aid during this time. The team's simple yet effective solution enabled stranded individuals to send text messages to an Etisalat Number allocated for the purpose to request immediate support. Etisalat relayed this information to the Disaster Management Centre, which then reached out to these people. In this way, Etisalat Sri Lanka helped to save 2,500 lives during the flood-affected season, an achievement which won the company a Silver award at the 2017 Global Smarties Awards.

Looking to the future, Etisalat Sri Lanka's focus for 2018 will be concentrated on acquiring and retaining high-value customers, in this fiercely competitive market, where the data and voice tariffs are among the lowest in the world.

ETISALAT SERVICES HOLDING

In 2017, Etisalat Services Holding (ESH) and its seven operating companies made great efforts to drive the digital future in their respective fields, from facilities management to education to the laying of submarine cables and beyond. ESH grew its capacity to offer strategic value addition to all Etisalat Group companies by providing first-rate telecom-related business services in an increasingly digitised arena.

In 2017, ESH renewed its commitment to provide exceptional telecom-related business services via its portfolio of seven operating entities that all achieved major milestones in their respective fields and regions. In this way, ESH more than met the needs of its esteemed private and public sector clients.

Etisalat Facilities Management (EFM)

Driven by a passion for people, a collaborative spirit, and a constant quest for innovation, Etisalat Facilities Management's advanced and dynamic facilities management solution operates in almost all EFM business sectors. In 2017, EFM launched a set of new products and services (including digital services) based on cutting-edge software capable of tracking project progress from planning through to invoicing. In addition, EFM established centralised shared services for the Etisalat Group in an effort to optimise the utilisation of resources and enhanced customer satisfaction by tailoring its solutions to meet customers' unique requirements. Finally, Etisalat Facilities Management achieved preferred supplier status for Etisalat UAE by implementing several strategic initiatives that enhanced the operator's services.

Emirates Data Clearing House (EDCH)

As the most trusted and reliable intelligent roaming and revenue-management partner in the Middle East, EDCH offers comprehensive roaming solutions to mobile operators that assist them to increase revenues while reducing operational expenses.

The company is the leading provider of innovative cloud-based solutions in the UAE and beyond, supplying more than 50 carriers across a broad geographical footprint In 2017, EDCH expanded its portfolio to 10 new operators from the MTN Group, Expresso Telecom Group, Telna, Safaricom, and others.

In collaboration with Etisalat, British Telecom, and the Khalifa University Innovation Centre (EBTIC), EDCH is enabling service differentiation by adding artificial intelligence (AI) and other cutting-edge innovations to its business toolkit. Innovative products launched by EDCH in 2017 included mobile money hub solutions, cloud-based services, Wi-Fi roaming hub, and fraud-prevention solutions.

EDCH's sterling reputation as a major contender in the telecoms arena was, once again, confirmed when various esteemed members of the roaming industry voted unanimously in favour of EDCH to host the Global System for Mobile Communications Association's (GSMA) Wholesale Agreements and Solutions (WAS) conference in Dubai in March 2018. More than 1,300 delegates from over 120 countries will attend the event. In addition to engaging in discussion of agreements and charging principles for roaming and interconnectivity, EDCH's WAS team will support three GSMA Projects: Connected Living, Digital Commerce Mobile Money Interoperability, and Network 2020. The company reconfirmed its commitment to its clients' satisfaction and security in 2017 with the acquisition of various important certifications, including ISO 27001 and ISO 9001.

Tamdeed Projects

Tamdeed Projects made extensive progress in its transformation into a technology solutions specialist in 2017. With decades of ISP and OSP expertise, Tamdeed Projects is evolving into a leading systems integrator and business solutions provider in information and communications technology (ICT), ELV, and physical security; with its vision "to become UAE's most dynamic and value driven ELV/ICT systems integrator".

As a result, the company was awarded several iconic flagship ICT and ELV projects by various high-profile government agencies and international clients in 2017. This included major ELV systems for the New Al Ain Hospital Project, one of the largest hospitals in the UAE.

Tamdeed Projects was also selected to deliver the planning and execution of a fibre-optic interconnectivity project spanning the entire Gulf Cooperative Council (GCC) region. The aim of the project is to establish a mission-critical technological foundation to support collaboration amongst GCC member states.

Tamdeed's success in its various ventures is evidenced by its numerous outstanding industry certifications and awards, such as ISO (9001 and 14001), OHSAS (18001) and FTTH Council Middle East and North Africa Gold Membership.

Etisalat Information Services (eIS)

eIS is recognised as the UAE's leading local search provider. The company maintains a business listings directory, which is used by Directory Enquires (181), and also publishes printed and digital directories both on the Internet and via mobile applications.

With the ceaseless evolution of the directory media advertising industry in the digital space since 2015, eIS has increasingly focused on digital media advertising. In 2017, eIS continued to support and grow www.connect.ae, the UAE's first and only bilingual, hyper-local search engine enabling location-based search and navigation of all businesses in the country. This is in addition to the long-established and well-known Etisalat yellow pages and white pages directories.

To the same end, eIS also signed multiple partnerships with leaders in the digital sphere in 2017 and it continues to aggregate various verticals by enhancing these partnerships. The company now covers all space media in the UAE and is in the process of expanding beyond the UAE to become a global player.

Ebtikar Card Systems (ECS)

As one of the best secure industrial organisations in the UAE, ECS is a major provider of smartcard solutions in the region. The ECS factory holds the GSM Association's for Security Accreditation Scheme Certificate (SAS) for SIM and Smartcard manufacturing, in addition to ISO 9000, 14000 and 18001 certifications for quality, health and safety standards. The company views these certifications as essential to giving consumers full confidence that its facilities comply with the most rigorous security procedures to protect all of the components, cards and information, including subscriber data for personalisation.

In 2017, ECS enhanced its internal production capacity to support market growth, demonstrating its ability to produce high volumes of high-quality SIM cards while adhering to the strictest standardised security criteria. ECS introduced multiple new products – including Trio Cards (multi plug-in SIM), M2M, and 4G/LTE SIM cards, and quarter SIM cards – last year. The company also ensured operational excellence whilst drastically reducing operational expenditure by negotiating with its reliable suppliers, thereby saving significant procurement costs.

Etisalat Academy (EA)

For the third consecutive year, Etisalat Academy organised one of the largest and most diverse youth summer camps in the UAE In the summer of 2017. With sponsorship by the ICT Fund of the Telecommunications Regulatory Authority (TRA), the camp activities were conducted in five cities (Abu Dhabi, Dubai, Fujairah, Ras Al Khaimah and Al Ain) and the number of participants exceeded 3 100 Emirati national students from primary, preparatory and secondary schools.

Meanwhile, through its Kawadir Nationalization Centre, in partnership with Absher initiative, EA continued to prepare UAE nationals for the job market. Furthermore, while focusing on individual capability development, Etisalat Academy launched its open enrolment programme, introducing in-demand industry specific programmes.

In the coming years, Etisalat Academy aims to align itself with global learning trends and introduce innovative learning mechanisms, including blended learning, gamification, VR learning, and others.

E-Marine

As the trusted principal provider of submarine cable solutions in the Middle East and Sub-Continent, E-Marine is committed to the region's advancement. After commissioning the world's most advanced and environmental friendly cable ship, the CS Maram, in 2016 to maintain its core business, E-Marine added a new multi-purpose vessel to its fleet in 2017. The MPV Athba was commissioned to penetrate the energy sector and tap the revenue-generating potential in that niche. The company is all set to enter the oil and gas market, which is showing early signs of recovery after a few challenging years internationally. E-Marine now has total of five ships and one shallow-water barge.

Finally, to cater to the developing East Africa market, E-Marine is planning to open a third depot in that region. This will not only create a strategic advantage in procuring additional business but support the expansion and enhancement of the region's digital infrastructure. E-Marine's comprehensive business blueprint will give the company the edge it needs to become the preferred choice of customers in the region and beyond.

THURAYA

Thuraya focused on maintaining its role as a key provider of Mobile Satellite Services – delivering data and voice connectivity to end-users in the Middle East, Africa, Asia and Europe – in 2017. With an insightful blend of customer centricity, innovation, and participation in the Etisalat global family, the company drove the digital future across its broad and diverse footprint.

Although satellite communication is a small part of the overall communications market, it is growing, with Mobile Satellite Services (MSS) growing faster than Fixed Satellite Services (FSS). In this highly competitive MSS market, Thuraya continues to lead the way. The company's primary growth areas in 2017 were Thuraya's IP (data business), maritime endeavours, and M2M (new entry to Internet of Things). Its greatest business achievement in 2017 was the deployment of IP data terminals for a Kenyan Government Project.

Across the board, Thuraya is taking proactive steps to hold onto its lead and regain market attention via an innovative new product strategy Numerous innovative initiatives underpinned the implementation of this new solutions-based product strategy in 2017. In collaboration with international partners, Thuraya launched its connected ambulance service. This ambulance-to-hospital telemedical system enhances the capabilities of medevac and air ambulance missions. It works over Thuraya's network, connecting onboard wired and wireless medical devices to hospitals and diagnosing physicians. Using onboard cameras to zoom in on injuries for a close analysis, off-site doctors can now advise emergency services personnel on the most effective treatment for urgent needs while patients are en route to hospitals.

The company later launched Thuraya Aero – an airborne data-sharing platform that uses satellite communication to deliver real-time, bi-directional voice, video and data capabilities. Thuraya Aero provides in-flight connectivity through internet access, text messaging, phone calls, VOIP, and video and audio conferencing, as well as aerial surveillance. Thuraya developed the system in partnership with global consortium, the Aero Group. This is game-changing communications technology for ISR, SAR, emergency relief, and telemedical operations, office-in-the-sky, and BLOS missions.

Shortly thereafter, Thuraya signed a memorandum of understanding with Swiss new space start-up, ELSE SA, to pave the way for a strategic alliance between the two organisations. The alliance helps both companies extend product and service portfolios, gain expedited access to the market, and expand services to customers with Internet-of-Things (IoT) communication, enabled by the Astrocast satellite constellation.

Later in the year, the company launched Thuraya WE, the world's first dual-mode satellite and long-term evolution (LTE) hotspot device. This pioneering product is testament to Thuraya's dedication to evolving and advancing products to meet the ever-growing global demand for wireless data connectivity on the go. Thuraya WE is the world's first compact portable device that facilitates seamless roaming – between satellite and GSM broadband services – and keeps users in contact with family and friends at all times, no matter where they are. The hotspot device is compatible with iOS and Android devices and easily transforms any area into a Wi-Fi hotspot within a range of 100ft or more.

Thuraya subsequently launched the Thuraya IP M2M, an advanced solution for IoT connectivity in remote locations that lie beyond line-of-sight and outside the range of terrestrial networks. IP M2M supports high-volume, high-throughput M2M applications. It provides reliable, cost-friendly connectivity for operations that depend on the collection of large amounts of data from distant, inaccessible points. It creates exciting new possibilities within sectors like agriculture, oil and gas, utilities, government, banking, fishing, and renewable energy. The service is already being utilised in oil and gas systems integrations.

The company also signed a memorandum of understanding with Huawei at the Interpol World 2017 exhibition. The partnership with Huawei specifically merges innovative capabilities for advanced public safety ecosystems and crisis and disaster management solutions. Based on an advanced satellite network, this exciting opportunity to develop agile solutions for faster, more reliable collaborative SAR efforts will improve government emergency departments' practical capabilities.

Towards the end of the year, Thuraya collaborated with satellite communications company, Gulfsat at the Offshore Patrol Vessels (OPV) event in Kuwait. This strategic alliance will enable Gulfsat to launch data services in Kuwait. Through it, the companies can combine interests and increase both their distribution channels among government, maritime, media and enterprise sectors in the surrounding region. The product range accessible to Gulfsat customers will include Thuraya's land and maritime broadband terminals, such as IP+, IP Voyager, Orion IP, and the newly launched Atlas IP.

The company also launched Thuraya Atlas IP+ at the Europort and ADIPEC events in Rotterdam and Abu Dhabi respectively in November 2017. Atlas IP+ is a new modified version of the Atlas IP terminal and features improved power efficiency, a smaller form factor, and greater versatility than that of rival products. Voice calls over this terminal are made via the Thuraya Talk VoIP service, allowing for more cost-effective communication.

Finally, the company announced the launch of Thuraya Talk, a revolutionary app-based calling and messaging service that brings individuals closer to loved ones in remote locations beyond the reach of regular terrestrial networks. The app is kept connected via the Internet and can be operated anywhere in the world via Wi-Fi, mobile or satellite data. Thuraya Talk is compatible with iOS and Android operating systems on smartphone devices and is ideal for users who rely on mobile phones to call Thuraya numbers.

Of course, Etisalat's characteristic emphasis on customer centricity underpinned all of Thuraya's endeavours in 2017.
The company began the year with the launch of ThurayaSeaStar, a circuit-switched voice terminal that is truly accessible to all those who operate at sea. Designed for harsh environments, this new terminal meets the evolving needs of the modern fishing market by introducing the latest in satellite communication capabilities to smaller and regionally operated fishing vessels. ThurayaSeaStar provides voice, SMS, data and vessel tracking via an intuitive interface, and is a great option for regional merchants looking for a backup system alternative to VHF and GSM.

Later on, the company held one-on-one meetings with senior-level officials and government system integrators in the Kingdom of Saudi Arabia (KSA) to present Thuraya's latest product portfolio and explore possibilities for collaborative ventures. The road show included visits to Jeddah, Riyadh and Damam and was exclusively developed in line with KSA's ongoing public sector interests. Thuraya also held discussions to determine the scope for developing specific M2M solutions such as seismic sensors for the KSA market.

To reinforce its reputation as a prominent international telecommunications player, Thuraya engaged in several sponsorship initiatives in 2017. To begin with, the company donated new supplies of emergency telecommunication equipment to the International Telecommunication Union (ITU) under the Emergency Telecommunications support arrangement. This donation will strengthen the ITU's capacity in natural disaster preparedness, SAR, and response using state-of-the-art mobile satellite communication equipment.

Thuraya is also an eager participant in global efforts to increase sustainable energy practices. In 2017, the company continued to support the University of Michigan's Solar Car team in their participation at the Bridgestone World Solar Challenge (WSC) in October. Thuraya helped the team establish remote connectivity with land data terminals such as the IP Voyager and satellite phones as they sped across the Australian Outback and clinched second prize.

The operator further sponsored several adventurers on their brave forays into remote regions in support of various worthy causes in 2017. This entailed, among other things, the provision of vital connectivity for keeping in touch with teams. These included Himalayan summit experiences for mountaineers Holly Budge and Dr Skatov, expeditions in the Polar Urals by Aleksey Yakovlev, journeys up Gasherbrum II by WOPeak campaigners, and a Kenyan safari by wildlife photographer, Majed Al Katheeri and his team.

In 2018 and beyond, Thuraya will focus on maintaining its role as a key provider of 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 tapping into the retail and mobile network operator markets simultaneously to grow revenue in non-traditional ways.

HUMAN CAPITAL

With the goal of becoming the employer of choice in all of its markets, Etisalat Group continually strove to enrich the career experiences of its employees over the course of 2017. The Group adopted innovative approaches to Talent Attraction, Talent Management, Training and development, Rewards and Recognition and overall Employee Engagement. Moreover, under Etisalat's new vision, "Drive the Digital Future to Empower Societies", the company nurtured its human capital in the context of an increasingly digital world and workplace.

Etisalat's unique transformational approach to human capital has always extended an agile, digitally informed and responsive "Human Resources Eco System" to support overall business strategies. In all operations, the company's Human Resources teams are dedicated to quality and excellence. By ensuring that its employees are up-to-date with trends in digital technology, Etisalat Group enabled them to maintain the highest and most up-to-date skills levels in their various roles last year. Accordingly, Etisalat's Talent Management team actively drove the company's human capital in the direction of the digital future through strategic learning in futuristic technology. This eco-system is characterised by innovation, inclusiveness, respect, reciprocity, recognition, and a profound concern for the physical and emotional well-being of customers and employees. In 2017, Etisalat's Corporate Values (Collaboration, Agility, Customer Centricity, and Empowerment) further strengthened this highly effective approach. This contributed to a significant culture shift within the company, positively influencing employee engagement and motivation, talent development and retention, financial results, cross-functional collaboration, and overall performance.

Human Capital best practices are re-assured through the Human Resources Excellence program, where all operating companies under Etisalat Group capitalize on the model of EFQM (European Foundation for Quality Management) by sharing successful management practices. In 2017, we have reached the highest average level ever with an increase of 15% y-o-y. Several operating companies have now secured a robust international level of excellence and are ready to compete at regional and global levels.

Employee Engagement at work was a major priority for Etisalat in 2017. This began with assessing employee motivation and engagement to identify effective existing practices and areas for improvement. As part of this, 85% of employees participated in a global Employee Engagement Survey. Compared with last year, employee engagement scores increased for most of the OpCos and led by UAE (80%), Afghanistan (79%) and PTCL (71%). Beyond this, Etisalat promotes employees' mental and physical health both within the workplace and via the encouragement of better living habits. This involves Health, Safety and Environment (HSE) training sessions and committees to eliminate risks as well as a wide variety of events to emphasise the importance of healthy lifestyles.

