Emirates Telecommunications Group Company PJSC
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شركة مجموعة الإمارات للاتصالات ش.م.ع
مجموعة اتصالات
المركز الرئيسي: ص.ب: ٣٨٣٨، أبوظبي
الإمارات العربية المتحدة
هاتف: ٦٢٨٣٣٣٣ ٢ (٩٧١+)
فاكس: ٦٣١٧٠٠٠ ٢ (٩٧١+)
الموقع الإلكتروني www.etisalat.com

Ref. No.: HO/GCFO/152/69
Date : 25 April 2017

Director General
Abu Dhabi Securities Exchange
PO Box 54500
Abu Dhabi, UAE
Fax No. 02-6128787

Dear Sir,

<u>Resolutions of Etisalat Group's Board of Directors regarding Financial Information for the period ended 31 March 2017</u>

Further to our announcement dated 19 April 2017, kindly be informed that the Board of Directors of Emirates Telecommunications Group Company PJSC "Etisalat Group" held a meeting on Tuesday 25 April 2017 at 9:00 am and approved the condensed consolidated interim financial information for the period ended 31 March 2017 (attached).

The condensed consolidated interim financial information has been prepared in compliance with International Financial Reporting Standards (IFRS) and reviewed by independent external auditors.

Kind regards,

المرجع: ر م / ر ت م ش /69/152
التاريخ: 25 ابريل 2017

المدير التنفيذي
سوق أبو ظبي للأوراق المالية
ص ب 54500
أبوظبي – الامارات العربية المتحدة
فاكس رقم: 02 - 6128787

بعد التحية،

<u>قرارات مجلس إدارة مجموعة اتصالات المتعلقة بالمعلومات المالية المرحلية الموجزة الموحدة للفترة المنتهية في 31 مارس 2017</u>

عطفاً على خطابنا بتاريخ 19 ابريل 2017، يرجى العلم بأن مجلس إدارة شركة مجموعة الإمارات للاتصالات ش.م.ع – "مجموعة اتصالات" قد عقد اجتماعه اليوم الثلاثاء الموافق 25 ابريل 2017 وذلك في تمام الساعة التاسعة صباحاً، حيث وافق على المعلومات المالية المرحلية الموجزة الموحدة للفترة المنتهية في 31 مارس 2017 (مرفقة).

تم إعداد المعلومات المالية المرحلية الموجزة الموحدة طبقا للمعايير الدولية للتقارير المالية، كما تم مراجعتها من قبل المدققين الخارجيين المستقلين.

وتفضلوا بقبول فائق الاحترام والتقدير،

سركان أوكاندان
الرئيس التنفيذي للشؤون المالية – مجموعة اتصالات
Serkan Okandan
Chief Financial Officer – Etisalat Group

Copy to :
Chief Executive Officer
Securities & Commodities Authority
P.O.Box No. 30744
Fax No. 02 – 6273332

نسخة إلى:
الرئيس التنفيذي
هيئة الأوراق المالية والسلع
ص.ب 30744
فاكس رقم: 02 - 6273332

Emirates Telecommunications Group Company PJSC 'Etisalat Group'

Earnings Release First Quarter 2017

25 April 2017

Head Office:
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PO Box 3838
Abu Dhabi, UAE

Investor Relations:
ir@etisalat.ae

Jon

Financial Highlights for Q1 2017

- Aggregate subscriber base reached 159 million, representing a year over year decrease of 3%;
- Consolidated revenues amounted to AED 12.5 billion, representing a decrease of 3% year over year;
- Consolidated EBITDA totaled AED 6.4 billion, representing a decline of 1% year over year and resulting in EBITDA margin of 51% 1 point higher than prior year;
- Consolidated net profit after Federal Royalty amounted to AED 2.1 billion resulting in a net profit margin of 17% and increased year over year by 5%; and
- Consolidated capital spending decreased by 5% to AED 1.6 billion, representing 12% of the consolidated revenues.

Key Developments in Q1 2017

- UAE ranked as global leader in Fiber Optic Network.
- Etisalat Group has been ranked as the most valuable telecom operator in the Middle East by Brand Finance
- Etisalat Group shareholders approved Board's recommendations to distribute a full year cash dividend of 80 fils per share for fiscal year 2016 at the Company General Assembly Meeting held on 9 April 2017.
- Etisalat Group and Mobily signed a Technical Services and Support Agreement to support Mobily's business growth potential, drive operational excellence and capture synergies.
- The Ministry of Finance announced the Federal Royalty scheme to be applied on Etisalat Group for the period 2017 to 2021 with no changes to the royalty rates.
- Etisalat Group restructured its ownership in EMTS Holding BV and decreased voting rights to 25% while increasing its stake in the ordinary shares to 45%.
- Etisalat 'first telco in UAE' to achieve ISO 20000 certification.

Statement from Saleh Al Abdooli, CEO of Etisalat Group

Engineer Saleh Al Abdooli, Group Chief Executive Officer, Etisalat Group, said: "Etisalat has delivered a strong performance in the first quarter, a reflection of its strategy demonstrating Group's ability to sustain momentum in spite of vastly changing global industry trends.

The Digital Evolution is the future, and the telecom operators are the key players to enable the transition and be the exemplary adopters of the digital transformation, while harvesting its benefits in the form of improved products and services, faster time to market, enhanced customers' experience, and enriched smart living.

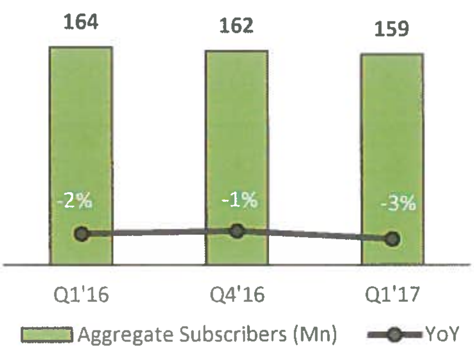
Stemming from this conviction, Etisalat has continued its efforts to align its business with the digital mandate it undertaken, by shifting the operating model, investing in future technologies, and by acquiring and disseminating digital capabilities across its operations.

This would allow Etisalat Group to generate new revenue streams, enrich its business, and provide unique and innovative propositions that would exceed the expectations of customers and support governments and enterprises in building smarter communities.

We are proud to be one of the most valuable telecom brands in the Middle East, and we are comfortable with the achievements and synergies that were attained at the group scale, we see positive prospects across the majority of the markets we operate in that we are determined to capture and seize.

As a group, we remain focused on maximizing shareholders' value, and on our customers who inspire us to explore new arenas and cross new heights."

Subscribers



Etisalat Group aggregate subscribers as at 31 March 2017 was 159 million reflecting a net loss of 4.9 million during the last 12 month period, due to subscriber disconnection in compliance with the regulatory mandated registration in various markets.

However, we maintained strong subscriber growth in the UAE, Egypt, Morocco, Ivory Coast, Gabon, Togo, Niger and Afghanistan. Quarter over quarter subscriber declined by 2%.

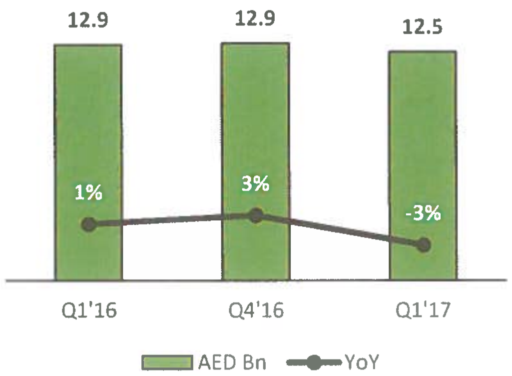
In the **UAE** the active subscriber base grew to 12.5 million subscribers in the first quarter of 2017 representing a year on year growth of 4% and quarter over quarter growth of 1%. Subscriber growth continued to be driven by strong performance of mobile and eLife segments. The mobile subscriber base grew year on year by 5% to 10.6 million subscribers representing a net addition of 0.5 million subscribers of which 29% was in the high quality postpaid segment. Fixed line voice only subscriber segment contracted 6% year on year primarily due to migration of subscribers to the eLife segment that continued to drive consistent growth with 9% year on year increase. Total broadband segment grew by 3% year on year to 1.1 million subscribers.

