

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

**Condensed interim consolidated financial statements
for the nine-month period ended 30 September 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 September 2017 and the related condensed interim consolidated statements of comprehensive income, changes in equity and cash flows for the nine-month period then ended and notes, comprising a summary of significant account 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

Mohamed ElBorno
Registered Auditor Number 946
Dubai, United Arab Emirates
30 October 2017

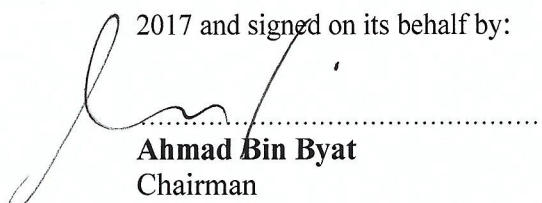
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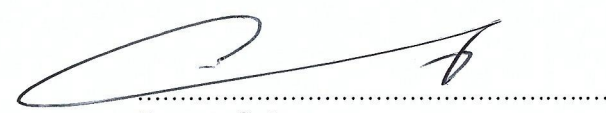
Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Condensed interim consolidated statement of financial position

		Reviewed 30 September 2017 AED 000	Audited 31 December 2016 AED 000
	Note		
Non-current assets			
Property, plant and equipment	4	8,357,103	8,449,197
Intangible assets	5	1,141,423	1,173,469
Investments in associates	6	123,287	113,935
Available-for-sale financial asset	7	18,368	18,368
Derivative financial instruments	8	8,026	6,280
Trade and other receivables	9	64,609	32,373
Total non-current assets		9,712,816	9,793,622
Current assets			
Inventories		40,621	39,579
Trade and other receivables	9	2,081,768	1,968,517
Due from a related party	10	167,759	220,147
Short term investments	11	4,050,000	6,150,000
Cash and bank balances	12	900,555	239,498
Total current assets		7,240,703	8,617,741
Current liabilities			
Trade and other payables	13	5,362,637	5,838,210
Due to related parties	10	23,975	12,736
Borrowings	14	1,461,318	783,473
Total current liabilities		6,847,930	6,634,419
Net current assets		392,773	1,983,322
Non-current liabilities			
Borrowings	14	2,160,018	3,596,356
Provision for employees' end of service benefits	15	233,325	225,627
Other provisions	16	111,575	102,021
Total non-current liabilities		2,504,918	3,924,004
Net assets		7,600,671	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	1,381,290	2,003,042
Retained earnings		1,454,143	884,965
Total equity		7,600,671	7,852,940

The condensed interim consolidated financial statements were approved by the Board of Directors on 30 October 2017 and signed on its behalf by:


Ahmad Bin Byat
Chairman


Osman Sultan
Chief Executive Officer

The notes on pages 6 to 24 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 nine-month period ended 30 September		Reviewed three-month period ended 30 September	
		2017	2016	2017	2016
		AED 000	AED 000	AED 000	AED 000
Revenue	26	9,552,597	9,292,650	3,130,859	3,136,812
Interconnect and related costs		(2,279,296)	(2,176,660)	(738,560)	(723,823)
Staff costs		(735,293)	(700,441)	(239,377)	(247,671)
Product costs		(601,056)	(481,332)	(187,840)	(172,590)
Network operation and maintenance		(530,550)	(463,279)	(159,532)	(165,684)
Commission		(338,633)	(269,966)	(95,317)	(87,493)
Outsourcing and contracting		(309,496)	(322,364)	(96,498)	(97,277)
Telecommunication license and related fees		(221,482)	(259,407)	(41,793)	(89,118)
Marketing		(207,196)	(214,712)	(89,797)	(53,482)
Rent and utilities		(88,238)	(88,309)	(33,786)	(33,139)
Other expenses	20	(338,933)	(246,823)	(118,424)	(89,606)
Other income		3,526	51,158	1,626	3,217
Earnings before interest, taxes, depreciation and amortisation (EBITDA)		3,905,950	4,120,515	1,331,561	1,380,146
Depreciation and impairment	4	(1,024,723)	(984,426)	(344,002)	(327,591)
Amortisation and impairment of intangible assets	5	(106,785)	(171,128)	(2,631)	(63,833)
Operating profit		2,774,442	2,964,961	984,928	988,722
Finance income	21	124,104	102,309	38,961	34,239
Finance expense	21	(90,164)	(83,090)	(35,850)	(28,134)
Share of profit of investments in associates accounted for using equity method	6	7,517	1,878	2,832	310
Profit before royalty		2,815,899	2,986,058	990,871	995,137
Royalty	22	(1,528,726)	(1,603,292)	(515,215)	(537,899)
Profit for the period		1,287,173	1,382,766	475,656	457,238
Other comprehensive income/(loss) <i>Items that may be re-classified subsequently to profit or loss</i>					
Fair value changes on cash flow hedge		1,746	(19,845)	1,882	12,699
Other comprehensive income/(loss) for the period		1,746	(19,845)	1,882	12,699
Total comprehensive income for the period attributable entirely to shareholders of the Company		1,288,919	1,362,921	477,538	469,937
Basic and diluted earnings per share (AED)	23	0.28	0.30	0.10	0.10