Etisalat Group also recognises that employee retention and advocacy is largely dependent on the provision of challenging opportunities within a performance-driven culture. In 2017, the company enabled employees to unleash their talent, passion and capabilities in suitable roles with inspiring opportunities for growth. The company's training needs were identified and addressed in terms of corporate strategic direction, department-specific requirements, and individual performance management and special project needs. The Year 2017 also witnessed 5th batch beginning its leadership journey through its future leaders program "Qadat Al Mostaqbal Leadership Development Programme" – for growing the pioneers of tomorrow. Participants were selected from all Etisalat Group companies via series of assessments and have the potential to advance toward senior positions in the corporation.

Etisalat benchmarks its numerous rewards and recognition programmes on worldwide best practices – particularly those in the telecom sector. The Group's many recognition programmes acknowledge the contributions of employees beyond their official duties. These initiatives further contributed to Etisalat's status as a highly sought-after employer in its countries of operation last year. As a socially responsible global company, Etisalat recognises that employees are incapable of achieving this kind of success outside of a safe and pleasant working environment. To facilitate this, Etisalat Group adheres to stringent ethical standards, observing all applicable laws and regulations, in its management practices. In addition, the company works continuously to respect and protect human rights – its most important obligation as a member of a global society. As such, Etisalat has always followed labour practices in keeping alignment with the law of land and aspire to extend a safer and better workplace.

In 2017, Etisalat UAE also implemented digital campaigns and awareness programmes with various themes, including Virtual Reality Gaming, Digital Comic Stories, and others. These campaigns increased the awareness and understanding of business behaviours related to the company's new values, in line with the UAE government's push for innovation. In addition, with digital technology poised to drive the future direction of society, digital capability is essential to continued customer centricity and the development of relevant products and services. In this regard, Etisalat UAE focused on building the digital future by developing the requisite skills and mind-set changes in 2017. Going forward with digital transformation, 2,722 staff was equipped with core strength of Design Thinking, Cloud Business, and OFS implementation.

To fortify the customer-driven culture, Etisalat UAE placed 1,576 staff members in enhanced competence programmes as part of the newly launched "Etisalat Sales Academy". This provided core strength to enterprise-wide functionality, as well as the combined synergies and reciprocal relationships that drive Etisalat's business forward. This exercise will boost the retail customer experience with winning store practices in business, sales and customer care. Overall 85% of employee population underwent new training & development drive with 36,900 training days leading to 4.45 training days per staff.

In the UAE, Etisalat introduced new reward and recognition programmes, like OPCA Breakthrough Achievement Award (based on achievement of the finest project supporting the business) and SPOT Recognition Award (allows managers and peers to recognise staff members, based on positive behaviour aligned to Etisalat's core values). Recipients of such awards were seen to go the extra mile because they were extraordinarily devoted to achieving business project goals. These had a powerfully positive effect on various levels – in particular, staff turnover dropped to below 4% last year.

With an aim to develop national talent, Etisalat UAE has improved efforts in attracting Emirati talent including active participation in career fairs, dedicated recruitment campaigns, cooperation educational institutions for internships/work placements to draw in skilled local citizens. Their success is evident in the percentage of positions at all levels; 72.3% of Nationals in upper management; 49% represented at middle management; 52.5% of technical staff are UAE Nationals in IT and Technology whereas UAE National females are 71.84% of female employees at Etisalat UAE.

The Year 2017 ended with noticeable recognition in the UAE for Etisalat with five key external awards. These awards were won on the basis of people excellence, operational efficiency towards people agenda, employee engagement and technology value to internal customers. These awards assure leadership of Etisalat and focus on all fronts, these include - "Innovation in Employee Engagement", "HR Team of The Year", "Best Employer Brand of the Year", "Best Employee Insight & Feedback" and "Best Internal Use of Digital'.

In Afghanistan, Etisalat Team launched an innovative and informative campaign to improve interaction between senior management and employees. In addition to improving two-way communication, this campaign also created a platform in which employees could share their achievements, gets recognised thereby further increasing engagement indices from 75% to 80%. In addition to emphasis on building in-house capabilities through various learning interventions, there has been a comprehensive focus on improving overall well-being of the employees. "Let's go green" campaign was part of efforts to improve sustainable resources of the country.

In Saudi Arabia, keeping the people development at core, Mobily team launched second batch of Qiyadi program aiming to develop employees at executives, supervisory & managerial levels. Participation to Engagement Survey has increased by 16% to 88% leading to a more inclusive & hopeful future ahead. Social media campaign - "My Life in Mobily" was a huge success in attempt to educate & incubate future pool of talent to support the extensive growth plans in future. Mobily's extended support for young female nationals by actively participating in the Kingdom's International Women's Day activities.

Etisalat's Misr has launched a unique recognition program for employees – "Hero of the hero's" rewarding extraordinary performers on projects related to company's strategic pillars. Etisalat Misr has launched "Cheer for Egypt" to celebrate the Egypt's qualification to world cup event and winners were rewarded with free subscriptions.

In Pakistan, PTCL team amplified its people-centric efforts **in the form** of higher employee engagement, training and development initiatives. On average, PTCL employees benefitted from three days of training annually. The FUEL "Future Leaders Programme" is another intervention by PTCL to identify, nurture and develop the next generation leaders. Meanwhile, the Summit Management Trainee Programme targets the country's top engineering and business institutes to build a sustainable leadership pipeline for the company. In an attempt to assess the ever-evolving needs of customer – internal & external, an "Idea Olympiad" was launched generating around 650 actionable ideas from participants.

Moreover, Ufone Pakistan kicked off a rigorous exercise for identifying business-critical roles across the organisation. This paved the way for organisation to expand its talent pipeline for both top leadership positions and mission-critical roles across the business.

With a focus to develop capability for better tomorrow, Maroc Telecom Group delivered approximately 15,000 training days to 3,300 employees As a socially responsible employer, it has launched an initiative to make it a Tobacco-Free company by extending lot of awareness sessions sharing the associated harmful effects and hand holding people who wish to quit this habit.

With almost 90 different nationalities across its footprint, Etisalat truly embraces diversity. The company welcomes the energy, creativity, and innovation of its people, as they apply their different perspectives, competencies, and skills to address common business challenges. In addition to reflecting the company's values, Etisalat's diverse workforce is also a source of competitive advantage in business. This is because Etisalat's employees are truly representative of the different communities in which the company operates and the various customer segments with which it interacts. The Group therefore strives to promote equal employment and growth opportunities for talented people of different genders, origins, and work experiences. To ensure this, all staff members are encouraged to report any unlawful conduct, financial malpractices, violations of Etisalat's policies and procedures, or other offences that they may encounter. This confidential reporting channel extends to unethical behaviour, misuse of authority, leakage of confidential information, and any form of unfair discrimination against any employee. Freedom of association is also a very important component in this diverse environment. In all of its markets, Etisalat therefore works to ensure open and constructive dialogue between all stakeholders, including trade unions.

Etisalat Group's investment in its greatest asset align with the aspiration of becoming an employer of choice in all of the regions in which it operates. The positive ripple effect of this on the Group's performance, profitability and contribution to society is immeasurable. Employee Engagement at work will therefore continue to be a major priority for Etisalat in the years to come.

CORPORATE SOCIAL RESPONSIBILITY

Etisalat's ambition to drive the digital future is deeply imbedded in the Group's ongoing commitment to positively transform every life it touches. In 2017, Etisalat Group invested in various initiatives to empower people through technology in order to catalyse this positive change for society. These endeavours targeted a wide array of critical social concerns including education, health, economic growth, and the environment.

In the era of 'Going Digital', governments, businesses and consumers today are beginning to see the value of digitalization with the increasing presence of transformative technologies in their day-to day activities. With the evolution of technology, today's investments are focused on innovation to create dependable products that enables distinctive experiences and spread happiness in all segments of society. In the past year, Etisalat Group invested in initiatives to catalyse this positive change for the society and by empowering people through technology. Our technology infrastructure plays a critical role in creating this collaborative framework focused on the values of giving, empowerment and actively participating in community initiatives. Etisalat Group's CSR strategy mainly focuses on giving back to the community in the countries it operates by enhancing the daily lives of consumers and contributing to humanitarian efforts on a local, regional and global level. As part of the overall strategy, Etisalat Group has made the right partnerships, especially with the government sector to enable sustainable development across verticals mainly education, health, sports and environment.

As a group special efforts were taken to set new targets for tackling issues like climate change, promoting sustainable economic growth and providing access to basic necessities in many countries. 2017 was a year of tremendous change for Etisalat with the journey towards 'Driving the digital future' initiated across our operations globally, we accelerated our efforts as a company to empower our internal teams and customers with the right tools and services to make this digital dream a reality.

While the world and our company are changing, our commitment to corporate responsibility remains as strong as ever. Etisalat deeply integrates corporate responsibility into our business in ways that create value for us, our subscribers and shareholders. As we transform from a telco to an ICT provider Etisalat foresees immense potential to empower more people through our technology and to harness the power of our network to help address society's most complex issues.

Technology is an enabler and also makes a major impact in the lives of people, Etisalat has taken specific initiatives to target specific sects of the society. Maroc Telecom's integration of ICT in teaching and learning working alongside with the government implemented ICT initiatives across schools in Morocco. As part of the deployment of the third phase of 'Genie' (engineering program), equipment for more than 3,200 establishments were allocated internet access ADSL and filtering solutions to protect students from sensitive content on the internet.

In UAE, in collaboration with a local schools in Dubai, Etisalat conducted internet security workshops for students where experts from Etisalat-WYANA team conducted awareness sessions on protecting children from malicious content on the web. These initiatives also extended to Etisalat operations in Asia, cyber-bullying was a focus area for Etisalat Lanka who jointly worked with Srilanka CERT (Computer Emergency Readiness Team/Co-ordination Center) to host a forum to eradicate cyber-bullying in the country for the next generation.

Etisalat UAE was also active in educational activities with participation in events and campaigns that has helped raised funds for children in the developing countries to build their better future. Etisalat UAE worked closely with Dubai Cares to organize a walk and an SMS awareness campaign that reached out to two million customers witnessing the presence of 14,500 people at the event. The participation at the Sharjah Children's reading festival was another major initiative to encourage learning and self-education from a young age.

Our long-standing commitment to supporting good health was visible across our operations. Etisalat Misr participated in

'Tour and Cure', a global medical campaign with World Health Organisation that treated 1400 Hepatitis C patients free. They also conducted awareness sessions on breast cancer and diabetes. Etisalat Misr along with the Egyptian Society of Womens Health and Mersal foundation offered services and discussed the causes and benefits of early examination.

The diabetes sessions raised awareness among employees to increase knowledge on managing levels of blood sugar and decreasing the risk of health complications. Autism was another cause that Etisalat Egypt operations supported and collaborated with Egyptian Autistic Society to raise awareness on autism and change perceptions. The main objective was for parents to be able to diagnose autism and give proper therapy to their children.

Blood donation drives were conducted in Saudi Arabia and Pakistan getting the employees to actively participate encouraging them to donate blood. Under the umbrella of PTCL Razakaar (volunteer) a nationwide mass blood donation drive was launched with hundreds of camps set up across the country. At Mobily, as part of the 'Health and Safety' program, employees donated blood as part of this country wide effort.

During the month of Ramadan, 'Medical Box Donation' was carried out in collaboration with Al Ihsan Charity. Etisalat contributed medical donations from Etisalat staff and customers to the center by placing medical boxes across 12 Etisalat buildings in the country. This special effort collected medicine worth AED 113, 385 supporting the center in giving these medicines to patients in need.

Mobily staff also carried out special efforts with orphanages to organize iftaars where employees and the orphans celebrated this occasion together. Due to their active efforts with these orphanages, Mobily was honored by the Charity Committee for Orphans care 'Ensan' in Riyadh during this holy month. In addition, Mobily was also felicitated by Aaba Charity Association for Orphans Care in Asir region, Ekhaa Charity Association for Orphans care in Al Khobar and Takaful Charity association for Orphans care in Al Madina Al Munawara.

With 2017 declared as the 'Year of Giving' in UAE, Etisalat was active throughout the year with activities that gave back to various sectors of the society. This kicked off with the installation of free mobile charging units across public areas, which gave all citizens the comfort of remaining connected with their family and friends 24/7 while they were away from their home.

'Walk to Give' was another initiative launched by the government to support this special year, which organized a walk to highlight the role of the media sector in supporting the success of national initiatives. Etisalat also contributed to a workshop conducted in collaboration with TRA and the Ministry of Community Development during the 'Annual Arab Deaf Week' focusing on the objective that 'Sign language is an important means of communication for deaf people'. Etisalat presented 'CMe' application with a sign language translator with a 50 percent discount to people with hearing disabilities.

Etisalat also supported 'Hope Makers' awards was an event conducted by the government in line with the 'Year of Giving' that recognized exceptional individuals who have contributed to develop change and build hope in the fields of volunteering, education, health, media and social activitism.

Etisalat UAE was actively involved in 'Change a Future' as part of the 'Happiness is Giving' campaign in collaboration with Emirates Red Crescent as well as Abu Dhabi and Dubai's department of Economic Development. 'Happiness is Giving' engaged the private sector particularly the retail sector encouraging organisations to donate to 'Emirates Red Crescent' throughout the month of Ramadan. Etisalat contributed by allocating SMS short codes for the donation from which the payment was directly sent to Emirates Red Crescent.

With fitness being in the spotlight and a focus for many countries to raise awareness on good health, Etisalat worked with private and public organisations to conduct activities in many countries. In Morocco, Maroc Telecom has already established a 'Maroc Telecom football school' in 2001 to encourage young players to play and compete. Every year, the school has welcomed 200-250 children aged between 6 and 16 years. In Afghanistan, Etisalat organizes an annual marathon across the province of Bamyan and is one of the largest international marathons in the country. The third edition took place this year with participation of over 200 international and national runners giving the country a lot of global attention. On a national level, Etisalat Afghanistan is extremely active in volleyball, cycling, soccer and cricket. In volleyball, Etisalat Afghanistan sponsored the 'National Volleyball Federation', which also included several grass root level tournaments.

Football was an active sport encouraged by Etisalat operation in Pakistan, Ufone's focus on Baluchistan due to its young and talented population has seen its active support and participation in organizing football championships across four cities in Baluchistan including Khuzdar, Chaman, Pischin and Quetta.

These local championships were organized for teams from local schools, colleges, universities and football clubs. These tournaments were a great opportunity for these young footballers who had a platform to showcase their talents and opens doors for better career opportunities.

Etisalat also supported the annual cycling ride hosted in the emirate of Ajman, which is on a 104 km route. The ride has over 600 enthusiastic riders including the participation of Etisalat staff who was among the top performing riders.

Etisalat has also been active during the year in being proactive during natural disasters by working closely with the affected by supporting them with relief making sure that they are able to have their basic requirements. In Srilanka this year with the major floods affecting 400,000 people in 15 districts across Sri Lanka, Etisalat Lanka launched 'Manudam Sapiri Nobindunu Sabadiyawa'. The staff and management came together by collecting donations from the general public which included water bottles, bed sheets, sleeping mats, mosquito coils and toiletries.

Technology also came to the rescue during this crisis, with Etisalat Business Solutions putting to use its mobile platform management. The solution was simple but very effective, where citizens were requested to send a text message to an Etisalat number if they are stranded and are in need of immediate assistance. This information was shared immediately with the disaster management center who reached out to the affected people. The solution saved 2,500 lives during the heavy floods and won global accolades for Etisalat Lanka.

In Africa, Somalia faced severe drought causing a grave concern for those affected as well as globally. Etisalat along with Red Crescent generated donations by sending SMSs to the 3.2 million customers generating a sum more than AED 2 million.

CORPORATE GOVERNANCE

The General Assembly

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

The General Assembly of the Company is in charge of all the matters related to the Company as stipulated in the Company's Incorporation Law and in its Articles of Association, and is, 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 legisalations related to Governance Rules and Corporate Discipline Standards with respect to the capacity of the Board members, where all current Board members are non-executive and independent.

Committees of the Board of Directors

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

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

Audit Committee

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

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

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

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

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

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

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

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

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

Nominations and Remunerations Committee

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

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

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

The Committee is further entrusted with determining the Company's needs for talents at the level of executive management and staff and their selection criteria, and with developing policies for training, human resources and granting remunerations, incentives and salaries to the Company's Board members, executive management and employees in a manner that ensures fulfilling its objectives and commensurates with its performance. The Committee's Charter provided for the detailed powers of the Committee, its composition, the conditions and quorum of its meetings' convention and decision-making mechanisms.

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

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

Investment and Finance Committee

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

The Committee assumes a wide array of responsibilities, 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, capital structure of the Company and its subsidiaries, the Company's dividend policies which have regard to regulatory requirements and have impact on surplus funds, issuance of guarantees and pledges and definition of operational and financial targets, plans and KPIs.

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

Operating Structure of the Company

During 2017, 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

The Etisalat Group continues to recognise that the proactive management of risk is essential to the achievement of its strategic objectives. Within the Group's internal control function, the Enterprise Risk Management (ERM) process ensures that principal risks are identified, assessed and managed across the Etisalat Group of Operating Companies (OpCos). Etisalat's ERM framework provides reasonable assurance that significant risks are identified and addressed.

Internal Control Environment

The Etisalat Group employs a robust ERM system, which forms part of the "three lines of defence" internal control environment as follows:

The first line of defence is the day-to-day management of risk across all OpCos. This is governed by existing policies and procedures and includes the regular review of identified risks and the ongoing management of risk-mitigation activities. Each OpCo is responsible for overseeing its own risk management at this level.

The second line of defence involves corporate functions, which continue to be 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 and Compliance) undertake various activities to mitigate and manage a wide range of risks. In addition, compliance capabilities within the Internal Control function have been established in order to focus on legal compliance matters such as anti bribery and corruption requirements.

