

**Emirates Integrated Telecommunications  
Company PJSC and its subsidiaries**

**Condensed interim consolidated financial statements  
for the three-month period ended 31 March 2017**

# **Emirates Integrated Telecommunications Company PJSC and its subsidiaries**

## **Condensed interim consolidated financial statements**

	<b>Pages</b>
<b>Report on review of condensed interim consolidated financial information</b>	<b>1</b>
<b>Condensed interim consolidated statement of financial position</b>	<b>2</b>
<b>Condensed interim consolidated statement of comprehensive income</b>	<b>3</b>
<b>Condensed interim consolidated statement of cash flows</b>	<b>4</b>
<b>Condensed interim consolidated statement of changes in equity</b>	<b>5</b>
<b>Notes to the condensed interim consolidated financial statements</b>	<b>6 - 23</b>



## **Report on review of condensed interim consolidated financial information**

The Shareholders  
Emirates Integrated Telecommunications Company PJSC  
Dubai, United Arab Emirates

### **Introduction**

We have reviewed the accompanying condensed interim consolidated statement of financial position of Emirates Integrated Telecommunications Company PJSC ("the Company") and its subsidiaries (together 'the Group') as at 31 March 2017 and the related condensed interim consolidated statements of comprehensive income, changes in equity and cash flows for the three-month period then ended and other explanatory notes. Management is responsible for the preparation and presentation of this condensed interim consolidated financial information in accordance with International Accounting Standards No. 34, 'Interim Financial Reporting' ('IAS 34'). Our responsibility is to express a conclusion on this condensed interim consolidated financial information based on our review.

### **Scope of review**

We conducted our review in accordance with the 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 interim consolidated financial information is not prepared, in all material respects, in accordance with IAS 34.

PricewaterhouseCoopers

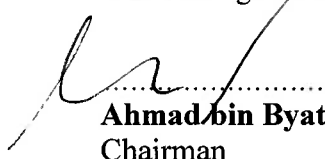
Mohamed ElBorno  
Registered Auditor Number 946  
Dubai, United Arab Emirates  
24 April 2017

# Emirates Integrated Telecommunications Company PJSC and its subsidiaries

## Condensed interim consolidated statement of financial position

		<b>Reviewed 31 March 2017 AED 000</b>	<b>Audited 31 December 2016 AED 000</b>
	Note		
<b>Non-current assets</b>			
Property, plant and equipment	4	8,255,189	8,449,197
Intangible assets	5	1,145,248	1,173,469
Investment in an associate	6	115,568	113,935
Available-for-sale financial asset	7	18,368	18,368
Derivative financial instruments	8	9,500	6,280
Trade and other receivables	9	50,099	32,373
<b>Total non-current assets</b>		<b>9,593,972</b>	<b>9,793,622</b>
<b>Current assets</b>			
Inventories		87,550	39,579
Trade and other receivables	9	2,136,407	1,968,517
Due from a related party	10	97,880	220,147
Short term investments	11	5,550,000	6,150,000
Cash and bank balances	12	1,589,027	239,498
<b>Total current assets</b>		<b>9,460,864</b>	<b>8,617,741</b>
<b>Current liabilities</b>			
Trade and other payables	13	7,111,113	5,838,210
Due to related parties	10	18,270	12,736
Borrowings	14	1,440,012	783,473
<b>Total current liabilities</b>		<b>8,569,395</b>	<b>6,634,419</b>
<b>Net current assets</b>		<b>891,469</b>	<b>1,983,322</b>
<b>Non-current liabilities</b>			
Borrowings	14	2,880,024	3,596,356
Provision for employees' end of service benefits	15	231,106	225,627
Other provisions	16	105,114	102,021
<b>Total non-current liabilities</b>		<b>3,216,244</b>	<b>3,924,004</b>
<b>Net assets</b>		<b>7,269,197</b>	<b>7,852,940</b>
<b>Represented by:</b>			
<b>Share capital and reserves</b>			
Share capital	17	4,571,429	4,571,429
Share premium	18	393,504	393,504
Other reserves, net of treasury shares	19	1,090,847	2,003,042
Retained earnings		1,213,417	884,965
<b>Total equity</b>		<b>7,269,197</b>	<b>7,852,940</b>

The condensed interim consolidated financial statements were approved by the Board of Directors on 24 April 2017 and signed on its behalf by:

  
**Ahmad bin Byat**  
Chairman

  
**Osman Sultan**  
Chief Executive Officer

The notes on pages 6 to 23 form an integral part of these condensed interim consolidated financial statements.

