Emirates Telecommunications Group Company PJSC

Review reports and condensed consolidated interim financial information

for the three month period ended 31 March 2019

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Management report on the condensed consolidated interim financial information for the three month period ended 31 March 2019

Financial Review

1. Revenue, profit and earnings per share

The Group's financial performance for the three month period ended 31 March 2019 is summarised below:

i) Consolidated revenue amounted to AED 12,989 million, representing an decrease of AED 115 million (0.9%) compared to the corresponding period in the prior year.

ii) Profit attributable to the Owners of the Company amounted to AED 2,212 million, representing a increase of AED 100 million (4.7%) when compared to the corresponding period in the prior year.

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

2. Net assets

As compared to 31 December 2018, the Group's net assets decreased by AED 983 million to AED 56,262 million as at 31 March 2019.

3. Capital expenditure

The Group incurred AED 1,586 million capital expenditure in the three month period ended 31 March 2019 (AED 1,297 million in the three month period ended 31 March 2018).

4. Dividends

A final dividend for the year 2018 at the rate of AED 0.40 per share was approved for distribution to the shareholders registered at the close of business on 31 March 2019. This brought the total dividend for the year 2018 to AED 0.80 per share.

5. International operations

Maroc Telecom has signed an agreement with Millicom to acquire 100% of its subsidiary Tigo Chad. The closing of the transaction is still subject to fulfilling certain conditions, including the approval of the competent authorities in Chad.

Emirates Telecommunications Group Company PJSC

Condensed consolidated interim statement of profit or loss for the three month period ended 31 March 2019

		(Reviewed) Three months ended 31 March	
		2019	2018
	Notes	AED'000	AED'000
Continuing operations			
Revenue	4	**12,989,427**	**13,104,352**
Operating expenses	5	(8,001,002)	(8,168,616)
Impairment loss on trade receivables and contract assets		(210,155)	(347,565)
Impairment and other losses		(570)	(3,350)
Share of results of associates and joint venture	6	(9,511)	(21,520)
Operating profit before federal royalty		**4,768,189**	**4,563,301**
Federal royalty	5	(1,586,952)	(1,557,160)
Operating profit		**3,181,237**	**3,006,141**
Finance and other income		384,712	175,859
Finance and other costs		(543,563)	(301,921)
Profit before tax		**3,022,386**	**2,880,079**
Income tax expenses		(398,692)	(336,364)
Profit for the period from continuing operations		**2,623,694**	**2,543,715**
Discontinued operations			
Loss from discontinued operations	20	-	(33,946)
Profit for the period		**2,623,694**	**2,509,769**
Profit attributable to:			
Owners of the Company		2,212,044	2,112,278
Non-controlling interests		411,650	397,491
		2,623,694	**2,509,769**
Earnings per share			
From continuing and discontinued operations			
Basic and diluted	8	AED 0.25	AED 0.24
From continuing operations			
Basic and diluted	8	AED 0.25	AED 0.25

The accompanying notes on pages 9 to 25 form an integral part of the condensed consolidated interim financial information.
The independent auditors report is set out on pages 2 to 3.

Emirates Telecommunications Group Company PJSC

Condensed consolidated interim statement of profit or loss and other comprehensive income for the three month period ended 31 March 2019

		(Reviewed)	
		Three months ended 31 March	
		2019	2018
	Notes	AED'000	AED'000
Profit for the period		2,623,694	2,509,769
Other comprehensive income / (loss)			
Items that will not be reclassified to profit or loss:			
Remeasurement of defined benefit obligation - net of tax		1,239	-
Items that may be reclassified to profit or loss:			
Exchange differences on translation of foreign operations		(131,509)	(66,973)
Gain/(loss) on net investment hedges	19	138,905	(284,081)
Fair value (loss)/gain arising on cash flow hedge during the period		(5,173)	5,723
Loss on revaluation of financial assets during the period		(298)	(2,989)
Reclassification of fair value (loss)/gain on disposal of financial assets		-	(2)
Total other comprehensive income / (loss)		**3,164**	**(348,322)**
Total comprehensive income for the period		**2,626,858**	**2,161,447**
Attributable to:			
Owners of the Company		2,295,407	1,868,151
Non-controlling interests		331,451	293,296
		2,626,858	**2,161,447**

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Emirates Telecommunications Group Company PJSC

Condensed consolidated interim statement of financial position as at 31 March 2019

	Notes	(Reviewed) 31 March 2019 AED'000	(Audited) 31 December 2018 AED'000
Non-current assets			
Goodwill	9	13,567,166	13,713,702
Intangible assets	10	14,278,987	13,908,390
Property, plant and equipment	11	42,583,224	43,242,703
Right of use of assets	24	2,261,076	-
Investment property		34,942	36,189
Investments in associates and joint ventures		4,119,787	4,129,268
Other investments		2,356,305	2,185,148
Other receivables	12	318,078	309,168
Finance lease receivables		163,149	174,827
Derivative financial instruments	19	-	9,850
Contract assets		504,686	432,541
Deferred tax assets		51,243	44,472
		80,238,643	**78,186,258**
Current assets			
Inventories		621,145	726,803
Trade and other receivables	12	16,334,403	15,884,208
Current income tax assets		624,524	651,001
Finance lease receivables		44,078	42,379
Due from associates and joint ventures		121,007	120,406
Contract assets		1,265,495	1,270,108
Derivative financial instruments	19	-	860
Cash and bank balances	13	31,373,345	28,361,131
		50,383,997	**47,056,896**
Total assets		**130,622,640**	**125,243,154**
Non-current liabilities			
Other payables	14	1,360,802	1,523,739
Borrowings	18	15,214,664	14,973,191
Payables related to investments and licenses		-	41,652
Derivative financial instruments	19	1,434	-
Deferred tax liabilities		2,768,832	2,836,924
Lease liabilities	25	1,767,013	409
Provisions		333,209	340,870
Provision for end of service benefits	23	1,552,288	1,535,409
Contract liabilities		26,938	21,145
		23,025,180	**21,273,339**
Current liabilities			
Trade and other payables	14	32,744,644	28,297,153
Contract liabilities		3,097,331	3,265,816
Borrowings	18	8,360,019	8,552,469
Payables related to investments and licenses		3,035,036	3,105,633
Current income tax liabilities		285,904	347,943
Lease liabilities	25	297,928	1,993
Provisions		3,432,071	3,081,333
Derivative financial instruments	19	75,901	70,336
Due to associates and joint ventures		6,200	1,737
		51,335,034	**46,724,413**
Total liabilities		**74,360,214**	**67,997,752**
Net assets		**56,262,426**	**57,245,402**
Equity			
Share capital	26	8,696,754	8,696,754
Reserves		26,986,249	26,904,769
Retained earnings		8,079,075	9,345,503
Equity attributable to the owners of the Company		**43,762,078**	**44,947,026**
Non-controlling interests		12,500,348	12,298,376
Total equity		**56,262,426**	**57,245,402**