The third line of defence provides independent assurance over the Group's and 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 functions continue to be independent from Executive Management and report functionally to the Etisalat Group Audit Committee, which is authorised by the Board of Directors to supervise these areas.

Risk Governance

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

The ERM Process

The ERM process involves the identification, assessment, management and continuous review of those uncertainties and risks that can adversely influence Etisalat's ability to achieve its strategic objectives.

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

Principal Risks and Uncertainties

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

Strategic Challenges

- Geo-political threats: Ongoing political and geographical uncertainty pose continuous challenges across a number of the countries in which Etisalat operates. The Group works

THREE LINES OF DEFENCE

ETISALAT BOARD (AUDIT COMMITTEE)

GROUP MANAGEMENT

FIRST LINE OF DEFENCE	SECOND LINE OF DEFENCE	THIRD LINE OF DEFENCE
OVERSIGHT & CONTROL	FUNCTIONS INCLUDING	INDEPENDENT ASSURANCE
• LINE MANAGEMENT • POLICIES & PROCEDURES • INTERNAL CONTROLS	• FRAUD MANAGEMENT AND REVENUE RASSURANCE • REGULATION AND LEGAL • INTERNAL CONTROL: ERM AND COMPLIANCE	• INTERNAL AUDIT

closely with the respective OpCos' management to leverage local expertise and knowledge to combat these challenges. As part of this, the security of local employees is proactively managed by local OpCo arrangements.

- Macro-economic conditions: Changes in regional and global economic conditions within a number of the markets in which Etisalat operates present continual challenges to the Group. Such factors are considered during financial budgeting and planning processes.

- Over-the-top (OTT) operators: The presence of OTT operators is a common threat across the telecommunications industry that is affecting mobile voice revenues in a number of Etisalat's more mature mobile markets. The increase in the use of VoIP applications is cannibalising traditional telecom operators' revenues. Various commercial strategies in response to such OTT threats are considered and implemented by respective commercial teams across the impacted OpCos.

Operational Threats

- Cyber security: The threat of external cyber attacks across the Etisalat network and IT infrastructure is ever-present, particularly across the Middle East and North Africa (MENA) region. Network and IT security teams proactively monitor activity across the Group's networks to identify and mitigate possible cyber security threats and data privacy breaches.

- Competition and pricing pressures: The markets in which Etisalat operates are characterised by high levels of competition (existing and new), declining prices, technology substitution, market and product convergence, and customer churn. The Group must closely analyse and monitor the trends in these markets and invest in its networks, products and service offerings to compete effectively.

- Service continuity: The sustained continuity of Etisalat's network across all its operating companies is vital to its continued success. The Group faces the threats of disruption, malfunction, and loss or damage to network infrastructure due to natural disasters or other uncontrollable events. As a result, the Etisalat Group has put Business Continuity Management teams – responsible for developing and testing business continuity plans and crisis management arrangements – in place across its OpCos. Insurance policies are also in place to make provision for infrastructure property damage.

Compliance Challenges

- Regulatory challenges and uncertainties: Because the Etisalat Group operates in various diverse and developing markets, it is faced with ongoing regulatory and legal challenges. Governments and regulatory agencies can alter existing policies or implement new policies, which can significantly influence Etisalat's operations and financial performance. These challenges are managed by the respective operating companies' regulatory departments, with support from the Group's regulatory teams.

- Litigation: Like any other organisation, Etisalat is subject to the risk of litigation by competitors, customers, regulators and other parties. This can affect the financial performance and reputation of the Group's OpCos. Legal counsel within each OpCo oversees and actively manages such litigation cases. The Etisalat Group's legal team also provides ongoing support to the OpCos, where required.

Financial Threats

- Foreign exchange exposures: Etisalat is exposed to the uncertainty of foreign exchange rate volatility in some of the countries in which it operates. Specifically, this volatility may affect consolidated results and the overall value of Etisalat's investment in overseas operations. Group Finance has established policies, procedures and tools to monitor, manage and report any such exposures.

- Other financial exposures: The Group's financial assets and liabilities are exposed to additional financial threats, including interest rates, liquidity and credit risks. (Financial risk management is discussed in greater detail in the Financial Instruments section of this report.)

The Etisalat Group's Internal Control function develops an annual plan outlining the ERM and compliance activities, which are approved by the Audit Committee. This aims to strengthen the existing three lines of defence model through measures such as maturing the ERM processes and co-ordinating existing compliance activities 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 to150, which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the year then ended and, notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2017 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 (IESBA Code), 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 and IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

Independent Auditor's Report (Continued)
Key Audit Matters (continued)

Key Audit Matter
Accuracy and completeness of revenue recognised and related IT systems

The Group reported revenue of AED 51,666 million from telecommunication and related activities.

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.

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.

The Group's accounting policies relating to revenue recognition are presented in note 2 to the consolidated financial statements.

How our audit addressed the key audit matter

Our audit approach included a combination of controls testing, data analytics and substantive procedures covering the following:

- 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);
- testing the design and operating effectiveness of the relevant controls;
- involving our internal IT specialists to test IT general controls, system interfaces, data/information reporting and application specific controls surrounding relevant revenue systems;
- reviewing significant new contracts and regulatory determinations, the accounting treatments opted and testing the related revenues recognised during the period;
- testing the nature and accounting for a sample of discounts.
- performing data analysis and analytical reviews of significant revenue streams;
- reviewing key reconciliations performed by the Revenue Assurance team;
- performing specific procedures to test the accuracy and completeness of adjustments relating to multiple element arrangements and grossing up certain revenue and costs; and
- 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.

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
Federal royalty computation

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"), subsequent correspondences and the new royalty scheme of 2017 announced by the UAE MOF, the Group has a total of AED 5.74 billion of federal royalty payable as of 31 December 2017.

As stated in note 3 to the consolidated financial statements, the Company has made certain significant judgments for the computation of federal royalty.

Accordingly, the computation of the federal royalty for the year ended 31 December 2017 is considered to be a key audit matter.

How our audit addressed the key audit matter

In responding to this risk, our key audit procedures included:

- testing the relevant controls around the calculation of the federal royalty charge;
- meeting with management and reviewing correspondence exchanged between management and the MOF;
- 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;
- evaluating the classification of regulated and non-regulated revenues in the computation for the federal royalty on the UAE telecom operations;
- testing the allocation of indirect costs on non-regulated activities based on clarifications received from MOF;
- evaluating the exclusion of items which are not subject to the computation of federal royalty payable based on the Guidelines and clarifications received;
- evaluating the accumulated annual accounting losses which have been offset from the profit for the year used in computing the federal royalty payable; and
- reviewing the arithmetical accuracy of the computation of the federal royalty for the year.

Independent Auditor's Report (Continued)
Key Audit Matters (continued)

Key audit matter
Carrying value of goodwill and the Company's investments

The Group's goodwill amounting to AED 14,803 million represents 11.5% of its total assets.

For the cash generating units (CGUs) which contain goodwill, the determination of the recoverable amount of these CGUs requires significant estimates in determining the key assumptions supporting the expected future cash flows of the business, the utilisation of the relevant assets and the most appropriate discount rate.

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 the impairment of goodwill of certain specific subsidiaries and investments and on the key assumptions and estimates made by management.
Our audit procedures included an assessment of the controls over the impairment assessment process.
We evaluated the design and tested the operating effectiveness of the relevant controls. We also engaged our internal specialists in carrying out the below procedures:

- Evaluating whether the approach and methodology 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 the forecast cash flows 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; 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 and investments.

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 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 are presented in note 33 to the consolidated financial statements.

How our audit addressed the key audit matter

We evaluated the design and tested the operating effectiveness of the relevant controls and 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 and obtained legal confirmation, where applicable, for 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)
Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (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 management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

Independent Auditor's Report (Continued)
Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)

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.

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 Regultory 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 13 and 15 to the consolidated financial statements, the Group has further invested in shares during the financial year ended 31 December 2017;
vi. Note 17 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 2017 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 2017; and
viii. Note 5 to the consolidated financial statements discloses the social contributions made during the financial year ended 31 December 2017

DELOITTE & TOUCHE (M.E.)

Signed by:
Rama Padmanabha Acharya
Registered Auditor Number 701
20 February 2018
Abu Dhabi, United Arab Emirates

FINANCIALS

Emirates Telecommunications Group Company PJSC

Consolidated statement of profit or loss for the year ended 31 December 2017

	Notes	2017 AED'000	2016 AED'000
Continuing operations			
Revenue	4	51,666,431	52,360,037
Operating expenses	5	33,241,479	(34,154,904)
Impairment and other losses	10	(765,205)	(1,077,131)
Share of results of associates and joint ventures	14	(207,280)	(101,350)
Operating profit before federal royalty		17,452,467	17,026,652
Federal royalty	5	(6,038,912)	(5,010,127)
Operating profit		11,413,555	12,016,525
Finance and other income	6	1,174,466	1,020,105
Finance and other costs	7	(1,380,569)	(1,912,144)
Profit before tax		11,207,452	11,124,486
Taxation	8	(1,240,988)	(1,205,513)
Profit for the year from continuing operations		9,966,464	9,918,973
Discontinued operations			
Loss from discontinued operations	36	(194,147)	(431,911)
Profit for the year		9,772,317	9,487,062
Profit attributable to:			
The equity holders of the Company		8,444,437	8,421,185
Non-controlling interests		1,327,880	1,065,877
		9,772,317	9,487,062
Earnings per share			
From continuing and discontinuing operations			
Basic and diluted	35	AED 0.97	AED 0.97
From continuing operations			
Basic and diluted	35	AED 0.99	AED 1.02

Chairman

Board Member

The accompanying notes on pages 87 to 150 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 2017

	Notes	2017 AED'000	2016 AED'000
Profit for the year		9,772,317	9,487,062
Other comprehensive (loss) / income			
Items that will not be reclassified subsequently to profit or loss:			
Remeasurement of defined benefit obligations - net of tax		(48,076)	(2,275)
Net fair value gain on investment in equity instruments designated as FVTOCI		3,920	-
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising during the year			
Exchange differences on translation of foreign operations		1,454,227	(5,159,212)
(Loss)/gain on hedging instruments designated in hedges of the net assets of foreign operations	24	(1,148,302)	250,656
Fair value gain arising on cash flow hedge during the year		2,477	-
Loss on revaluation of financial assets during the year		-	(142,520)
Items reclassified to profit or loss:			
Reclassification adjustment relating to available-for-sale financial assets impaired during the year		-	194,759
Reclassification adjustment relating to available-for-sale financial assets on disposal	30	-	(2,838)
Cumulative gain transferred to profit or loss on disposal of foreign operation	37	-	505,820
Total other comprehensive gain/ (loss)		264,246	(4,355,610)
Total comprehensive income for the year		10,036,563	5,131,452
Attributable to:			
The equity holders of the Company		8,307,783	5,826,390
Non-controlling interests		1,728,780	(694,938)
		10,036,563	5,131,452

The accompanying notes on pages 87 to 150 form an integral part of these consolidated financial statements.
The Independent Auditor's report is set out on pages 75 to 81.

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Emirates Telecommunications Group Company PJSC

Consolidated statement of financial position as at 31 December 2017

	Notes	2017 AED'000	2016 AED'000
Non-current assets			
Goodwill	9	14,803,324	14,097,902
Other intangible assets	9	15,437,454	14,710,048
Property, plant and equipment	11	43,806,335	42,450,127
Investment property	12	40,125	27,230
Investments in associates and joint ventures	15	4,306,733	4,414,352
Other investments	16	1,701,144	879,207
Other receivables	19	237,041	156,612
Finance lease receivables	20	209,491	-
Derivative financial instruments	24	10,481	331,313
Deferred tax assets	8	94,135	128,210
		80,646,263	77,195,001
Current assets			
Inventories	18	541,290	708,825
Trade and other receivables	19	18,453,793	18,913,091
Current income tax assets		673,889	593,270
Finance lease receivables	20	38,223	-
Due from related parties	17	187,242	440,643
Cash and bank balances	21	27,125,158	23,676,170
		47,019,595	44,331,999
Assets classified as held for sale	36	618,247	993,663
Total assets		128,284,105	122,520,663
Non-current liabilities			
Other payables	22	1,477,540	1,558,549
Borrowings	23	20,035,133	18,203,902
Payables related to investments and licenses	25	90,353	542,968
Deferred tax liabilities	8	3,205,407	3,255,952
Finance lease obligations	26	1,909	4,905
Provisions	27	187,566	149,143
Provision for end of service benefits	28	1,608,782	1,636,959
		26,606,690	25,352,378
Current liabilities			
Trade and other payables	22	32,809,580	30,772,494
Borrowings	23	4,670,208	4,074,738
Payables related to investments and licenses	25	3,269,516	3,255,327
Current income tax liabilities		225,282	257,492
Derivative financial instruments	24	79,149	2,830
Finance lease obligations	26	3,273	5,512
Provisions	27	2,509,251	2,488,839
		43,566,259	40,857,232
Liabilities directly associated with the assets classified as held for sale	36	407,181	396,275
Total liabilities		70,580,130	66,605,885
Net assets		57,703,975	55,914,778
Equity			
Share capital	29	8,696,754	8,696,754
Reserves	30	26,988,836	26,121,149
Retained earnings		8,356,613	7,883,502
Equity attributable to the equity holders of the Company		44,042,203	42,701,405
Non-controlling interests	13	13,661,772	13,213,373
Total equity		57,703,975	55,914,778

Chairman

Board Member

The accompanying notes on pages 87 to 150 form an integral part of these consolidated financial statements.
The Independent Auditor's report is set out on pages 75 to 81.

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Emirates Telecommunications Group Company PJSC

Consolidated statement of changes in equity the year ended 31 December 2017

		Attributable to equity holders of the Company					
	Notes	Share Capital AED'000	Reserves AED'000	Retained earnings AED'000	Owners' Equity AED'000	Non-controlling interests AED'000	Total equity AED'000
Balance at 1 January 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)	(4,853)	(9,557)
Transfer to reserves	30	-	1,131,581	(1,131,581)	-	-	-
Transactions with owners:							
Disposal of a subsidiary	37	-	-	-	-	(27,477)	(27,477)
Movements in non-controlling interests	13	-	-	47,330	47,330	(66,843)	(19,513)
Repayment of advances to non-controlling interests	13	-	-	-	-	(78,843)	(78,843)
Dividends	34	-	-	(6,954,396)	(6,954,396)	(1,799,720)	(8,754,116)
Balance at 31 December 2016		8,696,754	26,121,149	7,883,501	42,701,404	13,213,374	55,914,778
Balance at 1 January 2017		8,696,754	26,121,149	7,883,501	42,701,404	13,213,374	55,914,778
Total comprehensive income for the year		-	(126,747)	8,434,530	8,307,783	1,728,780	10,036,563
Other movements in equity		-	-	(12,588)	(12,588)	(13,786)	(26,374)
Transfer to reserves	30	-	1,042,121	(1,042,121)	-	-	-
Transactions with owners:							
Capital contribution by non-controlling interest	13	-	-	-	-	284,171	284,171
Repayment of advances to non-controlling interests	13	-	-	-	-	(76,091)	(76,091)
Transfer from investment revaluation reserve to retained earnings on application of IFRS 9	30		(47,687)	47,687	-	-	-
Dividends	34	-	-	(6,954,396)	(6,954,396)	(1,474,676)	(8,429,072)
Balance at 31 December 2017		8,696,754	26,988,836	8,356,613	44,042,203	13,661,772	57,703,975

The accompanying notes on pages 87 to 150 form an integral part of these consolidated financial statements.
The Independent Auditor's report is set out on pages 75 to 81.

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Emirates Telecommunications Group Company PJSC

Consolidated statement of cash flows for the year ended 31 December 2017

	Notes	2017 AED'000	2016 AED'000
Operating profit including discontinued operations		11,236,233	11,958,114
Adjustments for:			
Depreciation	11, 12	5,651,197	5,895,574
Amortisation	9	1,632,788	1,783,013
Impairment and other losses	10	772,596	1,077,123
Share of results of associates and joint ventures	14	207,280	101,350
Provisions and allowances		205,364	1,211,792
Unrealised currency translation gain/(loss)		424,555	(161,052)
Other non-cash movements		258,214	153,071
Operating profit before changes in working capital		20,388,227	22,018,985
Changes in working capital:			
Inventories		174,587	166,661
Due from associates and joint ventures		73,638	168,447
Trade and other receivables		533,533	(2,516,489)
Trade and other payables		932,660	1,275,358
Cash generated from operations		22,102,645	21,112,962
Income taxes paid		(1,550,580)	(1,650,564)
Payment of end of service benefits	28	(245,613)	(536,426)
Net cash generated from operating activities		20,306,452	18,925,972
Cash flows from investing activities			
Acquisition of other investments		-	(76,845)
Proceeds on disposal of investment classified as FVTOCI		59,161	-
Proceeds from disposal of investments at amortised cost/held-to-maturity investments		329,682	363,845
Acquisition of investments at amortised cost/held-to-maturity investments		(219,693)	(949,956)
Acquisition of investment classified as fair value through profit or loss		(790,574)	-
Acquisition of investments classified as FVTOCI		(57,506)	-
Proceeds from disposal of investments classified as fair value through profit or loss		12,701	-
Acquisition of interest in associates		(106,484)	-
Purchase of property, plant and equipment		(7,365,144)	(7,728,741)
Proceeds from disposal of property, plant and equipment		56,206	387,315
Purchase of other intangible assets		(675,000)	(2,829,037)
Proceeds from disposal of other intangible assets		3,012	168
Term deposits made with maturities over three months	21	(18,474,475)	(19,877,006)
Term deposits matured with maturities over three months	21	15,891,605	15,151,942
Dividend income received from associates and other investments		22,024	17,451
Net cash inflow/(outflow) on disposal of a subsidiary		-	279,033
Proceeds from unwinding of derivative financial instruments		173,101	282,898
Finance and other income received		990,624	892,571
Net cash used in investing activities		(10,150,760)	(14,086,362)
Cash flows from financing activities			
Proceeds from borrowings and finance lease obligations		3,558,667	6,592,277
Repayments of borrowings and finance lease obligations		(2,954,075)	(4,351,860)
Repayment of advances to non-controlling interests		(76,091)	(78,843)
Capital contribution by non controlling interests		284,171	-
Dividends paid		(8,428,988)	(8,754,090)
Finance and other costs paid		(1,410,337)	(1,133,017)
Net cash used in financing activities		(9,026,653)	(7,725,533)
Net increase/(decrease) in cash and cash equivalents		1,129,040	(2,885,923)
Cash and cash equivalents at the beginning of the year		3,022,906	5,553,300
Effects of foreign exchange rate changes		(288,378)	355,529
Cash and cash equivalents at the end of the year	21	3,863,568	3,022,906

In the previous year, the Group disposed of a property in one of its subsidiaries having a non cash impact of AED 153 million.
During the year, the Group concluded swap of certain property, plant and equipment having non-cash impact of AED 220.13 million.
The accompanying notes on pages 87 to 150 form an integral part of these consolidated financial statements. The Independent Auditor's report is set out on pages 75 to 81.

