Emirates Telecommunications Group Company PJSC 'Etisalat Group'

Earnings Release First Quarter 2017

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Financial Highlights for Q1 2017

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

Key Developments in Q1 2017

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

Statement from Saleh Al Abdooli, CEO of Etisalat Group

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

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

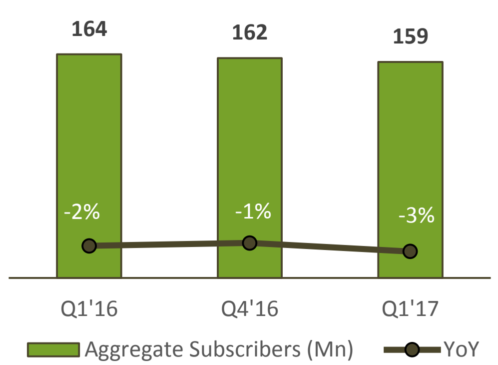
Stemming from this conviction, Etisalat has continued its efforts to align its business with the digital mandate it undertaken, by shifting the operating model, investing in future technologies, and by acquiring and disseminating digital capabilities across its operations.

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

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

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

Subscribers



Etisalat Group aggregate subscribers as at 31 March 2017 was 159 million reflecting a net loss of 4.9 million during the last 12 month period, due to subscriber disconnection in compliance with the regulatory mandated registration in various markets. However, we maintained strong subscriber growth in the UAE, Egypt, Morocco, Ivory Coast, Gabon, Togo, Niger and Afghanistan. Quarter over quarter subscriber declined by 2%.

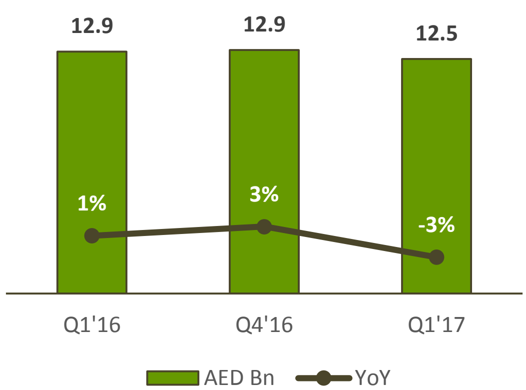
In the **UAE** the active subscriber base grew to 12.5 million subscribers in the first quarter of 2017 representing a year on year growth of 4% and quarter over quarter growth of 1%. Subscriber growth continued to be driven by strong performance of mobile and eLife segments. The mobile subscriber base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

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

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

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

Revenue



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

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

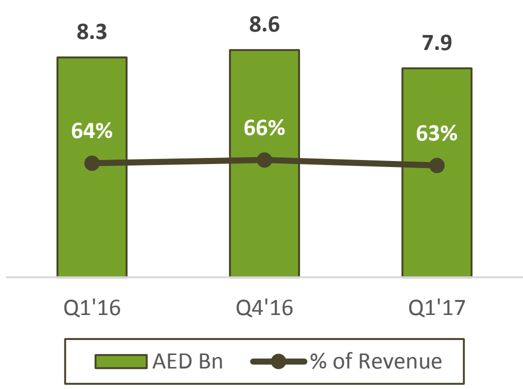
Revenues of **International consolidated operations** for the first quarter of 2017 decreased year over year by 14% to AED 4.7 billion negatively impacted by the unfavourable exchange rate movements that continued to impact the financial performance of the countries of operations such as Egypt in addition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

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

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

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

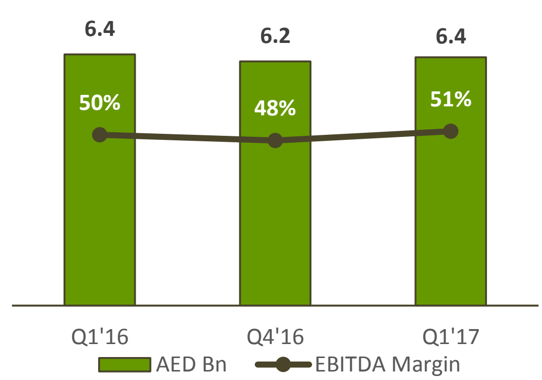
Operating Expenses



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

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

EBITDA



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

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

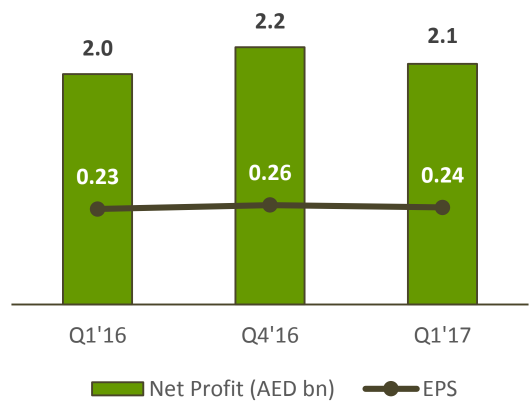
EBITDA of **International** consolidated operations decreased year over year by 9% to AED 2.1 billion in the first quarter, resulting in a 34% contribution to Group consolidated EBITDA. This decrease is attributed to unfavorable movement in the Egyptian Pound against Dirham and competitiveness of the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

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

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

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

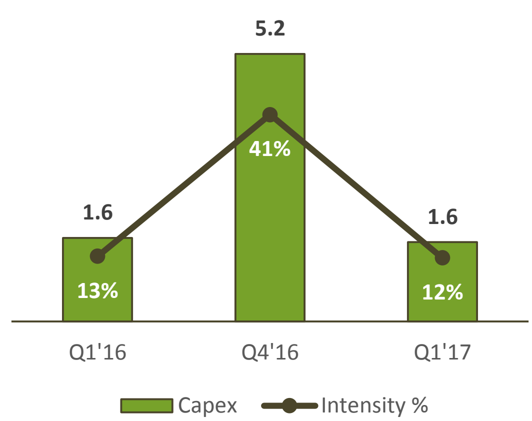
Net Profit & EPS



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

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

Capex



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

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

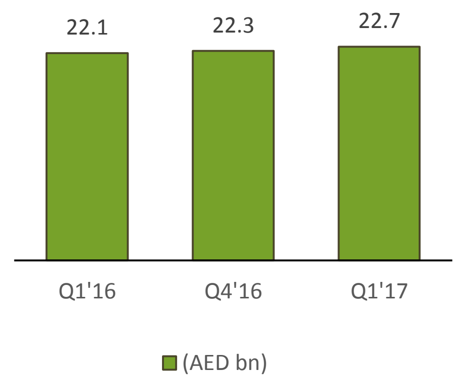
Capital expenditures in consolidated **international operations** in the first quarter of 2017 decreased by 23% to AED 0.9 billion compared to the same period last year and represented 57% of total Group capital expenditure.

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

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

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

Debt



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

As at 31 March 2017, the total amounts issued under the global medium term note (GMTN) programme split by currency are US$ 1.4 billion and Euro 2.4 billion, representing a total amount of AED 14.4 billion.

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

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

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

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

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

Profit & Loss Summary

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

Balance Sheet Summary

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

Cash Flow Summary

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

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

Reconciliation of non-IFRS Financial Measurements

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

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

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

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

Disclaimer

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About Etisalat Group

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

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

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