

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

**Condensed interim consolidated financial statements
for the six-month period ended 30 June 2017**

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Condensed interim consolidated financial statements

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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 30 June 2017 and the related condensed interim consolidated statements of comprehensive income, changes in equity and cash flows for the six-month period then ended and notes, comprising a summary of significant accounting policies 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

Jacques E Fakhoury
Registered Auditor Number 379
Dubai, United Arab Emirates
24 July 2017

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Emirates Integrated Telecommunications Company PJSC and its subsidiaries

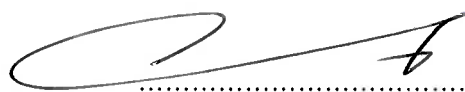
Condensed interim consolidated statement of financial position

		Reviewed 30 June 2017 AED 000	Audited 31 December 2016 AED 000
Note			
Non-current assets			
Property, plant and equipment	4	8,383,715	8,449,197
Intangible assets	5	1,098,937	1,173,469
Investment in an associate	6	118,620	113,935
Available-for-sale financial asset	7	18,368	18,368
Derivative financial instruments	8	6,144	6,280
Trade and other receivables	9	70,546	32,373
Total non-current assets		9,696,330	9,793,622
Current assets			
Inventories		40,705	39,579
Trade and other receivables	9	2,085,464	1,968,517
Due from a related party	10	170,997	220,147
Short term investments	11	4,350,000	6,150,000
Cash and bank balances	12	346,239	239,498
Total current assets		6,993,405	8,617,741
Current liabilities			
Trade and other payables	13	4,297,171	5,838,210
Due to related parties	10	22,193	12,736
Borrowings	14	1,440,012	783,473
Total current liabilities		5,759,376	6,634,419
Net current assets		1,234,029	1,983,322
Non-current liabilities			
Borrowings	14	2,876,350	3,596,356
Provision for employees' end of service benefits	15	232,795	225,627
Other provisions	16	108,803	102,021
Total non-current liabilities		3,217,948	3,924,004
Net assets		7,712,411	7,852,940
Represented by:			
Share capital and reserves			
Share capital	17	4,532,906	4,571,429
Share premium	18	232,332	393,504
Other reserves, net of treasury shares	19	1,921,121	2,003,042
Retained earnings		1,026,052	884,965
Total equity		7,712,411	7,852,940

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



Khaled Mohamed Balama
Vice 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 six-month period ended 30 June		Reviewed three-month period ended 30 June	
		2017	2016	2017	2016
		AED 000	AED 000	AED 000	AED 000
Revenue	26	6,421,738	6,155,838	3,255,362	3,066,232
Interconnect and related costs		(1,540,736)	(1,452,837)	(771,060)	(728,515)
Staff costs		(495,916)	(452,770)	(239,947)	(229,671)
Product costs		(413,216)	(308,742)	(200,116)	(156,928)
Network operation and maintenance		(371,018)	(297,595)	(180,685)	(140,979)
Commission		(243,316)	(182,473)	(121,896)	(96,444)
Outsourcing and contracting		(212,998)	(225,087)	(100,199)	(108,900)
Telecommunication license and related fees		(179,689)	(170,289)	(81,430)	(84,619)
Marketing		(117,399)	(161,230)	(64,204)	(67,040)
Rent and utilities		(54,452)	(55,170)	(29,431)	(29,503)
Other expenses	20	(220,509)	(157,217)	(120,856)	(73,137)
Other income		1,900	47,941	1,311	822
Earnings before interest, taxes, depreciation and amortisation (EBITDA)		2,574,389	2,740,369	1,346,849	1,351,318
Depreciation and impairment	4	(680,721)	(656,835)	(335,339)	(330,166)
Amortisation and impairment of intangible assets	5	(104,154)	(107,295)	(54,328)	(51,458)
Operating profit		1,789,514	1,976,239	957,182	969,694
Finance income	21	85,143	68,070	37,562	31,254
Finance expense	21	(54,314)	(54,956)	(23,980)	(31,669)
Share of profit of investment in an associate accounted for using equity method	6	4,685	1,568	3,052	387
Profit before royalty		1,825,028	1,990,921	973,816	969,666
Royalty	22	(1,013,511)	(1,065,393)	(527,246)	(524,224)
Profit for the period		811,517	925,528	446,570	445,442
Other comprehensive loss					
<i>Items that may be re-classified subsequently to profit or loss</i>					
Fair value changes on cash flow hedge		(136)	(32,544)	(3,356)	(6,101)
Other comprehensive loss for the period		(136)	(32,544)	(3,356)	(6,101)
Total comprehensive income for the period attributable entirely to shareholders of the Company		811,381	892,984	443,214	439,341
Basic and diluted earnings per share (AED)	23	0.18	0.20	0.10	0.10