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Emirates Telecommunications Group Company PJSC

Notes to the consolidated financial statements for the year ended 31 December 2017

1. General information

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

The Decree by Federal Law no. 3 of 2015 (the New Law") has amended certain provisions of the Federal Law No. 1 of 1991 and new articles of association of Emirates Telecommunications Group Company PJSC (the "New AoA") have been issued. Subsequent to the New Law and the New AoA, Emirates Telecommunications Corporation has been converted from a corporation to a public joint stock company and 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. Under the New Law and the New AoA: i) Two types of share have been introduced, ie ordinary shares and one Special Share held by the Emirates Investment Authority (an agency of the federal Government of the United Arab Emirates) which carries certain preferential rights related to the passing of certain decisions by the company or the ownership of the UAE telecommunication network. ii) the minimum number of ordinary shares held by any UAE government entity in the Company has been reduced from at least 60% of the Company's share capital not less than 51%, unless the Special Shareholder decides otherwise; iii). shareholders who are not public entities of the UAE, citizens of the UAE, or corporate entities of the UAE wholly controlled by citizens of the UAE, (which includes foreign individuals, foreign or UAE free zone corporate entities, or corporate entities of the UAE that are not fully controlled by UAE citizens) may own up to 20% of the Company's ordinary shares, however the shares owned by such persons / entities shall not hold any voting rights in the Company's general assembly (however, holders of such shares may attend such meeting).

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

The principal activities of the Group are to provide telecommunications services, media and related equipment including the provision of related contracting and consultancy services to international telecommunications companies and consortia. These activities are carried out through the Company (which holds a full service license from the UAE Telecommunications Regulatory Authority 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 20th February 2018.

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

FINANCIALS

Emirates Telecommunications Group Company PJSC
Notes to the consolidated financial statements for the year ended 31 December 2017

2. Significant accounting policiies (continued)

Basis of preparation (continued)

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.

Impact of early adoption of IFRS 9 Financial Instruments

International Accounting Standard Board (IASB) published its final version of IFRS 9 Financial Instruments in July 2014 which replaces IAS 39 Financial instruments: Recognition and Measurement. In the current year, the Group has early adopted IFRS 9 Financial Instruments (as revised in July 2014) and the related consequential amendments to the other IFRSs with effect from 1 January 2017. The Group has elected not to restate the prior year reported numbers inline with the relief under IFRS 9. IFRS 9 introduces new requirements for i) the classification and measurement of financial assets and financial liabilities, ii) impairment for financial assets and iii) general hedge accounting.

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

i. Classification and measurement of financial assets and financial liabilities

The Group has applied the requirements of IFRS 9 to financial instruments that have not been derecognized as at the initial application date i.e 1 January 2017. All recognised financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortised cost or fair value on the basis of the Group's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Management reviewed and assessed the Group's existing financial assets as at 1 January 2017 based on the facts and circumstances that existed at that date and concluded that the initial application of IFRS 9 has had the following impact on the Group's financial assets as regards to their classification and measurement:

- Financial assets classified as held-to-maturity and loans and receivables under IAS 39 that were measured at amortised cost continue to be measured at amortised cost under IFRS 9 as they are held within a business model to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding;
- Equity investments classified as available for sale (AFS) under IAS 39, have irrevocably been classified as fair value through OCI, except those equity investments amounting to AED 280.6 million as at 1 January 2017 which are held for trading purposes. Accordingly these securities classified as FVTOCI are measured at fair value through other comprehensive income, and any accumulated gains and losses held within OCI are not recycled through the consolidated statement of profit or loss. Those equity investments which are held for trading purposes are classified as fair value through profit and loss. The accumulated gains and losses relating to these equity instruments on the date of initial application amounting to AED 47.7 million have been transferred from investment revaluation reserve to retained earnings. Subsequently gains and losses relating to those equity investments amounting to AED 78.1 million are recognised in the consolidated statement of profit or loss.
- Financial assets that were measured at FVTPL under IAS 39 continue to be measured as such under IFRS 9 as these investments are managed as a trading portfolio and the settlement is designed based on the changes in fair value of the underlying securities rather than for collecting principal and interest.

The change in classification of the Group's investments in equity instruments from available for sale under IAS 39 to fair

FINANCIALS

Emirates Telecommunications Group Company PJSC
Notes to the consolidated financial statements for the year ended 31 December 2017

2. Significant accounting policiies (continued)

value through OCI under IFRS 9 has resulted in the fair value gain on available-for-sale financial assets recognized in other comprehensive income of AED 3.4 million that will not be subsequently reclassified to the consolidated statement of profit or loss.

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

The tables below shows only information relating to financial assets that have been reclassified as a result of transition to IFRS 9. For all other financial assets and liabilities, there has been no impact on early adoption of IFRS 9.

Impact for IFRS 9 (AED'000)					
Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39	Reclassification	Remeasurement	New carrying amount under IFRS 9
FVTPL	FVTPL	48,183	-	-	48,183
Available -for -sale	FVTOCI	201,744	-	-	201,744
Available -for -sale	FVTPL	280,643	-	-	280,643
Held to maturity	At amortised cost	348,637	-	-	348,637

ii. Impairment of financial assets

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

Specifically, IFRS 9 requires the Group to recognise a loss allowance for expected credit losses on all classes of financial assets, other than those that are measured as fair value through profit or loss and equity instruments classified and measured as FVTOCI. The financial assets subject to impairment requirements of IFRS 9, include: i) debt investments subsequently measured at amortised cost or at FVTOCI, ii) lease receivables, iii) contract assets and iv) loan commitments and financial guarantee contracts to which the impairment requirements of IFRS 9 apply. In particular, IFRS 9 requires the Group to measure the loss allowance for a financial instrument at an amount equal to the lifetime ECL if the credit risk on that financial instrument has increased significantly since initial recognition, or if the financial instrument is a purchased or originated credit-impaired financial asset. On the other hand, if the credit risk on a financial instrument has not increased significantly since initial recognition, the Group is required to measure the loss allowance for that financial instrument at an amount equal to 12 month ECL. IFRS 9 provides a simplified approach for measuring the loss allowance at an amount equal to lifetime ECL for trade receivables, and contract assets in certain circumstances. Accordingly the Group has adopted a simplified approach for assessing the impairment for trade and other receivables, lease receivables and contract assets (upon adoption of IFRS 15). For financial assets other than trade receivables and contract assets, the Group will calculate ECL using the general approach.

FINANCIALS

Emirates Telecommunications Group Company PJSC
Notes to the consolidated financial statements for the year ended 31 December 2017

2. Significant accounting policiies (continued)
ii. Impairment of financial assets (continued)

As at 1 January 2017, management reviewed and assessed the Group's existing financial assets for impairment using reasonable and supportable information that is available without incurring undue cost or effort, in accordance with the guidance included in IFRS 9, to determine the credit risk associated with the respective financial assets. In relation to financial assets subject to impairment provisions under IFRS 9, other than trade and other receivables, lease receivables and contract assets, there is no material impact on the carrying values.

The adoption of IFRS 9 has resulted in an increase in the consolidated profit by AED 97 million.

New and amended standards adopted by the Group

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.

- Ammendments to IAS 7 Statement of Cash Flows relating to disclosure initiatives
- Amendments to IFRS 12 Disclosure of Interests in Other Entities resulting from Annual Improvements to IFRS 2014–2016 Cycle regarding clarifying the scope of the standard.
- Ammendments to IAS 12 Income Taxes regarding the recognition of deferred tax assets for unrealised losses

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

	EFFECTIVE DATE
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 deferred indefinitely	Effective date deferred indefinitely
2016 Amendments to IFRS 1 and IAS 28 resulting from annual Improvements 2014 Cycle.	1 January 2018
IFRIC 22 Foreign Currency Transactions and Advance Consideration	1 January 2018
IFRIC 23 Uncertainty Over Tax Treatments	1 January 2019
Annual Improvements to IFRS 2015 – 2017 Cycle amending IFRS 3, IFRS 11, IAS 12 and IAS 23.	1 January 2019
Amendments to IAS 28 Investments in Associates and Joint Ventures regarding long-term interests in associates and joint ventures.	1 January 2019

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 recognise 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

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Emirates Telecommunications Group Company PJSC
Notes to the consolidated financial statements for the year ended 31 December 2017

2. Significant accounting policiies (continued)

added in IFRS 15 to deal with specific scenarios and 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, principal 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:

Determination of Distinct Performance Obligations (POs)
Sale of SIM Cards

Sale of SIM cards represent a distinct PO to connect the customers to Etisalat network and therefore revenue is recognised at the point in time when the SIM card is sold and service is activated.

Loyalty points programme

Under IFRIC 13 Customer Loyalty Programme, the loyalty programme offered by the Group results in the allocation of a portion of the transaction price to the loyalty programme using the fair value of points issued and recognition of the deferred revenue in relation to points issued but not yet redeemed or expired. The Group concluded that under IFRS 15 the loyalty programme gives rise to a separate performance obligation because it generally provides a material right to the customer. Under IFRS 15, the Group will need to allocate a portion of the transaction price to the loyalty programme based on relative standard standalone price (SSP).

Set-up and Installation fees

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

Adjustment to the transaction price
Adjustment of significant financing component

Significant financing component exists if the timing of payments agreed to by the parties to the contract (either explicitly or implicitly) provides the customer or the Group with a significant benefit of financing the transfer of goods or services to the customer. In such circumstances, the contract contains a significant financing component.

The Group is expected to have significant financing component in arrangements involving provision of equipment and devices on installment plans.

Variable Consideration

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

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

Allocating the transaction price
Allocation based on the ratio of relative SSP of distinct PO:

The transaction price is allocated between POs based on relative SSP as determined at contract inception.

Since the amount of revenue recognised for distinct POs will often be dependent on the relative SSP, the determination of appropriate SSP is critical. The SSP of a performance obligation is the observable price for the good or service sold by Etisalat in similar circumstances to similar customers.

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Emirates Telecommunications Group Company PJSC
Notes to the consolidated financial statements for the year ended 31 December 2017

2. Significant accounting policiies (continued)

Contract Cost

Costs to acquire and cost to fulfill a contract

In 2017, contract costs related to commission (cost to acquire) and installation service (cost to fulfill) were expensed, as they did not qualify for recognition as an asset under any of the other accounting standards. However, under IFRS 15, these costs relate directly to the contract, generate resources used in satisfying the contract and are expected to be recovered. Under IFRS 15, these will now be capitalised as contract costs and included in contract assets in the consolidated statement of financial position. Capitalised contract costs are amortised over the customer contract period for postpaid segment and over customer life cycle (average months) for prepaid segment.

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

IFRS 16 LEASES:

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

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

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

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.

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Emirates Telecommunications Group Company PJSC
Notes to the consolidated financial statements for the year ended 31 December 2017

2. Significant accounting policiies (continued)

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.

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

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Emirates Telecommunications Group Company PJSC
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2. Significant accounting policiies (continued)

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 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.

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Notes to the consolidated financial statements for the year ended 31 December 2017

2. Significant accounting policiies (continued)

Leasing

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

i) The Group as lessor

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

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

ii) The Group as lessee

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

Foreign currencies

i) Functional currencies

The individual financial statements of each of the Group's subsidiaries, associates and joint ventures are presented in the currency of the primary economic environment in which they operate (its functional currency). For the purpose of 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 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

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Emirates Telecommunications Group Company PJSC
Notes to the consolidated financial statements for the year ended 31 December 2017

2. Significant accounting policiies (continued)
iii) Foreign exchange differences (continued)

in other comprehensive income and reclassified from equity to the consolidated statement of profit or loss on disposal of net investment.

iv) Foreign exchange gains and losses

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

- for financial assets measured at amortised cost that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss;
- for debt instruments measured at FVTOCI that are not part of a designated hedging relationship, exchange differences on the amortised cost of the debt instrument are recognised in profit or loss. Other exchange differences are recognised in other comprehensive income in the investments revaluation reserve;
- for financial assets measured at FVTPL that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss; and
- for equity instruments measured at FVTOCI, exchange differences are recognised in other comprehensive income in the investments revaluation reserve.

Borrowing costs

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

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

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

Government grants

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

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.

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Emirates Telecommunications Group Company PJSC
Notes to the consolidated financial statements for the year ended 31 December 2017

2. Significant accounting policiies (continued)

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 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:

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2. Significant accounting policiies (continued)

Property, plant and equipment (continued)

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 equipment	4 – 10

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

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

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

Investment property

Investment property, which is property held to earn rentals and/or for capital appreciation, is carried at cost less accumulated depreciation and impairment loss. Investment properties are depreciated on a straight-line basis over 30 years.

Intangible assets

(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

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2. Significant accounting policiies (continued)

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 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

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Emirates Telecommunications Group Company PJSC
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2. Significant accounting policiies (continued)
Impairment of tangible and intangible assets excluding goodwill (continued)

of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

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

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

Inventory

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

Financial instruments

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

i) Fair value

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

ii) Financial assets

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

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

iii) Amortised cost and effective interest method

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

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2. Significant accounting policiies (continued)

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

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

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

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

iv) Fair value through OCI – with recycling

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

v) Fair value through OCI – without recycling

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

A financial asset is held for trading if it is:

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

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

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

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Emirates Telecommunications Group Company PJSC
Notes to the consolidated financial statements for the year ended 31 December 2017

2. Significant accounting policiies (continued)

vi) Fair value through profit and loss

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

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

vii) Cash and cash equivalents

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

viii) Impairment of financial assets

The Group recognises a loss allowance for expected credit losses on investments in debt instruments that are

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

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

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

a) Significant increase in credit risk

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

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

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Emirates Telecommunications Group Company PJSC
Notes to the consolidated financial statements for the year ended 31 December 2017

2. Significant accounting policiies (continued)

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

b) Definition of default

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

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

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

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

c) Credit – impaired financial assets

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

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

d) Measurement and recognition of expected credit losses

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

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

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

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

The Group recognizes an impairment gain or loss in the consolidated statement of profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognised in other comprehensive income and accumulated in the investment revaluation reserve, and does

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Emirates Telecommunications Group Company PJSC
Notes to the consolidated financial statements for the year ended 31 December 2017

2. Significant accounting policiies (continued)

not reduce the carrying amount of the financial asset in the consolidated statement of financial position.

ix) Financial liabilities

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

x) Financial liabilities at FVTPL

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

xi) Other financial liabilities

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

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

xii) Derecognition of financial liabilities

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

xiii) Embedded derivatives

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

xiv) Hedge accounting

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

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

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

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

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Emirates Telecommunications Group Company PJSC
Notes to the consolidated financial statements for the year ended 31 December 2017

2. Significant accounting policiies (continued)

xv) Derecognition of financial assets

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

Provisions

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

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 IFRS 9, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Dividends

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

Disposal of Assets / Assets Held for Sale

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

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Emirates Telecommunications Group Company PJSC
Notes to the consolidated financial statements for the year ended 31 December 2017

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.

Critical accounting judgements

i) Fair value of other intangible assets

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

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

ii) Classification of interests in other entities

The appropriate classification of certain interests in other entities requires significant analysis and management judgement as to whether the Group exercises control, significant influence or joint control over these interests. This may involve consideration 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. Specific judgements regarding the classification of the Group's interests in Maroc Telecom and Pakistan Telecommunications Company Limited are disclosed in Note 12.

iii) Federal royalty

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

In 2016, 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 and 2016 was paid, however the finalisation of royalty for 2016 is still in progress with MOF. The mechanism for computation of federal royalty for the year ended 31 December 2017 was in accordance with the Guidelines.