The notes on pages 6 to 24 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 nine-month period ended 30 September	
	Note	2017 AED 000	2016 AED 000
Cash flows from operating activities			
Profit before royalty		2,815,899	2,986,058
Adjustments for:			
Depreciation and impairment		1,024,723	984,426
Amortisation and impairment of intangible assets		106,785	171,128
Provision for employees' end of service benefits		25,653	32,530
Provision for impairment of trade and other receivables		205,819	117,464
Release of provision for impairment of trade receivables		-	(37,441)
Finance income		(124,104)	(102,309)
Interest expense		90,164	83,090
Unwinding of discount on asset retirement obligations		3,059	1,476
Share of profit of investments in associates		(7,517)	(1,878)
Changes in working capital	24	(587,256)	(727,574)
Cash generated from operations		3,553,225	3,506,970
Royalty paid		(2,087,574)	(1,947,456)
Payment of employees' end of service benefits	15	(24,694)	(10,501)
Net cash generated from operating activities		1,440,957	1,549,013
Cash flows from investing activities			
Purchase of property, plant and equipment		(1,100,051)	(955,631)
Purchase of intangible assets		(164,914)	(126,568)
Purchase of additional investment		(1,835)	-
Interest received		180,910	71,623
Margin on guarantees placed		(8,393)	(1,300)
Short term investments released		2,100,000	1,215,000
Net cash from investing activities		1,005,717	203,124
Cash flows used in financing activities			
Proceeds from borrowings		21,306	28,164
Repayment of borrowings		(779,799)	(147,752)
Decrease in balance due from founding shareholders		-	4,063
Interest paid		(83,607)	(78,511)
Dividend paid		(951,910)	(914,286)
Net cash used in financing activities		(1,794,010)	(1,108,322)
Net increase in cash and cash equivalents		652,664	643,815
Cash and cash equivalents at 1 January		228,705	155,136
Cash and cash equivalents at 30 September	12	881,369	798,951

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 24 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	-	-	-	1,382,766	1,382,766
Other comprehensive loss	-	-	(19,845)	-	(19,845)
Total	4,571,429	393,504	1,967,959	2,248,685	9,181,577
Transfer to statutory reserve	-	-	138,277	(138,277)	-
Cash dividend paid	-	-	(914,286)	-	(914,286)
Proposed interim cash dividend*	-	-	594,286	(594,286)	-
Transfer to cash dividend payable	-	-	(594,286)	-	(594,286)
Total transactions with shareholders recognised directly in equity	-	-	(776,009)	(732,563)	(1,508,572)
At 30 September 2016	4,571,429	393,504	1,191,950	1,516,122	7,673,005
At 1 January 2017	4,571,429	393,504	2,003,042	884,965	7,852,940
Profit for the period	-	-	-	1,287,173	1,287,173
Other comprehensive income	-	-	1,746	-	1,746
Total	4,571,429	393,504	2,004,788	2,172,138	9,141,859
Cancellation of treasury shares	(38,523)	(161,172)	199,695	-	-
Transfer to statutory reserve	-	-	128,717	(128,717)	-
Cash dividend paid	-	-	(951,910)	-	(951,910)
Proposed interim cash dividend*	-	-	589,278	(589,278)	-
Transfer to cash dividend payable	-	-	(589,278)	-	(589,278)
Total transactions with shareholders recognised directly in equity	(38,523)	(161,172)	(623,498)	(717,995)	(1,541,188)
At 30 September 2017	4,532,906	232,332	1,381,290	1,454,143	7,600,671

*An interim cash dividend of AED 0.13 per share (30 September 2016: AED 0.13 per share) amounting to AED 589,278 thousand (30 September 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 nine-month period ended 30 September 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 September 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.