The accompanying notes on pages 9 to 25 form an integral part of the condensed consolidated interim financial information.
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Emirates Telecommunications Group Company PJSC

Condensed consolidated interim statement of changes in equity for the three month period ended 31 March 2019 (Reviewed)

		Attributable to equity owners of the Company					
		Share capital	Reserves	Retained earnings	Owners' equity	Non-controlling interests	Total equity
	Notes	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
Balance at 1 January 2018		**8,696,754**	**26,991,023**	**8,713,762**	**44,401,539**	**13,688,928**	**58,090,467**
Profit for the year		-	-	2,112,278	2,112,278	397,491	2,509,769
Total other comprehensive income for the period		-	(244,127)	-	(244,127)	(104,195)	(348,322)
Other movements in equity		-	-	1,101	1,101	2,588	3,689
Transfer to reserves		-	16,658	(16,658)	-	-	-
Transaction with owners:							
Capital contribution by non-controlling interest		-	-	-	-	16,740	16,740
Dividends	7	-	-	(3,477,198)	(3,477,198)	(74,998)	(3,552,196)
Balance at 31 March 2018		**8,696,754**	**26,763,554**	**7,333,285**	**42,793,593**	**13,926,554**	**56,720,147**
Balance at 1 January 2019		**8,696,754**	**26,904,769**	**9,345,503**	**44,947,026**	**12,298,376**	**57,245,402**
Profit for the year		-	-	2,212,044	2,212,044	411,650	2,623,694
Total other comprehensive income for the period		-	81,142	2,221	83,363	(80,199)	3,164
Other movements in equity		-	-	(3,156)	(3,156)	(2,240)	(5,396)
Transfer to reserves		-	339	(339)	-	-	-
Transaction with owners:							
Dividends	7	-	-	(3,477,198)	(3,477,198)	(127,239)	(3,604,437)
Balance at 31 March 2019		**8,696,754**	**26,986,249**	**8,079,075**	**43,762,078**	**12,500,348**	**56,262,426**

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Emirates Telecommunications Group Company PJSC

Condensed consolidated interim statement of cash flows for the three month period ended 31 March 2019

	Notes	Reviewed three-month ended 31 March 2019 AED'000	2018 AED'000
Operating profit including discontinued operations		3,181,237	2,975,446
Adjustments for:			
Depreciation		1,365,298	1,425,132
Amortisation		475,087	399,747
Impairment and other losses		570	3,350
Share of results of associates and joint ventures		9,511	20,643
Provisions and allowances		81,170	150,981
Unrealised currency translation (gain)/loss		(99,068)	71,574
Other non-cash movements		-	(64)
Operating cash flows before changes in working capital		**5,013,805**	**5,046,809**
Changes in working capital:			
Inventories		104,783	47,656
Due from associates and joint ventures		(1,079)	(22,111)
Trade and other receivables		(648,922)	144,239
Trade and other payables		535,201	(217,305)
Cash generated from operations		**5,003,788**	**4,999,288**
Income taxes paid		(495,495)	(286,771)
Payment of end of service benefits		(11,483)	(29,405)
Net cash generated from operating activities		**4,496,810**	**4,683,112**
Cash flows from investing activities			
Acquisition of investment classified as fair value through profit or loss		(3,062)	-
Proceeds from disposal of investment classified as fair value through profit or loss		19,589	33,239
Acquisition of investments at amortised cost		(109,997)	-
Disposal of investments at amortised cost		6,240	-
Acquisition of investment classified as fair value through other comprehensive income		-	(99,104)
Purchase of property, plant and equipment		(838,462)	(1,198,059)
Proceeds from disposal of property, plant and equipment		3,562	2,419
Purchase of intangible assets		(747,994)	(98,628)
Proceeds from disposal of intangible assets		(355)	277
Dividend income received from associates and other investments		122	(10,448)
Term deposits made with maturities over three months	13	(1,700,958)	(1,469,334)
Term deposits matured with maturities over three months	13	9,787,645	7,383,697
Proceeds from unwinding of derivative financial instruments	19	-	15,230
Finance and other income received		313,280	261,821
Net cash generated from investing activities		**6,729,610**	**4,821,110**
Cash flows from financing activities			
Proceeds from borrowings		1,267,406	798,009
Repayments of borrowings		(973,206)	(1,698,232)
Payment of lease liabilities		(224,434)	-
Capital contribution by Non-controlling interests		-	16,740
Acquisition of additional stake in a subsidiary		-	(185,000)
Dividends paid		(59,554)	(3,478,863)
Finance and other costs paid		(206,836)	(287,894)
Net cash used in financing activities		**(196,624)**	**(4,835,240)**
Net increase in cash and cash equivalents		**11,029,796**	**4,668,982**
Cash and cash equivalents at the beginning of the period		10,819,008	3,863,568
Effect of foreign exchange rate changes		71,079	(130,190)
Cash and cash equivalents at the end of the period	13	**21,919,883**	**8,402,360**

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1. General information

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

The Decree by Federal Law no. 3 of 2015 (“the New Law”) has amended certain provisions of the Federal Law No. (1) of 1991 and new articles of association of Emirates Telecommunications Group Company PJSC (the “New AoA”) have been issued. Subsequent to the New Law and the New AoA, Emirates Telecommunications Corporation has been converted from a corporation to a public joint stock company and is subject to the provisions of UAE Federal Law no. 2 of 2015 on Commercial Companies (the “Companies Law”) unless otherwise stated in the New Law or New AoA. Accordingly, the name of the corporation has been changed to Emirates Telecommunications Group Company PJSC.