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Emirates Telecommunications Group Company PJSC
Notes to the consolidated financial statements for the year ended 31 December 2017

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

Key sources of estimation uncertainty

i) Impairment of goodwill and investment in associates

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

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

The key assumptions used and sensitivities are detailed on Note 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.

ii) Impairment of intangibles

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

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

iii) Property, plant and equipment

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

iv) Measurement of the expected credit loss allowance

The measurement of the expected credit loss allowance for financial assets measured at amortised cost and FVTOCI is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behavior (e.g. the likelihood of customers defaulting and the resulting losses). Explanation of the inputs, assumptions and estimation techniques used in measuring ECL is further detailed in note 2.

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

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

Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models. It has been the Group's policy to regularly review its models in the context of actual loss experience and adjust when necessary. Detailed information about the judgements and estimates made by the Group in the above areas is set out in note 2.

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Emirates Telecommunications Group Company PJSC

Notes to the consolidated financial statements for the year ended 31 December 2017

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 sixteen countries which are divided in to the following operating segments:

- Pakistan
- Egypt
- Morocco
- International - others

Revenue is attributed to an operating segment based on the location of the 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-current assets attributable to each segment. 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.

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Emirates Telecommunications Group Company PJSC

Notes to the consolidated financial statements for the year ended 31 December 2017

4. Segmental information (continued)

		International					
	UAE AED'000	Morocco AED'000	Egypt AED'000	Pakistan AED'000	Others AED'000	Eliminations AED'000	Consolidated AED'000
31 December 2017							
Revenue							
External sales	31,821,040	7,494,358	2,433,925	4,067,547	5,849,561	-	51,666,431
Inter-segment sales	305,653	42,050	51,577	16,952	120,205	(536,437)	-
Total revenue	32,126,693	7,536,408	2,485,502	4,084,499	5,969,766	(536,437)	51,666,431
Segment result	**13,650,617**	**2,184,010**	**567,882**	**(55,674)**	**1,105,632**	**-**	**17,452,467**
Federal royalty							**(6,038,912)**
Finance and other income							1,174,466
Finance and other costs							(1,380,569)
Profit before tax							**11,207,452**
Total assets	63,542,002	33,506,130	8,455,730	18,752,818	18,758,540	(14,731,115)	128,284,105
Non-current assets *	26,075,752	30,387,181	6,434,997	15,790,439	14,666,698	(12,813,420)	80,541,647
Depreciation and amortisation	2,158,558	1,893,201	451,278	1,308,886	1,340,165	-	7,152,088
Impairment and other losses	474,412	-	494	84,171	206,128	-	765,205
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	**13,850,636**	**1,963,963**	**223,805**	**85,350**	**902,898**	**-**	**17,026,652**
Federal royalty							(5,010,127)
Finance and other income							1,020,105
Finance and other costs							(1,912,144)
Profit before tax							**11,124,486**
Total assets	60,029,343	31,226,594	6,814,677	20,100,018	18,286,911	(13,936,879)	122,520,664
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

* 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:

		International				
	UAE AED'000	Morocco AED'000	Egypt AED'000	Pakistan AED'000	Others AED'000	Consolidated AED'000
31 December 2017						
Revenue from rendering of services	29,393,264	7,421,061	2,352,233	3,955,794	5,828,764	48,951,116
Revenue from sale of telecom and other equipment	1,759,120	73,297	80,845	15,983	-	1,929,245
Other revenues	668,656	-	847	95,770	20,797	786,070
	31,821,040	**7,494,358**	**2,433,925**	**4,067,547**	**5,849,561**	**51,666,431**
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**	**4,060,664**	**5,577,455**	**52,360,037**

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Notes to the consolidated financial statements for the year ended 31 December 2017

4. Segmental information (continued)

UAE Segment revenue breakup:	2017 AED'000	2016 AED'000
UAE Revenue - TRA regulated	25,013,354	25,781,146
UAE Revenue - Non-regulated	7,113,339	5,639,635
	32,126,693	31,420,781

Impairment details	2017 AED'000	2016 AED'000
of which relating to goodwill	206,122	-
of which relating to intangible assets and property, plant and equipment	374,884	147,943
of which other losses	499	-
of which relating to available-for-sale financial assets (quoted equity instruments) (Note 30)	-	194,759
of which relating to loans to related party	183,700	734,429
	765,205	1,077,131

5. Operating expenses and federal royalty

a) Operating expenses (before federal royalty)

		2017 AED'000	2016 AED'000
Direct cost of sales		12,337,235	11,629,331
Staff costs		5,073,668	5,171,889
Depreciation		5,535,427	5,773,460
Network and other related costs		2,412,867	2,580,747
Amortisation		1,616,661	1,769,801
Marketing expenses		961,060	943,144
Regulatory expenses		1,232,750	1,604,105
Operating lease rentals		356,146	442,334
Foreign exchange losses		99,191	694,196
Hedge ineffectiveness on net investment hedges		301,021	(159,652)
Loss on allowances	(i)	1,122,131	939,515
Other operating expenses		2,193,322	2,766,034
Operating expenses (before federal royalty)		33,241,479	34,154,904

i) Loss on allowances	2017 AED'000	2016 AED'000
Allowances on trade receivables	1,035,386	932,633
Allowances on due from other telecommunication operators/carriers	53,177	6,882
Allowances on finance lease receivables	33,568	-
Total loss on allowances	1,122,131	939,515

Operating expenses include an amount of AED 51.83 million (2016: AED 37.86 million), relating to social contributions made during the year.

Regulatory expenses:

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

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

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Emirates Telecommunications Group Company PJSC

Notes to the consolidated financial statements for the year ended 31 December 2017

5. Operating expenses and federal royalty (continued)

In prior years, in the computation of the regulatory expenses, the Company had made certain critical judgments and assumptions relating mainly to the interpretation of revenues, which the Company contended to include UAE regulated revenues only and not revenues in other UAE entities as well as overseas subsidiaries.

b) Federal Royalty

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

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

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

In accordance with the Guidelines, the royalty rate for 2016 was reduced to 30% of net profit after deduction of the 15% royalty fee on the UAE regulated revenues. The Company also finalised discussions with MOF and agreed on the basis of allocation of indirect costs between regulated and non-regulated services and the resulting federal royalty amount for the year ended 31 December 2016 was paid, however the finalisation of royalty fees for 2016 is still in progress with MOF.

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

The mechanism for the computation of federal royalty payable for the year ended 31 December 2017 was in accordance with the new royalty scheme.

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

6. Finance and other income

	2017 AED'000	2016 AED'000
Interest on bank deposits and held-to-maturity investments	-	627,517
Interest on bank deposits and amortised cost investments	674,184	-
Gain on forward foreign exchange contracts	8,157	-
Net gain on financial assets designated as FVTPL	146,971	-
Other income	345,154	392,588
	1,174,466	1,020,105

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7. Finance and other costs

	2017 AED'000	2016 AED'000
Interest on bank overdrafts, loans and other financial liabilities	566,244	382,088
Interest on other borrowings	398,683	524,529
Foreign exchange losses on borrowings	21,715	450,518
Other costs	300,131	525,676
Unwinding of discount	93,796	29,333
	1,380,569	1,912,144
Total borrowing costs	1,505,891	1,949,850
Less: amounts included in the cost of qualifying assets (Note 9, 11)	(125,322)	(37,706)
	1,380,569	1,912,144

All interest charges are generated on the Group's financial liabilities measured at amortised cost. Borrowing costs included in the cost of qualifying assets during the year arose on specific and non - specific borrowing pools. Borrowing costs attributable to non - specific borrowing pools are calculated by applying a capitalisation rate of 3.95% to 17.3% (2016: 3.44% to 16.20%) for expenditure on such assets. Borrowing costs have been capitalised in relation to loans by certain of the Group's subsidiaries.

8. Taxation

	2017 AED'000	2016 AED'000
Current tax expense	1,548,490	1,683,002
Deferred tax credit	(307,502)	(477,489)
	1,240,988	1,205,513

a) Total tax

Corporate income tax is not levied in the UAE for telecommunication companies and accordingly the weighted average tax rate for the Group is 30.5% (2016: 31%). The table below reconciles the difference between the expected tax expense, and the Group's tax charge for the year.

b) The income tax expenses for the year can be reconciled to the accounting profits as follows:	2017 AED'000	2016 AED'000
Tax based on the weighted average tax rate of 30.5% (2016: 31%)	1,293,228	1,259,887
Tax effect of share of results of associates	(10,845)	(6,531)
Tax effect of expenses that are not deductible in determining taxable profit	208,268	488,752
Tax effect of utilization of tax losses not previously recognized	(14,111)	(15)
Effect on deferred tax balances	(14,436)	(246,252)
Effect on deferred tax balances due to purchase price allocation	(219,488)	(283,496)
Effect of Income that is exempt from taxation	(1,627)	(6,831)
Income tax expenses recognised in profit or losses	1,240,988	1,205,513

c) Current income tax assets and liabilities

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

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8. Taxation (Continued)

d) Deferred tax

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

	2017 AED'000	2016 AED'000
Deferred tax assets	94,135	128,210
Deferred tax liabilities	(3,205,407)	(3,255,952)
	(3,111,272)	(3,127,742)

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.

Deferred tax liabilities	Accelerated tax depreciation AED'000	Deferred tax on overseas earnings AED'000	Others AED'000	Total AED'000
At 1 January 2016	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 36)	(67,201)	-	-	(67,201)
Exchange differences	(203,850)	-	(2,272)	(206,122)
At 31 December 2016	3,703,541	97,258	48,964	3,849,763
Credit to the consolidated statement of profit or loss	(349,766)	(8,564)	(6,767)	(365,097)
Credit to other comprehensive income	-	-	(303)	(303)
Reclassified from deferred tax liability to deferred tax asset	(198)	-	-	(198)
Other movements	-	-	(9,597)	(9,597)
Reclassified as held for sale (Note 36)	13,594	-	-	13,594
Exchange differences	104,831	(700)	27,462	131,593
At 31 December 2017	3,472,002	87,994	59,759	3,619,755

Deferred tax assets	Retirement benefit obligations AED'000	Tax losses AED'000	Others AED'00	Total AED'00
At 1 January 2016	98,476	307,951	315,993	722,420
Credit/(charge) to the consolidated statement of profit or loss	(2,781)	60,906	111,447	169,572
Charge 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 36)	(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	722,021
Credit/(charge) to the consolidated statement of profit or loss	282	(18,136)	(42,434)	(60,288)
Credit to other comprehensive income	-	-	859	859
Reclassified from deferred tax liability to deferred tax asset	-	-	198	198
Tax effect of prior period remeasurment losses reclassified to income tax recoverable	(87,537)	-	-	(87,537)
Deferred tax asset reclassified to income tax recoverable	-	(130,932)	53,178	(77,754)
Other movements	-	-	(10,266)	(10,266)
Reclassified as held for sale (Note 36)	(22)	19,462	(3,120)	16,320
Exchange differences	(636)	9,802	(4,237)	4,929
At 31 December 2017	4,277	188,714	315,492	508,483

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8. Taxation (Continued)

Unused tax losses	2017 AED million	2016 AED million
Total unused tax losses	953	1,443
of which deferred tax assets recognised for	873	1,349
of which no deferred tax asset recognised, due to unpredictability of future taxable profit streams	80	94
of the unrecognized tax losses, losses that will expire in the next three years	-	-

9. Goodwill, other intangible assets

		Other intangible assets			
	Goodwill AED'000	Licenses AED'000	Trade names AED'000	Others AED'000	Others AED'000
Cost					
At 1 January 2016	16,727,362	18,701,000	2,033,606	4,022,691	24,757,297
Additions	-	340,985	-	425,294	766,279
Advance against licenses*	-	-	-	2,053,942	2,053,942
Reclassified as held for sale (Note 36)	(206,122)	(71,251)	-	(4,861)	(76,112)
Disposals	-	-	-	(4,121)	(4,121)
Exchange differences	(273,488)	(5,383,748)	(48,268)	(299,846)	(5,731,862)
At 31 December 2016	16,247,752	13,586,986	1,985,338	6,193,099	21,765,423
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 36)	-	(44,942)	-	(4,754)	(49,696)
Disposals	-	-	-	(3,952)	(3,952)
Exchange differences	-	(2,059,461)	(3,908)	(175,012)	(2,238,381)
At 31 December 2016	2,149,850	4,391,576	239,865	2,423,934	7,055,375
Carrying amount					
At 31 December 2016	14,097,902	9,195,410	1,745,473	3,769,165	14,710,048
Cost					
At 1 January 2017	16,247,752	13,586,986	1,985,338	6,193,099	21,765,423
Additions	-	108,926	-	566,074	675,000
Transfer	-	1,463,119	-	(825,109)	638,010
Other non cash movements	-	-	-	(1,210)	(1,210)
Reclassified as held for sale (Note 36)	-	(3,265)	-	100	(3,165)
Disposals	-	-	-	(9,483)	(9,483)
Exchange differences	705,422	1,579,324	140,298	(41,241)	1,678,381
At 31 December 2017	16,953,174	16,735,090	2,125,636	5,882,230	24,742,956
Amortisation and impairment					
At 1 January 2017	2,149,850	4,391,576	239,865	2,423,934	7,055,375
Charge for the year	-	683,345	87,333	862,110	1,632,788
Transfer	-	-	-	(82,247)	(82,247)
Other non cash movements	-	-	-	(3,997)	(3,997)
Elimination on items reclassified as held for sale (Note 36)	-	(15,123)	-	53	(15,070)
Disposals	-	-	-	(6,470)	(6,470)
Exchange differences	-	267,396	19,616	438,111	725,123
At 31 December 2017	2,149,850	5,327,194	346,815	3,631,493	9,305,502
Carrying amount					
At 31 December 2017	14,803,324	11,407,896	1,778,821	2,250,737	15,437,454

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Notes to the consolidated financial statements for the year ended 31 December 2017

9. Goodwill, other intangible assets (continued)

Others - net book values	2017 AED'000	2016 AED'000
IRU	386,962	414,596
Computer software	1,227,368	611,277
Customer relationships	-	139,800
Others *	636,407	2,603,492
	2,250,737	3,769,165

An amount of AED 118.7 million (2016: AED 31.8) is included in intangible assets on account of capitalisation of borrowing costs for the year.

*In the prior year, included in others was an amount of AED 2,054 million related to advances paid by Etisalat Misr for acquisition of 4G license, for which the spectrum/frequency was not yet received. During the year AED 1,463 million was capitalised. Virtual fixed line license in Etisalat Misr is still in capital work in progress as at 31 December 2017.

10. Impairment and other losses

a) Impairment and other losses

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

	2017 AED'000	2016 AED'000
Pakistan Telecommunication Company Limited (PTCL)	84,171	45,352
of which relating to property, plant and equipment (Note 11)	84,171	45,352
Etisalat UAE	172,199	96,760
of which relating to property, plant and equipment (Note 11)	172,199	96,760
Etisalat Sri Lanka	206,122	-
of which relating to goodwill	206,122	-
Others	302,713	935,019
of which relating to loans to related party	183,700	734,429
of which relating to available-for-sale financial assets (quoted equity instruments) (Note 30)	-	194,759
of which relating to intangible assets	-	5,831
of which relating to property, plant and equipment (Note 11)	118,514	-
of which other losses	499	-
Total impairment and other losses for the year	765,205	1,077,131
Loss on allowances	1,122,131	939,515

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, negative currency fluctuation as well as operational reasons. In the prior year 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:	2017 AED'000	2016 AED'000
Maroc Telecom	9,101,389	8,179,359
Maroc Telecom International Subsidiaries	1,782,534	1,782,528
Pakistan Telecommunication Company Limited (PTCL)	3,908,846	4,126,218
Etisalat Misr (Etisalat) S.A.E.	10,555	9,797
	14,803,324	14,097,902

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Notes to the consolidated financial statements for the year ended 31 December 2017

10. Impairment and other losses (continued)

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

c) Key assumptions for the value in use calculations:

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

Long term cash flows and working capital estimates

The Group prepares cash flow forecasts and working capital estimates derived from the most recent annual business plan approved by the Board of Directors for the next five years. The business plans take into account local market considerations such as the revenues and costs associated with future customer growth, the impact of local market competition and consideration of the local macro-economic and political trading environment. This rate does not exceed the average long-term growth rate for the relevant markets and it ranges between 2.7% to 4.2% (2016: 1.8% to 5.5%).

e) 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 9.6% to 21.7% (2016: 6.4% to 18%).

f) 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.

11. Property, plant and equipment

	Land and buildings AED'000	Plant and equipment AED'000	Motor vehicles, computer, furniture AED'000	Assets under construction AED'000	Total AED'000
Cost					
At 1 January 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 36)	(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 2016	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 36)	(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

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11. Property, plant and equipment (continued)

Cost					
At 1 January 2017	10,433,619	62,097,822	5,521,552	3,535,255	81,588,248
Additions	126,312	2,590,127	150,786	4,497,920	7,365,145
Transfer to investment property	(871)	(118)	(16,159)	-	(17,148)
Transfers	(123,033)	5,503,441	(438,107)	(5,580,311)	(638,010)
Disposals	(1,770)	(1,834,877)	(128,277)	(4,396)	(1,969,320)
Reclassified as held for sale (Note 36)	17	(2,835)	(647)	66,374	62,909
Exchange differences	208,787	2,337,109	263,684	5,671	2,815,251
At 31 December 2017	10,643,061	70,690,669	5,352,832	2,520,513	89,207,075
Depreciation and impairment					
At 1 January 2017	2,636,898	32,845,038	3,596,418	59,767	39,138,121
Charge for the year	234,712	4,941,838	470,394	-	5,646,944
Impairment losses	-	259,706	-	122,569	382,275
Disposals	(2,096)	(1,560,814)	(99,027)	-	(1,661,937)
Transfers	5,717	558,557	(482,025)	-	82,248
Elimination on items reclassified as held for sale (Note 36)	-	(90,604)	(2,416)	-	(93,020)
Exchange differences	173,912	1,476,681	255,530	(14)	1,906,109
At 31 December 2017	3,049,143	38,430,402	3,738,874	182,322	45,400,740
Carrying amount					
At 31 December 2017	7,593,918	32,260,267	1,613,958	2,338,191	43,806,335

The carrying amount of the Group's land and buildings includes a nominal amount of AED 1 (2016: 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 6.6 million (2016: AED 5.9 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 2,357 million (2016: AED 2,644 million).