In order to comply with the new provisions of the UAE Federal Law No. 2 of 2015 ("Companies Law"), the Company shareholders approved the amendments to its Articles of Association through a resolution at the General Meeting held on 20 June 2017. These amendments have been forwarded to the relevant authorities for final approvals.

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 nine-month period ended 30 September 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 15, 'Revenue from contracts with customers' (effective from 1 January 2018);
- IFRS 9, 'Financial instruments: Classification and Measurement' (effective from 1 January 2018); and
- IFRS 16, 'Leases' (effective from 1 January 2019).

IFRS 15 'Revenue from contracts with customers', establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. This standard is effective for annual periods beginning on or after 1 January 2018 while earlier application is permitted. The core principle of IFRS 15 is that an entity recognises 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.

This revenue standard will impact telecommunication entities with certain changes having the potential for the greatest impact, such as:

- Additional revenue will be allocated to discounted or 'free' products provided at the beginning of a service period due to the elimination of the 'contingent revenue cap', and changes to and restrictions in the use of the 'residual method' currently applied by the companies;
- Customer acquisition costs (activation fees, SIM card fee, certain contract fulfilment costs etc.) will be deferred over the period of the contract; and
- Revenue from postpaid bundles will be affected, in which revenue related to handset component will be recognised upfront.

The Group is in the final stages of assessing the impact of this new revenue standard.

IFRS 9 Financial Instruments: In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments which reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9.

The standard introduces requirements for classification and measurement, impairment and hedge accounting. The de-recognition rules have been transferred from IAS 39 Financial Instruments: Recognition and Measurement and have not been changed. The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

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

2 Basis of preparation (continued)

ii New standards, amendments and interpretations (continued)

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

IFRS 9 is effective for annual periods beginning on or after 1 January 2018.

The Group is in the final stages of assessing the impact of this new Financial Instruments standard.

The Group is also in the process of assessing the impact of new Leases standard.

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.

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.

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

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

2 Basis of preparation (continued)

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 nine-month period ended 30 September 2017.

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Notes to the condensed interim consolidated financial statements for the nine-month period ended 30 September 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	795	291,283	17,347	-	618,253	927,678
Addition: asset retirement obligations	-	6,495	-	-	-	6,495
Transfers	(3,814)	740,030	6,055	-	(742,271)	-
Disposals / write-off	-	(20,452)	(824)	-	(747)	(22,023)
At 30 September 2017	<u>48,941</u>	<u>16,206,246</u>	<u>293,150</u>	<u>1,419</u>	<u>888,076</u>	<u>17,437,832</u>
Depreciation/impairment						
At 1 January 2017	24,207	7,802,358	242,579	1,385	5,956	8,076,485
Depreciation/impairment charge for the period	1,678	1,009,703	11,326	17	1,999	1,024,723
Disposals / write-off	-	(18,724)	(693)	-	(1,062)	(20,479)
At 30 September 2017	<u>25,885</u>	<u>8,793,337</u>	<u>253,212</u>	<u>1,402</u>	<u>6,893</u>	<u>9,080,729</u>
Net book value						
At 30 September 2017	<u>23,056</u>	<u>7,412,909</u>	<u>39,938</u>	<u>17</u>	<u>881,183</u>	<u>8,357,103</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 (31 December 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 nine-month period ended 30 September 2017 (continued)

5 Intangible assets

	Reviewed 30 September 2017 AED 000	Audited 31 December 2016 AED 000
Goodwill	549,050	549,050
Other intangible assets	592,373	624,419
	<u>1,141,423</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 September 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 and broadcasting operations;
- 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 nine-month period ended 30 September 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 September 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	74,739	-	-	74,739	302,820
Amortisation/impairment for the period/year	(92,007)	(4,656)	(10,122)	(106,785)	(208,225)
Adjustments	-	-	-	-	(122,087)
Closing balance	<u>490,658</u>	<u>52,222</u>	<u>49,493</u>	<u>592,373</u>	<u>624,419</u>

IT software is split between ‘software in use’ of AED 195,134 thousands (31 December 2016: AED 169,122 thousands) and ‘capital work in progress’ of AED 295,524 thousands (31 December 2016: AED 338,804 thousands). During the period, AED 72,985 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 Investments in associates

Khazna Data Center Limited

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.