Under the New Law and the New AoA: i) Two types of share have been introduced, i.e. ordinary shares and one Special Share held by the Emirates Investment Authority (an agency of the federal Government of the United Arab Emirates) which carries certain preferential rights related to the passing of certain decisions by the company or the ownership of the UAE telecommunication network; and ii) The minimum number of ordinary shares held by any UAE government entity in the Company has been reduced from at least 60% of the Company’s share capital to not less than 51%, unless the Special Shareholder decides otherwise. iii) Shareholders who are not public entities of the UAE, citizens of the UAE, or corporate entities of the UAE wholly controlled by citizens of the UAE, (which includes foreign individuals, foreign or UAE free zone corporate entities, or corporate entities of the UAE that are not fully controlled by UAE citizens) may own up to 20% of the Company’s ordinary shares, however the shares owned by such persons / entities shall not hold any voting rights in the Company’s general assembly, although holders of such shares may attend such meeting.

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

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

These condensed consolidated interim financial information as at and for the three months ended 31 March 2019 comprise the Company and its subsidiaries (together referred to as ‘the Group’).

These condensed consolidated interim financial information were approved by the Board of Directors and authorised for issue on 23 April 2019.

2. Basis of preparation

The condensed consolidated interim financial information have been prepared in accordance with IAS 34 *Interim Financial Reporting*, and the applicable provisions of UAE Federal Law No. (2) of 2015. The information presented herein should be read in conjunction with the Group's last annual consolidated financial statements as at and for the year ended 31 December 2018. This financial information does not include all the information required for a complete set of IFRS financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual financial statements.

The preparation of financial information in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. Actual results may differ from these estimates and judgments. The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual financial statements, except for those related to the application of IFRS 16, which are described in Note 3 (b).

The condensed consolidated interim financial information are prepared under the historical cost convention except for the revaluation of certain financial instruments and in accordance with the Group's accounting policies as described in the last annual financial statements as at and for the year ended 31 December 2018.

The accounting policies applied in the condensed consolidated financial information are the same as those applied in Group'is consolidated financial statements as at and for the year ended 31 December 2018, except for the effects of adoption of IFRS 16 as described in Note 3 (b). The changes in accounting policies are also expected to be reflected in the Group's consolidated financial statements as at and for the year ending 31 December 2019.

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

3. Significant accounting policies

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

a) New and amended standards adopted by the Group

The following revised new and amended standards have been adopted in the condensed consolidated financial information.

- amendment to IFRS *9 Financial Instruments* relating to prepayment features with negative compensation

- amendment to IAS 28 *Investments in Associates and Joint Ventures* regarding long-term interest in associates and joint ventures

- IFRIC 23 *Uncertainty Over Tax Treatment*

- IAS 19 *Employee Benefits relating to plan amendment, curtailment or settlement*

- Annual improvements to IFRS 2015 – 2017 Cycle amending IFRS 3, IFRS 11, IAS 12 and IAS 23.

IFRS 16 Leases

The Group applied IFRS 16 using the modified retrospective approach with a date of initial application of 1 January 2019 and accordingly the comparative figures have not been restated. As a result, the Group has changed its accounting policy for lease contract as detailed below.

Definition of a lease

Previously, the Group determined at contract inception whether an arrangement is or contains a lease under IFRlC 4. Under IFRS 16, the Group assesses whether a contract is or contains a lease based on the definition of a lease. On transition to IFRS 16, the Group elected to apply the new definition of leases to all of its contracts.

3. Significant accounting policies *(continued)*

a) New and amended standards adopted by the Group *(continued)*

Adjustments recognised on adoption of IFRS 16

a. Leases classified as operating leases under IAS 17

At transition, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at 1 January 2019. Right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments - the Group applied this approach to all leases.

The Group used the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17.

a. Applied a single discount rate to a portfolio of leases with similar characteristics.
b. Adjusted the right-of-use assets by the amount of IAS 37 onerous contract provision immediately before the date of initial application, as an alternative to an impairment review.
c. Applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term.
d. Excluded initial direct costs from measuring the right-of-use asset at the date of initial application; and
e. Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

b. Leases classified as finance leases under IAS 17

For leases that were classified as finance leases under IAS17, the carrying amount of the right-of-asset and the lease liability at 1 January 2019 are determined at the carrying amount of the lease asset and lease liability under IAS 17 immediately before that date.

On transition to IFRS 16, the Group recognised an additional AED 1,081 million of right-of-use assets and AED 2,071 million of lease liabilities. When measuring lease liabilities, the Group discounted lease payments using its incremental borrowing rate at 1 January 2019. The weighted-average rate applied is 3 to 18%.

	1 January 2019 AED'000
Operating lease commitment at 31 December 2018 (restated)	2,495,160
Discounted using the incremental borrowing rate at 1 January 2019	1,464,582
Finance lease liabilities recognised as at 31 December 2018	2,402
Recognition exemption for:	
- short-term leases	(24,608)
- leases of low-value assets	(3,180)
Extension and termination options reasonably certain to be exercised	632,222
Variable lease payments based on an index or a rate Residual value guarantees	-
Lease liabilities recognised at 1 January 2019	2,071,418

b) New and amended standards not effective and not yet adopted by the Group

At the date of the condensed consolidated financial information, the following other standards, amendments and Interpretations have not been effective and have not been early adopted by the Group:

New and amended standards not effective and not yet adopted by the Group	Effective date
Sale or Contribution of Assets between an Investor and its Associates or Joint Venture (Amendments to IFRS 10 and IAS 28)	Available for optional adoption/effective date deferred indefinitely

Management anticipates that the application of the above ammendments in future periods will have no material impact on the condensed consolidated interim financial information of the Group in the period of initial application.