# Emirates Integrated Telecommunications Company PJSC and its subsidiaries

## Condensed interim consolidated statement of comprehensive income

	Note	Reviewed three-month period ended 31 March	
		2017 AED 000	2016 AED 000
Revenue	26	3,166,376	3,089,606
Interconnect and related costs		(769,676)	(724,322)
Staff costs		(255,969)	(223,099)
Product costs		(213,100)	(151,814)
Network operation and maintenance		(190,333)	(156,616)
Commission		(121,420)	(86,029)
Outsourcing and contracting		(112,799)	(116,187)
Telecommunication license and related fees		(98,259)	(85,670)
Marketing		(53,195)	(94,190)
Rent and utilities		(25,021)	(25,667)
Other expenses	20	(99,653)	(84,080)
Other income		589	47,119
Earnings before interest, taxes, depreciation and amortisation (EBITDA)		1,227,540	1,389,051
Depreciation and impairment	4	(345,382)	(326,669)
Amortisation and impairment of intangible assets	5	(49,826)	(55,837)
<b>Operating profit</b>		832,332	1,006,545
Finance income	21	47,581	36,816
Finance expense	21	(30,334)	(23,287)
Share of profit of investment in an associate accounted for using equity method	6	1,633	1,181
<b>Profit before royalty</b>		851,212	1,021,255
Royalty	22	(486,265)	(541,169)
<b>Profit for the period</b>		364,947	480,086
<b>Other comprehensive income/(loss)</b>			
<i>Items that may be re-classified subsequently to profit or loss</i>			
Fair value changes on cash flow hedge		3,220	(26,443)
<b>Other comprehensive income/(loss) for the period</b>		3,220	(26,443)
<b>Total comprehensive income for the period attributable entirely to shareholders of the Company</b>		368,167	453,643
Basic and diluted earnings per share (AED)	23	0.08	0.11

The notes on pages 6 to 23 form an integral part of these condensed interim consolidated financial statements.

# Emirates Integrated Telecommunications Company PJSC and its subsidiaries

## Condensed interim consolidated statement of cash flows

		Reviewed three-month period ended 31 March	
	Note	2017 AED 000	2016 AED 000
<b>Cash flows from operating activities</b>			
Profit before royalty		851,212	1,021,255
Adjustments for:			
Depreciation and impairment		345,382	326,669
Amortisation and impairment of intangible assets		49,826	55,837
Provision for employees' end of service benefits		8,551	7,256
Provision for impairment of trade and other receivables		67,526	20,027
Release of provision for impairment of trade receivables		-	(37,441)
Finance income		(47,581)	(36,816)
Interest expense		30,334	24,413
Unwinding of discount on asset retirement obligations		990	(517)
Share of profit of investment in an associate		(1,633)	(1,181)
Changes in working capital	24	(87,090)	(143,973)
Cash generated from operations		1,217,517	1,235,529
Royalty paid		-	(12,261)
Net cash generated from operating activities		1,217,517	1,223,268
<b>Cash flows from/(used in) investing activities</b>			
Purchase of property, plant and equipment		(326,535)	(323,101)
Purchase of intangible assets		(88,079)	(39,514)
Interest received		35,187	13,047
Margin on guarantees placed		(3,808)	(1,618)
Short term investments released		600,000	350,000
Net cash from/(used in) investing activities		216,765	(1,168)
<b>Cash flows used in financing activities</b>			
Repayment of borrowings		(59,793)	(59,794)
Decrease in balance due from founding shareholders		-	8,682
Interest paid		(28,768)	(23,451)
Net cash used in financing activities		(88,561)	(74,563)
<b>Net increase in cash and cash equivalents</b>		1,345,721	1,147,519
Cash and cash equivalents at 1 January		228,705	155,136
<b>Cash and cash equivalents at 31 March</b>	12	1,574,426	1,302,655

The notes on pages 6 to 23 form an integral part of these condensed interim consolidated financial statements.

# Emirates Integrated Telecommunications Company PJSC and its subsidiaries

## Condensed interim consolidated statement of changes in equity

	Share capital (Note 17) AED 000	Share premium (Note 18) AED 000	Other reserves, net of treasury shares (Note 19) AED 000	Retained earnings AED 000	Total AED 000
At 1 January 2016	4,571,429	393,504	1,987,804	865,919	7,818,656
Profit for the period	-	-	-	480,086	480,086
Other comprehensive loss	-	-	(26,443)	-	(26,443)
<b>Total</b>	<b>4,571,429</b>	<b>393,504</b>	<b>1,961,361</b>	<b>1,346,005</b>	<b>8,272,299</b>
Transfer to statutory reserve	-	-	48,009	(48,009)	-
Transfer to dividend payable	-	-	(914,286)	-	(914,286)
<b>Total transactions with shareholders recognised directly in equity</b>	<b>-</b>	<b>-</b>	<b>(866,277)</b>	<b>(48,009)</b>	<b>(914,286)</b>
<b>At 31 March 2016</b>	<b>4,571,429</b>	<b>393,504</b>	<b>1,095,084</b>	<b>1,297,996</b>	<b>7,358,013</b>
At 1 January 2017	4,571,429	393,504	2,003,042	884,965	7,852,940
Profit for the period	-	-	-	364,947	364,947
Other comprehensive income	-	-	3,220	-	3,220
<b>Total</b>	<b>4,571,429</b>	<b>393,504</b>	<b>2,006,262</b>	<b>1,249,912</b>	<b>8,221,107</b>
Transfer to statutory reserve	-	-	36,495	(36,495)	-
Transfer to dividend payable*	-	-	(951,910)	-	(951,910)
<b>Total transactions with shareholders recognised directly in equity</b>	<b>-</b>	<b>-</b>	<b>(915,415)</b>	<b>(36,495)</b>	<b>(951,910)</b>
<b>At 31 March 2017</b>	<b>4,571,429</b>	<b>393,504</b>	<b>1,090,847</b>	<b>1,213,417</b>	<b>7,269,197</b>

\*A final cash dividend of AED 0.21 per share amounting to AED 951,910 thousand was approved by the shareholders at the Annual General Meeting held on 27 March 2017.

