etisalat

EMIRATES TELECOMMUNICATIONS
GROUP COMPANY PJSC
'ETISALAT GROUP'

EARNINGS RELEASE 1ST QUARTER 2019

23 APRIL 2019

INVESTOR RELATIONS
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FINANCIAL HIGHLIGHTS FOR Q1 2019

- Aggregate subscriber base reached 143 million, representing a year over year increase of 2%;
- Consolidated revenue amounted to AED 13.0 billion, representing a decrease of 1% year over year. At constant exchange rates, revenue increased year over year by 2%;
- Consolidated EBITDA totaled AED 6.6 billion, representing an increase of 2% year over year and resulting in EBITDA margin of 51%, 1 percentage point higher than prior year. At constant exchange rates, EBITDA increased year over year by 4%;
- Consolidated net profit after Federal Royalty amounted to AED 2.2 billion, representing an increase of 5% year over year and resulting in a net profit margin of 17%, 1 percentage point higher than prior year; and
- Consolidated capital spending increased by 23% to AED 1.6 billion, representing 12% of the consolidated revenues.

KEY DEVELOPMENTS IN Q1 2019

- Etisalat Group shareholders approved Board's recommendations to distribute a full year cash dividend of 80 fils per share for the fiscal year 2018 and lifting restrictions on foreign shareholders' voting right at the Company General Assembly Meeting held on 20 March 2019.
- Etisalat achieved 'The Most Valuable Telecoms Brand' in MENA by Brand Finance.
- UAE is ranked as a global leader in Fiber to the Home (FTTH) penetration for a third year in a row, according to the leading industry body FTTH Council.
- Maroc Telecom signed an agreement with Millicom to acquire Tigo Chad, subject to securing approval of the authorities in Chad.
- Maroc Telecom granted a unified mobile license for MAD 1.3 billion in Burkina Faso.
- Etisalat's innovation programme 'Future Now' signed agreements with four scaleups to develop Artificial Intelligence and Blockchain solutions.
- Etisalat collaborates with 'Abu Dhabi Smart Solutions and Services Authority' to digitise government services through its platform 'TAMM'.
- Etisalat unveiled Robotic Centre of Excellence to deliver automated solutions for greater customer satisfaction.

STATEMENT FROM SALEH AL ABDOOLI, CEO OF ETISALAT GROUP

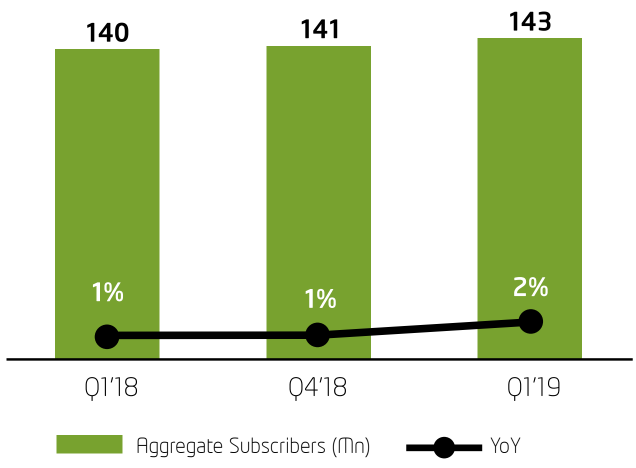
Engineer Saleh Abdullah Al Abdooli, Chief Executive Officer, Etisalat Group said: "Etisalat's solid performance of the first quarter is a promising start for 2019, an extension for our achievements of last year, and a testimony to the efforts in realising our vision and ambitions toward "Driving the digital future to empower societies".

"Etisalat achieved the most valuable telecom brand in the MENA region, yet another significant milestone attributed to our digital efforts. Etisalat infrastructure continues to play a key role in our goal to bring-in full scale digital transformation. The consistent efforts and investment in our network has helped position the UAE as a global leader in FTTH penetration among all its international counterparts for a third year in a row".