3. Significant accounting policies *(continued)*

c) Associates and joint ventures

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

The carrying values of investments in associates and joint ventures are reviewed on a regular basis and if impairment in the value has occurred, it is written off in the period in which those circumstances are identified.

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

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

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

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

d) IFRS 9 Financial instruments

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

i) Fair value

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

ii) Financial assets

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

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

3. Significant accounting policies *(continued)*

d) IFRS 9 Financial instruments *(continued)*

iii) Amortised cost and effective interest method

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

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

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

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

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

iv) Fair value through OCI – with recycling

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

v) Fair value through OCI – without recycling

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

A financial asset is held for trading if it is:

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

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

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

3. Significant accounting policies *(continued)*

d) IFRS 9 Financial instruments *(continued)*

vi) Fair value through profit and loss

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI (see 3 (iii to v)) are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in the condensed consolidated interim statement of profit or loss to the extent they are not part of a designated hedging relationship. The net gain or loss recognised in the condensed consolidated interim statement of profit or loss includes any dividend or interest earned on the financial asset Fair value is determined in the manner described in note 3 (i).

e) Leases

The Group has applied IFRS 16 using modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4. The detail of accounting policies under IAS 17 and IFRIC 4 are disclosed separately if they are different from those under IFRS 16 and the impact of changes is disclosed in Note 3(b).

Policy applicable from 1 January 2019

At inception of a contract the Group assess whether a contract is, or contain a lease. A contract is, or contains, a lease if contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

a. The contract involves the use of an identified asset – this may be specified explicitly or implicitly and should be physically distinct asset or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified.
b. The Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
c. The Group has the right to direct the use of the asset. The Group has this right when it has the decision making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Group has the right to direct the use of the asset if either:
    - The Group has the right to operate the asset; or
    - The Group designed the asset in a way that predetermines how and for what purpose it will be used

This policy is applied to contracts entered into, or changed, on or after 1 January 2019.

At inception or on assessment of a contract that contains a lease component, the Group applies, by class of underlying asset, not to separate non-lease components from lease components, and instead account for each lease component and any associated non-lease components as a single lease component.

1. The Group as lessee

1.1 Right of use asset

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

3. Significant accounting policies *(continued)*

e) Leases *(continued)*

1.2 Lease liability

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

Lease payments in the measurement of the lease liability comprise the following:

a. fixed payments, including in-substance fixed payments;
b. variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
c. amounts expected to be payable under a residual value guarantee; and
d. the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

1.3 Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases of equipments that have a lease term of 12 months or less and leases of low-value assets, including IT equipment. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

2. The Group as lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease. the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

Policy applicable before 1 January 2019

For contracts entered into before 1 January 2019, the Group determined whether the arrangement was or contained a lease based on the assessment of whether:

a. Fulfilment of the arrangement was dependent on the use of a specific asset of assets; and
b. The arrangement had conveyed a right to use the asset. An arrangement conveyed the right to use the asset if one of the following was met:
    - The purchaser had the ability or right to operate the asset or direct others to operate the asset in a manner it determines while obtaining or controlling more than an insignificant amount of the output or other utility of the asset.
    - The purchaser had the ability or right to control physical access to the underlying asset while obtaining or controlling more than an insignificant amount of the output or other utility of the asset.
    - Facts and circumstances indicate that it was remote that one or more parties other than the purchaser would take more than an insignificant amount of the output, and the price that the purchaser would pay for the output was neither contractually fixed per unit of output nor equal to the current market price per unit of output as of the time of delivery of the output.

3. Significant accounting policies *(continued)*

a) The Group as lessee

In the comparative period, as a lessee the Group classified leases that transfer substantially all of the risks and rewards of ownership as finance leases. When this was the case, the leased assets were measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Minimum lease payments were the payments over the lease term that the lessee was required to make, excluding any contingent rent.

Subsequently, the assets were accounted for in accordance with the accounting policy applicable to that asset. Assets held under other leases were classified as operating leases and were not recognised in the Group's statement of financial position. Payments made under operating leases were recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received were recognised as an integral part of the total lease expense, over the term of the lease.

b) The Group as lessor

The accounting policies applicable to the Group as a lessor in the comparative period were not different from IFRS 16. However, when the Group was an intermediate lessor the sub-leases were classified with reference to the underlying asset.

4. Segmental information

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

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

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

- Morocco
- Egypt
- Pakistan
- International - others

Revenue is attributed to an operating segment based on the location of the associated companies reporting the revenue. Inter-segment sales are charged at agreed terms and prices.

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

b) Segment revenues and results

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

c) Segment assets

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

The segment information has been provided on the following page.

4. Segmental information *(continued)*

	UAE	International: Morocco	International: Egypt	International: Pakistan	International: Others	Eliminations	Consolidated
	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
Three months ended 31 March 2019							
Revenue							
External revenue	7,994,322	1,847,532	739,987	862,097	1,545,489	-	12,989,427
Inter-segment revenue	62,297	152,082	15,294	19,032	22,644	(271,349)	-
Total revenue	**8,056,619**	**1,999,614**	**755,281**	**881,129**	**1,568,133**	**(271,349)**	**12,989,427**
Segment result	**3,639,608**	**686,329**	**135,282**	**44,052**	**262,918**	**-**	**4,768,189**
Federal royalty							(1,586,952)
Finance and other income							384,712
Finance and other costs							(543,563)
Profit before tax							**3,022,386**
Income tax expenses							(398,692)
Profit for the period from continuing operations							**2,623,694**
Total assets at 31 March 2019	69,064,727	31,706,575	8,612,112	15,615,976	17,875,683	(12,252,433)	130,622,640
Three months ended 31 March 2018							
Revenue							
External revenue	7,921,229	1,845,457	646,865	984,376	1,706,425	-	13,104,352
Inter-segment revenue	75,395	172,616	16,234	13,560	24,472	(302,277)	-
Total revenue	**7,996,624**	**2,018,073**	**663,099**	**997,936**	**1,730,897**	**(302,277)**	**13,104,352**
Segment result	**3,448,959**	**632,513**	**127,558**	**4,184**	**350,087**	**-**	**4,563,301**
Federal royalty							(1,557,160)
Finance and other income							175,859
Finance and other costs							(301,921)
Profit before tax							**2,880,079**
Taxation							(336,364)
Profit for the period from continuing operations							**2,543,715**
Total assets at 31 December 2018	65,450,579	32,135,766	7,788,373	15,321,610	17,319,091	(12,772,265)	125,243,154