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 six-month period ended 30 June	
	Note	2017 AED 000	2016 AED 000
Cash flows from operating activities			
Profit before royalty		1,825,028	1,990,921
Adjustments for:			
Depreciation and impairment		680,721	656,835
Amortisation and impairment of intangible assets		104,154	107,295
Provision for employees' end of service benefits		17,102	16,012
Provision for impairment of trade and other receivables		138,077	59,300
Release of provision for impairment of trade receivables		-	(37,441)
Finance income		(85,143)	(68,070)
Interest expense		54,314	54,956
Unwinding of discount on asset retirement obligations		2,001	450
Share of profit of investment in an associate		(4,685)	(1,568)
Changes in working capital	24	(526,431)	(537,300)
Cash generated from operations		2,205,138	2,241,390
Royalty paid		(2,087,575)	(1,947,457)
Payment of employees' end of service benefits	15	(14,427)	(5,791)
Net cash generated from operating activities		103,136	288,142
Cash flows from investing activities			
Purchase of property, plant and equipment		(700,848)	(614,317)
Purchase of intangible assets		(137,854)	(87,523)
Interest received		108,169	62,395
Margin on guarantees placed		(9,998)	(1,818)
Short term investments released		1,800,000	1,390,000
Net cash from investing activities		1,059,469	748,737
Cash flows used in financing activities			
Repayment of borrowings		(63,467)	(59,794)
Decrease in balance due from founding shareholders		-	4,063
Interest paid		(50,485)	(51,723)
Dividend paid		(951,910)	(914,286)
Net cash used in financing activities		(1,065,862)	(1,021,740)
Net increase in cash and cash equivalents		96,743	15,139
Cash and cash equivalents at 1 January		228,705	155,136
Cash and cash equivalents at 30 June	12	325,448	170,275

Non-cash transaction

Cancellation of treasury shares, reduction in share capital and reduction in share premium is a non-cash transaction. Details are provided in Note 17.1.

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	-	-	-	925,528	925,528
Other comprehensive loss	-	-	(32,544)	-	(32,544)
Total	4,571,429	393,504	1,955,260	1,791,447	8,711,640
Transfer to statutory reserve	-	-	92,553	(92,553)	-
Cash dividend paid	-	-	(914,286)	-	(914,286)
Proposed interim cash dividend*	-	-	594,286	(594,286)	-
Total transactions with shareholders recognised directly in equity	-	-	(227,447)	(686,839)	(914,286)
At 30 June 2016	4,571,429	393,504	1,727,813	1,104,608	7,797,354
At 1 January 2017	4,571,429	393,504	2,003,042	884,965	7,852,940
Profit for the period	-	-	-	811,517	811,517
Other comprehensive loss	-	-	(136)	-	(136)
Total	4,571,429	393,504	2,002,906	1,696,482	8,664,321
Cancellation of treasury shares	(38,523)	(161,172)	199,695	-	-
Transfer to statutory reserve	-	-	81,152	(81,152)	-
Cash dividend paid	-	-	(951,910)	-	(951,910)
Proposed interim cash dividend*	-	-	589,278	(589,278)	-
Total transactions with shareholders recognised directly in equity	(38,523)	(161,172)	(81,785)	(670,430)	(951,910)
At 30 June 2017	4,532,906	232,332	1,921,121	1,026,052	7,712,411

*An interim cash dividend of AED 0.13 per share (30 June 2016: AED 0.13 per share) amounting to AED 589,278 thousand (30 June 2016: AED 594,286 thousand) is proposed.