"Etisalat will continue its endeavour towards network modernisation and investment in future technologies such IoT and AI powered by our pioneering deployment of 5G network which will enable the company to address its growing customer and business aspirations with innovative services and solutions. We are confident that 5G will bring a wealth of opportunities in the socio-economic development of the UAE.

Etisalat is also thankful to the vision of our wise leadership in the UAE in positioning the country among the most digitally advanced globally, inspiring us to deliver world-class networks and innovative services. We extend appreciation to our shareholders and loyal customers, to whom we owe more success and greater achievements."

SUBSCRIBERS



Etisalat Group aggregate subscribers as at 31 March 2019 was 143 million reflecting a net addition of 2.2 million during the last 12 month period, due to strong subscriber growth in the Morocco, Pakistan, Saudi Arabia, Mauritania, Burkina Faso, Ivory Coast, Togo and Niger. Quarter over quarter subscriber base increased by 1%.

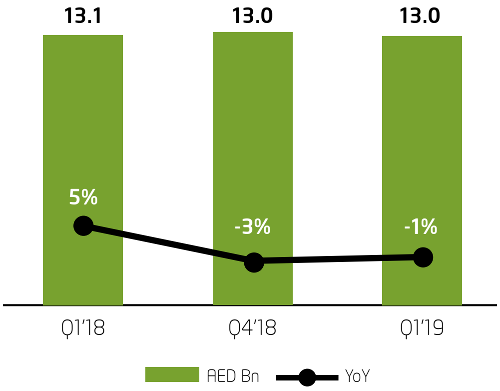
In the UAE, the subscriber base dropped to 12.6 million subscribers in the first quarter of 2019 representing a year on year decline of 3% while quarter over quarter remained stable. The mobile subscriber base declined year on year by 3% to 10.7 million subscribers representing a net reduction of 0.3 million subscribers, of which 0.5 million was prepaid while the postpaid segment increased by 0.1 million. eLife segment continued to drive consistent growth with 4% year on year increase to over 1.0 million subscribers. Total broadband segment grew by 2% year on year to 1.2 million subscribers.

For Maroc Telecom, the subscriber base reached 61.5 million subscribers as at 31 March 2019, representing a year over year growth of 5%. This growth is mainly attributable to the operations in Morocco, Mauritania, Burkina Faso, Ivory Coast, Togo and Niger.

In Egypt, subscriber base decreased by 9% year over year and by 1% quarter over quarter to 27.1 million mainly due to the regulatory restrictions on subscriber acquisitions through direct channels.

In Pakistan, subscriber base increased by 9% year over year and 3% quarter over quarter to 24.9 million. This increase is attributed to the mobile segment.

REVENUE



Etisalat Group's consolidated revenue for the first quarter of 2019 amounted to AED 13.0 billion, representing a decrease of 1% in comparison to the same period last year and remained stable quarter over quarter. The year over year performance was impacted by unfavourable exchange rate movements in the Pakistani Rupee and Moroccan Dirham against the AED. At constant exchange rates, revenue increased year over year by 2%.

In the UAE, revenue in the first quarter increased year on year by 1% to AED 7.9 billion mostly attributed to growth in mobile postpaid, internet, broadcast television, digital services, wholesale revenue and handset sales. Quarter over quarter revenue remained stable due to high promotional activities.

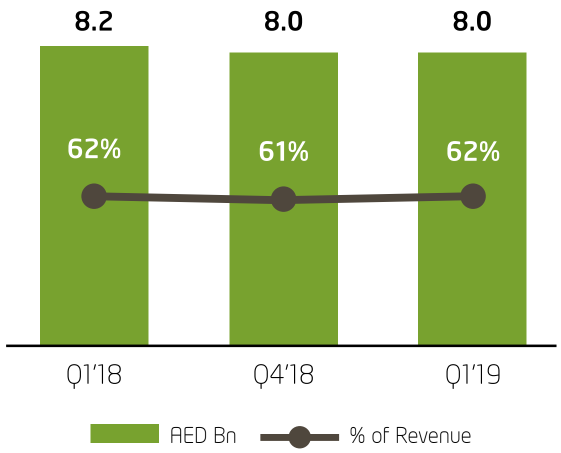
Revenues of International consolidated operations for the first quarter of 2019 decreased year over year by 4% to AED 5.0 billion. This is mainly due to unfavourable exchange rate movements in Pakistani Rupee and Moroccan Dirham as well as a more competitive environment in the international operations of Maroc Telecom Group. At constant exchange rates, revenues from International operations grew year over year by 3%. Revenues from International operations represented 39% of Group consolidated revenue.