For **Maroc Telecom** the subscriber base reached 54.5 million customers as at 31 March 2017, representing a year over year growth of 3%. This growth is mainly attributable to the operations in Morocco, Gabon, Ivory Coast, Togo and Niger.

Nigeria subscriber base reached 19.5 million as at March 2017, representing year over year decline of 11% attributed to tough overall economic environment that impacted consumer spending and sim disconnection in compliance with the regulator mandated registration process.

In **Pakistan**, subscriber base declined by 13% year over year and 1% quarter over quarter to 21.7 million. This decline is attributed to strategic shift to value in the mobile segment and fixed to mobile substitution in the fixed segment.

Revenue



Etisalat Group's consolidated revenue for the first quarter of 2017 amounted to AED 12.5 billion, representing a decline of 3% in comparison to the same period last year and a decline of 4% quarter over quarter. First quarter revenues were impacted by unfavourable exchange rate movements mainly in Egypt. In constant currencies revenue growth year over year was 3%.

In the **UAE**, revenue in the first quarter increased year on year by 5% to AED 7.6 billion, as a result of growth of the subscriber base with increased bundled propositions (voice and data), strong performance of eLife segment driven by enriched content and higher speed and increased offering of business solutions, digital and ICT services. In addition, we witnessed increase in wholesale segment. Quarter over quarter revenue declined by 3% due to lower wholesale revenue.

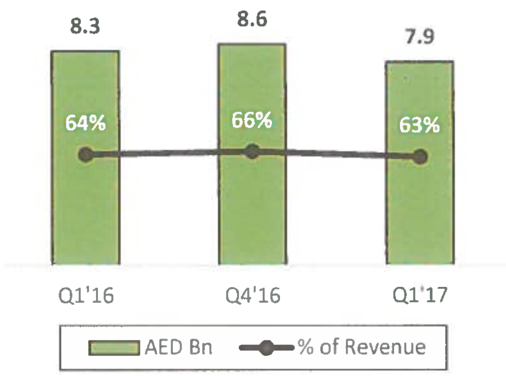
Revenues of **International consolidated operations** for the first quarter of 2017 decreased year over year by 14% to AED 4.7 billion negatively impacted by the unfavourable exchange rate movements that continued to impact the financial performance of the countries of operations such as Egypt in addition to competitive pressure of mobile segment in Morocco and fixed segment in Pakistan. Revenues from International operations represented 38% of Group consolidated revenue.

Maroc Telecom consolidated revenue for the first quarter of 2017 amounted to AED 3.0 billion representing a year over year decline of 5% attributed to stringent regulatory environment in mobile segment in the domestic market. In Morocco, revenue declined by 3% impacted by competitiveness of the mobile segment and reduction in termination rates. Revenue from international operations decreased year over year by 2% in local currency, resulting in 44% contribution to Maroc Telecom Group's consolidated revenue, at similar level compared to first quarter of 2016. This is attributed to unfavourable exchange rate movements and reductions in call termination rates.

In **Egypt**, revenue for the first quarter of 2017 was AED 0.5 billion, a decrease of 53% year on year and 24% quarter over quarter. First quarter year on year decline is attributed to unfavourable exchange rate movements of Egyptian Pound against AED. In local currency, revenue growth for the quarter is 5% mainly attributed to growth in the data segment and higher subscriber base.

In **Pakistan** operations, revenue for the first quarter decreased by 2% to AED 1.0 billion as compared to the same period in 2016, while it increased by 1% as compared to the fourth quarter of 2016. Revenue growth is impacted by lower subscriber base that resulted in lower usage and competitive pricing environment.

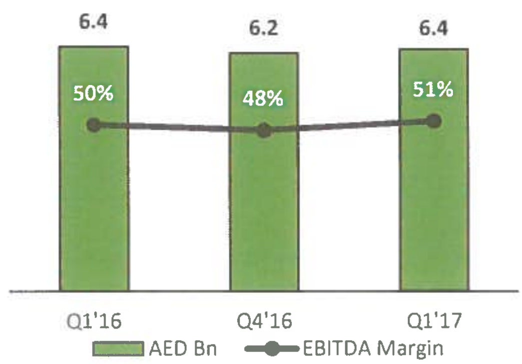
Operating Expenses



Consolidated operating expenses for the first quarter of 2017 was AED 7.9 billion, a decrease of 5% from the same quarter of the previous year and 8% from the fourth quarter of 2016, mainly due to lower depreciation and amortization expenses, lower network costs, and other operating expenses. Key components of operating expenses are:

- **Direct cost of Sales** remained flat year over year at AED 2.8 billion in the first quarter of 2017, while decreased by 3% quarter over quarter. As a percentage of revenues it increased by 1 point to 23% of revenues in the first quarter.
- **Staff expenses** decreased 5% to AED 1.3 billion for the first quarter of 2017 as compared to the same period of last year. As a percentage of revenue staff costs remained stable in the first quarter at 10% and increased quarter over quarter by 1 point.
- **Depreciation and Amortization expenses** declined year over year by 5% to AED 1.8 billion in the first quarter of 2017 as compared to the same period in 2016, and by 6% quarter over quarter. As a percentage of revenues, depreciation and amortization expenses remained flat at 14% in the first quarter.
- **Network costs** decreased 16% to AED 0.6 billion in the first quarter of 2017 as compared to the same period in 2016 and by 14% as compared to the fourth quarter of 2016. As a percentage of revenues, Network costs represented 5% of revenues, 1 point lower than prior year.
- **Marketing expenses** decreased by 5% to AED 0.2 billion in the first quarter of 2017 as compared to the same period in 2016 and by 16% in comparison to the fourth quarter of 2016. Marketing expenses represented 2% of the first quarter revenues, similar to first quarter and fourth quarter of prior year.
- **Other operating expenses** decreased 10% year over year to AED 1.1 billion in the first quarter and by 28% quarter over quarter. Other operating expenses represented 14% of the quarter revenues, 1 point lower than prior year and 4 points lower than prior quarter.

EBITDA



Group Consolidated EBITDA for the first quarter of 2017 decreased by 1% year on year while increased by 2% quarter on quarter to AED 6.4 billion, resulting in EBITDA margin of 51%, 1 point higher than prior year and 3 points higher than prior quarter. EBITDA growth is negatively impacted by unfavourable exchange rate movements in Egypt and competitiveness pressure in Morocco.

In the **UAE**, EBITDA in the first quarter of 2017 was AED 4.1 billion increasing year-over-year by 6% leading to an EBITDA margin of 54% in comparison to 53% in the previous year. EBITDA increased 3% with EBITDA margin up by 3 points in comparison to the fourth quarter of 2016 mainly attributed to lower network costs and other expenses.

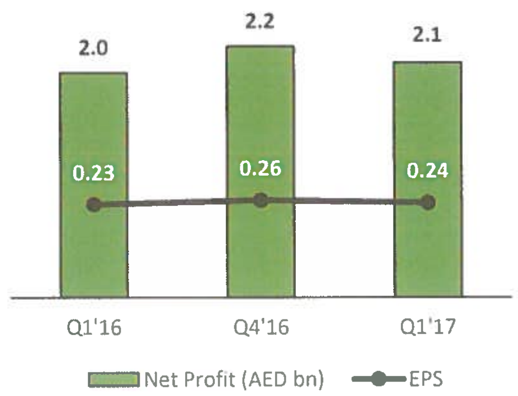
EBITDA of **International** consolidated operations decreased year over year by 9% to AED 2.1 billion in the first quarter, resulting in a 34% contribution to Group consolidated EBITDA. This decrease is attributed to unfavorable movement in the Egyptian Pound against Dirham and competitiveness of the Moroccan operations.