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Notes to the condensed interim consolidated financial statements for the six-month period ended 30 June 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 30 June 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.

The Company has amended its Articles of Association through a resolution approved by the shareholders at the General Meeting held on 20 June 2017 in order to comply with the provisions of the UAE Federal Law No. 2 of 2015 ("Companies Law").

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 six-month period ended 30 June 2017 (continued)

2 Basis of preparation (continued)

ii New standards, amendments and interpretations

- (a) *Standards, amendments and interpretations adopted 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 six-month period ended 30 June 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 six-month period ended 30 June 2017.

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Notes to the condensed interim consolidated financial statements for the six-month period ended 30 June 2017 (continued)

4 Property, plant and equipment

	Buildings	Plant and	Furniture	Motor	Capital	Total
	AED 000	equipment	and	vehicles	work in	AED 000
		AED 000	fixtures	AED 000	progress	
			AED 000		AED 000	
Cost						
At 1 January 2017	51,960	15,188,890	270,572	1,419	1,012,841	16,525,682
Additions	139	275,355	13,945	-	321,719	611,158
Addition: asset retirement obligations	-	4,781	-	-	-	4,781
Transfers	(3,814)	389,110	5,060	-	(390,356)	-
Disposals / write-off	-	(16,048)	(824)	-	-	(16,872)
At 30 June 2017	<u>48,285</u>	<u>15,842,088</u>	<u>288,753</u>	<u>1,419</u>	<u>944,204</u>	<u>17,124,749</u>
Depreciation/impairment						
At 1 January 2017	24,207	7,802,358	242,579	1,385	5,956	8,076,485
Charge for the period	1,113	670,439	6,965	11	-	678,528
Disposals / write-off	-	(14,793)	(693)	-	(686)	(16,172)
Impairment charge	-	-	-	-	2,193	2,193
At 30 June 2017	<u>25,320</u>	<u>8,458,004</u>	<u>248,851</u>	<u>1,396</u>	<u>7,463</u>	<u>8,741,034</u>
Net book value						
At 30 June 2017	<u>22,965</u>	<u>7,384,084</u>	<u>39,902</u>	<u>23</u>	<u>936,741</u>	<u>8,383,715</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 six-month period ended 30 June 2017 (continued)

5 Intangible assets

	Reviewed 30 June 2017 AED 000	Audited 31 December 2016 AED 000
Goodwill	549,050	549,050
Other intangible assets	549,887	624,419
	<u>1,098,937</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:

	Reviewed 30 June 2017 AED 000	Audited 31 December 2016 AED 000
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 at 31 December 2016. As at 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 six-month period ended 30 June 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 30 June 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	29,622	-	-	29,622	302,820
Amortisation for the period/year	(66,323)	(3,086)	(4,745)	(74,154)	(145,433)
Adjustments	-	-	-	-	(122,087)
Impairment during the period/year	(30,000)	-	-	(30,000)	(62,792)
Closing balance	<u>441,225</u>	<u>53,792</u>	<u>54,870</u>	<u>549,887</u>	<u>624,419</u>

IT software is split between ‘software in use’ of AED 187,241 thousands (31 December 2016: AED 169,122 thousands) and ‘capital work in progress’ of AED 253,984 thousands (31 December 2016: AED 338,804 thousands). During the period, AED 84,114 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 six-month period ended 30 June 2017 (continued)

6 Investment in an associate (continued)

	Reviewed 30 June 2017 AED 000	Audited 31 December 2016 AED 000
Opening balance	113,935	110,867
Share of profit for the period/year	4,685	3,068
Closing balance	<u>118,620</u>	<u>113,935</u>

7 Available-for-sale financial asset

Unlisted shares

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

	Reviewed 30 June 2017 AED 000	Audited 31 December 2016 AED 000
Interest rate swap contracts – cash flow hedges	<u>6,144</u>	<u>6,280</u>