Maroc Telecom consolidated revenue for the first quarter of 2019 amounted to AED 3.3 billion representing a year over year decrease of 4% mostly attributed to currency devaluation. In Moroccan Dirham revenue decreased year over year by 0.5%. In Morocco, revenue increased year over year in local currency by 2% attributed to 3% growth in mobile segment and 2% growth in the fixed segment. This growth attributed to the increase in subscriber base and strong growth in mobile and fixed data. Revenue from international operations decreased year over year by 5% in Moroccan Dirham, resulting in 44% contribution to Maroc Telecom Group's consolidated revenue. This decline is attributed to increased competitiveness, lower mobile termination rates and lower incoming international traffic.

In Egypt, revenue for the first quarter of 2019 was AED 0.8 billion, an increase of 14% year on year and 3% quarter over quarter. First quarter year on year growth is attributed to mobile data and voice revenue in the postpaid segment as well as increased international incoming call rates and national roaming.

In Pakistan, revenue for the first quarter decreased by 12% to AED 0.9 billion as compared to the same period in 2018 and decreased by 2% as compared to the previous quarter. Revenue growth is impacted by unfavourable exchange rate movements of Pakistani Rupee against AED. In local currency, revenue growth for the quarter is 11% mainly attributed to mobile segment that grew by 22% driven by an increase in subscriber base and increase in ARPU in addition to revenue growth in fixed broadband, corporate segment and Ubank.

OPERATING EXPENSES



Etisalat Group has adopted "IFRS 16 Leases" using the modified retrospective approach effective from 1 January 2019 and accordingly the comparative figures have not been restated. Further details about Etisalat's accounting treatment under IFRS 16 is included in the significant Accounting Policy section of the financial report.

Consolidated operating expenses for the first quarter of 2019 was AED 8.0 billion, a decrease of 2% from the same quarter of the previous year and remained stable compared to the fourth quarter of 2018. The year over year decrease is attributed to lower cost of sales, lower depreciation expenses, lower operating lease rentals, and realizing foreign exchange gain as compared to foreign exchange loss in prior period. Key components of operating expenses are:

- Direct cost of Sales decreased year over year by 2% to AED 3.1 billion in the first quarter of 2019, while increased by 2% quarter over quarter. As a percentage of revenue, direct cost of sales remained flat at 24% in the first quarter.

- Staff expenses increased by 1% to AED 1.2 billion for the first quarter of 2019 as compared to the same period of last year and by 6% quarter over quarter. As a percentage of revenue, staff costs remained flat at 10% in the first quarter.

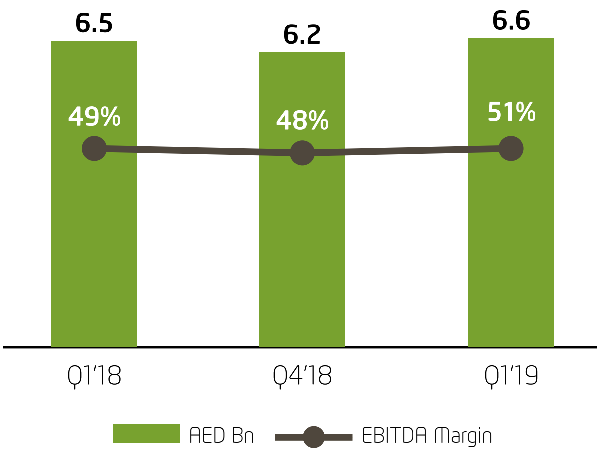
- Depreciation and Amortization expenses increased year over year by 3% to AED 1.9 billion in the first quarter of 2019 as compared to the same period in 2018, and increased quarter over quarter by 2%. As a percentage of revenue, depreciation and amortization expenses increased by 1 percentage point to 14% in the first quarter and remained flat compared to the fourth quarter of 2018.