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

12. 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.

	2017 AED'000	2016 AED'000
Cost		
At 1 January	49,831	60,025
Additions	-	1,960
Transfer (to)/from property plant and equipment	17,148	(12,154)
At 31 December	66,979	49,831
Depreciation		
At 1 January	22,601	20,668
Charge for the year	4,253	1,933
At 31 December	26,854	22,601
Carrying amount at 31 December	40,125	27,230
Fair value at 31 December	53,061	50,266

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12. Investment property (continued)

Investment property rental income and direct operating expenses	2017 AED'000	2016 AED'000
Property rental income	9,118	8,224
Direct operating expenses	809	1,022

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.

13. Subsidiaries

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

Name	Country of incorporation	Principal activity	Percentage shareholding 2017	2016
Emirates Telecommunications and Marine Services FZE	UAE	Telecommunications services	100%	100%
Emirates Cable TV and Multimedia LLC	UAE	Cable television services	100%	100%
Etisalat International Pakistan LLC	UAE	Holds investment in Pakistan Telecommunication Co. Ltd	90%	90%
E-Marine PJSC	UAE	Submarine cable activities	100%	100%
Etisalat Services Holding LLC	UAE	Infrastructure services	100%	100%
Etisalat Software Solutions (Private) Limited	India	Technology solutions	100%	100%
Etisalat 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%

During the year, the Group subscribed to the capital increase of Etisalat Misr and paid its share of contribution amounting to EGP 2.97 billion (AED 616 million). The movement in the non controlling interests relates to the share of contribution in the capital increase by the non controlling interests' shareholders. The final allotment and issuance of shares is still in process.

* 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.

Previous years' 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.

During the previous year, Atlantique Telecom S.A. acquired the remaining 10% shareholding in Atlantique Telecom Gabon.

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13. Subsidiaries (continued)

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.

a) Disclosures relating to subsidiaries

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

AED'000	Maroc Telecom consolidated	PTCL consolidated	Etisalat Misr consolidated
		2017	
Information relating to non-controlling interests:			
Non-controlling interest (shareholding %)	51.6%	76.6%	34%
Profit	1,211,073	47,624	69,489
Total comprehensive (loss)/profit	672,506	(346,811)	76,229
Dividends	(1,342,586)	(132,090)	-
Non-controlling interests as at 31 December	7,113,545	5,188,912	1,365,336
Summarised information relating to subsidiaries:			
Current assets	5,422,168	2,962,379	2,018,425
Non-current assets	34,802,538	15,790,439	6,437,306
Current liabilities	14,758,876	5,687,714	2,218,676
Non-current liabilities	3,475,923	4,780,555	2,122,657
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 subsidiaries:			
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

b) Movement in non-controlling interests

The movement in non-controlling interests is provided below:

	2017 AED'000	2016 AED'000
As at 1 January	13,213,373	15,886,048
Total comprehensive income:		
Profit for the year	1,327,880	1,065,877
Remeasurement of defined benefit obligations - net of tax	(36,534)	(1,325)
Exchange differences on translation of foreign operations	436,620	(1,759,489)
Loss on revaluation of available-for-sale financial assets	(28)	(1)
Fair value gain arising during the year	843	-
Other movement in equity	(13,786)	(4,853)
Transaction with owners:		
Disposal of a subsidiary	-	(27,477)
Capital contribution by non controlling interest	284,171	-
Movements in non-controlling interests	-	(66,844)
Repayment of advances to non-controlling interests	(76,091)	(78,843)
Dividends	(1,474,676)	(1,799,720)
As at 31 December	13,661,772	13,213,373

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Notes to the consolidated financial statements for the year ended 31 December 2017

14. Share of results of associates and joint ventures

	2017 AED'000	2016 AED'000
Associates (Note 15 b)	(220,938)	(109,017)
Joint ventures (Note 15 f)	13,658	7,667
Total	(207,280)	(101,350)

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

Further, during the year, EMTS defaulted on a facility agreement with a syndicate of Nigerian banks ("EMTS Lenders"), and discussions between EMTS and the EMTS Lenders did not produce an agreement on a debt-restructuring plan. Accordingly, EMTS received a Default and Security Enforcement Notice on 9 June 2017 requiring EMTS BV to transfer 100% of its shares in EMTS to United Capital Trustees Limited (the "Security Trustee" of the EMTS Lenders) by 23 June 2017. The transfer of all of EMTS shares held by EMTS BV to the Security Trustee has been made by EMTS BV, and the two Etisalat Group nominees resigned from the Board of Directors of EMTS on 22 June 2017. The legal formalities required under Nigerian law to give effect to the transfer of the shares are as of the date of this report not completed.

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

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

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

15. Investment in associates and joint ventures

a) Associates

Name	Country of incorporation	Principal activity	Percentage shareholding 2017	2016
Etihad Etisalat Company ("Mobily")	Saudi Arabia	Telecommunications services	28%	27%
Thuraya Telecommunications Company PJSC ("Thuraya")	UAE	Satellite communication services	28%	28%
Emerging Markets Telecommunications Services Limited ("EMTS Nigeria")	Nigeria	Telecommunications services	0%	40%

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Notes to the consolidated financial statements for the year ended 31 December 2017

15. Investment in associates and joint ventures (continued)

b) Movement in investments in associates

	Mobily 2017 AED'000	Mobily 2016 AED'000	All Associates 2017 AED'000	All Associates 2016 AED'000
Carrying amount at 1 January	4,243,254	4,306,333	4,343,465	4,450,754
Share of results (Note 14)	(170,726)	(64,807)	(220,938)	(109,017)
Additions during the year	83,963	-	106,710	-
Other movements	(4,520)	1,728	(4,520)	1,728
Carrying amount at 31 December	4,151,971	4,243,254	4,224,717	4,343,465

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

	Mobily 2017 AED'000	Mobily 2016 AED'000	All Associates 2017 AED'000	All Associates 2016 AED'000
Net assets	13,958,784	14,643,890	14,984,681	(1,275,650)
Our share in net assets of associates	3,907,482	4,021,066	4,179,878	4,320,889
Others*	244,489	222,188	244,839	222,576
Impairment	-	-	(200,000)	(200,000)
Carrying amount at 31 December	4,151,971	4,243,254	4,224,717	4,343,465

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

d) Aggregated amounts relating to associates

	Mobily 2017 AED'000	Mobily 2016 AED'000	All Associates 2017 AED'000	All Associates 2016 AED'000
Current assets	8,169,324	7,618,529	8,394,455	8,394,455
Non-current assets	31,461,148	32,790,390	32,483,354	36,503,078
Current liabilities	(11,669,978)	(17,518,855)	(11,861,317)	(20,201,983)
Non-current liabilities	(14,001,710)	(8,246,174)	(14,031,811)	(25,971,200)
Net assets	13,958,784	14,643,890	14,984,681	(1,275,650)
Revenue	11,116,897	12,307,325	11,485,050	11,485,050
Loss	(694,301)	(209,182)	(791,086)	(8,112,802)
Total comprehensive loss	(694,301)	(209,182)	(791,086)	(8,112,802)

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

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:

	2017 AED'000	2016 AED'000
Etihad Etisalat Company ("Mobily")	3,130,408	4,966,376

f) Joint ventures

Name	Country of incorporation	Principal activity	Percentage shareholding 2017	2016
Ubiquitous Telecommunications Technology LLC	UAE	Installation and management of network systems	50%	50%
Smart Technology Services DWC – LLC	UAE	ICT Services	50%	50%

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Notes to the consolidated financial statements for the year ended 31 December 2017

15. Investment in associates and joint ventures (continued)

f) Movement in investment in joint ventures

	2017 AED'000	2016 AED'000
Carrying amount at 1 January	70,887	78,220
Share of results	13,658	7,667
Reclassified during the year	2,471	-
Dividends	(5,000)	(15,000)
Carrying amount at 31 December	82,016	70,887

g) Aggregated amounts relating to joint ventures

	2017 AED'000	2016 AED'000
Current assets	372,336	206,963
Non-current assets	12,297	15,099
Current liabilities	(210,683)	(79,830)
Non-current liabilities	(9,475)	-
Net assets	164,475	142,232
Revenue	416,735	193,940
Profit or loss	27,356	15,796

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

16. Other investments

	Fair value through profit and loss AED'000	Available for sale investments AED'000	Held to maturity AED'000	Total AED'000
At 1 January 2016	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

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

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Notes to the consolidated financial statements for the year ended 31 December 2017

16. Other Investments (continued)

The financial assets at amortised cost/held to maturity investment includes investments in Abu Dhabi Government bonds and other bonds. At 31 December 2017, the market value of the investment in these bonds was AED 222 million (2016: AED 147 million).

17. Related party transactions

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

a) Federal Government and state controlled entities

As stated in Note 1, in accordance with Federal Law No. 267/10 for 2009, the Federal Government of the UAE transferred its 60% holding in the Company to the Emirates Investment Authority with effect from 1 January 2008, which is ultimately controlled by the UAE Federal Government. The Group provides telecommunication services to the Federal Government (including Ministries and local bodies). These transactions are at normal commercial terms. The credit period allowed to Government customers ranges from 90 to 120 days. Trade receivables include an amount of AED 1,334 million (2016: AED 1,414 million), which are net of allowance for doubtful debts of AED 197 million (2016: AED 156 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.

b) Joint ventures and associates

	Associates		Joint Ventures	
	2017 AED'000	2016 AED'000	2017 AED'000	2016 AED'000
Trading transactions				
Telecommunication services – sales	105,161	110,369	-	-
Telecommunication services – purchases	65,444	123,420	-	-
Management and other services	32,399	199,747	1,700	1,710
Net amount due from related parties as at 31 December	146,059	401,332	41,183	39,311

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.

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Notes to the consolidated financial statements for the year ended 31 December 2017

17. Related party transactions (continued)

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

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

ii. Thuraya Telecommunications Company PJSC

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

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.

	2017 AED'000	2016 AED'000
Long- term benefits	1,412	1,329
Short-term benefits	57,463	57,969

18. Inventories

	2017 AED'000	2016 AED'000
Subscriber equipment	370,656	404,038
Maintenance and consumables	233,201	354,797
Obsolescence allowances	(62,567)	(50,010)
Net Inventories	541,290	708,825

Movement in obsolescence allowances	2017 AED'000	2016 AED'000
At 1 January	50,010	36,451
Net increase in obsolescence allowances	11,827	24,700
Exchange differences	2,303	(10,259)
Reclassified as held for sale (Note 36)	(1,573)	(882)
At 31 December	62,567	50,010
Inventories recognised as an expense during the year in respect of continuing operations	2,730,200	2,288,817

19. Trade and other receivables

	2017 AED'000	2016 AED'000
Amount receivable for services rendered	10,272,890	9,934,519
Amounts due from other telecommunication operators/carriers	6,193,563	6,095,531
Total gross carrying amount	16,466,453	16,030,050
Lifetime expected credit loss/Allowances for doubtful debts	(2,594,631)	(2,118,831)
Net trade receivables	13,871,822	13,911,219
Prepayments	716,314	562,749
Accrued income	1,437,089	1,408,833
Advances to Suppliers	164,997	113,827
Other receivables	2,500,612	3,073,075
At 31 December	18,690,834	19,069,703
Total trade and other receivables	18,690,834	19,069,703
of which current trade and other receivables	18,453,793	18,913,091
of which non-current other receivables	237,041	156,612

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Emirates Telecommunications Group Company PJSC
Notes to the consolidated financial statements for the year ended 31 December 2017

19. Trade and other receivables (continued)

The Group's normal credit terms ranges between 30 and 120 days (2016: 30 and 120 days).

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

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

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

Trade receivable - days past due as on 31 December 2016	Upto 60 days AED'000	61-90 days AED'000	90-365 days AED'000	Over one year AED'000	Total AED'000
Ageing of net trade receivables, including amounts due from other telecommunication operators/carriers:	7,102,686	662,172	2,431,059	3,715,302	13,911,219

Movement in lifetime Expected Credit Losses:	Over one year AED'000	Total AED'000
At 1 January	2,118,831	1,954,665
Net increase in allowance for doubtful debts, net of write off	467,704	319,809
Exchange differences	18,555	(139,958)
Reclassified as held for sale (Note 36)	(10,459)	(15,685)
At 31 December	2,594,631	2,118,831

No interest is charged on the trade receivable balances. With respect to the amounts receivable from the services rendered the Group holds AED 220 million (2016: AED 234 million) of collateral in the form of cash deposits from customers.

20. Finance lease receivables

	2017 AED'000	2016 AED'000
Current finance lease receivables	38,223	-
Non-current finance lease receivables	209,491	-

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Notes to the consolidated financial statements for the year ended 31 December 2017

20. Finance lease receivables (continued)

20.1 Amounts receivable under finance leases

	Minimum lease payments		Present value of minimum lease payments	
	2017 AED'000	2016 AED'000	2017 AED'000	2016 AED'000
Amounts receivable under finance lease				
Within one year	57,553	-	38,223	-
Between 2 and 5 years	250,157	-	209,491	-
	307,710	-	247,714	-
Less: future finance income	(59,996)	-		
Present value of lease payments receivables	247,714	-	247,714	-
Allowances for uncollectible lease payments	33,568	-	33,568	-

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

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12m ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Unguaranteed residual value of assets leased under finance lease at the end of reporting period are estimated at AED nil.

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

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

21. Cash and cash equivalents

	2017 AED'000	2016 AED'000
Maintained locally	24,344,342	20,794,417
Maintained overseas, unrestricted in use	1,839,546	2,786,320
Maintained overseas, restricted in use	956,205	123,159
Cash and bank balances	27,140,093	23,703,896
Reclassified as held for sale (Note 36)	(14,935)	(27,726)
Cash and bank balances from continuing operations	27,125,158	23,676,170
Less: Deposits with maturities exceeding three months from the date of deposit	(23,276,525)	(20,680,990)
Cash and cash equivalents from continuing operations	3,848,633	2,995,180

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.

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Notes to the consolidated financial statements for the year ended 31 December 2017

22. Trade and other payables

	2017 AED'000	2016 AED'000
Current		
Federal royalty	5,735,532	5,010,268
Trade payables	6,603,303	5,898,807
Amounts due to other telecommunication administrators	5,420,545	5,225,281
Deferred revenue	3,335,401	3,140,430
Advances from customers	601,495	623,182
Other payables and accruals	11,113,304	10,874,526
At 31 December	32,809,580	30,772,494
Non-current		
Other payables and accruals	1,477,540	1,558,549
At 31 December	1,477,540	1,558,549

Federal royalty for the year ended 31 December 2017 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 2017.

23. Borrowings

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

	Fair Value		Carrying Value	
	2017 AED'000	2016 AED'000	2017 AED'000	2016 AED'000
Bank borrowings				
Bank overdrafts	3,651,427	3,318,881	3,651,427	3,318,881
Bank loans	4,517,747	3,871,520	4,598,837	3,934,047
Other borrowings				
Bonds	16,576,816	15,059,387	15,528,641	14,217,614
Loans from non controlling interest	-	3,182	-	3,500
Vendor financing	399,098	345,595	481,420	345,595
Others	3,780	3,335	4,081	3,602
	25,148,868	22,601,900	24,264,406	21,823,239
Advances from non controlling interest			548,024	552,027
Total Borrowings			24,812,430	22,375,266
Reclassified as held for sale (Note 36)			(107,089)	(96,626)
Borrowings from continuing operations			24,705,341	22,278,640
of which due within 12 months			4,670,208	4,074,738
of which due after 12 months			20,035,133	18,203,902

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 3,564 million (2016: AED 3,129 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

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Notes to the consolidated financial statements for the year ended 31 December 2017

23. Borrowings (continued)

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.