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Notes to the condensed interim consolidated financial statements for the six-month period ended 30 June 2017 (continued)

9 Trade and other receivables

	Reviewed 30 June 2017 AED 000	Audited 31 December 2016 AED 000
Trade receivables	1,475,816	1,212,677
Unbilled revenue	463,566	600,012
Due from other telecommunications operators	635,272	373,408
<i>Less: payable balances set off where right to set off exists</i>	(552,481)	(277,232)
<i>Less: provision for impairment of trade and unbilled revenue receivables and due from other telecommunications operators</i>	(554,313)	(439,793)
Trade and other receivables, net (Note 9.1)	1,467,860	1,469,072
Advances to suppliers	183,493	143,715
Prepayments	358,923	228,246
Other receivables	145,734	159,857
Total trade and other receivables	<u>2,156,010</u>	<u>2,000,890</u>
Non-current	70,546	32,373
Current	<u>2,085,464</u>	<u>1,968,517</u>
	<u>2,156,010</u>	<u>2,000,890</u>

9.1 At 30 June 2017, AED 834,421 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 419,020 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:

	Reviewed 30 June 2017 AED 000	Audited 31 December 2016 AED 000
Opening balance	439,793	482,797
Provision for impairment during the period/year	138,077	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>554,313</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 six-month period ended 30 June 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

	Reviewed 30 June 2017 AED 000	Audited 31 December 2016 AED 000
Due from a related party		
Axiom Telecom LLC (Entity under common shareholding)	170,997	220,147
Due to related parties		
Tecom Investments FZ LLC (Entity under common shareholding)	12,809	6,940
Khazna Data Center Limited (Associate)	9,384	5,796
	<u>22,193</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.

	Reviewed six-month period ended 30 June 2017 AED 000	2016 AED 000
Entities under common shareholding		
Tecom Investments FZ LLC:		
- Office rent and services	32,557	36,546
- Infrastructure cost	1,135	14,703
Axiom Telecom LLC– Authorised distributor – net sales	965,422	996,498
Injazat Data Systems LLC – Data centre – rent and services	3,823	6,502
Associate		
Khazna Data Center – rent and services	35,634	43,612
Key management compensation		
Short term employee benefits	16,041	15,160
Employees' end of service benefits	441	411
Post-employment benefits	1,359	700
Long term incentives	<u>6,658</u>	<u>5,085</u>
	<u>24,499</u>	<u>21,356</u>

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Notes to the condensed interim consolidated financial statements for the six-month period ended 30 June 2017 (continued)

10 Related party balances and transactions (continued)

The fee paid to Board of Directors during the period was AED 6,000 thousand (30 June 2016: AED 5,083 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

	Reviewed 30 June 2017 AED 000	Audited 31 December 2016 AED 000
Short term investments	<u>4,350,000</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:

	Reviewed 30 June 2017 AED 000	Audited 31 December 2016 AED 000
Cash at bank (on deposit and call accounts)	345,613	238,880
Cash on hand	<u>626</u>	<u>618</u>
	346,239	239,498
Less: margin on guarantees	<u>(20,791)</u>	<u>(10,793)</u>
Cash and cash equivalents	<u>325,448</u>	<u>228,705</u>

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Notes to the condensed interim consolidated financial statements for the six-month period ended 30 June 2017 (continued)

13 Trade and other payables

	Reviewed 30 June 2017 AED 000	Audited 31 December 2016 AED 000
Trade payables and accruals	1,940,493	2,027,736
Due to other telecommunications operators	1,159,019	1,006,089
Less: receivable balances set off where right to set off exists	(552,481)	(277,232)
Accrued royalty (Note 22)	1,029,792	2,110,809
Deferred revenue	490,097	638,594
Customer deposits	129,733	138,558
Employee benefit accruals	84,128	179,009
Retention payable	15,378	13,600
Others	1,012	1,047
	<u>4,297,171</u>	<u>5,838,210</u>