- Network costs decreased by 1% to AED 0.6 billion in the first quarter of 2019 as compared to the same period in 2019 and decreased by 6% as compared to the fourth quarter of 2018. As a percentage of revenue, network costs represented 5% of revenue, similar to first quarter and fourth quarter of the prior year.

- Marketing expenses increased by 6% to AED 0.2 billion in the first quarter of 2019 as compared to the same period in 2018 and decreased by 26% in comparison to the fourth quarter of 2018. Marketing expenses represented 2% of the first quarter revenue, similar to first quarter and 1 percentage point lower than the fourth quarter of the prior year.

- Other operating expenses decreased by 22% year over year to AED 0.6 billion in the first quarter and declined by 5% quarter over quarter. This decline is mainly attributed to the adoption of IFRS 16 and incurring foreign exchange gain as compared to foreign exchange loss in prior period. Other operating expenses represented 5% of the quarter's revenue, 1 percentage point lower than the prior year and stable compared to the prior quarter.

EBITDA



Group Consolidated EBITDA for the first quarter of 2019 increased by 2% year on year and increased by 6% quarter on quarter to AED 6.6 billion, resulting in EBITDA margin of 51%, 1 percentage point higher than prior year and 3 percentage points higher than prior quarter. At constant exchange rates, EBITDA increased year over year by 4%. IFRS 16 positively impacted EBITDA by AED 133 million, representing 0.5 percentage point of EBITDA margin.

In the UAE, EBITDA in the first quarter of 2019 was AED 4.2 billion increasing year-over-year by 3% leading to an EBITDA margin of 53% in comparison to 52% in the previous year. EBITDA increased by 7% with EBITDA margin up by 3 percentage points in comparison to the fourth quarter of 2018. The year over year increase is mainly attributed to higher revenue, lower interconnection and termination costs, lower roaming costs and lower leases costs due to adoption of IFRS 16.

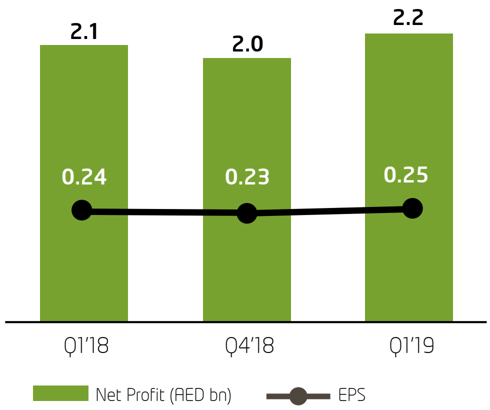
EBITDA of International consolidated operations remained stable year over year at AED 2.4 billion in the first quarter, resulting in a 36% contribution to Group consolidated EBITDA. At constant exchange rates, EBITDA from International operations grew year over year by 6%. EBITDA margin of international operations reached 48%, the highest quarter ever, representing an increase of 2 percentage points as compared with the first quarter and fourth quarter of 2018.

Maroc Telecom's consolidated EBITDA for the first quarter of 2019 amounted to AED 1.8 billion, resulting in EBITDA margin of 54%. In Moroccan Dirham, EBITDA in absolute terms increased by 3% due to growth in Morocco operations that grew by 7%. Growth in EBITDA is mainly attributed to higher revenues in Morocco, lower mobile termination rates in international subsidiaries and positive impact of IFRS 16.

In Egypt, EBITDA in the first quarter increased year on year by 14% to AED 0.3 billion and EBITDA margin remained stable at 40%. Quarter over quarter, EBITDA declined by 10% and EBITDA margin decreased by 6 points. The year over year performance is driven by enhanced revenue trend.