Breakdown of external revenue;

The following is an analysis of the Group's external revenue

	UAE	Morocco	Egypt	Pakistan	Others	Eliminations	Consolidated
Three months ended 31 March 2019							
Mobile	3,052,212	1,061,748	641,813	369,797	1,390,555	-	6,516,125
Fixed	2,867,952	650,016	33,724	383,167	125,265	-	4,060,124
Equipment	562,432	58,522	21,443	3,499	3,852	-	649,748
Others	1,511,726	77,246	43,007	105,634	25,817	-	1,763,430
Total	**7,994,322**	**1,847,532**	**739,987**	**862,097**	**1,545,489**	**-**	**12,989,427**
Three months ended 31 March 2018							
Mobile	3,178,643	1,061,525	547,743	381,017	1,539,715		6,708,643
Fixed	2,748,068	666,144	28,576	484,858	131,517		4,059,163
Equipment	520,992	37,712	12,856	5,909	10,544		588,013
Others	1,473,526	80,076	57,690	112,592	24,649		1,748,533
Total	**7,921,229**	**1,845,457**	**646,865**	**984,376**	**1,706,425**		**13,104,352**

5. Operating expenses and federal royalty

a) Operating expenses

	Note	Three months ended 31 March 2019 AED'000	2018 AED'000
Direct cost of sales		3,130,992	3,206,696
Staff costs		1,246,661	1,239,956
Depreciation		1,367,658	1,403,044
Network and other related costs		619,342	623,559
Amortisation		486,430	398,653
Regulatory expenses	(i)	335,988	322,502
Marketing expenses		215,232	202,575
Consultancy cost		207,799	189,256
Operating lease rentals		3,303	96,106
IT costs		94,088	90,646
Foreign exchange loss		33,440	48,159
Net hedge ineffectiveness on net investment hedges		(49,244)	40,813
Other operating expenses		309,313	306,651
Operating expenses (before federal royalty)		**8,001,002**	**8,168,616**

i) Regulatory expenses:

Regulatory expenses include ICT fund contributions required to be paid by the Company to the UAE Telecommunications Regulatory Authority (TRA) at 1% of its net regulated revenue annually.

b) Federal royalty

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

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

On 25 February 2015, the UAE Ministry of Finance ("MOF"') issued revised guidelines (which were received by the Company on 1 March 2015) for the computation of federal royalty for the financial years ended 31 December 2014, 2015 and 2016 ("the Guidelines"). In accordance with the Guidelines, the royalty rate for 2016 was reduced to 30% of net profit after deduction of the 15% royalty fee on the UAE regulated revenues.

On 20 February 2017, the UAE Ministry of Finance announced the federal royalty scheme to be applied on the Group for the periods 2017 to 2021 ("the new royalty scheme"). According to the new royalty scheme, the Group will pay 15% royalty fees on the UAE regulated revenue and 30% royalty fees on profit generated from regulated services after deduction of the 15% royalty fees on the UAE regulated revenue. Royalty fees on profits from international operations shall be considered only if similar fees paid in the country of origin are less than the fees that could have been imposed in the UAE. The mechanism for the computation of federal royalty payable for the period ended 31 March 2019 was in accordance with the new royalty scheme.

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

6. Share of results of associates and joint ventures

a) Further to the announcement on 26th April 2018, Etisalat Group has completed the sale of its 28.04% direct shareholding in Thuraya to Star Satellite Communication Company PJSC, an SPV owned by Al Yah Satellite Communications Company ("Yahsat") on 1st August 2018 after securing all regulatory approvals and Yashat's condition of acquiring at least 75.001% ownership in Thuraya.

b) On 1 May 2018, Etisalat Group completed the acquisition of additional 35% stake in Ubiquitous Telecommunications Technology LLC ("UTT") which was a joint venture. Accordingly, the share of results of UTT have been recognised until 30 April 2018 only and thereafter UTT has been consolidated as a subsidiary.

c) During the previous year, the 15 % stake in Hutch has been classified as investment in associate on account of the significant influence Etisalat Group has over the financial and operational decisions making through its voting rights in Board meetings of Hutch.

d) On 23 September, 2018, Etisalat Group has entered into an agreement with Noor Bank PJSC for establishment of "Digital Financial Services LLC (DFS)", that will perform digital wallet services. Under this arrangement, Etisalat Group and Noor Bank PJSC are the owners of 49.99% and 50.01% respective shareholding in DFS. In accordance with the requirements of IAS 28 and based on review of the relevant agreements, it has been determined that Etisalat Group has significant influence over DFS. Accordingly, the shareholding in DFS has been classified as investment in associate.