Maroc Telecom's consolidated EBITDA for the first quarter of 2017 amounted to AED 1.5 billion, resulting in EBITDA margin of 52%. In local currency, EBITDA in absolute terms increased by 1% due to international operations that grew by 4% offsetting the 1% decline in Morocco.

For Egypt, EBITDA in the first quarter declined year on year by 52% to AED 0.2 billion and EBITDA margin increased 1 points to 36%. Quarter over quarter, EBITDA declined by 22% and EBITDA margin increased by 1 point. EBITDA in the first quarter was impacted by unfavourable foreign exchange rate movements, higher regulatory costs, interconnection costs, marketing costs, network costs and staff costs. The first quarter EBITDA continued to improve in local currency driven by enhanced revenue trend.

In **Pakistan** EBITDA in the first quarter of 2017 increased year on year by 3% to AED 0.4 billion with EBITDA margin increasing by 2 points to 35%. Quarter over quarter EBITDA increased by 12% and EBITDA margin by 4 points. This increase is mainly due to cost control initiatives.

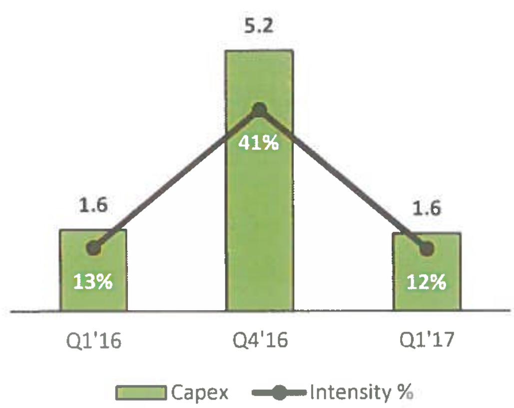
Net Profit & EPS



Consolidated net profit after Federal Royalty increased year over year by 5% to AED 2.1 billion in the first quarter of 2017 resulting in higher profit margin of 1 point to 17%. The increase in first quarter profit is attributed to lower depreciation and amortization, lower forex losses, and lower royalty charges that was partially offset by higher share of losses from associates and higher net finance costs.

Earnings per share (EPS) amounted to AED 0.24 in the first quarter of 2017 representing an increase of 5% from the same period of last year.

Capex



Consolidated capital expenditure decreased year over year by 5% to AED 1.6 billion in the first quarter of 2017 resulting in a capital intensity ratio of 12%. This decrease is attributed to license acquisition in prior year. Adjusting for cost of licenses, capital expenditures would have been increased by 2% on a like for like basis.

In the **UAE,** capital expenditure in the first quarter was committed to continue mobile network modernization, fiber rollout and building digital capabilities. Capital expenditure during the quarter amounted to AED 0.6 billion, a 37% increase in comparison to the same period last year. Capital intensity ratio was 8%, representing 2 points higher than the same quarter of the prior year and 12 points lower as compared to the fourth quarter of 2016.

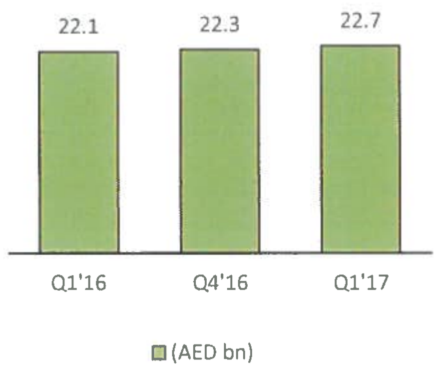
Capital expenditures in consolidated **international operations** in the first quarter of 2017 decreased by 23% to AED 0.9 billion compared to the same period last year and represented 57% of total Group capital expenditure.

In **Maroc Telecom**, capital expenditure for the first quarter declined by 45% year over year to AED 0.4 billion resulting in a capital intensity ratio of 15%. This decrease is attributed to prior year 3G licence acqusition in Togo as well as 50% fees towards acquisition of universal licence in Ivory Coast. Adjusting for the costs of license acquisitions in 2016, capital expenditure decreased by 3% and capex intensity ratio is stable at 15%. Capex spend in Morocco increased year over year by 20% focusing on network enhancements and 4G deployment. On the international front, capex spend was mostly in the Moov entities focusing on networks expansion and capacity upgrade.

In **Egypt** capital expenditure for the first quarter increased by 50% year over year to AED 0.2 billion resulting in a capital intensity ratio of 42%, 29 points higher than the same period of prior year. The increase in capital spending is attributed to deployment of 4G network.

In **Pakistan**, capital expenditure for the first quarter increased by 2% year over year to AED 0.2 billion resulting in a capital intensity ratio of 21%. , 1 point higher than prior year. Capital spending focused on network modernization and efficiencies.

Debt



Total consolidated debt amounted AED 22.7 billion as of March 2017, as compared to AED 22.3 billion as at 31 December 2016; an increase of AED 0.4 billion

As at 31 March 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 14.4 billion.

Consolidated debt breakdown by operations as of 31 March 2017 is as following:

- Etisalat Group (AED 15.0 billion)
- Maroc Telecom (AED 3.6 billion)
- Etisalat Misr (AED 2.9 billion)
- PTCL Group (AED 1.3 billion)

More than 78% of the debt balance is of long-term maturity that is due beyond 2019.

Currency mix for external borrowings is 41% in Euros, 32% in US Dollars, 11% in MAD and 16% in various currencies.

Consolidated cash balance amounted to AED 27.2 billion as of 31 March 2017 leading to a net cash position of AED 4.5 billion.

Profit & Loss Summary

(AED m)	Q1'16	Q4'16	Q1'17	*QoQ*	*YoY*
Revenue	12,853	12,937	12,458	-4%	-3%
EBITDA	6,424	6,245	6,351	+2%	-1%
EBITDA Margin	50%	48%	51%	+3pp	+1pp
Federal Royalty	(1,680)	119	(1,659)	n.m.	-1%
Net Profit	2,001	2,235	2,091	-6%	+5%
Net Profit Margin	16%	17%	17%	*0pp*	*+1pp*

Balance Sheet Summary

(AED m)	December 2016	March 2017
Cash & Bank Balances	23,676	27,231
Total Assets	122,546	126,298
Total Debt	22,279	22,710
Net Cash / (Debt)	1,398	4,520
Total Equity	55,915	58,595

Cash Flow Summary

(AED m)	3M' 2016	3M' 2017
Operating	5,423	5,265
Investing	(1,842)	(1,533)
Financing	(309)	(194)
Net change in cash	3,272	3,539
Effect of FX rate changes	50	10
Reclassified as held for sales	(69)	5
Ending cash balance	21,676	27,231

	Average Rates			Closing Rates		
Foreign Exchange Rates	Q1'16	Q1'17	YOY	Q1'16	Q1'17	YOY
EGP - Egyptian Pounds	0.4596	0.2058	*-55.23%*	0.4493	0.2013	*-55.19%*
SAR - Saudi Riyals	0.9793	0.9794	*0.01%*	0.9794	0.9794	*0.00%*
CFA - Central African Francs	0.0061	0.0059	*-3.15%*	0.0062	0.0060	*-2.95%*
NGR - Nigerian Naira	0.0184	0.0119	*-35.27%*	0.0184	0.0119	*-35.44%*
PKR - Pakistani Rupees	0.0350	0.0350	*0.05%*	0.0350	0.0350	*-0.09%*
AFA - Afghanistan Afghani	0.0535	0.0551	*2.86%*	0.0535	0.0550	*2.80%*
LKR – Sri Lankan Rupees	0.0254	0.0243	*-4.20%*	0.0254	0.0242	*-4.60%*
SDG - Sudanese Pounds	0.5755	0.5756	*0.02%*	0.5756	0.5756	*0.01%*
MAD - Moroccan Dirham	0.3727	0.3644	*-2.22%*	0.3742	0.3660	*-2.19%*

Reconciliation of non-IFRS Financial Measurements

We believe that EBITDA is a measurement commonly used by companies, analysts and investors in the telecommunications industry, which enhances the understanding of our cash generation ability and liquidity position, and assists in the evaluation of our capacity to meet our financial obligations. We also use EBITDA as an internal measurement tool and, accordingly, we believe that the presentation of EBITDA provides useful and relevant information to analysts and investors.