14 Borrowings

Bank borrowings	4,297,995	4,297,995
Buyer credit arrangements	18,367	81,834
	<u>4,316,362</u>	<u>4,379,829</u>
Less: Current portion of borrowings	(1,440,012)	(783,473)
	<u>2,876,350</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	30 June 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	-	(3,674)	18,367
				<u>81,834</u>	<u>-</u>	<u>(63,467)</u>	<u>18,367</u>

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Notes to the condensed interim consolidated financial statements for the six-month period ended 30 June 2017 (continued)

15 Provision for employees' end of service benefits

	Reviewed 30 June 2017 AED 000	Audited 31 December 2016 AED 000
Opening balance	225,627	186,887
Current service cost for the period/year	17,102	33,906
Interest cost for the period/year	4,493	6,900
Benefits paid during the period/year	(14,427)	(15,318)
Actuarial gain for the period/year recognised in other comprehensive income	-	13,252
Closing balance	<u>232,795</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.

	Reviewed 30 June 2017 AED 000	Audited 31 December 2016 AED 000
Opening balance	102,021	88,318
Additions during period/year	4,781	10,160
Unwinding of discount during the period/year	2,001	3,543
Closing balance	<u>108,803</u>	<u>102,021</u>

17 Share capital

	Reviewed 30 June 2017	Audited 31 December 2016
Authorised, issued and fully paid up shares (par value AED 1 each)	<u>4,532,905,989</u>	<u>4,571,428,571</u>

17.1 Treasury shares: During 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 treasury shares were cancelled during the period (Note 19.3) and the cancellation was approved by the shareholders on 11 January 2017.

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Notes to the condensed interim consolidated financial statements for the six-month period ended 30 June 2017 (continued)

18 Share premium

	Reviewed 30 June 2017 AED 000	Audited 31 December 2016 AED 000
Premium on issue of common share capital	<u>232,332</u>	<u>393,504</u>

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Notes to the condensed interim consolidated financial statements for the six-month period ended 30 June 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	-	92,553	-	-	-	92,553
Fair value changes on cash flow hedge	-	-	(32,544)	-	-	(32,544)
Cash dividend paid	-	-	-	(914,286)	-	(914,286)
Proposed interim cash dividend	-	-	-	594,286	-	594,286
At 30 June 2016	1,194	1,161,844	(29,511)	594,286	-	1,727,813
At 1 January 2017	-	1,244,547	6,280	951,910	(199,695)	2,003,042
Transfer to statutory reserve	-	81,152	-	-	-	81,152
Fair value changes on cash flow hedge	-	-	(136)	-	-	(136)
Cash dividend paid	-	-	-	(951,910)	-	(951,910)
Proposed interim cash dividend	-	-	-	589,278	-	589,278
Cancellation of treasury shares	-	-	-	-	199,695	199,695
At 30 June 2017	-	1,325,699	6,144	589,278	-	1,921,121

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") and these treasury shares were cancelled during the period. The cancellation was approved by the shareholders on 11 January 2017. (Note 17.1).

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Notes to the condensed interim consolidated financial statements for the six-month period ended 30 June 2017 (continued)

20 Other expenses

	Reviewed six-month period ended 30 June	
	2017	2016
	AED 000	AED 000
Provision for impairment of trade receivables	137,202	59,300
Office expenses	33,679	36,899
Consulting	36,672	21,163
Legal and license fees	2,318	9,894
Others	10,638	29,961
	<u>220,509</u>	<u>157,217</u>

21 Finance income and expenses

	Reviewed six-month period ended 30 June	
	2017	2016
	AED 000	AED 000
Finance income		
Interest income	<u>85,143</u>	<u>68,070</u>
Finance expense		
Interest expense	62,623	53,396
Exchange (gain)/loss	(8,309)	1,560
	<u>54,314</u>	<u>54,956</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.