In Pakistan EBITDA in the first quarter of 2019 decreased year on year by 8% to AED 0.3 billion with EBITDA margin increasing by 2 percentage points to 35%. Quarter over quarter EBITDA increased by 12% and EBITDA margin by 5 percentage points. During the quarter, EBITDA was impacted by unfavourable exchange rate movements of Pakistani Rupee against AED. In local currency, EBITDA increased by 16% year on year attributed to mobile operation.

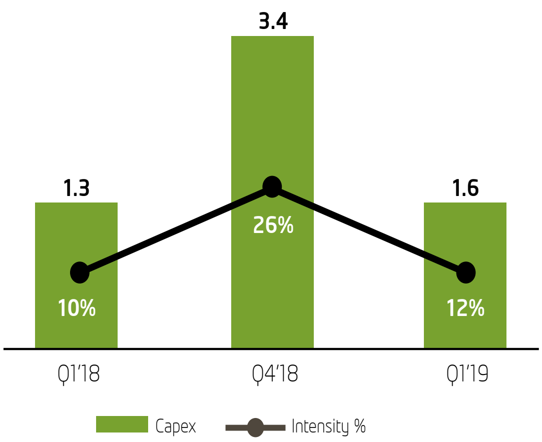
NET PROFIT & EPS



Consolidated net profit after Federal Royalty increased by 5% year on year and increased by 9% quarter on quarter to AED 2.2 billion in the first quarter of 2019 resulting in a profit margin of 17%, 1 percentage point higher than prior year. The first quarter net profit was positively impacted by higher EBITDA, incurring forex gain as compared to forex loss in prior period and lower loss from discontinued operations.

Earnings per share (EPS) amounted to AED 0.25 in the first quarter of 2019, an increase of 5% as compared to EPS of the same period of last year.

CAPEX



Consolidated capital expenditure increased year over year by 23% to AED 1.6 billion in the first quarter of 2019 resulting in a capital intensity ratio of 12%. This increase is attributed to continued investment in networks across all operations with a focus to provide customers with the best network experience. Excluding costs of the mobile unified license in Burkina Faso, capital expenditure decreased year over year by 17% to AED 1.1 billion with capital intensity ratio of 8%.

In the UAE, capital expenditure in the first quarter was mainly focused on network maintenance as well as building capabilities to support new revenue streams and increasing capacity. Capital expenditure during the quarter amounted to AED 0.4 billion, a 14% decrease in comparison to the same period last year. Capital intensity ratio was 5%, representing 1 percentage point lower than the same quarter of the prior year and 17 percentage points lower as compared to the fourth quarter of 2018.

Capital expenditures in consolidated international operations in the first quarter of 2019 increased by 44% to AED 1.2 billion compared to the same period last year and represented 73% of total Group capital expenditure.

In Maroc Telecom, capital expenditure for the first quarter increased by 42% year over year to AED 0.8 billion resulting in a capital intensity ratio of 26%. Excluding the cost of the mobile unified license acquired in Burkina Faso, capex decreased year over year by 44% and capital intensity ratio by 7 percentage points to 10%.

In Egypt capital expenditure for the first quarter increased by 69% year over year to AED 0.2 billion resulting in a capital intensity ratio of 22%, 7 percentage points higher than the same period of the prior year. Capital spending was mainly focused on 4G network deployment and capacity upgrade.

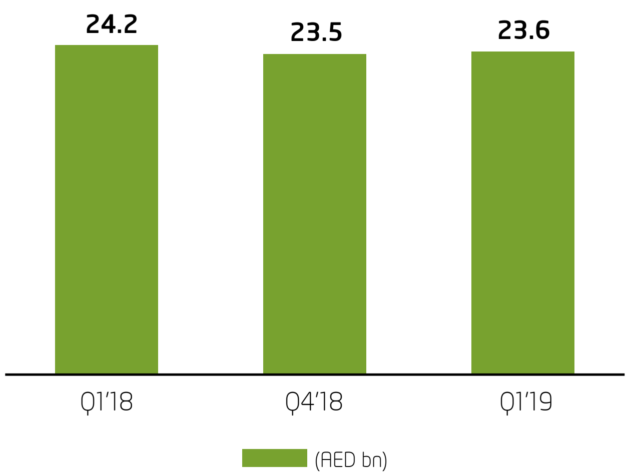
In Pakistan, capital expenditure for the first quarter increased by 30% year over year to AED 0.1 billion resulting in a capital intensity ratio of 15%, 5 percentage points higher than prior year. Capital spending mainly focused on network transformation of fixed network and coverage expansion of mobile network.