Our EBITDA definition includes revenue, staff costs, direct cost of sales, regulatory expenses, operating lease rentals, repairs and maintenance, general financial expenses, and other operating expenses.

EBITDA is not a measure of financial performance under IFRS, and should not be construed as a substitute for net earnings (loss) as a measure of performance or cash flow from operations as a measure of liquidity. The following table provides a reconciliation of EBITDA, which is a non-IFRS financial measurement, to Operating Profit before Federal Royalty, which we believe is the most directly comparable financial measurement calculated and presented in accordance with IFRS.

(AED m)	Q1'16	Q4'16	Q1'17
EBITDA	6,424	6,245	6,351
Depreciation & Amortization	(1,858)	(1,879)	(1,768)
Exchange Gain/ (Loss)	(337)	(633)	(99)
Share of Associates and JV's results	(4)	(31)	(49)
Impairment and other losses	(0)	(1,048)	(1)
Operating Profit before Royalty	4,225	2,654	4,435

Disclaimer

Emirates Telecommunications Group Company PJSC and its subsidiaries ("Etisalat Group" or the "Company") have prepared this presentation (" Presentation") in good faith, however, no warranty or representation, express or implied is made as to the adequacy, correctness, completeness or accuracy of any numbers, statements, opinions or estimates, or other information contained in this Presentation.

The information contained in this Presentation is an overview, and should not be considered as the giving of investment advice by the Company or any of its shareholders, directors, officers, agents, employees or advisers. Each party to whom this Presentation is made available must make its own independent assessment of the Company after making such investigations and taking such advice as may be deemed necessary.

Where this Presentation contains summaries of documents, those summaries should not be relied upon and the actual documentation must be referred to for its full effect.

This Presentation includes certain "forward-looking statements". Such forward looking statements are not guarantees of future performance and involve risks of uncertainties. Actual results may differ materially from these forward looking statements.

About Etisalat Group

Etisalat Group is an international, blue-chip organisation with operations in 17 countries across the Middle East, Africa and Asia. It is one of the leading telecom operators with one of the largest market capitalization among Middle East, African and Asian telcos. It is a highly rated telecom company with ratings from Standard & Poor's and Moody's (AA-/Aa3).

Etisalat Group's shareholding structure consists of 60% held by the Emirates Investment Authority and 40% free float. Etisalat *(Ticker: Etisalat)* is quoted on the Abu Dhabi Stock Exchange (ADX).

Investors:

Investor Relations

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Website: www.etisalat.com

Emirates Telecommunications Group Company PJSC

Review report and condensed consolidated interim financial information

for the period ended 31 March 2017

Review report and condensed consolidated interim financial information for the period ended 31 March 2017

Contents | **Pages**

Financial Review

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

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

2. Revenue, profit and earnings per share

The Group's financial performance for the three month period ended 31 March 2017 is summarised in the financial metrics below:

i) Consolidated revenue amounted to AED 12,458 million, exhibiting a decrease of AED 394 million (3.1%) over the revenue of the corresponding period in the prior year.
ii) Profit attributable to the equity holders of the Company amounted to AED 2,091 million, exhibiting an increase of AED 91 million (4.5%) when compared to the corresponding period in the prior year.

iii) Earnings per share increased by AED 0.01 when compared to the corresponding period in the prior year.

3. Group net assets

As compared to 31 December 2016, the Group's net assets increased by AED 2,681 million to AED 58,595 million as at 31 March 2017.

4. Capital expenditure

The Group incurred AED 1,562 million on capital expenditure in the three month period ended 31 March 2017 (AED 1,656 million in the three month period ended 31 March 2016).

5. Dividends

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

6. International operations

During the period, the Group has signed a new Shareholders Agreement with the other two shareholders in EMTS Holding BV, established in the Netherlands. As a result, the Group's voting rights in EMTS Holding BV has decreased to 25% through issuance of a new class of preferential shares in EMTS Holding BV while increasing its stake in the ordinary shares with non voting rights to 45% through issuance of new ordinary shares by partial conversion of shareholders loans into equity. The shareholders of EMTS Holding BV also agreed to waive all the remaining outstanding shareholders loans.

Deloitte.

Deloitte & Touche (M.E.)
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United Arab Emirates

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Report on Review of Condensed Consolidated Interim Financial Information

To the Board of Directors of
Emirates Telecommunications Group Company PJSC

Introduction

We have reviewed the accompanying condensed consolidated interim statement of financial position of Emirates Telecommunications Group Company PJSC ("the Company") and its subsidiaries (together, "the Group") as of 31 March 2017 and the related condensed consolidated interim statements of profit or loss, comprehensive income, changes in equity and cash flows for the three month period then ended. Management is responsible for the preparation and presentation of the condensed consolidated interim financial information in accordance with International Accounting Standard 34 "*Interim Financial Reporting*". Our responsibility is to express a conclusion on the condensed consolidated interim financial information based on our review.

Scope of Review

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

Conclusion

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

Deloitte & Touche (M.E.)

Signed by:
Rama Padmanabha Acharya
Registration No. 701
25 April 2017
Abu Dhabi
United Arab Emirates

ديلويت أند توش
ص.ب. ٩٩٠
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Emirates Telecommunications Group Company PJSC

Condensed consolidated interim statement of profit or loss for the period ended 31 March 2017

	Notes	(Unaudited) Three months ended 31 March 2017 AED'000	2016 AED'000
Continuing operations			
Revenue		12,458,201	12,852,606
Operating expenses	4	(7,973,233)	(8,624,315)
Impairment and other losses		(666)	-
Share of results of associates and joint ventures	5	(49,020)	(3,600)
Operating profit before federal royalty		4,435,282	4,224,691
Federal royalty	4	(1,658,739)	(1,680,417)
Operating profit		2,776,543	2,544,274
Finance and other income		195,082	342,501
Finance and other costs		(301,754)	(164,776)
Profit before tax		2,669,871	2,721,999
Taxation		(253,204)	(325,188)
Profit for the period from continuing operations		2,416,667	2,396,811
Discontinued operations			
Loss from discontinued operations	21	(32,052)	(16,534)
Profit for the period		2,384,615	2,380,277
Profit attributable to:			
The equity holders of the Company		2,091,497	2,000,737
Non-controlling interests		293,118	379,540
		2,384,615	2,380,277
Earnings per share			
From continuing and discontinued operations			
Basic and diluted	7	AED 0.24	AED 0.23
From continuing operations			
Basic and diluted	7	AED 0.24	AED 0.23

The accompanying notes on pages 8 to 25 form an integral part of the condensed consolidated interim financial information.

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Emirates Telecommunications Group Company PJSC

Condensed consolidated interim statement of comprehensive income for the period ended 31 March 2017

	Note	(Unaudited) Three months ended 31 March 2017 AED'000	2016 AED'000
Profit for the period		2,384,615	2,380,277
Other comprehensive income / (loss)			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising during the period :			
Exchange differences on translation of foreign operations		417,930	(294,801)
Loss on hedging instruments designated in hedges of the net assets of foreign operations	18	(140,935)	(323,536)
Available-for-sale financial assets :			
Gain on revaluation of financial assets during the period		102,881	49,840
Items reclassified to profit or loss:			
Available-for-sale financial assets			
Reclassification adjustment relating to available-for-sale financial assets on disposal		(10)	(268)
Total other comprehensive income / (loss)		379,866	(568,765)
Total comprehensive income for the period		2,764,481	1,811,512
Attributable to:			
The equity holders of the Company		2,313,759	1,528,446
Non-controlling interests		450,722	283,066
		2,764,481	1,811,512

The accompanying notes on pages 8 to 25 form an integral part of the condensed consolidated interim financial information.