# Emirates Integrated Telecommunications Company PJSC and its subsidiaries

## Notes to the condensed interim consolidated financial statements for the three-month period ended 31 March 2017

### 1 General information

Emirates Integrated Telecommunications Company PJSC (“the Company”) is a public joint stock company with limited liability. The Company was incorporated according to Ministerial resolution No. 479 of 2005 issued on 28 December 2005. The Company was registered in the commercial register under No. 77967. The principal address of the Company is P.O Box 502666 Dubai, United Arab Emirates (UAE). These condensed interim consolidated financial statements for the period ended 31 March 2017 include the financial statements of the Company and its subsidiaries (together “the Group”).

The Company’s principal objective is to provide fixed, mobile, wholesale, broadcasting and associated telecommunication services in the UAE.

UAE Federal Law No. 2 of 2015 ("Companies Law") which is applicable to the Group has come into effect on 1 July 2015. The Group has assessed and evaluated the provisions of the Companies Law and is in the process of ensuring compliance within the transitional period of this Law which has been extended till 30 June 2017.

The Company has either directly or indirectly the following subsidiaries:

Subsidiaries	Principal activities	Shareholding		Country of incorporation
		2017	2016	
EITC Investment Holdings Limited	Holding investments in new business i.e content, media, data and value added services for telecommunications	100%	100%	UAE
Telco Operations FZ-LLC	Telecommunication and network	100%	100%	UAE
Smart Dubai Platform Project Company LLC	Software development, IT infrastructure, public networking and computer systems housing services	100%	100%	UAE

### 2 Basis of preparation

#### i Statement of compliance

These condensed interim consolidated financial statements have been prepared in accordance with the requirements of IAS 34 ‘Interim Financial Reporting’. Selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the last annual consolidated financial statements as at and for the year ended 31 December 2016. The condensed interim consolidated financial statements do not include all the information required for full annual consolidated financial statements prepared in accordance with International Financial Reporting Standards (IFRS).



# Emirates Integrated Telecommunications Company PJSC and its subsidiaries

## Notes to the condensed interim consolidated financial statements for the three-month period ended 31 March 2017 (continued)

### 2 Basis of preparation (continued)

#### ii New standards, amendments and interpretations

(a) *Standards, amendments and interpretations issued and effective during the financial year beginning 1 January 2017 but having no material impact to the Group's financial statements.*

- IAS 7, 'Statement of cash flows' on the disclosure initiative (effective from 1 January 2017).

There is no material impact of the above amendments on the condensed consolidated interim financial information of the Group.

(b) *New standards and amendments issued but not effective until financial years beginning after 1 January 2017 and not early adopted by the Group.*

- IFRS 9, 'Financial instruments: Classification and Measurement' (effective from 1 January 2018);
- IFRS 15, 'Revenue from contracts with customers' (effective from 1 January 2018); and
- IFRS 16, 'Leases' (effective from 1 January 2019);

The Group has plans in place for adhering to the above new standards and amendments to published standards or IFRIC interpretations issued but not yet effective for the Group's financial year beginning on 1 January 2017.

There are no other applicable new standards and amendments to published standards or IFRIC interpretations that have been issued but are not effective for the first time for the Group's financial year beginning on 1 January 2017 that would be expected to have a material impact on the condensed consolidated interim financial information of the Group.

#### iii Basis of consolidation

A subsidiary is an entity controlled by the Company. The financial statements of a subsidiary are included in the condensed interim consolidated financial statements from the date that control commences until the date that control ceases.

#### iv Basis of measurement

These condensed interim consolidated financial statements have been prepared under the historical cost convention except for an available-for-sale financial asset and derivative financial instruments that have been measured at fair value.

#### v Functional and presentation currency

These condensed interim consolidated financial statements are presented in United Arab Emirates Dirham ("AED") rounded to the nearest thousand except when otherwise stated. This is the Group's functional and presentation currency.

# **Emirates Integrated Telecommunications Company PJSC and its subsidiaries**

## **Notes to the condensed interim consolidated financial statements for the three-month period ended 31 March 2017 (continued)**

### **2 Basis of preparation (continued)**

#### **vi Earnings per share**

The Group presents basic earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit attributable to the ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, excluding treasury shares. Diluted EPS is calculated by adjusting the weighted average number of equity shares outstanding to assume conversion of all dilutive potential ordinary shares. The Group does not have any dilutive potential ordinary shares.

#### **vii Use of estimates and judgments**

The preparation of these condensed interim consolidated financial statements, in conformity with IFRS, requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Judgements made by management in the application of IFRS that have significant effect on these condensed interim consolidated financial statements and estimates with a risk of material adjustment in the next year mainly comprise of residual value and useful lives of items of property, plant and equipment and intangible assets, key assumptions used in discounted cash flow projections for goodwill impairment test, provision for impairment of trade receivables, provision for asset retirement obligation and calculation of federal royalty.