Dubai Smart City Accelerator FZCO

During the period 2017, the Group acquired 23.5% shares in Dubai Smart City Accelerator FZCO (“the Associate”), a Free Zone Company with limited liability established in Dubai Silicon Oasis Free Zone, in the Emirate of Dubai. The business of the Associate is to run accelerator programs with the purpose of sourcing innovation and technology applicable to the Smart City Industry.

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

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

6 Investments in associates (continued)

	Reviewed 30 September 2017 AED 000	Audited 31 December 2016 AED 000
Opening balance	113,935	110,867
*Investment during the period/year	1,835	-
Share of profit for the period/year	7,517	3,068
Closing balance	<u>123,287</u>	<u>113,935</u>

*The investment during the period 30 September 2017, represents payment made for acquisition of 23.5% shares in Dubai Smart City Accelerator FZCO.

7 Available-for-sale financial asset

	Reviewed 30 September 2017 AED 000	Audited 31 December 2016 AED 000
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:

	Reviewed 30 September 2017 AED 000	Audited 31 December 2016 AED 000
Interest rate swap contracts – cash flow hedges	<u>8,026</u>	<u>6,280</u>

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

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

9 Trade and other receivables

	Reviewed 30 September 2017 AED 000	Audited 31 December 2016 AED 000
Trade receivables	2,132,645	1,812,689
Due from other telecommunications operators	589,497	373,408
<i>Less: payable balances set off where right to set off exists</i>	(533,411)	(277,232)
<i>Less: provision for impairment of trade receivables and due from other telecommunications operators</i>	(596,670)	(439,793)
Trade and other receivables, net (Note 9.1)	1,592,061	1,469,072
Prepayments	335,191	228,246
Advances to suppliers	147,929	143,715
Other receivables	71,196	159,857
Total trade and other receivables	2,146,377	2,000,890
Non-current	64,609	32,373
Current	2,081,768	1,968,517
	2,146,377	2,000,890

9.1 At 30 September 2017, AED 961,793 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 442,803 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 September 2017 AED 000	Audited 31 December 2016 AED 000
Opening balance	439,793	482,797
Provision for impairment during the period/year	205,819	134,729
Release of provision for impairment during the period/year	-	(37,441)
Write-off during the period/year	(48,942)	(140,292)
Closing balance	596,670	439,793

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Notes to the condensed interim consolidated financial statements for the nine-month period ended 30 September 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 September 2017 AED 000	Audited 31 December 2016 AED 000
Due from a related party		
Axiom Telecom LLC (Entity under common shareholding)	167,759	220,147
Due to related parties		
Tecom Investments FZ LLC (Entity under common shareholding)	10,834	6,940
Khazna Data Center Limited (Associate)	13,141	5,796
	<u>23,975</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 nine-month period ended 30 September 2017 AED 000	2016 AED 000
Entities under common shareholding		
Tecom Investments FZ LLC:		
- Office rent and services	34,127	36,765
- Infrastructure cost	1,202	14,703
Axiom Telecom LLC– Authorised distributor – net sales	1,420,785	1,487,825
Injazat Data Systems LLC – Data centre – rent and services	1,832	7,021
Associate		
Khazna Data Center – rent and services	65,752	49,480
Dubai Smart City Accelerator FZCO- acquisition of shares	1,835	-

Key management compensation

Short term employee benefits	25,096	23,961
Employees' end of service benefits	664	745
Post-employment benefits	1,650	1,067
Long term incentives	10,598	7,774
	<u>38,008</u>	<u>33,547</u>

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

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

10 Related party balances and transactions (continued)

The fee paid to Board of Directors during the period was AED 9,150 thousand (30 September 2016: AED 7,497 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 September 2017 AED 000	Audited 31 December 2016 AED 000
Short term investments	<u>4,050,000</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 September 2017 AED 000	Audited 31 December 2016 AED 000
Cash at bank (on deposit and call accounts)	899,927	238,880
Cash on hand	<u>628</u>	<u>618</u>
	900,555	239,498
Less: margin on guarantees	<u>(19,186)</u>	<u>(10,793)</u>
Cash and cash equivalents	<u>881,369</u>	<u>228,705</u>