Emirates Telecommunications Group Company PJSC

Condensed consolidated interim statement of financial position as at 31 March 2017

	Notes	As at (Unaudited) 31 March 2017 AED'000	As at (Audited) 31 December 2016 AED'000
Non-current assets			
Goodwill	8	14,200,756	14,097,902
Other intangible assets	9	14,771,227	14,710,048
Property, plant and equipment	10	42,827,219	42,450,127
Investment property		27,502	27,230
Investments in associates and joint ventures		4,400,061	4,414,352
Other investments	25	1,119,884	879,207
Other receivables	11	242,306	156,612
Derivative financial instruments	18	318,640	331,313
Deferred tax assets		118,206	128,210
		78,025,801	77,195,001
Current assets			
Inventories		707,788	708,825
Trade and other receivables	11	18,132,717	18,796,545
Current income tax assets		655,723	593,270
Due from associates and joint ventures		581,590	582,871
Cash and bank balances	12	27,230,857	23,676,170
		47,308,675	44,357,681
Assets classified as held for sale	21	963,939	993,663
Total assets		126,298,415	122,546,345
Non-current liabilities			
Other payables	13	1,578,052	1,558,549
Borrowings	17	18,754,241	18,203,902
Payables related to investments and licenses	19	396,619	542,968
Deferred tax liabilities		3,237,863	3,255,952
Finance lease obligations		4,068	4,905
Provisions		155,565	149,143
Provision for end of service benefits	24	1,672,988	1,636,959
		25,799,396	25,352,378
Current liabilities			
Trade and other payables	13	31,407,021	30,798,177
Borrowings	17	3,956,222	4,074,738
Payables related to investments and licenses	19	3,258,700	3,255,327
Current income tax liabilities		342,314	257,491
Finance lease obligations		4,733	5,512
Provisions		2,502,459	2,488,839
Derivative financial instruments	18	22	2,830
		41,471,471	40,882,914
Liabilities directly associated with the assets classified as held for sale	21	432,093	396,275
Total liabilities		67,702,960	66,631,567
Net assets		58,595,455	55,914,778
Equity			
Share capital		8,696,754	8,696,754
Reserves		26,344,934	26,121,149
Retained earnings		9,970,341	7,883,502
Equity attributable to the equity holders of the Company		45,012,029	42,701,405
Non-controlling interests		13,583,426	13,213,373
Total equity		58,595,455	55,914,778

The accompanying notes on pages 8 to 25 form an integral part of the condensed consolidated interim financial information.

Emirates Telecommunications Group Company PJSC

Condensed consolidated interim statement of changes in equity for the period ended 31 March 2017 (Unaudited)

		Attributable to equity holders of the Company					
		Share capital	Reserves	Retained earnings	Owners' equity	Non-controlling interests	Total equity
	Notes	AED'000	AED'000	AED'000	AED'000	AED'000	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 period		-	(472,291)	2,000,737	1,528,446	283,066	1,811,512
Other movements in equity		-	-	3,703	3,703	3,949	7,652
Transfer to reserves		-	192,423	(192,423)	-	-	-
Transaction with owners:							
Dividends	6	-	-	(3,477,197)	(3,477,197)	(143,723)	(3,620,920)
Balance at 31 March 2016		8,696,754	27,303,546	5,841,436	41,841,736	16,029,340	57,871,076
Balance at 1 January 2017		8,696,754	26,121,149	7,883,502	42,701,405	13,213,373	55,914,778
Total comprehensive income for the period		-	222,262	2,091,497	2,313,759	450,722	2,764,481
Other movements in equity		-	-	(3,135)	(3,135)	(3,345)	(6,480)
Transfer to reserves		-	1,523	(1,523)	-	-	-
Transaction with owners:							
Dividends	6	-	-	-	-	(77,324)	(77,324)
Balance at 31 March 2017		8,696,754	26,344,934	9,970,341	45,012,029	13,583,426	58,595,455

The accompanying notes on pages 8 to 25 form an integral part of the condensed consolidated interim financial information.

Emirates Telecommunications Group Company PJSC

Condensed consolidated interim statement of cash flows for the period ended 31 March 2017 (unaudited)

	Notes	Three months ended 31 March 2017 AED'000	2016 AED'000
Operating profit including discontinued operations		2,747,433	2,536,512
Adjustments for:			
Depreciation		1,401,238	1,444,601
Amortisation		397,901	449,435
Impairment and other losses		1,760	-
Share of results of associates and joint ventures		49,020	3,600
Provisions and allowances		1,660	483,886
Unrealised currency translation gain		78,911	218,686
Other non-cash movements		-	153,217
Operating profit before changes in working capital		4,677,923	5,289,937
Changes in working capital:			
Inventories		3,511	116,095
Due from associates and joint ventures		(1,387)	23,426
Trade and other receivables		637,403	(1,259,809)
Trade and other payables		238,564	1,698,053
Cash generated from operations		5,556,014	5,867,702
Income taxes paid		(266,549)	(426,988)
Payment of end of service benefits		(24,060)	(17,739)
Net cash generated from operating activities		5,265,405	5,422,975
Cash flows from investing activities			
Proceeds from disposal of Held- to-maturity investments		278,191	51,736
Acquisition of Held- to- maturity Investments		-	(547,245)
Acquisition of investment classified as fair value through profit or loss		(367,400)	-
Proceeds from disposal of investment classified as fair value through profit or loss		6,552	-
Acquisition of other investments		(66,317)	-
Acquisition of interest in associates		(39,729)	-
Purchase of property, plant and equipment		(1,408,356)	(1,254,195)
Proceeds from disposal of property, plant and equipment		4,545	76,535
Purchase of other intangible assets		(153,493)	(401,844)
Proceeds from disposal of other intangible assets		-	143
Movement in term deposits with maturities over three months	12	(3,382,839)	(4,882,356)
Dividend income received from associates and other investments		5,019	429
Finance and other income received		208,477	232,086
Net cash used in investing activities		(4,915,350)	(6,724,711)
Cash flows from financing activities			
Proceeds from borrowings and finance lease obligations		1,809,837	982,239
Repayments of borrowings and finance lease obligations		(1,713,855)	(1,053,393)
Dividends paid		(618)	(53,834)
Finance and other costs paid		(288,921)	(183,692)
Net cash used in financing activities		(193,557)	(308,681)
Net increase / (decrease) in cash and cash equivalents		156,498	(1,610,417)
Cash and cash equivalents at the beginning of the period		3,022,906	5,553,300
Effect of foreign exchange rate changes		10,176	50,459
Cash and cash equivalents at the end of the period	12	3,189,580	3,993,342

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

The accompanying notes on pages 8 to 25 form an integral part of the condensed consolidated interim financial information.

1. General information

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

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

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

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

2. Significant accounting policies

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

Basis of preparation

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

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

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

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

New and amended standards adopted by the Group

The accounting policies adopted in the preparation of the condensed consolidated interim financial information are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2016, except for the adoption of the following new or amended accounting policies and new standards and interpretations effective as of 1 January 2017.