### **3 Significant accounting policies**

The same accounting policies and methods of computation have been followed in these condensed interim consolidated financial statements as compared with the Group's recent annual audited consolidated financial statements as at and for the year ended 31 December 2016.

There are no changes in the accounting policies during the three-month period ended 31 March 2017.

# Emirates Integrated Telecommunications Company PJSC and its subsidiaries

## Notes to the condensed interim consolidated financial statements for the three-month period ended 31 March 2017 (continued)

### 4 Property, plant and equipment

	<b>Buildings</b> <b>AED 000</b>	<b>Plant and equipment</b> <b>AED 000</b>	<b>Furniture and fixtures</b> <b>AED 000</b>	<b>Motor vehicles</b> <b>AED 000</b>	<b>Capital work in progress</b> <b>AED 000</b>	<b>Total</b> <b>AED 000</b>
<b>Cost</b>						
At 1 January 2017	51,960	15,188,890	270,572	1,419	1,012,841	16,525,682
Additions	139	46,913	8,682	-	93,322	149,056
Addition: asset retirement obligations	-	2,103	-	-	-	2,103
Transfers	(3,814)	163,984	-	-	(160,170)	-
Disposals / write-off	-	(2,528)	-	-	-	(2,528)
At 31 March 2017	<u>48,285</u>	<u>15,399,362</u>	<u>279,254</u>	<u>1,419</u>	<u>945,993</u>	<u>16,674,313</u>
<b>Depreciation/impairment</b>						
At 1 January 2017	24,207	7,802,358	242,579	1,385	5,956	8,076,485
Charge for the period	553	341,323	2,794	6	-	344,676
Disposals / write-off	-	(2,042)	-	-	(701)	(2,743)
Impairment charge	-	-	-	-	706	706
At 31 March 2017	<u>24,760</u>	<u>8,141,639</u>	<u>245,373</u>	<u>1,391</u>	<u>5,961</u>	<u>8,419,124</u>
<b>Net book value</b>						
<b>At 31 March 2017</b>	<u>23,525</u>	<u>7,257,723</u>	<u>33,881</u>	<u>28</u>	<u>940,032</u>	<u>8,255,189</u>
At 31 December 2016	<u>27,753</u>	<u>7,386,532</u>	<u>27,993</u>	<u>34</u>	<u>1,006,885</u>	<u>8,449,197</u>

The carrying amount of the Group's buildings include a nominal amount of AED 1 (2016: AED 1) in relation to land granted to the Group by the UAE Government.

# Emirates Integrated Telecommunications Company PJSC and its subsidiaries

## Notes to the condensed interim consolidated financial statements for the three-month period ended 31 March 2017 (continued)

### 5 Intangible assets

	<b>Reviewed 31 March 2017 AED 000</b>	<b>Audited 31 December 2016 AED 000</b>
Goodwill	549,050	549,050
Other intangible assets	596,198	624,419
	<u>1,145,248</u>	<u>1,173,469</u>

#### Goodwill

The Group acquired the business and assets of three wholly owned subsidiaries/divisions of Tecom Investments FZ LLC with effect from 31 December 2005. Goodwill represents the excess of purchase consideration paid over the fair value of net assets acquired.

Carrying amount of goodwill allocated to each of the Cash Generating Units ("CGU") is as follows:

	<b>Reviewed 31 March 2017 AED 000</b>	<b>Audited 31 December 2016 AED 000</b>
Broadcasting operations	135,830	135,830
Fixed line business	413,220	413,220
	<u>549,050</u>	<u>549,050</u>

The Group tests goodwill for impairment annually. The recoverable amount of the Cash Generating Units ("CGU") is determined using the Discounted Cash Flow method based on the five year business plan approved by the Board of Directors.

The latest impairment testing was performed as of 31 December 2016. As of 31 December 2016, the estimated recoverable amount of the broadcasting CGU exceeded the carrying amount of its net assets including goodwill, by approximately 50% and that of the fixed line business exceeded its carrying amount by approximately 170%.

The key assumptions for the value-in-use calculations at 31 December 2016 include:

- 5 year revenue growth projections for the fixed line business;
- a pre-tax discount rate of 9.42% based on the historical industry average weighted-average cost of capital;
- maintenance capital expenditure projections allowing for replacement of existing infrastructure at the end of its useful life; and
- terminal growth rate of 3% for the fixed line and broadcasting businesses, determined based on management's estimate of the long term compound EBITDA growth rate, consistent with the assumption that a market participant would make.

# Emirates Integrated Telecommunications Company PJSC and its subsidiaries

## Notes to the condensed interim consolidated financial statements for the three-month period ended 31 March 2017 (continued)

### 5 Intangible assets (continued)

#### Other intangible assets

The net book value of the other intangible assets is as follows:

	IT software AED 000	Telecomm- unications license fees AED 000	Indefeasible right of use AED 000	Reviewed 31 March 2017 Total AED 000	Audited 31 December 2016 Total AED 000
Opening balance	507,926	56,878	59,615	624,419	651,911
Additions during the period/year	21,605	-	-	21,605	302,820
Amortisation for the period/year	(33,866)	(1,534)	-	(35,400)	(145,433)
Adjustments	-	-	574	574	(122,087)
Impairment during the period/year	(15,000)	-	-	(15,000)	(62,792)
Closing balance	<u>480,665</u>	<u>55,344</u>	<u>60,189</u>	<u>596,198</u>	<u>624,419</u>

IT software is split between ‘software in use’ of AED 177,506 thousands (31 December 2016: AED 169,122 thousands) and ‘capital work in progress’ of AED 303,159 thousands (31 December 2016: AED 338,804 thousands). During the period, AED 50,037 thousand was transferred from ‘capital works in progress to ‘software in use’.