7. Dividends

Amounts recognised as distribution to equity holders:	AED'000
Three months ended 31 March 2019	
Final dividend for the year ended 31 December 2018 of AED 0.40 per share	3,477,198
Three months ended 31 March 2018	
Final dividend for the year ended 31 December 2017 of AED 0.40 per share	3,477,198

8. Earnings per share

	Three months ended 31 March	
	2019	**2018**
Earnings (AED'000)		
Earnings for the purposes of basic earnings per share being the profit attributable to the equity holders of the Company	2,212,044	2,112,278
Number of shares ('000)		
Weighted average number of ordinary shares for the purposes of basic earnings per share	8,696,754	8,696,754
Earnings per share		
From continuing and discontinued operations		
Basic and diluted	AED 0.25	AED 0.24
From continuing operations		
Basic and diluted	AED 0.25	AED 0.25

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

9. Goodwill

The movement in the Goodwill is provided below:	31 March 2019	31 December 2018
	AED'000	AED'000
Opening balance	13,713,702	14,803,324
Exchange difference	(146,536)	(1,089,622)
Closing balance	13,567,166	13,713,702

10. Intangible assets

The movement in other intangible assets is provided below:	31 March 2019 AED'000	31 December 2018 AED'000
Opening balance	**13,908,390**	**14,768,355**
Additions	747,994	1,081,718
Transfer	-	5,130
Acquisition of a subsidiary	-	153,630
Disposals	355	(1,468)
Amortisation and impairment losses	(384,160)	(1,565,444)
Exchange difference	6,408	(533,531)
Closing balance	**14,278,987**	**13,908,390**

11. Property, plant and equipment

	31 March 2019 AED'000	31 December 2018 AED'000
Opening balance	**43,242,703**	**44,335,904**
Additions	838,172	7,297,816
Transfer to intangible assets	-	(13,994)
Transfer from investment property	-	6,808
Disposals	(4,512)	(103,688)
Depreciation	(1,363,760)	(5,640,437)
Impairment losses	(255)	(70,101)
Exchange difference	(129,124)	(2,569,605)
Closing balance	**42,583,224**	**43,242,703**

12. Trade and other receivables

	31 March 2019 AED'000	31 December 2018 AED'000
Amount receivable for services rendered	10,560,724	10,313,677
Amounts due from other telecommunication operators/carriers	4,070,663	4,314,879
Total gross carrying amount	**14,631,387**	**14,628,556**
Lifetime expected credit loss	(2,917,546)	(2,764,488)
Net trade receivables	**11,713,841**	**11,864,068**
Prepayments	1,042,678	839,703
Accrued income	1,067,982	794,418
Advances to suppliers	1,159,728	1,142,309
Indirect taxes receivable	328,617	350,141
Other receivables	1,339,635	1,202,737
Net trade and other receivables	**16,652,481**	**16,193,376**
Total trade and other receivables	**16,652,481**	**16,193,376**
of which current trade and other receivables	16,334,403	15,884,208
of which non-current other receivables	318,078	309,168

13. Cash and cash equivalents

	31 March 2019 AED'000	31 December 2018 AED'000
Maintained in UAE	29,896,570	26,615,135
Maintained overseas, unrestricted in use	1,463,134	1,716,404
Maintained overseas, restricted in use	13,641	29,592
Cash and bank balances	**31,373,345**	**28,361,131**
Less: Deposits with maturities exceeding three months from the date of deposit	(9,453,462)	(17,542,123)
Cash and cash equivalents from continuing operations	**21,919,883**	**10,819,008**

Cash and cash equivalents comprise cash on hand and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. These are denominated primarily in UAE Dirham, with financial institutions and banks. Interest is earned on these investments at prevailing market rates. The carrying amount of these assets approximates to their fair value.

14. Trade and other payables

	31 March 2019 AED'000	31 December 2018 AED'000
Current		
Federal royalty	7,177,254	5,588,879
Trade payables	6,725,033	6,798,211
Amounts due from other telecommunication operators/carriers	3,526,951	3,836,225
Accruals	7,422,813	8,117,559
Indirect taxes payable	1,353,799	1,370,507
Advances from customers	388,840	436,870
Deferred revenue	485,023	331,289
Other payables and accruals	6,149,954	2,148,902
	32,744,644	**28,297,153**
Non-current		
Other payables	1,360,802	1,523,739
	1,360,802	**1,523,739**

15. Contingent liabilities

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

ii) In 2010, Pakistan Telecommunication Employees Trust ("PTET") board approved the pension increase which was less than the increase notified by the Government of Pakistan ("GoP"). Thereafter, pensioners filed several Writ Petitions. After a series of hearings, on 12 June 2015 the Apex Court decided the case in the interest of pensioners.

On 13 July 2015, Review Petition was filed in Supreme Court of Pakistan against the Judgment of 12 June 2015.

The Honorable Supreme Court of Pakistan (Apex Court) disposed the Review Petitions filed by PTCL, the Pakistan Telecommunication Employees Trust (PTET) and the Federal Government (collectively, the Review Petitioners) vide the order dated 17th May 2017. Through the said order, the Apex Court directed the Review Petitioners to seek remedy under section 12(2), CPC (Civil Procedure Code) which shall be decided by the concerned Court in accordance with the law, and to pursue all grounds of law and fact in other cases pending before High Courts. The Review Petitioners have filed the applications under section 12(2) CPC before respective High Courts. However, PTET has implemented the Apex court decision dated 12 June 2015 to the extent of 343 pensioners who were the petitioners in the main case. Some of the interveners (pensioners) seeking the same relief as allowed vide order dated 12 June 2015 have been directed by the Apex Court to approach the appropriate forum on 10 May 2018. Under the circumstances, management of PTCL, on the basis of legal advice believes that PTCL's obligations against benefits is restricted to the extent of pension increases as determined solely by the Board of Trustees of the PTET in accordance with the Pakistan Telecommunications (Re-Organization) Act, 1996 and the Pension Trust rules of 2012 and accordingly, no provision has been recognized in these condensed consolidated interim financial statements.

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

Multiple lawsuits were filed by Mobily against CITC at the Board of Grievances in order to oppose to such resolutions of the CITC's violation committee in accordance with the Telecom Status and its regulations, as follows:

• There are (808) lawsuits filed by the Mobily against CITC amounting to AED 693 million as of 31 March 2019.
• The Board of Grievance has issued (210) verdicts in favor of Mobily voiding (210) resolutions of the CITC's violation committee with a total penalties amounting to AED 495 million as of 31 March 2019.
• Some of these preliminary verdicts have become conclusive (after they were affirmed by the appeal court) cancelling penalties with a total amounting to AED 467 million as of 31 March 2019.