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

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

2. Significant accounting policies (continued)

New and amended standards in issue but not yet effective

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

	Effective date
IFRS 9 Financial Instruments (revised versions in 2009, 2010, 2013 and 2014)	1 January 2018
Amendment to IFRS 7 Financial Instruments: Disclosures relating to transition to IFRS 9 (or otherwise when IFRS 9 is first applied)	When IFRS 9 is first applied
IFRS 7 Financial Instruments: Disclosures relating to the additional hedge accounting disclosures (and consequential amendments) resulting from the introduction of the hedge accounting chapter in IFRS 9	When IFRS 9 is first applied
IFRS 15 – Revenue from contracts with customers	1 January 2018
IFRS 16 Leases	1 January 2019
Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures (2011) relating to the treatment of the sale or contribution of assets from and investor to its associate or joint venture	Effective date deferred indefinitely
Amendments to IFRS 1 and IAS 28 resulting from Annual Improvements 2014–2016 Cycle.	1 January 2018
Amendments to IAS 40 clarifying transfers of property to, or from, investment property.	1 January 2018
IFRIC 22 Foreign Currency Transactions and Advance Consideration	1 January 2018

IFRS 9 Financial Instruments:

IFRS 9 issued in November 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in July 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.

A finalised version of IFRS 9 which contains accounting requirements for financial instruments, replacing IAS 39 Financial Instruments: Recognition and Measurement. The standard contains requirements in the following areas:
• Classification and measurement: Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. The 2014 version of IFRS 9 introduces a 'fair value through other comprehensive income' category for certain debt instruments. Financial liabilities are classified in a similar manner to under IAS 39, however there are differences in the requirements applying to the measurement of an entity's own credit risk.
• Impairment: The 2014 version of IFRS 9 introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognized.

2. Significant accounting policies (continued)

IFRS 9 Financial Instruments (continued)

- Hedge accounting: Introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures.
- Derecognition: The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39.

IFRS 15 Revenue from Contracts with Customers:

IFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related interpretations when it becomes effective. The core principle of IFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:
- Step 1: Identify the contract(s) with a customer.
- Step 2: Identify the performance obligations in the contract.
- Step 3: Determine the transaction price.
- Step 4: Allocate the transaction price to the performance obligations in the contract.
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

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

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

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

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

2. Significant accounting policies (continued)

New and amended standards in issue but not yet effective (continued) IFRS 16 Leases:

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

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

Management anticipates that the application of the above Standards and Interpretations in future periods will have no material impact on the consolidated financial statements of the Group in the period of initial application with the exception of IFRS 15 Revenue from Contracts with Customers, IFRS 9 Financial Instruments and IFRS 16 Leases which management is currently assessing. However, it is not practicable to provide a reasonable estimate of the effects of the application of these standards until the Group performs a detailed review.

Associates and joint ventures

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

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

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

2. Significant accounting policies (continued)

Associates and joint ventures

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

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

Investment property

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

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

Financial assets

i) Held-to-maturity investments

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

ii) Available-for-sale financial assets ("AFS")

Listed securities held by the Group that are quoted in an active market are classified as being AFS and are stated at fair value at the end of each reporting period. Gains and losses arising from changes in fair value are recognised directly in equity in the investment revaluation reserve with the exception of impairment losses, interest calculated using the effective interest method and foreign exchange gains and losses on monetary assets, which are recognised directly in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in the investments revaluation reserve is included in the consolidated statement of profit or loss.

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

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

2. Significant accounting policies (continued)

Financial assets (continued)

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

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

iii) Financial asset at fair value through profit or loss

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

a. It is classified as held for trading, i.e. it is:

(i) acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
(ii) 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
(iii) a derivative (except for a derivative that is a designated and effective hedging instrument)

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

3. Segmental information

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

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

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

- Pakistan
- Egypt
- Morocco
- International - others

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

b) Segment revenues and results

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

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

c) Segment assets

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

The segment information has been provided on the following page.

3. Segmental information (continued)

		International					
	UAE	Morocco	Egypt	Pakistan	Others	Eliminations	Consolidated
	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
Three months ended 31 March 2017							
Revenue							
External sales	7,789,482	1,819,805	533,282	1,000,597	1,315,035	-	12,458,201
Inter-segment sales	68,427	10,909	14,372	9,595	49,344	(152,647)	-
Total revenue	7,857,909	1,830,714	547,654	1,010,192	1,364,379	(152,647)	12,458,201
Segment result	3,569,482	474,203	104,231	27,146	260,220	-	4,435,282
Federal royalty							(1,658,739)
Finance and other income							195,082
Finance and other costs							(301,754)
Profit before tax							2,669,871
Taxation							(253,204)
Profit for the period from continuing operations							2,416,667
Total assets at 31 March 2017	63,234,401	31,046,164	7,387,193	20,184,405	18,131,147	(13,684,895)	126,298,415
Three months ended 31 March 2016							
Revenue							
External sales	7,428,333	1,916,744	1,153,325	1,009,619	1,344,585	-	12,852,606
Inter-segment sales	88,099	20,599	11,652	17,933	63,571	(201,854)	-
Total revenue	7,516,432	1,937,343	1,164,977	1,027,552	1,408,156	(201,854)	12,852,606
Segment result	3,339,838	505,664	74,265	37,284	267,640	-	4,224,691
Federal royalty							(1,680,417)
Finance and other income							342,501
Finance and other costs							(164,776)
Profit before tax							2,721,999
Taxation							(325,188)
Profit for the period from continuing operations							2,396,811
Total assets at 31 December 2016	60,055,024	31,226,594	6,814,677	20,100,018	18,286,911	(13,936,879)	122,546,345

4. Operating expenses and federal royalty

a) Operating expenses (before federal royalty)	Three months ended 31 March 2017 AED'000	2016 AED'000
Direct cost of sales	2,844,722	2,842,857
Staff costs	1,295,251	1,366,365
Depreciation	1,372,461	1,412,465
Network and other related costs	599,700	715,208
Amortisation	395,303	445,431
Marketing expenses	226,196	239,065
Regulatory expenses	287,719	296,547
Operating lease rentals	84,711	114,043
Foreign exchange losses	98,637	337,460
Other operating expenses	768,533	854,874
Operating expenses (before federal royalty)	**7,973,233**	**8,624,315**

b) Federal Royalty

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

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

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

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

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

The mechanism for computation of federal royalty for the period ended 31 March 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.

5. Share of results of associates and joint ventures

In the prior years, the Group had reassessed its accounting treatment for share of results of one of its associates. Consequently, the Group has discontinued the recognition of the share of the results of that associate with effect from 1 January 2013. The net unrecognised share of losses in the associate for the period ended 31 March 2017 amounts to AED 319 million (31 March 2016: AED 104 million). The cumulative net unrecognised share of losses as at 31 March 2017 amounts to AED 7,680 million (31 March 2016: AED 4,056 million).

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

The share of results of Mobily recognised for the period include a credit adjustment of AED 25 million to comply with the Group accounting policies.