Telecommunication license fees represent the fees charged by the Telecommunications Regulatory Authority to the Group to grant the license to operate as a telecommunications service provider in the UAE. The fees are being amortised on a straight-line basis over a period of 20 years which is the term of the license, from the date of granting the license.

Indefeasible right of use represent the fees paid to a telecom operator to obtain rights to use Indoor Building Solutions relating to certain sites in the UAE. The fees are amortised on a straight line basis over 10 years. Also included in the balance is an amount charged by an operator of a fibre-optic cable system for the right to use its submarine fibre-optic circuits and cable system. The fees are amortised on a straight-line basis over a period of 15 years from the date of activation of the cable system.

### 6 Investment in an associate

The Group has 26% ownership shares in Khazna Data Center Limited (“the Associate”), a limited liability company established in the Masdar City Free Zone, in the Emirate of Abu Dhabi. The business of the Associate is providing wholesale data centre services.

# Emirates Integrated Telecommunications Company PJSC and its subsidiaries

## Notes to the condensed interim consolidated financial statements for the three-month period ended 31 March 2017 (continued)

### 6 Investment in an associate (continued)

	<b>Reviewed 31 March 2017 AED 000</b>	<b>Audited 31 December 2016 AED 000</b>
Opening balance	113,935	110,867
Share of profit for the period/year	1,633	3,068
Closing balance	<u>115,568</u>	<u>113,935</u>

### 7 Available-for-sale financial asset

#### Unlisted shares

Anghami	<u>18,368</u>	<u>18,368</u>
---------	---------------	---------------

Available-for-sale financial asset represents, 4.8% shares in Anghami, a Cayman Islands exempted company registered in the Cayman Islands (unlisted company). The company is involved in the provision of media related content. The Group classified the investment as available-for-sale financial asset at the date of acquisition.

### 8 Derivative financial instruments

The Group has the following derivative financial instruments:

	<b>Reviewed 31 March 2017 AED 000</b>	<b>Audited 31 December 2016 AED 000</b>
Interest rate swap contracts – cash flow hedges	<u>9,500</u>	<u>6,280</u>

# Emirates Integrated Telecommunications Company PJSC and its subsidiaries

## Notes to the condensed interim consolidated financial statements for the three-month period ended 31 March 2017 (continued)

### 9 Trade and other receivables

	<b>Reviewed 31 March 2017 AED 000</b>	<b>Audited 31 December 2016 AED 000</b>
Trade receivables	1,368,198	1,212,677
Unbilled revenue	484,646	600,012
Due from other telecommunications operators	638,350	373,408
<i>Less: payable balances set off where right to set off exists</i>	(568,682)	(277,232)
<i>Less: provision for impairment of trade and unbilled revenue receivables and due from other telecommunications operators</i>	(483,762)	(439,793)
Trade and other receivables, net (note 9.1)	1,438,750	1,469,072
Advances to suppliers	157,015	143,715
Prepayments	426,771	228,246
Other receivables	163,970	159,857
Total trade and other receivables	<u>2,186,506</u>	<u>2,000,890</u>
Non-current	50,099	32,373
Current	<u>2,136,407</u>	<u>1,968,517</u>
	<u>2,186,506</u>	<u>2,000,890</u>

9.1 At 31 March 2017, AED 717,446 thousands (31 December 2016: AED 658,671 thousand) of trade and other receivables are more than 180 days overdue against which impairment provisions of AED 366,019 thousand (31 December 2016: AED 342,351 thousand) has been recorded.

9.2 The movement in the provision for impairment of trade and unbilled revenue receivables and due from other telecommunications operators is as follows:

	<b>Reviewed 31 March 2017 AED 000</b>	<b>Audited 31 December 2016 AED 000</b>
Opening balance	439,793	482,797
Provision for impairment during the period/year	67,526	134,729
*Release of provision for impairment during the period/year	-	(37,441)
Write-off during the period/year	(23,557)	(140,292)
Closing balance	<u>483,762</u>	<u>439,793</u>

\*This release of provision for impairment is included under "other income".

# Emirates Integrated Telecommunications Company PJSC and its subsidiaries

## Notes to the condensed interim consolidated financial statements for the three-month period ended 31 March 2017 (continued)

### 10 Related party balances and transactions

Related parties comprise the shareholders of the Company, entities under common shareholding, its directors, key management personnel and entities over which they exercise control, joint control or significant influence. The founding shareholders mentioned in the note are Emirates Investment Authority, Mubadala Development Company and Emirates Communications & Technology Company LLC. Transactions with related parties are on terms and conditions approved by the Group's management or by the Board of Directors.