DEBT

Total consolidated debt amounted AED 23.6 billion as of 31 March 2019, as compared to AED 23.5 billion as at 31 December 2018; an increase of less than AED 0.1 billion.

Consolidated debt breakdown by operations as of 31 March 2019 is as following:

- Etisalat Group (AED 15.5 billion)
- Maroc Telecom (AED 5.2 billion)
- Etisalat Misr (AED 1.6 billion)
- PTCL Group (AED 1.3 billion)



More than 64% of the debt balance is of long-term maturity that is due beyond the first quarter of 2020.

Currency mix for external borrowings is 42% in Euros, 28% in US Dollars, 13% in MAD and 17% in various currencies.

Consolidated cash balance amounted to AED 31.4 billion as of 31 March 2019 leading to a net cash position of AED 7.8 billion.

PROFIT & LOSS SUMMARY

(AED m)	Q1'18	Q4'18	Q1'19	QoQ	YoY
Revenue	13,104	13,034	12,989	0%	-1%
EBITDA	6,479	6,222	6,617	+6%	+2%
EBITDA Margin	49%	48%	51%	+3pp	+1pp
Federal Royalty	(1,557)	(986)	(1,587)	+61%	+2%
Net Profit	2,112	2,021	2,212	+9%	+5%
Net Profit Margin	16%	16%	17%	+2pp	+1pp

BALANCE SHEET SUMMARY

(AED m)	December 2018	March 2019
Cash & Bank Balances	28,361	31,373
Total Assets	125,243	130,623
Total Debt	23,526	23,575
Net Cash / (Debt)	4,835	7,799
Total Equity	57,245	56,262

CASH FLOW SUMMARY

(AED m)	3M' 2018	3M' 2019
Operating	4,683	4,497
Investing	(1,093)	(1,357)
Financing	(4,835)	(197)
Net change in cash	(1,245)	2,943
Effect of FX rate changes	(130)	71
Reclassified as held for sales	(1)	(2)
Ending cash balance	25,748	31,373

	Average Rates			Closing Rates		
Foreign Exchange Rates	Q1'18	Q1'19	YOY	Q1'18	Q1'19	YOY
EGP - Egyptian Pound	0.2080	0.2085	0.25%	0.2080	0.2098	0.87%
SAR - Saudi Riyal	0.9794	0.9792	-0.02%	0.9794	0.9792	-0.02%
CFA - Central African Franc	0.0069	0.0064	-6.86%	0.0069	0.0064	-7.70%
PKR - Pakistani Rupee	0.0330	0.0263	-20.27%	0.0317	0.0262	-17.24%
AFA - Afghanistan Afghani	0.0531	0.0484	-8.74%	0.0528	0.0484	-8.26%
MAD - Moroccan Dirham	0.3978	0.3844	-3.37%	0.3992	0.3836	-3.90%

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)	Q1'18	Q4'18	Q1'19
EBITDA	6,479	6,222	6,617
Depreciation & Amortization	(1,802)	(1,822)	(1,854)
(Exchange Gain/ (Loss	(89)	214	16
Share of Associates and JV's results	(22)	24	(10)
Impairment and other losses	(3)	(52)	(1)
Operating Profit before Royalty	4,563	4,586	4,768

DISCLAIMER

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Where this Presentation contains summaries of documents, those summaries should not be relied upon and the actual documentation must be referred to for its full effect.

This Presentation includes certain "forward-looking statements". Such forward looking statements are not guarantees of future performance and involve risks of uncertainties. Actual results may differ materially from these forward looking statements.

ABOUT ETISALAT GROUP

Etisalat Group is an international, blue-chip organisation with operations in 15 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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