6. Dividends

Amounts recognised as distribution to equity holders:	AED'000
Three months ended 31 March 2016	
Final dividend for the year ended 31 December 2015 of AED 0.40 per share	3,477,197
Three months ended 31 March 2017	
Final dividend for the year ended 31 December 2016 of AED 0.40 per share	3,477,198

7. Earnings per share

	Three months ended 31 March	
	2017	2016
Earnings (AED'000)		
Earnings for the purposes of basic earnings per share being the profit attributable to the equity holders of the Company	2,091,497	2,000,737
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 discontinued operations		
Basic and diluted	AED 0.24	AED 0.23
From continuing operations		
Basic and diluted	AED 0.24	AED 0.23

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

8. Goodwill

The movement in the Goodwill is provided below:	Note	31 March 2017 AED'000	31 December 2016 AED'000
Opening balance		14,097,902	14,577,512
Reclassified as held for sale	21	-	(206,122)
Exchange difference		102,854	(273,488)
Closing balance		14,200,756	14,097,902

9. Other intangible assets

The movement in other intangible assets is provided below:	Note	31 March 2017 AED'000	31 December 2016 AED'000
Opening balance		14,710,048	17,193,072
Additions		153,493	766,279
Advance against licenses		-	2,053,942
Disposals		-	(169)
Amortisation and impairment losses		(398,343)	(1,783,178)
Reclassified as held for sale	21	2,909	(26,416)
Exchange difference		303,120	(3,493,482)
Closing balance		14,771,227	14,710,048

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10. Property, plant and equipment	Note	31 March 2017 AED'000	31 December 2016 AED'000
Opening balance		42,450,127	46,269,981
Additions		1,408,084	7,840,807
Transfer to inventory		-	(128,371)
Transfer from asset held for sale		39,422	-
Transfer from investment property		-	12,154
Disposals		(10,300)	(472,979)
Depreciation		(1,400,813)	(5,884,725)
Impairment losses		(1,760)	(142,111)
Reclassified as held for sale	21	27,567	(559,638)
Exchange difference		314,892	(4,484,991)
Closing balance		42,827,219	42,450,127

11. Trade and other receivables	31 March 2017 AED'000	31 December 2016 AED'000
Amount receivable for services rendered	10,064,300	9,707,082
Allowance for doubtful debts	(2,342,297)	(2,118,831)
Net trade receivables	7,722,003	7,588,251
Amounts due from other telecommunication operators/carriers	5,532,114	6,409,532
Prepayments	859,644	572,451
Accrued income	1,772,223	1,408,833
Other receivables	2,489,039	2,974,090
Net trade and other receivables	18,375,023	18,953,157
Total trade and other receivables	18,375,023	18,953,157
of which current trade and other receivables	18,132,717	18,796,545
of which non-current other receivables	242,306	156,612

12. Cash and cash equivalents	Note	31 March 2017 AED'000	31 December 2016 AED'000
of which maintained locally		24,341,858	20,794,417
of which maintained overseas, unrestricted in use		2,840,070	2,786,320
of which maintained overseas, restricted in use		71,481	123,159
Cash and bank balances		27,253,409	23,703,896
Reclassified as held for sale	21	(22,552)	(27,726)
Cash and bank balances from continuing operations		27,230,857	23,676,170
Less: Deposits with maturities exceeding three months from the date of deposit		(24,063,829)	(20,680,990)
Cash and cash equivalents from continuing operations		3,167,028	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.

13. Trade and other payables	31 March 2017 AED'000	31 December 2016 AED'000
Current		
Federal royalty	6,367,408	5,010,268
Trade payables	7,501,320	8,034,553
Amounts due to other telecommunication administrators	4,496,362	5,250,963
Deferred revenue	2,199,849	2,129,470
Other payables and accruals	10,842,082	10,372,923
	31,407,021	30,798,177
Non-current		
Other payables	1,578,052	1,558,549
	1,578,052	1,558,549

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14. Contingent liabilities

a) Foreign exchange regulations

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

b) Other contingent liabilities

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

ii) The Honorable Supreme Court of Pakistan has dismissed on 12th June, 2015 appeals made by PTCL, a subsidiary of the group, and Pakistan Telecommunication Employees Trust ("PTET") who is managing the PTCL employee's pension fund, in various court matters related to certain employees' rights under the PTCL Pension scheme. Based on the directives contained in the said order and the pertinent legal provisions, the Group is evaluating the extent of its responsibility vis-à-vis such order. PTCL and PTET have filed a review petition before the Supreme Court. A full bench of the Honorable Supreme Court has not yet started conducting hearings into this Review Petition and consequently, a decision has not been made to date. Under the circumstances, the Group is of the view that it is not possible at this stage to ascertain the financial obligations, if any, flowing from the Honorable Supreme Court decision which could be disclosed in these condensed consolidated interim financial information. In the meanwhile, PTET has issued notices to prospective beneficiaries for the determination of their entitlements. Further, through a separate order dated 27 May 2016, the Honorable Lahore High Court decided that the pensioners who availed Voluntary Separation Scheme package are not entitled to pension increases announced by the Government of Pakistan.

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

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

• There are 361 lawsuits filed by Mobily against CITC amounting to Saudi Riyals 653 million (AED 640 million);

• The Board of Grievance has issued 165 preliminary verdicts in favor of Mobily voiding 173 resolutions of the CITC's violation committee with total penalties amounting to Saudi Riyals 437 million (AED 428 million); and

• Some of these preliminary verdicts have become conclusive (after they were affirmed by the appeal court) resulting in cancellation of penalties with a total amount of Saudi Riyals 411 million (AED 403 million).

In addition, 20 legal cases were filed by Mobily against CITC in relation to the mechanism of calculating the governmental fees and other subjects in which 13 of them are specifically related to the govenmental fees as of 31 March 2017, out of which Mobily received 3 preliminary judgements and 5 final judgements in its favour. The remaining cases are still being adjudicated before the Board of Grievance. It is difficult to determine the amount of claims due to the difference in the calculation method. Although Mobily believes that these claims have no legal basis, they may have a material impact on Mobily's business in case of retroactive change in the regulatory framework which is difficult to assess.

14. Contingent liabilities (continued)

b) Other contingent liabilities (continued)

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

Furthermore, there were 167 lawsuits filed by a number of shareholders against Mobily before the Committee for the Resolutions of Security Disputes (CRSD) and which are currently being adjudicated by the said committee. Mobily received final verdict on 87 of these cases in its favour whilst 20 decisions were appealed and the Appeals Committee of the CRSD redirected that the lower bench of the CRSD review such cases taking into account the role of Mobily as a Company and that of its management. Mobily management and Directors are currently evaluating the implications of the appeal decisions arising from the 20 cases reviewed and believe that the likelihood of additional material liabilities arising from these lawsuits is not probable from the 87 cases finally determined so far.

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

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

iv) The Company is required to pay the UAE Telecommunication Regulatory Authority (TRA) 1% of its regulated revenues generated in the UAE annually as regulatory expenses towards ICT contributions. The cumulative difference between the amount being claimed by TRA and the amount settled by the Company is approximately around AED 1,598 million as of 31 December 2016. The cumulative difference is mainly due to the claim of the TRA on non-regulated revenues in the UAE and consolidated revenues in international markets.

v)In the prior years, Atlantique Telecom SA, a subsidiary of the Group, has been engaged in arbitration proceedings against SARCI Sarl ("SARCI"), a minority shareholder of one of its subsidiaries, Telecel Benin where SARCI was seeking compensation for alleged damages caused to Telecel Benin by Atlantique Telecom during the period from 2002 till 2007. Two arbitration proceedings on the same issue had been cancelled upon Atlantique Telecom's request in 2008 and 2013. In November 2015, the Arbitral Tribunal of a third proceeding launched in 2013 has awarded Sarci damages amounting to approximately EURO 416 million (AED 1.6 billion). Certain local courts have considered that this award is enforceable against the Group's assets in other jurisdictions. Sarci has started execution proceedings in Benin and other African countries which with the exception of Togo were denied or have been stalled by the local Courts. Execution measures were allowed by a first instance court in Togo but have been appealed and suspended. On the substance of the award itself, Atlantique Telecom has initiated legal proceedings before the Appeal Court of Cotonou in order to obtain the cancellation of the award of this third arbitration process and the suspension of any execution thereof. The court decision on the request for stay of execution and for cancellation of the award of this arbitration, which was initially due on 26 October 2016, was postponed several times and the file was finally transferred to the Constitutional Court following a request of SARCI for unconstitutionality of the proceedings.The Constitutional Court has rejected the merits of SARCI request and has remitted the matter back to lower Court. Next hearing before the Court of Appeal is now scheduled for 3 May 2017.

vi) In April 2016, Etisalat Misr received notice of arbitration proceedings initiated by Vodafone Egypt Telecommunication Company (Vodafone).