#### Related party balances

	<b>Reviewed 31 March 2017 AED 000</b>	<b>Audited 31 December 2016 AED 000</b>
<b>Due from a related party</b>		
Axiom Telecom LLC (Entity under common shareholding)	97,880	220,147
<b>Due to related parties</b>		
Tecom Investments FZ LLC (Entity under common shareholding)	6,456	6,940
Khazna Data Center Limited (Associate)	11,814	5,796
	<u>18,270</u>	<u>12,736</u>

#### Related party transactions

All transactions with related parties referred to below are carried out at normal commercial terms and conditions and at market rates. The following table reflects the gross value of transactions with related parties.

	<b>Reviewed three-month period ended 31 March 2017 AED 000</b>	<b>2016 AED 000</b>
<b>Entities under common shareholding</b>		
Tecom Investments FZ LLC:		
- Office rent and services	10,426	14,373
- Infrastructure cost	1,078	14,554
Axiom Telecom LLC– Authorised distributor – net sales	449,243	506,883
Injazat Data Systems LLC – Data centre – rent and services	3,304	4,684
<b>Associate</b>		
Khazna Data Center – rent and services	22,333	25,408

#### Key management compensation

Short term employee benefits	7,717	6,834
Employees' end of service benefits	214	175
Post-employment benefits	367	421
Long term incentives	<u>4,273</u>	<u>2,397</u>
	<u>12,571</u>	<u>9,827</u>



# Emirates Integrated Telecommunications Company PJSC and its subsidiaries

## Notes to the condensed interim consolidated financial statements for the three-month period ended 31 March 2017 (continued)

### 10 Related party balances and transactions (continued)

The fee paid to Board of Directors during the period was AED 3,000 thousand (31 March 2016: AED 2,669 thousand).

During the period no loan has been provided to Directors, their spouses, children and relatives of the second degree and any corporates in which they own 20% or more.

### 11 Short term investments

	<b>Reviewed 31 March 2017 AED 000</b>	<b>Audited 31 December 2016 AED 000</b>
Short term investments	<u>5,550,000</u>	<u>6,150,000</u>

Short term investments represent bank deposits with maturity periods exceeding 3 months from the date of acquisition. Management does not have any intention to hold these short term investments for more than 1 year from the reporting date.

### 12 Cash and bank balances

For the purposes of the condensed interim consolidated statement of cash flows, cash and cash equivalents comprise:

	<b>Reviewed 31 March 2017 AED 000</b>	<b>Audited 31 December 2016 AED 000</b>
Cash at bank (on deposit and call accounts)	1,588,417	238,880
Cash on hand	<u>610</u>	<u>618</u>
	1,589,027	239,498
Less: margin on guarantees	<u>(14,601)</u>	<u>(10,793)</u>
Cash and cash equivalents	<u>1,574,426</u>	<u>228,705</u>

# Emirates Integrated Telecommunications Company PJSC and its subsidiaries

## Notes to the condensed interim consolidated financial statements for the three-month period ended 31 March 2017 (continued)

### 13 Trade and other payables

	Reviewed 31 March 2017 AED 000	Audited 31 December 2016 AED 000
Trade payables and accruals	2,152,757	2,027,736
Due to other telecommunications operators	1,204,805	1,006,089
Less: receivable balances set off where right to set off exists	(568,682)	(277,232)
Accrued royalty (Note 22)	2,590,848	2,110,809
Dividend payable	951,910	-
Deferred revenue	550,474	638,594
Customer deposits	136,505	138,558
Employee benefit accruals	78,519	179,009
Retention payable	12,930	13,600
Others	1,047	1,047
	<u>7,111,113</u>	<u>5,838,210</u>

### 14 Borrowings

Bank borrowings	4,297,995	4,297,995
Buyer credit arrangements	22,041	81,834
	<u>4,320,036</u>	<u>4,379,829</u>
Less: Current portion of borrowings	(1,440,012)	(783,473)
	<u>2,880,024</u>	<u>3,596,356</u>

The details of borrowings are as follows:

	Currency	Nominal interest rate	Year of maturity	1 January 2017 Opening balance AED 000	Drawn AED 000	Settled AED 000	31 March 2017 Closing balance AED 000
<u>Term loans</u>							
Unsecured term loan 1	USD	LIBOR+0.95%	2020	2,644,920	-	-	2,644,920
Unsecured term loan 2	USD	LIBOR+0.95%	2020	1,102,050	-	-	1,102,050
Unsecured term loan 3	USD	LIBOR+0.95%	2020	551,025	-	-	551,025
				<u>4,297,995</u>	<u>-</u>	<u>-</u>	<u>4,297,995</u>
<u>Buyer credit arrangements</u>							
Buyer credit arrangement 1	USD	LIBOR+1.20%	2017	59,793	-	(59,793)	-
Buyer credit arrangement 2	USD	Nil	2019	22,041	-	-	22,041
				<u>81,834</u>	<u>-</u>	<u>(59,793)</u>	<u>22,041</u>

# Emirates Integrated Telecommunications Company PJSC and its subsidiaries

## Notes to the condensed interim consolidated financial statements for the three-month period ended 31 March 2017 (continued)

### 15 Provision for employees' end of service benefits

	<b>Reviewed 31 March 2017 AED 000</b>	<b>Audited 31 December 2016 AED 000</b>
Opening balance	225,627	186,887
Current service cost for the period/year	8,551	33,906
Interest cost for the period/year	2,246	6,900
Benefits paid during the period/year	(5,318)	(15,318)
Actuarial gain for the period/year recognised in other comprehensive income	-	13,252
Closing balance	<u>231,106</u>	<u>225,627</u>

### 16 Other provisions

#### Asset retirement obligations

In the course of the Group's activities a number of sites and other commercial premises are utilised which are expected to have costs associated with exiting and ceasing their use. The associated cash outflows are substantially expected to occur at the dates of exit of the assets to which they relate, which are long-term in nature, primarily in period up to 10 years from when the asset is brought into use.