As at 31 December 2017, the total amounts in issue under this programme split by currency are USD 1.4 billion (AED 5.14 billion) and Euro 2.4 billion (AED 10.53 billion) as follows:

	Nominal Value	Fair Value	Carrying Value
	2017 AED'000	2017 AED'000	2017 AED'000
Bonds			
2.375% US dollar 900 million notes due 2019	3,306,600	3,313,510	3,306,576
3.500% US dollar 500 million notes due 2024	1,837,000	1,885,019	1,820,230
Bonds in net investment hedge relationship			
1.750% Euro 1,200 million notes due 2021	5,263,680	5,529,970	5,222,511
2.750% Euro 1,200 million notes due 2026	5,263,680	5,848,317	5,179,324
At 31 December 2017	15,670,960	16,576,816	15,528,641
of which due within 12 months			-
of which due after 12 months			15,528,641

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Notes to the consolidated financial statements for the year ended 31 December 2017

23. Borrowings (continued)

	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

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

	Year of maturity	Curreny	Interest rate	Carrying Value 2017 AED'000	Carrying Value 2016 AED'000
Variable interest borrowings					
Secured Bank Loans	2023	USD	LIBOR + 2.9%	1,007,254	956,626
Secured Bank Loans	2023	EGP	Lending Corridor 0.5%-0.75%	1,227,252	936,990
Unsecured bank overdrafts	2018	EGP	Lending Corridor 0.10% to 0.25%	295,394	-
Unsecured Vendor Financing	2021	PKR	Bill discount rate-0.7%	480,601	345,595
Unsecured Overdrafts	2018	EGP	Mid Corridor +0.75%	44,230	574,217
Secured bank loan	2018	LKR	3M SLIBOR+4%	7,494	15,452
Secured Bank Loans	2023	PKR	3 moth Kibor+0.25%	910,573	944,125
Secured Bank Loans	2019	USD	6M LIBOR + 1.6%	47,731	68,216
Unsecured Bank Loans	2018	USD	3M Libor + 1.9%	33,224	169,901
Unsecured bank overdrafts	2018	USD	1M LIBOR and 4.20%	107,873	-
Secured Bank loans	2023	PKR	6 Month KIBOR + 1.1%	49,950	-
Fixed interest borrowings					
Unsecured bank overdrafts	2018	MAD	10%	2,950,784	2,552,857
Unsecured Bank Loans	2018	FCFA	4.45%	105,114	272,476
Secured Bank Loans	2018	FCFA	4.68%	-	141,845
Secured Bank Loans	2018	FCFA	8%	65,458	140,432
UnSecured Bank Loans	2018-2020	FCFA	6%	286,426	-
Secured Bank Loans	2021	FCFA	7%	111,130	-
UnSecured Bank Loans	2019	FCFA	5%	341,267	-
Unsecured Bank Loans	2018-2022	FCFA	5%	162,259	-
Unsecured loans from non-controlling interests	2017	EGP	10%	-	3,500
Unsecured Overdrafts	2018	FCFA	8.0%	59,399	162,945

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Notes to the consolidated financial statements for the year ended 31 December 2017

23. Borrowings (continued)

Other borrowings					
Advances from non-controlling interests	N/A	USD	Interest free	548,024	552,027
Bonds	2019	USD	2.375%	1,833,017	1,830,443
Bonds	2019	USD	2.375%	1,473,559	1,476,128
Bonds	2024	USD	3.500%	1,820,230	1,817,984
Bonds	2021	EUR	1.750%	5,222,511	4,564,684
Bonds	2026	EUR	2.750%	5,179,323	4,528,375
Others	Various	Various	Various	442,353	320,448
Total Borrowings				24,812,430	22,375,266
Reclassified as held for sale (Note 36)				(107,089)	(96,626)
Borrowings from continuing operations				24,705,341	22,278,640

a) Interest rates

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

	2017	2016
Bank borrowings	8.2%	6.6%
Other borrowings	2.6%	2.6%

b) Available facilities

At 31 December 2017, the Group had AED 3,369 million (2016: AED 2,794 million) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met.

Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows from financing activities.

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

	Opening Balance AED'000	Proceeds AED'000	Repayments AED'000	Exchange differences AED'000	Closing balance AED'000
Borrowings and finance lease obligations	22,289,057	3,558,667	(2,954,075)	1,816,874	24,710,523

24. Net investment hedge relationships

In prior years, Euro bonds issued (refer to note 23) 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.

	2017 AED'000	2016 AED'000
Effective part directly recognised in other comprehensive income	(1,148,302)	250,656

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Notes to the consolidated financial statements for the year ended 31 December 2017

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:

	2017 AED'000	2016 AED'000
Fair value of forward contract/ swaps designated as net investment hedge (Derivative financial assets)	8,172	331,313
Fair value of interest rate swaps (Derivative financial assets)	2,309	-
Fair value of swaps designated as net investment hedge (Derivative financial liabilities)	(79,149)	(2,830)

The fair value of bonds designated as hedge is disclosed in note 23. During the year, the Group executed the unwinding of a USD - EUR cross currency swap and received cash of AED 173 million (2016: AED 283 million).

25. Payables related to investments and licenses

	Current AED'000	Non-current AED'000	Total AED'000
At 31 December 2017			
Investments			
Etisalat International Pakistan LLC	2,936,653	-	2,936,653
Atlantique Telecom S.A.	11,022	-	11,022
Licenses			
Maroc Telecom	321,841	90,353	412,194
	3,269,516	90,353	3,359,869
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

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 (2016: AED 6,612 million) have been made to GOP with the balance of AED 2,937 million (2016: 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.

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Notes to the consolidated financial statements for the year ended 31 December 2017

25. Payables related to investments and licenses (continued)

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

26. Finance lease obligations

	Minimum lease payments		Present value of minimum lease payments	
	2017 AED'000	2016 AED'000	2017 AED'000	2016 AED'000
Amounts payable under finance lease				
Within one year	3,577	6,196	3,273	5,512
Between 2 and 5 years	1,965	5,252	1,909	4,905
	5,542	11,448	5,182	10,417
Less: future finance charges	(360)	(1,031)	-	-
Present value of lease obligations	5,182	10,417	5,182	10,417
of which due within 12 months	3,273	5,512	3,273	5,512
of which due after 12 months	1,909	4,905	1,909	4,905

It is the Group policy to lease certain of its plant and machinery under finance leases. For the year ended 31 December 2017, the average effective borrowing rate was 19% (2016: 19%). The fair value of the Group's lease obligations is approximately equal to their carrying value.

27. Provisions

	Asset retirement obligations AED'000	Other AED'000	Total AED'000
At 1 January 2016	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 36)	(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 1 January 2017	10,333	2,627,649	2,637,982
Additional provision during the year	2,445	574,273	576,718
Reclassified as held for sale (Note 36)	(560)	(777)	(1,337)
Utilization of provision	-	(366,431)	(366,431)
Release of provision	-	(245,324)	(245,324)
Exchange differences	549	94,660	95,209
At 31 December 2017	12,767	2,684,050	2,696,817
Included in current liabilities	-	2,509,251	2,509,251
Included in non-current liabilities	12,767	174,799	187,566
At 31 December 2017	12,767	2,684,050	2,696,817

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Notes to the consolidated financial statements for the year ended 31 December 2017

28. Provision for end of service benefits

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

	2017 AED'000	2016 AED'000
Funded Plans		
Present value of defined benefit obligations	3,792,700	3,871,929
Less: Fair value of plan assets	(3,694,514)	(3,689,910)
	98,186	182,019
Unfunded Plans		
Present value of defined benefit obligations and other employee benefits	1,510,596	1,454,940
Total	1,608,782	1,636,959

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

	2017 AED'000	2016 AED'000
As at 1 January	5,326,867	5,177,061
Reclassified as held for sale (Note 36)	(79)	(2,631)
Service cost	151,263	171,036
Interest cost	486,307	472,745
Actuarial gain/(loss)	670	9,106
Remeasurements	(62,920)	(70,006)
Benefits paid	(389,332)	(492,621)
Gain and loss on settlement	-	76,920
Exchange difference	(209,480)	(14,743)
As at 31 December	5,303,296	5,326,867

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

	2017 AED'000	2016 AED'000
As at 1 January	3,689,908	3,266,580
Interest income	400,939	368,606
Return on plan assets excluding amounts included in interest income	(129,019)	(61,077)
Contributions received	186,046	422,578
Benefits paid	(266,525)	(311,096)
Others	1,865	5,538
Exchange difference	(188,700)	(1,221)
As at 31 December	3,694,514	3,689,908

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

	2017 AED'000	2016 AED'000
Service cost	150,983	170,730
Net Interest cost	85,109	103,764
Others	(4,127)	76,842
	231,965	351,336

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Notes to the consolidated financial statements for the year ended 31 December 2017

28. Provision for end of service benefits (continued)

Following are the significant assumptions used relating to the major plans

	2017	2016
Discount rate		
UAE	3.76%	3.13%
Pakistan	11%	9.5% - 11%
Morocco	3.2% - 7.5%	3.4%
Average annual rate of salary		
UAE	2% - 2.5%	3.5%
Pakistan	7% - 10%	7% - 10%
Morocco	3% - 5%	4%-5%

Plan assets for funded plan are comprised as follows:

	2017 AED'000	2016 AED'000
Debt instruments - unquoted	3,133,481	3,154,439
Cash and cash equivalents	206,864	243,198
Investment property	305,451	285,388
Fixed assets	220	278
Other assets	87,738	59,469
less: liabilities	(39,239)	(52,862)
	3,694,515	3,689,910

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, longevity 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 166 million (2016: AED 170 million).

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Notes to the consolidated financial statements for the year ended 31 December 2017

29. Share capital

	2017 AED'000	2016 AED'000
Authorised:		
10,000 million (2016: 10,000 million) ordinary shares of AED 1 each	10,000,000	10,000,000
Issued and fully paid up:		
8,696.8 million (2016: 8,696.8 million) ordinary shares of AED 1 each	8,696,754	8,696,754

30. Reserves

The movement in the Reserves is provided below:	2017 AED'000	2016 AED'000
As at 1 January	26,121,149	27,583,434
Total comprehensive loss for the year	(126,747)	(2,593,866)
Transfer from retained earnings	994,434	1,131,581
As at 31 December	26,988,836	26,121,149
Translation reserve		
As at 1 January	(6,233,385)	(3,590,118)
Exchange differences on translation of foreign operations	1,017,608	(2,893,923)
(Loss)/gain on hedging instruments designated in hedges of the net assets of foreign operations	(1,148,302)	250,656
As at 31 December	(6,364,079)	(6,233,385)
Investment revaluation reserve		
As at 1 January	51,016	1,615
Gain/(loss) on revaluation	3,947	(142,520)
Cumulative loss on investments in equity instruments designated as at AFS transferred to retained earnings upon disposal	-	(2,838)
Reclassification adjustment relating to available-for-sale financial assets impaired during the year	-	194,759
Transfer from investment revaluation reserve to retained earnings on application of IFRS 9	(47,687)	-
As at 31 December	7,276	51,016
Development reserve	7,850,000	7,850,000
Asset replacement reserve		
As at 1 January	8,234,600	8,190,286
Transfer from retained earnings	47,000	44,314
As at 31 December	8,281,600	8,234,600
Statutory reserve		
As at 1 January	2,141,596	1,039,519
Transfer from retained earnings	984,425	1,102,077
As at 31 December	3,126,021	2,141,596
General reserve		
As at 1 January	14,077,322	14,092,132
Transfer from retained earnings	10,696	(14,810)
As at 31 December	14,088,018	14,077,322

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Notes to the consolidated financial statements for the year ended 31 December 2017

30. Reserves (continued)

a) Development reserve, asset replacement reserve and general reserve

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

b) Statutory reserve

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

c) Translation reserve

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

d) Investment revaluation reserve

The investments revaluation reserve represents the cumulative gains and losses arising on the revaluation of investments in equity instruments designated as at FVTOCI, net of cumulative gain/loss transferred to retained earnings upon disposal.

31. 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:

	2017 AED'000	2016 AED'000
Bank borrowings	(8,143,175)	(7,156,302)
Bonds	(15,528,641)	(14,217,614)
Other borrowings	(1,033,525)	(904,724)
Finance lease obligations	(5,182)	(10,417)
Cash and bank balances	27,125,158	23,676,170
Net funds	2,414,635	1,387,113
Total equity	57,703,975	55,914,778

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

"The Group monitors the balance between equity and debt financing and establishes internal limits on the maximum amount of debt relative to earnings.

The limits are assessed, and revised as deemed appropriate, based on various considerations including the anticipated funding requirements of the Group and the weighted average cost of capital. The overall objective is to maximise returns to its shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

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Notes to the consolidated financial statements for the year ended 31 December 2017

31. Financial instruments (continued)

Categories of financial instruments

The Group's financial assets and liabilities consist of the following:

	2017 AED'000
Financial assets	
Amortised cost financial assets;	
Due from related parties	187,242
Finance lease receivables	247,714
Trade and other receivables, excluding prepayments	17,974,520
Cash and bank balances	27,125,158
Investment carried at amortised cost	225,557
	45,760,191
Financial assets carried at fair value through OCI	218,290
Fair value through profit or loss	1,257,297
Derivative financial instruments	10,481
	47,246,259
Financial liabilities	
Other financial liabilities held at amortised cost:	
Trade and other payables, excluding deferred revenue	30,951,719
Borrowings	24,705,341
Payables related to investments and licenses	3,359,869
Finance lease obligations	5,182
Derivative financial instruments	79,149
	59,101,260

The Group's financial assets and liabilities consist of the following:

	2016 AED'000
Financial assets	
Loans and receivables, held at amortised cost:	
Due from related parties	440,643
Finance lease receivables	-
Trade and other receivables, excluding prepayments	18,506,954
Cash and bank balances	23,676,170
	42,623,767
Available-for-sale financial assets (including other investments held for sale)	482,387
Fair value through profit or loss	48,183
Held-to-maturity investments	348,637
Derivative financial instruments	331,313
	43,834,287
Financial liabilities	
Other financial liabilities held at amortised cost:	
Trade and other payables, excluding deferred revenue	29,190,613
Borrowings	22,278,640
Payables related to investments and licenses	3,798,295
Finance lease obligations	10,417
Derivative financial instruments	2,830
	55,280,795

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Notes to the consolidated financial statements for the year ended 31 December 2017

31. 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.

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

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Notes to the consolidated financial statements for the year ended 31 December 2017

31. Financial instruments (continued)

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.

	Impact on profit and loss		Impact on equity	
	2017 AED'000	2016 AED'000	2017 AED'000	2016 AED'000
Increase/decrease in profit/(loss) and in equity				
Egyptian pounds	60,397	90,168	-	-
Euros	235,446	238,174	799,197	668,485
Pakistani rupees	54,772	21,062	-	-
Moroccan Dirhams	292,098	252,476	-	-
Central African Franc	78,217	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 2017, 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 77 million (2016: AED 79 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 mainly held for trading purposes. See Note 16 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 2017 would increase/decrease by AED 17.9 million due to changes in fair value recorded in profit/loss for equity shares classified as fair value through profit and loss and an amount of AED 0.7 million (2016: AED 9.7 million) as loss/profit realised on impairment/disposal of investments in equity shares classified as FVTOCI.

- other comprehensive income for the year ended 31 December 2017 would increase/decrease by AED 1.5 million (2016: increase/decrease by AED 15.4 million) as a result of the changes in fair value of equity shares classified as FVTOCI.

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

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Notes to the consolidated financial statements for the year ended 31 December 2017

31. Financial instruments (continued)

b) Credit risk management (continued)

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	2017	2016
Investment in UAE	90%	88%
Investment outside of the UAE	10%	12%

Bank rating for Investment in UAE

	2017		2016	
	AED	Rating	AED	Rating
By Moody's	6.2 billion	A3	4.0 billion	A1
	6.0 billion	Aa3	4.1 billion	Aa3
	5.1 billion	Baa1	2.0 billion	Baa1
	2.7 billion	A1	1.9 billion	A2
By S&P	1.5 billion	A1u	2.6 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 2017 to further reduce liquidity risk is included in Note 23. The majority of the Group's financial liabilities as detailed in the consolidated statement of financial position are due within one year.

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Notes to the consolidated financial statements for the year ended 31 December 2017

31. Financial instruments (continued)

c) Liquidity risk management (continued)

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	Derivative financial liability	Total
On demand or within one year	28,872,684	4,670,214	3,269,516	3,273	79,149	36,894,836
In the second year	401,306	4,844,157	90,353	1,909	-	5,337,725
In the third to fifth years inclusive	656,547	7,677,007	-	-	-	8,333,554
After the fifth year	419,687	7,513,963	-	-	-	7,933,650
As At 31 December 2017	30,350,224	24,705,341	3,359,869	5,182	79,149	58,499,765
On demand or within one year	27,008,882	4,074,738	3,255,327	5,512	2,830	34,347,289
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	28,567,431	22,278,640	3,798,295	10,417	2,830	54,657,614

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.

d) Fair value measurement of financial assets and liabilities

	Fair value hierarchy as at 31 December 2017				
	Carrying value AED'000	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000	Total AED'000
Financial assets					
Finance lease receivables	247,714	-	298,341	-	298,341
Investment carried at amortised cost	225,557	225,554	-	-	225,554
Financial assets classified at fair value through OCI	218,290	29,464	-	188,826	218,290
Financial assets carried at fair value through profit or loss	1,257,297	358,758	858,765	39,774	1,257,297
Derivative financial assets	10,481	-	10,481	-	10,481
	1,959,339	613,776	1,167,587	228,600	2,009,963
Financial liabilities					
Borrowings	24,264,406	-	25,148,868	-	25,148,868
Derivative financial liabilities	79,149	-	79,149	-	79,149
	24,343,555	-	25,228,017	-	25,228,017

	Fair value hierarchy as at 31 December 2016			
	Level 1 AED'000	Level 2 AED'000	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

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Emirates Telecommunications Group Company PJSC

Notes to the consolidated financial statements for the year ended 31 December 2017

31. Financial instruments (continued)

d) Fair value measurement of financial assets and liabilities (continued)

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 23.
- 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 16 "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 53 million (2016: AED 70.3 million) has been determined based on the Construction Replacement Cost Approach (Cost approach), which reflects the amount that would be required currently to replace the service capacity of the asset. The construction replacement cost of the asset was determined with reference to Turner International Construction Index. Accordingly, the fair value is classified as level 3 of the fair value hierarchy.