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

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

13 Trade and other payables

	Reviewed 30 September 2017 AED 000	Audited 31 December 2016 AED 000
Trade payables and accruals	1,817,539	2,027,736
Due to other telecommunications operators	1,191,419	1,006,089
Less: receivable balances set off where right to set off exists	(533,411)	(277,232)
Accrued royalty (Note 22)	1,545,526	2,110,809
Dividend payable	589,278	-
Deferred revenue	505,671	638,594
Customer deposits	128,208	138,558
Employee benefit accruals	101,934	179,009
Retention payable	15,957	13,600
Others	516	1,047
	<u>5,362,637</u>	<u>5,838,210</u>

14 Borrowings

Bank borrowings	3,581,662	4,297,995
Buyer credit arrangements	39,674	81,834
	<u>3,621,336</u>	<u>4,379,829</u>
Less: Current portion of borrowings	(1,461,318)	(783,473)
	<u>2,160,018</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 September 2017 Closing Balance AED 000
<u>Term loans</u>							
Unsecured term loan 1	USD	LIBOR+0.95%	2020	2,644,920	-	(440,820)	2,204,100
Unsecured term loan 2	USD	LIBOR+0.95%	2020	1,102,050	-	(183,675)	918,375
Unsecured term loan 3	USD	LIBOR+0.95%	2020	551,025	-	(91,838)	459,187
				<u>4,297,995</u>	<u>-</u>	<u>(716,333)</u>	<u>3,581,662</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	21,306	(3,673)	39,674
				<u>81,834</u>	<u>21,306</u>	<u>(63,466)</u>	<u>39,674</u>

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

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

15 Provision for employees' end of service benefits

	Reviewed 30 September 2017 AED 000	Audited 31 December 2016 AED 000
Opening balance	225,627	186,887
Current service cost for the period/year	25,653	33,906
Interest cost for the period/year	6,739	6,900
Benefits paid during the period/year	(24,694)	(15,318)
Actuarial gain for the period/year recognised in other comprehensive income	-	13,252
Closing balance	<u>233,325</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 September 2017 AED 000	Audited 31 December 2016 AED 000
Opening balance	102,021	88,318
Additions during the period/year	6,495	10,160
Unwinding of discount during the period/year	3,059	3,543
Closing balance	<u>111,575</u>	<u>102,021</u>

17 Share capital

	Reviewed 30 September 2017 No of shares	Audited 31 December 2016 No of shares
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. The cancellation was approved by the shareholders on 11 January 2017. Related amendments to Articles of Association have been forwarded to the relevant authorities for final approvals (Note 19.3).

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

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

18 Share premium

	Reviewed 30 September 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 nine-month period ended 30 September 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	-	138,277	-	-	-	138,277
Fair value changes on cash flow hedge	-	-	(19,845)	-	-	(19,845)
Cash dividend paid	-	-	-	(914,286)	-	(914,286)
Proposed interim cash dividend	-	-	-	594,286	-	594,286
Transfer to cash dividend payable	-	-	-	(594,286)	-	(594,286)
At 30 September 2016	1,194	1,207,568	(16,812)	-	-	1,191,950
At 1 January 2017	-	1,244,547	6,280	951,910	(199,695)	2,003,042
Transfer to statutory reserve	-	128,717	-	-	-	128,717
Fair value changes on cash flow hedge	-	-	1,746	-	-	1,746
Cash dividend paid	-	-	-	(951,910)	-	(951,910)
Proposed interim cash dividend	-	-	-	589,278	-	589,278
Transfer to cash dividend payable	-	-	-	(589,278)	-	(589,278)
Cancellation of treasury shares	-	-	-	-	199,695	199,695
At 30 September 2017	-	1,373,264	8,026	-	-	1,381,290

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 the cancellation of these treasury shares were approved by the shareholders on 11 January 2017. Related amendments to Articles of Association have been forwarded to the relevant authorities for final approvals (Note 17.1).