	<b>Reviewed 31 March 2017 AED 000</b>	<b>Audited 31 December 2016 AED 000</b>
Opening balance	102,021	88,318
Additions during period/year	2,103	10,160
Unwinding of discount during the period/year	990	3,543
Closing balance	<u>105,114</u>	<u>102,021</u>

### 17 Share capital

	<b>Reviewed 31 March 2017</b>	<b>Audited 31 December 2016</b>
Authorised, issued and fully paid up shares (par value AED 1 each)	<u>4,571,428,571</u>	<u>4,571,428,571</u>

17.1 Treasury shares: During the year 2016, the Group bought back 38,522,582 ordinary shares from founding shareholders under Executive Share Option Plan ("ESOP") at a total consideration of AED 199,599 thousand. These shares are held as treasury shares as at 31 March 2017 (Note 19.3) and are expected to be cancelled once the appropriate approvals are obtained.

# Emirates Integrated Telecommunications Company PJSC and its subsidiaries

## Notes to the condensed interim consolidated financial statements for the three-month period ended 31 March 2017 (continued)

### 18 Share premium

	<b>Reviewed 31 March 2017 AED 000</b>	<b>Audited 31 December 2016 AED 000</b>
Premium on issue of common share capital	<u>393,504</u>	<u>393,504</u>

## Emirates Integrated Telecommunications Company PJSC and its subsidiaries

### Notes to the condensed interim consolidated financial statements for the three-month period ended 31 March 2017 (continued)

#### 19 Other reserves, net of treasury shares

	Share based payment reserve AED 000	Statutory reserve (Note 19.1) AED 000	Hedge reserve (Note 19.2) AED 000	Proposed dividend AED 000	Treasury shares (Note 19.3) AED 000	Total AED 000
At 1 January 2016	1,194	1,069,291	3,033	914,286	-	1,987,804
Transfer to statutory reserve	-	48,009	-	-	-	48,009
Transfer to dividend payable	-	-	-	(914,286)	-	(914,286)
Fair value changes on cash flow hedge	-	-	(26,443)	-	-	(26,443)
<b>At 31 March 2016</b>	<b>1,194</b>	<b>1,117,300</b>	<b>(23,410)</b>	<b>-</b>	<b>-</b>	<b>1,095,084</b>
At 1 January 2017	-	1,244,547	6,280	951,910	(199,695)	2,003,042
Transfer to statutory reserve	-	36,495	-	-	-	36,495
Transfer to dividend payable	-	-	-	(951,910)	-	(951,910)
Fair value changes on cash flow hedge	-	-	3,220	-	-	3,220
<b>At 31 March 2017</b>	<b>-</b>	<b>1,281,042</b>	<b>9,500</b>	<b>-</b>	<b>(199,695)</b>	<b>1,090,847</b>

19.1 In accordance with the UAE Federal Law No. 2 of 2015 ("Companies Law") and the Company's Articles of Association, 10% of the net profit is required to be transferred annually to a non-distributable statutory reserve. Such transfers are required to be made until the balance of the statutory reserve equals one half of the Company's paid up share capital.

19.2 Hedge reserve is related to derivative financial instruments (Note 8).

19.3 Treasury shares represent ordinary shares bought back from founding shareholders under Executive Share Option Plan ("ESOP") (Note 17.1).

# Emirates Integrated Telecommunications Company PJSC and its subsidiaries

## Notes to the condensed interim consolidated financial statements for the three-month period ended 31 March 2017 (continued)

### 20 Other expenses

	<b>Reviewed three-month period ended 31 March</b>	
	<b>2017</b>	<b>2016</b>
	<b>AED 000</b>	<b>AED 000</b>
Provision for impairment of trade receivables	66,859	20,027
Office expenses	17,402	18,436
Consulting	6,676	8,454
Legal and license fees	1,991	4,605
Others	6,725	32,558
	<u>99,653</u>	<u>84,080</u>

### 21 Finance income and expenses

	<b>Reviewed three-month period ended 31 March</b>	
	<b>2017</b>	<b>2016</b>
	<b>AED 000</b>	<b>AED 000</b>
<b>Finance income</b>		
Interest income	<u>47,581</u>	<u>36,816</u>
<b>Finance expense</b>		
Interest expense	31,134	24,413
Exchange income	(800)	(1,126)
	<u>30,334</u>	<u>23,287</u>

### 22 Royalty

The royalty rates payable to the UAE Ministry of Finance for the period from 2017 to 2021 are 15% on regulated revenue and 30% on regulated profit after deducting royalty on regulated revenue.