15. Contingent liabilities *(continued)*

In addition, there are (11) legal cases filed by Mobily against CITC in relation to the mechanism of calculating the governmental fees. On 15 December 2018, Mobily entered into an agreement with the Saudi Ministry of Finance, the Saudi Ministry of Telecommunications and Information Technology and CITC to settle all the old disputes in connection with governmental fees up to 31 December 2017 and to define a new investment framework for the development of its telecommunication infrastructure. As a result of this settlement, all provisions related to the legal cases in connection with the mechanism of calculating the governmental fees have been reversed.

Furthermore, there are 182 lawsuits filed by some of the shareholders against Mobily before the Committee for the Resolutions of Security Disputes and still being adjudicated by such committee. Mobily has received (5) preliminary verdicts and (151) final verdicts in its favor in these lawsuits and (11) cases have been dismissed, one (1) case is maintained and (2) cases have been abandoned whilst (12) cases are on-going as of 31 March 2019.

The Saudi Capital Market Authority the ("CMA") had previously launched claims against the 2013/2014 members of the Board of Mobily ("Defendants") in January 2016. Pursuant to these proceedings, the CRSD Appellate Bench upheld three of the seven claims brought up by the CMA and the Defendants have each been issued with a regulatory fine in respect of such finding.

In parallel with the CMA claim, various shareholder claims (75) totaling AED 1.64 billion have been made against the Defendants and others, and these have been filed with the CRSD. These proceedings were suspended by the CRSD whilst the CMA claim was being pursued but the suspensions have since been lifted. Proceedings are currently at the procedural stage of the hearings and it is not possible at this stage to estimate the financial exposure, if any, flowing from the reactivation of the hearings.

iv) In the prior years, Atlantique Telecom SA, a subsidiary of the Group ("AT"), has been engaged in arbitration proceedings against SARCI Sarl ("SARCI"), a minority shareholder of one of its subsidiaries, Telecel Benin where SARCI was seeking compensation for alleged damages caused to Telecel Benin by AT during the period from 2002 till 2007. Two arbitration proceedings on the same issue had been cancelled upon AT's request in 2008 and 2013. In November 2015, the Arbitral Tribunal of a third proceeding launched in 2013 has awarded SARCI damages amounting to approximately EURO 416 million (AED 1.6 billion). On May 30, 2018, the Court of Appeal of Cotonou has annulled the November 2015 award. AT has notified SARCI with the Appeal Court decision on 16 August 2018. SARCI has appealed the Cotou Court of Appeal's decision to the Ohada Supreme Court (CCJA – Cour Commune de Justice et d'Arbitrage) which is the last possible appeal, where the matter has been pending since October 2018. The Execution proceedings against AT that were initiated by SARCI in Benin and other countries are being progressively cancelled.

16. Capital Commitments

The Group has approved future capital projects and investment commitments to the extent of AED 5,663 million (2018: AED 5,240 million). The Group has issued letters of credit amounting to AED 403 million (2018: AED 487 million).

17. Related party transactions

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

a) Federal Government and state controlled entities

As stated in Note 1, in accordance with Federal Law No. 267/10 for 2009, the Federal Government of the UAE transferred its 60% holding in the Company to the Emirates Investment Authority with effect from 1 January 2008, which is ultimately controlled by the UAE Federal Government. The Group provides telecommunication services to the Federal Government (including Ministries and local bodies). These transactions are at agreed terms. The principal management and other services provided to the Group's associates are set out below based on agreed contractual terms and conditions.The credit period allowed to Government customers ranges from 90 to 120 days. Trade receivables include an amount of AED 1,536 million (2018: AED 1,462 million), which are net of allowance for doubtful debts of AED 147 million (2018: AED 202 million), receivable from Federal Ministries and local bodies. See Note 5 for disclosure of the royalty payable to the Federal Government of the UAE.

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

b) Joint ventures and associates	**Associates**		**Joint Ventures**	
	2019	**2018**	**2019**	**2018**
	AED '000	**AED '000**	**AED '000**	**AED '000**
Trading transactions for the three months ended 31 March				
Telecommunication services – sales	95,747	52,884	-	-
Telecommunication services – purchases	26,516	29,011	4,714	-
Management and other services	140	14,046	-	446
Due from related parties as at 31 March 2019 / 31 December 2018	59,619	62,820	61,388	57,586
Due to related parties as at 31 March 2019 / 31 December 2018	-	-	6,200	1,737

17. Related party transactions *(continued)*

b) Joint ventures and associates *(continued)*

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

The principal management and other services provided to the Group's associates are set out below based on agreed contractual terms and conditions.

i. Etihad Etisalat Company

Pursuant to the Communications and Information Technology Commission's (CITC) licensing requirements, Mobily entered into a management agreement ("the Agreement") with the Company as its operator from 23 December 2004. Amounts invoiced by the Company relate to annual management fees, fees for staff secondments and other services provided under the Agreement. The term of the Agreement was for a period of seven years and could be automatically renewed for successive periods of five years unless the Company served a 12 month notice of termination or Mobily served a 6 month notice of termination prior to the expiry of the applicable period.

ii Thuraya Telecommunications Company PJSC

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

The stake in Thuraya has been disposed of in August 2018.