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

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

20 Other expenses

	Reviewed nine-month period ended 30 September	
	2017	2016
	AED 000	AED 000
Provision for impairment of trade receivables	208,918	117,464
Consulting	58,486	36,692
Office expenses	50,469	54,056
Others	21,060	38,611
	<u>338,933</u>	<u>246,823</u>

21 Finance income and expenses

	Reviewed nine-month period ended 30 September	
	2017	2016
	AED 000	AED 000
Finance income		
Interest income	<u>124,104</u>	<u>102,309</u>
Finance expense		
Interest expense	94,752	82,761
Exchange (gain)/loss	(4,588)	329
	<u>90,164</u>	<u>83,090</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 nine-month period ended 30 September	
	2017	2016
	AED 000	AED 000
Total revenue for the period (Note 26)	9,552,597	9,292,650
Broadcasting revenue for the period (Note 26)	(118,541)	(128,615)
Other allowable deductions	(2,708,042)	(2,271,526)
Total adjusted revenue	<u>6,726,014</u>	<u>6,892,509</u>

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

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

22 Royalty (continued)

	Reviewed nine-month period ended 30 September	
	2017	2016
	AED 000	AED 000
Profit before royalty	2,815,899	2,986,058
Allowable deductions	(78,657)	(54,130)
Total regulated profit	<u>2,737,242</u>	<u>2,931,928</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.	1,527,404	1,603,292
Adjustments to charge	<u>(5,113)</u>	<u>-</u>
	1,522,291	1,603,292
Royalty reimbursement (net)	6,435	-
	<u>1,528,726</u>	<u>1,603,292</u>

Movement in the royalty accruals is as follows:

	Reviewed 30 September 2017 AED 000	Audited 31 December 2016 AED 000
Opening balance	2,110,809	1,952,569
Payment made during the period/year	(2,087,574)	(1,947,457)
Charge for the period/year	<u>1,522,291</u>	<u>2,105,697</u>
Closing balance	<u>1,545,526</u>	<u>2,110,809</u>

23 Earnings per share

	Reviewed nine-month period ended 30 September	
	2017	2016
Profit for the period (AED 000)	1,287,173	1,382,766
Weighted average number of shares ('000)	4,532,906	4,571,429
Basic and diluted earnings per share (AED)	<u>0.28</u>	<u>0.30</u>

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

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

24 Changes in working capital

	Reviewed nine-month period ended 30 September	
	2017	2016
	AED 000	AED 000
Change in:		
Inventories	(1,042)	50,421
Trade and other receivables	(408,112)	(427,980)
Trade and other payables	(241,729)	(334,095)
Due from a related party	52,388	8,398
Due to related parties	11,239	(24,318)
Net changes in working capital	<u>(587,256)</u>	<u>(727,574)</u>

25 Contingent liabilities and commitments

The Group has outstanding capital commitments and bank guarantees amounting to AED 993,104 thousand and AED 19,186 thousand, respectively (31 December 2016: AED 784,634 thousand and AED 10,793 thousand, respectively). Bank guarantees are secured against margin of AED 19,186 thousand (31 December 2016: AED 10,793 thousand) (Note 12).

26 Segment analysis

30 September 2017

	Mobile AED 000	Fixed AED 000	Wholesale AED 000	Broadcasting AED 000	Total AED 000
Segment revenue	<u>7,100,050</u>	<u>1,707,855</u>	<u>626,151</u>	<u>118,541</u>	<u>9,552,597</u>
Segment contribution	<u>4,771,079</u>	<u>1,453,144</u>	<u>67,346</u>	<u>41,281</u>	<u>6,332,850</u>
Unallocated costs					(3,561,934)
Finance income and expenses, other income, share of profit of investment in an associate					<u>44,983</u>
Profit before royalty					2,815,899
Royalty					<u>(1,528,726)</u>
Profit for the period					<u>1,287,173</u>

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

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

26 Segment analysis (continued)

30 September 2016

	Mobile AED 000	Fixed AED 000	Wholesale AED 000	Broadcasting AED 000	Total AED 000
Segment revenue	<u>7,025,123</u>	<u>1,597,080</u>	<u>541,832</u>	<u>128,615</u>	<u>9,292,650</u>
Segment contribution	<u>4,872,291</u>	<u>1,352,557</u>	<u>88,448</u>	<u>50,647</u>	<u>6,363,943</u>
Unallocated costs					(3,450,140)
Finance income and expenses, other income, share of profit of investment in as associate					<u>72,255</u>
Profit before royalty					2,986,058
Royalty					(1,603,292)
Profit for the period					<u><u>1,382,766</u></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.

In order to conform with current period presentation, the comparative figures have been regrouped. Such regrouping did not affect the previously reported profit for the period, total comprehensive income for the period or total equity.