Vodafone is seeking to recover outstanding interconnection fees payable as a result of principle set by Court's decision nullifying the National Telecommunication Regulatory Authority (NTRA) set tariffs imposed on operators plus interest dues. The arbitration proceedings are still in preliminary stages. Given the early stages of this arbitration and based on the submitted arguments and supported documents presented, management believes that the recorded interconnection transactions have been fairly recognized in the condensed consolidated interim financial information as at 31 March 2017.

15. Capital Commitments

The Group has approved capital projects and investments commitments to the extent of AED 5,624 million (2016: AED 5,711 million).

16. Related party transactions

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

a) Federal Government and state controlled entities

As stated in Note 1, in accordance with Federal Law No. 267/10 for 2009, the Federal Government of the UAE transferred its 60% holding in the Company to the Emirates Investment Authority with effect from 1 January 2008, which is ultimately controlled by the UAE Federal Government. The Group provides telecommunication services to the Federal Government (including Ministries and local bodies). These transactions are at normal commercial terms. The credit period allowed to Government customers ranges from 90 to 120 days. Trade receivables include an amount of AED 1,491 million (2016: AED 1,414 million), which are net of allowance for doubtful debts of AED 172 million (2016: AED 156 million), receivable from Federal Ministries and local bodies. See Note 4 for disclosure of the royalty payable to the Federal Government of the UAE.

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

16. Related party transactions (continued)

b) Joint ventures and associates	Associates		Joint Ventures	
	2017 AED '000	2016 AED '000	2017 AED '000	2016 AED '000
Trading transactions for the three months ended 31 March				
Telecommunication services – sales	22,095	35,900	-	-
Telecommunication services – purchases	15,285	21,300	-	-
Management and other services	65,799	16,000	425	400
Net amount due from/(to) related parties as at 31 March 2017 / 31 December 2016	411,865	601,864	(831)	829

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

During the period, the Group signed a Technical Services and Support Agreement with Mobily. This agreement is for a period of five years and is subject to approval of Mobily's General Assembly.

During the period, the Group acquired additional shareholding of 0.1% in Mobily.

17. Borrowings

	Note	Carrying Amounts 31 March 2017 AED'000	31 December 2016 AED'000
Bank borrowings			
Bank overdrafts		3,370,857	3,318,881
Bank loans		4,198,640	3,934,047
Other borrowings			
Bonds		14,420,966	14,217,614
Loans from non-controlling interest		3,682	3,500
Vendor financing		303,611	345,595
Others		3,839	3,602
		22,301,595	**21,823,239**
Advances from non-controlling interest		552,026	552,027
Total Borrowings as at 31 March 2017/ 31 December 2016		**22,853,621**	**22,375,266**
Reclassified as held for sale	21	(143,158)	(96,626)
Borrowings from continuing operations as at 31 March 2017/ 31 December 2016		**22,710,463**	**22,278,640**
of which due within 12 months		3,956,222	4,074,738
of which due after 12 months		18,754,241	18,203,902

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

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

The Group has listed a USD 7 billion (AED 25.7 billion) medium-term note programme which will be used to meet medium to long-term funding requirements. In 2014, the Group issued the inaugural bonds under the GMTN programme in USD and Euro tranches amounting to USD 1 billion and Euro 2.4 billion in total respectively. Further, in May 2015, the Group issued additional bonds amounting to USD 400 million under the existing USD 5 year tranches. As at 31 March 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 9.42 billion) as follows:

17. Borrowings (continued)

	Nominal Value	Fair Value	Carrying Value
	2017	2017	2017
	AED'000	AED'000	AED'000
Bonds			
2.375% US dollar 900 million notes due 2019	3,306,600	3,315,528	3,306,571
3.500% US dollar 500 million notes due 2024	1,837,000	1,856,050	1,817,984
Bonds in net investment hedge relationship			
1.750% Euro 1,200 million notes due 2021	4,712,400	4,947,172	4,666,766
2.750% Euro 1,200 million notes due 2026	4,712,400	5,244,383	4,629,645
At 31 March	14,568,400	15,363,132	14,420,966
of which due within 12 months			-
of which due after 12 months			14,420,966

	Nominal Value	Fair Value	Carrying Value
	2016	2016	2016
	AED'000	AED'000	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	14,362,240	15,059,387	14,217,614
of which due within 12 months			-
of which due after 12 months			14,217,614

18. Net investment hedge relationships

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

	Three months ended 31 March	
	2017	2016
	AED'000	AED'000
Effective part directly recognised in other comprehensive income / (loss)	(140,935)	(323,536)

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

	31 March 2017	31 December 2016
	AED'000	AED'000
Fair value of swaps designated as net investment hedge (Derivative financial assets)	318,640	331,313
Fair value of swaps designated as net investment hedge (Derivative financial liabilities)	(22)	(2,830)

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

19. Payables related to investments and licenses

As at period end, payables related to investments and licenses include an amount of AED 556 million (2016: AED 551 million) payable towards acquisition of 3G license and renewal of 2G license in Pakistan and during the previous year an amount of AED 312 million payable towards acquisition of global license in Ivory Coast.

20. Other significant event

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

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

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

21. Disposal Group held for sale/ Discontinued operations

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

21.1 Analysis of loss for the period from discontinued operations

		Three months ended 31 March	
		2017	2016
	Note	AED'000	AED'000
Revenue		71,591	172,874
Operating expenses		(100,701)	(180,637)
Operating loss before tax		(29,110)	(7,763)
Finance and other income		384	759
Finance costs		(3,326)	(4,930)
Loss before tax		(32,052)	(11,934)
Taxation		-	(4,600)
Loss for the period from discontinued operations		(32,052)	(16,534)

21.2 The disposal group comprised the following assets and liabilities :

	As at	
	31 March 2017	31 December 2016
Assets classified as held for sale	AED'000	AED'000
Goodwill	206,122	206,122
Other intangible assets	23,507	26,416
Property, plant and equipment	492,652	559,638
Deferred tax assets	67,653	68,491
Inventories	1,446	1,645
Trade and other receivables	150,008	103,625
Cash and bank balances	22,551	27,726
Assets classified as held for sale	963,939	993,663

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

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

	As at	
	31 March 2017	31 December 2016
Liabilities classified as held for sale	AED'000	AED'000
Trade and other payables	194,569	204,251
Borrowings	143,159	96,625
Provision for end of service benefits	2,663	2,631
Provision	15,615	15,614
Deferred tax liabilities	66,378	67,201
Finance lease obligation	9,709	9,953
Liabilities associated with assets classified as held for sale	432,093	396,275
Net assets classified as held for sale	531,846	597,388

	Three months ended 31 March	
	2017	2016
Cash flows from discontinued operations	AED'000	AED'000
Net cash inflows from operating activities	(35,826)	36,376
Net cash outflows inflows from investing activities	(13,453)	(17,858)
Net cash inflow / (outflows) from financing activities	44,388	(55,576)
Net cash outflows	(4,891)	(37,058)

Cumulative income or expense recognised in other comprehensive income

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

22. Seasonality and cyclicality of interim operations

There are no items of seasonal or cyclical nature in the interim operations during the period ended 31 March 2017 and 2016.

23. Fair value disclosures

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

24. Provision for end of service benefits

		31 March 2017	31 December 2016
The movement in the provision for end of service benefits is provided below:	Note	AED'000	AED'000
Opening balances		1,636,959	1,910,480
Additions		63,852	264,107
Payments		(32,119)	(546,872)
Exchange difference		3,073	(6,157)
Unwinding of discounts		1,255	6,043
Remeasurement		-	11,989
Reclassified as held for sale	21	(32)	(2,631)
Closing balances		1,672,988	1,636,959

25. Other investments

During the period, the Group invested in an overseas hedged fund for an amount of AED 367 million which was classified as fair value through profit or loss. During the previous year, the Group invested in foreign treasury bills for an amount AED 547 million which was classified as held-to-maturity investment.