18. Borrowings

	Carrying Amounts	
	31 March 2019	31 December 2018
	AED'000	AED'000
Bank borrowings		
Bank overdrafts	3,785,878	3,895,830
Bank loans	3,835,700	3,523,136
Other borrowings		
Bonds	14,924,067	15,112,449
Vendor financing	479,756	445,137
Others	4,436	4,261
	23,029,837	**22,980,813**
Advances from non-controlling interest	544,846	544,847
Total Borrowings	**23,574,683**	**23,525,660**
of which due within 12 months	8,360,019	8,552,469
of which due after 12 months	15,214,664	14,973,191

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

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

The Group has listed a USD 7 billion (AED 25.7 billion) medium-term note programme which will be used to meet medium to long-term funding requirements. In 2014, the Group issued the inaugural bonds under the GMTN programme in USD and Euro tranches amounting to USD 1 billion and Euro 2.4 billion in total, respectively. Further, in May 2015, the Group issued additional bonds amounting to USD 400 million under the existing USD 5 year tranches. As at 31 March 2019, the total amounts in issue under this programme split by currency are USD 1.4 billion (AED 5.14 billion) and Euro 2.4 billion (AED 9.9 billion) as follows:

	Nominal Value	Fair Value	Carrying Value
	2019	2019	2019
	AED'000	AED'000	AED'000
Bonds			
2.375% US Dollar 900 million notes due 2019	3,305,250	3,297,648	3,305,240
3.500% US Dollar 500 million notes due 2024	1,836,250	1,845,688	1,821,816
Bonds in net investment hedge relationship			
1.750% Euro 1,200 million notes due 2021	4,948,906	5,135,974	4,919,596
2.750% Euro 1,200 million notes due 2026	4,948,906	5,506,004	4,877,415
At 31 March	**15,039,312**	**15,785,314**	**14,924,067**
of which due within 12 months			3,305,240
of which due after 12 months			11,618,827

18. Borrowings *(continued)*

	Nominal Value	Fair Value	Carrying Value
	2018	2018	2018
	AED'000	AED'000	AED'000
Bonds			
2.375% US Dollar 900 million notes due 2019	3,306,600	3,287,071	3,305,240
3.500% US Dollar 500 million notes due 2024	1,837,000	1,796,367	1,821,816
Bonds in net investment hedge relationship			
1.750% Euro 1,200 million notes due 2021	5,263,680	5,218,187	5,014,193
2.750% Euro 1,200 million notes due 2026	5,263,680	5,469,835	4,971,200
At 31 December	**15,670,960**	**15,771,460**	**15,112,449**
of which due within 12 months			3,305,240
of which due after 12 months			11,807,209

During the period, the Group signed a facility agreement with a bank for an amount of US$ 725 million towards general corporate and working capital purposes (including to refinance existing bonds of the Group maturing in June 2019). As of the date of authorization of these condensed consolidated interim financial information, the Group has not drawn any amount from this facility.

19. Net investment hedge relationships

The Group has Euro bonds (refer to note 18) and cross currency swaps which are designated as net investment hedges.

	Three months ended 31 March	
	2019	2018
	AED'000	AED'000
Effective part directly recognised in other comprehensive income / (loss)	**138,905**	**(284,081)**

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

	31 March 2019	31 December 2018
	AED'000	AED'000
Fair value of forward contracts and options (derivative financial liabilities/derivative financial assets)	(57,842)	(20,632)
Fair value of interest rate swaps (derivative financial assets/derivative financial liabilities)	(1,728)	1,011
Fair value of derivative swaps (derivative financial liabilities)	(17,765)	(40,005)

20.Disposal Group held for sale / Discontinued operations

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

20.1 Analysis of loss for the period from discontinued operations	Three months ended 31 March
	2018
	AED'000
Revenue	48,738
Operating expenses	(80,310)
Share of results of associates and joint venture	877
Operating loss	**(30,695)**
Finance and other income	162
Finance costs	(3,413)
Loss for the period from discontinued operations	**(33,946)**

	Three months ended 31 March
	2018
Cash flows from discontinued operations	AED'000
Net cash inflows from operating activities	1,831
Net cash outflows from investing activities	(9,389)
Net cash outflows from financing activities	(99,051)
Net cash outflows	**(106,609)**

Cumulative income or expense recognised in other comprehensive income

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

21. Seasonality and cyclicality of interim operations

There are no items of seasonal or cyclical nature in the interim operations during the periods ended 31 March 2019 and 31 March 2018.

22. Fair value disclosures

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

23. Provision for end of service benefits

The movement in the provision for end of service benefits is provided below:

	31 March 2019 AED'000	31 December 2018 AED'000
Opening balances	**1,535,409**	**1,608,782**
Additions	50,095	336,518
Payments	(11,483)	(198,746)
Exchange difference	(7,721)	(174,227)
Unwinding of discounts	1,632	5,555
Remeasurement	(15,644)	(42,545)
Acquisition of UT Technology LLC ("UTT")	-	72
Closing balances	**1,552,288**	**1,535,409**

24. Right of use assets

	Land and buildings AED'000	Plant and equipment AED'000	Motor vehicles, computers, furniture AED'000	Total AED'000
Balance at 1 January 2019	**1,303,679**	**890,250**	**41,387**	**2,235,316**
Additions for the period	15,100	21,301	75,093	111,493
Disposals for the period	(12,139)	-	-	(12,139)
Depreciation for the year	(45,169)	(37,129)	(8,629)	(90,927)
Exchange difference	1,623	15,219	489	17,331
Balance at 31 March 2019	**1,263,094**	**889,641**	**108,340**	**2,261,076**

25. Lease liabilities

Details of the Group's lease liabilities are as follows:

	Carrying Value	
	2019 AED'000	2018 AED'000
Contractual undiscounted cash flow		
Within one year	536,667	2,000
Between 2 and 5 years	1,420,241	257
After 5 years	1,747,897	288
Total undiscounted lease liabilities	**3,704,805**	**2,545**
Lease liabilities included in the consolidated statement of financial position		
of which due within 12 months	297,928	1,993
of which due after 12 months	1,767,013	409

26. Share Capital

On 21 March 2018, the Etisalat Annual General Meeting approved the Company's buyback of its shares within a maximum of 5% of its paid-up capital, for the purpose of cancelling or re-selling such shares, after obtaining approval of competent authorities. The Company obtained the approval from the Securities and Commodities Authority on 24 September 2018 to buyback 5% of the subscribed shares which amounted to 434,837,700 shares. As at 31 March 2019, no buyback transaction had taken place.