The fair value of other investments amounting to AED 229 million (2016: AED 424 million) are classified as Level 3 because the investments are not listed and there are no recent arm's length transactions in the shares. The valuation technique applied is internally prepared valuation models using future cash flows discounted at average market rates. Any significant change in these inputs would change the fair value of these investments.

There have been no transfers between Level 2 and 3 during the year. The fair values of the financial assets and financial liabilities included in the level 2 and level 3 categories above have been determined in accordance with generally accepted pricing models based on cash flows discounted at rates derived from market sourced data.

Reconciliation of Level 3	2017 AED'000	2016 AED'000
As at 1 January	424,884	233,784
Additions	58,170	991,138
Foreign exchange difference	18,645	(466,503)
Disposal	(257,062)	(340,150)
Revaluation	-	6,462
Other movement	(16,037)	153
As at 31 December	228,600	424,884

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Notes to the consolidated financial statements for the year ended 31 December 2017

32. Commitments

a) Capital commitments

The Group has approved future capital projects and investments commitments to the extent of AED 5,124 million (2016: AED 5,711 million). The Group has issued letters of credit amounting to AED 514 million (2016: AED 378 million).

b) Operating lease commitments

i) The Group as lessee	2017 AED'000	2016 AED'000
Minimum lease payments under operating leases recognised as an expense in the year (Note 5)	356146	442334

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:

	2017 AED'000	2016 AED'000
Within one year	268,816	251,241
Between 2 to 5 years	734,582	661,306
After 5 years	584,968	520,404
	1,588,366	1,432,951

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 20 million (2016: AED 18 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:

	2017 AED'000	2016 AED'000
Within one year	8,468	18,516
Between 2 to 5 years	28,000	284
	36,468	18,800

33. Contingent liabilities

a) Bank guarantees

	2017 AED'000	2016 AED'000
i) Performance bonds and guarantees in relation to contracts	1,653	876
Companies Overseas investments	1,416	1,080

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Emirates Telecommunications Group Company PJSC

Notes to the consolidated financial statements for the year ended 31 December 2017

33. Contingent liabilities (continued)

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 5 Directors (at the time of the alleged breach). By adjudication order dated 22 January 2018, the ED made no adverse finding against the 2 Etisalat nominated Directors. The decision may be appealed by any aggrieved party, within 45 days of the order.

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

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

Multiple legal cases were filed by Mobily against CITC at the Board of Grievances to oppose such resolutions of the CITC's committee in accordance with the Telecommunication regulations. The status of these legal cases as of 31 December 2017, was as follows:

- There are 635 legal cases filed by Mobily against CITC amounting to approximately Saudi Riyals 672 million;
- The Board of Grievance has issued 163 preliminary verdicts in favor of Mobily voiding 163 resolutions of the CITC's violation committee with total penalties amounting to approximately Saudi Riyals 467 million; and
- There are also final verdicts that have been issued in favor of Mobily (after they were affirmed by the appeal court) resulting in cancellation of penalties with an approximate total amount of Saudi Riyals 432 million.

In addition, 23 legal cases were filed by Mobily against CITC in relation to the mechanism of calculating the governmental fees and other subjects in which 16 of them are specifically related to the governmental fees as of 31 December 2017. Mobily has received 8 preliminary judgments in its favour and 5 final judgments (stating that the subject matter of such cases have been previously decided). The remaining cases are still being adjudicated before the Board of Grievance. Although Mobily believes that these claims have no legal basis, they may have a material impact on Mobily's business in case of retroactive change in the regulatory framework which is difficult to assess.

Mobily received additional claims from CITC during 2017 and has reassessed the provisions required against the claims for the period ended 31 December 2017 and has recorded an appropriate estimate of the amount that it may ultimately have to pay to settle such claims.

Furthermore, there are 176 lawsuits filed by some of the shareholders against Mobily before the Committee for the Resolutions of Security Disputes with some still being adjudicated

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Notes to the consolidated financial statements for the year ended 31 December 2017

33. Contingent liabilities (continued)

by such committee. Mobily has received (2) preliminary verdicts and (141) final verdicts in its favor in these claims and (13) cases have been either dismissed or abandoned and (20) cases are on-going as of 31 December 2017.

Forty Four (44) shareholder claims have been made against the 2013/2014 members of the Board of Mobily and others, and these have been filed with the Committee for Resolution and Settlement of Disputes ("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 ("Defendants").

As noted above, the CMA has launched claims against the Defendants in January 2016. Pursuant to these proceedings, the CRSD has upheld three (3) of the seven (7) claims brought up by the CMA and the Defendants are currently appealing the decision to the Appellate Bench of the CRSD. In case of a final adverse decision, the Board members will seek D&O insurance cover.

iv) In the prior years, Atlantique Telecom SA, a subsidiary of the Group, has been engaged in arbitration proceedings against SARCI Sarl ("SARCI"), a minority shareholder of one of its subsidiaries, Telecel Benin where SARCI was seeking compensation for alleged damages caused to Telecel Benin by Atlantique Telecom during the period from 2002 till 2007. Two arbitration proceedings on the same issue had been cancelled upon Atlantique Telecom's request in 2008 and 2013. In November 2015, the Arbitral Tribunal of a third proceeding launched in 2013 has awarded SARCI damages amounting to approximately EURO 416 million (AED 1.6 billion). SARCI has started execution proceedings in several African countries which with the exception of Togo were denied or have been stalled by the local Courts while the execution measures allowed by a first instance court in Togo have been appealed and suspended and are still under dispute. On the substance of the award itself, Atlantique Telecom has initiated legal proceedings before the Appeal Court of Cotonou in order to obtain the cancellation of the award of this third arbitration process and the suspension of any execution thereof. The court decision on the request for stay of execution was granted in June 2017, the decision on the cancellation of the award of this arbitration is being regularly postponed for reasons of procedure or constitutional challenges by of SARCI (which have been rejected) and also for reasons inherent to the organization of the Beninese justice system. In its last session, the Court required the General Attorney of the Republic of Benin to opine on the matter and as of the day of this note no new hearing date has been scheduled.

v) In April 2016, Etisalat Misr received notice of arbitration proceedings initiated by Vodafone Egypt Telecommunication Company (Vodafone). Vodafone is seeking to recover outstanding interconnection fees payable as a result of principle set by the Egyptian Administrative Court's decision nullifying the National Telecommunication Regulatory Authority (NTRA) set tariffs imposed on operators plus interest dues. Arbitration preliminary proceedings are currently ongoing and exchanges of pleadings and cross examination of witnesses are scheduled in April 2018. Based on the submitted arguments and supported documents presented, management believes that the recorded interconnection transactions have been fairly recognized in the consolidated financial information as at 31 December 2017.

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Notes to the consolidated financial statements for the year ended 31 December 2017

34. Dividends

Amounts recognised as distribution to equity holders:	AED'000
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
31 December 2017	
Final dividend for the year ended 31 December 2016 of AED 0.40 per share	3,477,198
Interim dividend for the year ended 31 December 2017 of AED 0.40 per share	3,477,198
	6,954,396

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.

An interim dividend of AED 0.40 per share was declared by the Board of Directors on 26 July 2017 for the year ended 31 December 2017. A final dividend of AED 0.40 per share was declared by the Board of Directors on 20 February 2018, bringing the total dividend to AED 0.80 per share for the year ended 31 December 2017.

35. Earnings per share

	2017 AED'000	2016 AED'000
Earnings (AED'000)		
Earnings for the purposes of basic earnings per share being the profit attributable to the equity holders of the Company	8,444,437	8,421,185
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 0.97
From continuing operations		
Basic and diluted	AED 0.99	AED 1.02

36. Disposal Group held for sale/ Discontinued operations

36.1 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

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Emirates Telecommunications Group Company PJSC

Notes to the consolidated financial statements for the year ended 31 December 2017

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

Telecommunications Corporation and the Sudanese competition authorities. The final consideration received in return for the Group's shareholding amounted to AED 349.6 million.

36.2 Plan to dispose one of its subsidiary

During the prior 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.

The results of operations included in the profit for the year from discontinued operations are set out below:

36.3 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	2017 AED'000	2016 AED'000
Revenue		238,618	530,455
Operating expenses		(408,550)	(588,873)
Impairment and other losses		(7,391)	-
Operating losses		(177,323)	(58,418)
Finance and other income		1,382	2,671
Finance costs		(15,512)	(18,430)
Loss before tax		(191,453)	(74,177)
Taxation		(2,694)	(8,605)
		(194,147)	(82,782)
Losses on disposal of operation including cumulative exchange (losses)/gains reclassified from foreign translation reserve to profit or loss	37	-	(349,129)
Loss for the year from discontinued operations		(194,147)	(431,911)

At 31 December 2017 the disposal group comprised the following assets and liabilities:

Assets classified as held for sale	2017 AED'000	2016 AED'000
Goodwill	-	206,122
Other intangible assets	14,511	26,416
Property, plant and equipment	403,712	559,638
Deferred tax assets	52,171	68,491
Inventories	389	1,645
Trade and other receivables	132,530	103,625
Cash and cash equivalents	14,934	27,726
Assets classified as held for sale	618,247	993,663

Liabilities classified as held for sale	2017 AED'000	2016 AED'000
Trade and other payables	217,517	204,251
Borrowings	107,089	96,626
Provision for end of service benefits	2,709	2,631
Provision	16,950	15,614
Deferred tax liabilities	53,607	67,201
Finance lease obligation	9,309	9,952
Liabilities associated with assets classified as held for sale	407,181	396,275
Net assets classified as held for sale	211,066	597,388

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Notes to the consolidated financial statements for the year ended 31 December 2017

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

Cash flows from discontinued operations	2017 AED'000	2016 AED'000
Net cash inflows from operating activities	34,593	197,303
Net cash outflows from investing activities	(43,675)	(101,212)
Net cash outflows from financing activities	(3,125)	(190,105)
Net cash outflows	(12,207)	(94,014)

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.

37. 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.

37.1 Consideration received

	2016 AED'000
Total consideration received	349,589

37.2 Analysis of assets and liabilities over which control was lost

Assets	2016 AED'000
Other intangible assets	73,091
Inventories	547
Trade and other receivables	412,609
Cash and cash equivalents	70,556
	556,803

Liabilities	2016 AED'000
Trade and other payables	332,972
Asset retirement obligations	3,456
	336,428
Net assets/(liabilities)	220,375

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Notes to the consolidated financial statements for the year ended 31 December 2017

37. Disposal of Subsidiaries (continued)

37.3 Loss on disposal of subsidiaries

Liabilities	2016 AED'000
Consideration received	349,589
Net (assets) / liabilities disposed of	(220,375)
Non controlling Interest	27,477
Cumulative exchange 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)
Loss on disposal	(349,129)

The loss on disposal is included in the loss for the period from discontinued operations (see note 36).

37.4 Net cash inflow on disposal of subsidiaries

	2016 AED'000
Consideration received in cash and cash equivalents	349,589
Less: cash and cash equivalent balances disposed of	(70,556)
	279,033

38. Other significant event

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

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

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, before the Division Bench (Court of Appeal) of the High Court. That appeal was heard and finally dismissed by an order dated 1 November 2017.

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, since the order passed on 20 February 2015. The Official Liquidator's progress reports continue to be heard by the High Court as at the end of the reporting period.

39. 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

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Notes to the consolidated financial statements for the year ended 31 December 2017

39. Offsetting financial assets and financial liabilities (continued)

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 2017 and 31 December 2016.

	Gross amounts	Gross amounts set off	Net amount presented
	2017 AED '000	2017 AED'000	2017 AED '000
Financial assets			
Amounts due from other telecommunication administrators	12,726,515	(6,532,952)	6,193,563
Financial liabilities			
Amounts due to other telecommunication administrators	11,953,497	(6,532,952)	5,420,545

	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 administrators	12,186,362	(6,090,830)	6,095,532
Financial liabilities			
Amounts due to other telecommunication administrators	11,316,111	(6,090,830)	5,225,281

40. Reclassification of comparative figures

The below reclassifications have been made to the prior year numbers to conform with current year presentation:

1. Reclassification of interconnect related party balances from trade and other receivables and trade and other payables to due from related parties.

2. Foreign exchange difference on borrowings reclassified from operating expenses to finance and other costs.

	As previously reported	Reclassification	Total
	AED'000	AED'000	AED'000
Consolidated statement of financial position as at 31 December 2016			
Trade and other receivables	18,796,545	116,546	18,913,091
Due from related parties	582,871	(142,228)	440,643
Trade and other payables	30,798,176	(25,682)	30,772,494
Consolidated statement of profit or loss for the year ended 31 December 2016			
Operating expenses	34,605,422	(450,518)	34,154,904
Finance and other costs	1,461,626	450,518	1,912,144

NOTICE FOR ANNUAL GENERAL MEETING

The Board of Directors of Emirates Telecommunications Group Company PJSC ("Etisalat Group") has the pleasure to invite the esteemed shareholders to attend the Company's Annual General Meeting ("AGM") to be held on Wednesday, 21 March 2018, at 4:30 p.m. in Etisalat Group's Head Office building located at the intersection of Sheikh Zayed II Street and Sheikh Rashid Bin Saeed Al Maktoum Road in Abu Dhabi, to discuss the following agenda:

1. To hear and approve the report of the Board of Directors on the Company's activities and its financial position for the financial year ended 31st December 2017.

2. To hear and approve the External Auditor's report for the financial year ended 31st December 2017.

3. To discuss and approve the Company's consolidated financial statements for the financial year ended 31st December 2017.

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 2017 and to approve the interim dividends amounting to 40 Fils per share which were distributed for the first half of the year 2017 by virtue of the Board resolution passed in its meeting held on 26th July 2017 to bring the total dividend pay out per share for the financial year ended 31st December 2017 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 2017.

6. To absolve the External Auditors from liability for the financial year ended 31st December 2017.

7. To appoint the External Auditors for the year 2018 and to determine their fees.

8. To approve the proposal concerning the remunerations of the Board Members for the financial year ended 31st December 2017.

9. To elect four directors to fill the Board seats unassigned for the Government's Shareholder.

10. To pass a Special Resolution in respect of:
    a. Approving a budget of not more than 1% of the Company's average net profits of the last two years (2016-2017) for voluntary contributions to the community (Corporate Social Responsibility), and to authorize the Board of Directors to effect payments of such contributions to beneficiaries to be determined at the Board's own discretion.

    b. Amending the Articles No. 21, 26(1), 55(12), 67(1), and 67(2) of the Company's Articles of Association ('AoA") after obtaining approval of the competent authorities.

    c. Approving Company's buyback of its shares within a maximum of 5% of its paid-up capital, for the purpose of cancelling or re-selling such shares, after obtaining approval of competent authorities and empowering the Company's Board of Directors to finalize the rest of procedures.

Notes:

1. Each shareholder is entitled to attend or to delegate to a proxy, who is not a Board Member, to attend the AGM on his/her behalf by virtue of a written special authorization/ proxy made pursuant to the delegation form attached with the invitation dispatched by mail. All delegation forms shall be submitted to the Securities Department of the First Abu Dhabi Bank ("FAB") (formerly National Bank of Abu Dhabi "NBAD"), P.O. Box 6865-Abu Dhabi, latest by 18th March 2018. Only original delegation forms will be accepted. For AGM quorum purposes, a Proxy holder may not represent a number of shareholders whose aggregate shareholding is in excess of 5% of the Company's capital (except for Government Shareholder). However, if the proxy is representing one single shareholder, his/her proxy may exceed 5% of the Company's capital. Minors and those who have no legal capacity shall be represented by their legal representatives.

2. Natural shareholders should submit original passport or UAE I.D or 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 authorize one of its representatives or one of its 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 AGM.

4. The convention of the AGM shall only be deemed valid if attended by Shareholders representing, in person or by proxy, at least 66% of the Company's ordinary shares. In case the quorum is not achieved in the first meeting, a second meeting for AGM should be held on Monday, 26th March 2018, 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 Tuesday, 20th March 2018, shall be entitled to vote in the AGM. In case first meeting is inquorate and a second meeting is convened for the AGM on 26th March 2018, the owner of the shares registered on Sunday, 25th March 2018 shall be entitled to vote in the second meeting of the AGM.

6. Notwithstanding item 5 above and for the purposes of voting in the AGM, the votes of the Associated Persons (as defined in Article 1 of Etisalat's Articles of Association "AoA") shall be counted to the extent that they do not reach 5% of the ordinary shares represented in the AGM.

7. The restricted shares owned by non-national shareholders (categories of shareholders not mentioned in Article 7 of AoA) shall neither be counted in the quorum nor shall their holders be eligible for voting or participating in the AGM deliberations.

8. The shareholders can review the Company's financial statements, the governance report and the amendments to the AoA on the website of the Company and the website of Abu Dhabi Securities Exchange (ADX).

9. The AGM's resolutions shall be passed by majority of 66% of the ordinary shares represented in the AGM by owners attending in person or by proxy, unless the votable matter requires a special resolution passable by votes of shareholders owning not less than three fourths of the shares represented in the meeting.

10. Attendance record shall be closed upon announcing the quorum of the meeting. Shareholder or proxy who attends thereafter shall neither be recorded in the list nor be eligible for voting on the matters addressable during the meeting.

11. The Shareholders should update their own 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 Sunday, 1/4/2018, and the date of the last day of share purchase that is entitled to dividends is 28/3/2018 and the date of exclusion from dividends is 29/3/2018. 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 Thursday, 05/4/2018, and the date of the last day of share purchase that is entitled to dividends is 03/4/2018 and the date of exclusion from dividends is 04/4/2018.

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