	<b>Reviewed three-month period ended 31 March</b>	
	<b>2017</b>	<b>2016</b>
	<b>AED 000</b>	<b>AED 000</b>
Total revenue for the period (Note 26)	3,166,376	3,089,606
Broadcasting revenue for the period (Note 26)	(38,837)	(45,568)
Other allowable deductions	(891,056)	(750,811)
Total adjusted revenue	<u>2,236,483</u>	<u>2,293,227</u>

# Emirates Integrated Telecommunications Company PJSC and its subsidiaries

## Notes to the condensed interim consolidated financial statements for the three-month period ended 31 March 2017 (continued)

### 22 Royalty (continued)

	<b>Reviewed three-month period ended 31 March</b>	
	<b>2017</b>	<b>2016</b>
	<b>AED 000</b>	<b>AED 000</b>
Profit before royalty	851,211	1,021,255
Allowable deductions	(16,808)	(19,989)
Total regulated profit	<u>834,403</u>	<u>1,001,266</u>
Charge for royalty: 15% (2016: 15%) of the total adjusted revenue plus 30% (2016: 30%) of net regulated profit for the year before distribution after deducting 15% (2016: 15%) of the total adjusted revenue.	485,152	541,169
Adjustments to charge	<u>(5,113)</u>	<u>-</u>
	480,039	541,169
Royalty reimbursement (net)	6,226	-
	<u>486,265</u>	<u>541,169</u>

Movement in the royalty accruals is as follows:

	<b>Reviewed 31 March 2017 AED 000</b>	<b>Audited 31 December 2016 AED 000</b>
Opening balance	2,110,809	1,952,569
Payment made during the period/year	-	(1,947,457)
Charge for the period/year	<u>480,039</u>	<u>2,105,697</u>
Closing balance	<u>2,590,848</u>	<u>2,110,809</u>

### 23 Earnings per share

	<b>Reviewed three-month period ended 31 March</b>	
	<b>2017</b>	<b>2016</b>
Profit for the period (AED 000)	364,947	480,086
Weighted average number of shares ('000)	4,532,906	4,571,429
Basic and diluted earnings per share (AED)	<u>0.08</u>	<u>0.11</u>

# Emirates Integrated Telecommunications Company PJSC and its subsidiaries

## Notes to the condensed interim consolidated financial statements for the three-month period ended 31 March 2017 (continued)

### 24 Changes in working capital

	Reviewed three-month period ended 31 March	
	2017	2016
	AED 000	AED 000
Change in:		
Inventories	(47,971)	(10,833)
Trade and other receivables	(240,748)	(238,002)
Trade and other payables	79,146	116,842
Due from a related party	122,267	14,722
Due to related parties	5,534	(24,905)
Payment of employees' end of service benefits	(5,318)	(1,797)
Net changes in working capital	<u>(87,090)</u>	<u>(143,973)</u>

### 25 Contingent liabilities and commitments

The Group has outstanding capital commitments and bank guarantees amounting to AED 862,546 thousand and AED 14,601 thousand, respectively (31 December 2016: AED 784,634 thousand and AED 10,793 thousand, respectively). Bank guarantees are secured against margin of AED 14,601 thousand (31 December 2016: AED 10,793 thousand) (Note 12).

### 26 Segment analysis

#### 31 March 2017

	Mobile AED 000	Fixed AED 000	Wholesale AED 000	Broadcasting AED 000	Total AED 000
Segment revenue	<u>2,233,654</u>	<u>679,910</u>	<u>213,976</u>	<u>38,836</u>	<u>3,166,376</u>
Segment contribution	<u>1,481,413</u>	<u>541,432</u>	<u>22,662</u>	<u>15,441</u>	<u>2,060,948</u>
Unallocated costs					(1,229,205)
Finance income and expenses, other income, share of profit of investment in an associate					<u>19,469</u>
Profit before royalty					851,212
Royalty					(486,265)
Profit for the period					<u><u>364,947</u></u>



# Emirates Integrated Telecommunications Company PJSC and its subsidiaries

## Notes to the condensed interim consolidated financial statements for the three-month period ended 31 March 2017 (continued)

### 26 Segment analysis (continued)

#### 31 March 2016

	Mobile AED 000	Fixed AED 000	Wholesale AED 000	Broadcasting AED 000	Total AED 000
Segment revenue	<u>2,234,269</u>	<u>630,331</u>	<u>179,438</u>	<u>45,568</u>	<u>3,089,606</u>
Segment contribution	<u>1,574,792</u>	<u>498,643</u>	<u>28,712</u>	<u>20,211</u>	<u>2,122,358</u>
Unallocated costs					(1,162,932)
Finance income and expenses, other income, share of profit of investment in as associate					<u>61,829</u>
Profit before royalty					1,021,255
Royalty					(541,169)
Profit for the period					<u>480,086</u>

The Group's assets and liabilities have not been identified to any of the reportable segments as the majority of the operating fixed assets are fully integrated between segments. The Group believes that it is not practical to provide segment disclosure relating to total assets and liabilities since a meaningful segregation of available data is not feasible.