	Reviewed six-month period ended 30 June	
	2017	2016
	AED 000	AED 000
Total revenue for the period (Note 26)	6,421,738	6,155,838
Broadcasting revenue for the period (Note 26)	(78,843)	(87,024)
Other allowable deductions	(1,825,293)	(1,491,846)
Total adjusted revenue	<u>4,517,602</u>	<u>4,576,968</u>

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Notes to the condensed interim consolidated financial statements for the six-month period ended 30 June 2017 (continued)

22 Royalty (continued)

	Reviewed six-month period ended 30 June	
	2017	2016
	AED 000	AED 000
Profit before royalty	1,825,028	1,990,921
Allowable deductions	(33,952)	(41,551)
Total regulated profit	<u>1,791,076</u>	<u>1,949,370</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.	1,011,671	1,065,393
Adjustments to charge	<u>(5,113)</u>	<u>-</u>
	1,006,558	1,065,393
Royalty reimbursement (net)	6,953	-
	<u>1,013,511</u>	<u>1,065,393</u>

Movement in the royalty accruals is as follows:

	Reviewed 30 June 2017 AED 000	Audited 31 December 2016 AED 000
Opening balance	2,110,809	1,952,569
Payment made during the period/year	(2,087,575)	(1,947,457)
Charge for the period/year	<u>1,006,558</u>	<u>2,105,697</u>
Closing balance	<u>1,029,792</u>	<u>2,110,809</u>

23 Earnings per share

	Reviewed six-month period ended 30 June	
	2017	2016
Profit for the period (AED 000)	811,517	925,528
Weighted average number of shares ('000)	4,532,906	4,571,429
Basic and diluted earnings per share (AED)	<u>0.18</u>	<u>0.20</u>

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Notes to the condensed interim consolidated financial statements for the six-month period ended 30 June 2017 (continued)

24 Changes in working capital

	Reviewed six-month period ended 30 June	
	2017 AED 000	2016 AED 000
Change in:		
Inventories	(1,126)	40,234
Trade and other receivables	(316,223)	(278,990)
Trade and other payables	(267,689)	(262,102)
Due from a related party	49,150	(12,018)
Due to related parties	9,457	(24,424)
Net changes in working capital	<u>(526,431)</u>	<u>(537,300)</u>

25 Contingent liabilities and commitments

The Group has outstanding capital commitments and bank guarantees amounting to AED 938,671 thousand and AED 20,791 thousand, respectively (31 December 2016: AED 784,634 thousand and AED 10,793 thousand, respectively). Bank guarantees are secured against margin of AED 20,791 thousand (31 December 2016: AED 10,793 thousand) (Note 12).

26 Segment analysis

30 June 2017

	Mobile AED 000	Fixed AED 000	Wholesale AED 000	Broadcasting AED 000	Total AED 000
Segment revenue	<u>4,531,863</u>	<u>1,386,896</u>	<u>424,136</u>	<u>78,843</u>	<u>6,421,738</u>
Segment contribution	<u>3,033,526</u>	<u>1,117,216</u>	<u>44,021</u>	<u>27,712</u>	<u>4,222,475</u>
Unallocated costs					(2,434,861)
Finance income and expenses, other income, share of profit of investment in an associate					<u>37,414</u>
Profit before royalty					1,825,028
Royalty					<u>(1,013,511)</u>
Profit for the period					<u>811,517</u>

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Notes to the condensed interim consolidated financial statements for the six-month period ended 30 June 2017 (continued)

26 Segment analysis (continued)

30 June 2016

	Mobile AED 000	Fixed AED 000	Wholesale AED 000	Broadcasting AED 000	Total AED 000
Segment revenue	<u>4,418,722</u>	<u>1,277,123</u>	<u>372,969</u>	<u>87,024</u>	<u>6,155,838</u>
Segment contribution	<u>3,086,979</u>	<u>1,029,852</u>	<u>59,830</u>	<u>36,013</u>	<u>4,212,674</u>
Unallocated costs					(2,284,376)
Finance income and expenses, other income, share of profit of investment in as associate					<u>62,623</u>
Profit before royalty					1,990,921
Royalty					(1,065,393)
Profit for the period					<u>925,528</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.