etisalat

EMIRATES TELECOMMUNICATIONS GROUP COMPANY PJSC 'ETISALAT GROUP'

EARNINGS RELEASE
SECOND QUARTER 2020

21 JULY 2020

INVESTOR RELATIONS
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FINANCIAL HIGHLIGHTS FOR H1 2020

- Aggregate subscriber base reached 146 million, representing a year over year increase of 2%;
- Consolidated revenues for the first half of 2020 amounted to AED 25.6 billion, representing a decrease of 1% year over year;
- Consolidated EBITDA for the first half of 2020 amounted to AED 13.2 billion, representing a decrease of 0.8% year over year and resulting in EBITDA margin of 52%, stable compared to prior year;
- Consolidated net profit after Federal Royalty amounted to AED 4.6 billion, representing a 3% increase year over year and resulting in a net profit margin of 18%;
- Consolidated capital spending decreased by 14% to AED 2.6 billion, representing 10% of the consolidated revenues;
- Operating free cash flow amounted to AED 10.6 billion, representing an increase of 3% year over year; and
- Etisalat Group's Board of Directors approved interim dividends of 40 fils per share for the first half of 2020.

FINANCIAL HIGHLIGHTS FOR Q2 2020

- Aggregate subscriber base reached 146 million, representing a year over year increase of 2%;
- Consolidated revenues for the second quarter amounted to AED 12.5 billion, representing a decrease of 3% year over year;
- Consolidated EBITDA for the second quarter amounted to AED 6.5 billion, representing a decrease of 3% year over year and resulting in EBITDA margin of 52%, stable compared to prior year;
- Consolidated net profit after Federal Royalty amounted to AED 2.4 billion, representing a 7% increase year over year and resulting in a net profit margin of 19%;
- Consolidated capital spending increased by 6% to AED 1.5 billion, representing 12% of the consolidated revenues; and
- Etisalat Group's Board of Directors proposed interim dividends payout of 15 fils per share for the second quarter of 2020.

KEY DEVELOPMENTS IN Q2 2020

- Credit Rating Agencies Standards & Poor's and Moody's affirmed Etisalat Group's high credit rating at AA-/Aa3 with stable outlook;

- Etisalat provided free mobile data to over 12,000 students in the UAE to access e-learning and enabled free browsing to over 800 websites related to education, health and safety to over 10 million mobile users in the country;

- Etisalat launched a state of the art Tier 3 data centre facility at two new locations in the UAE, expanding its SmartHub, to strengthen international connectivity links;

- Digital Financial Services, a joint venture between Etisalat and Noor Bank, partnered with MoneyGram to offer international remittance services in the UAE to over 200 countries;

- Etisalat and Dubai Police partnered for safety and coronavirus measures;

- Etisalat Digital and FAB launched contactless digital invoicing solution for SMEs;

- Maroc Telecom launched mobile payment system MT Cash, the company's latest challenge for a slice of Morocco's financial services sector;

- E-Vision and Etisalat Misr formed a strategic partnership to launch 'Etisalat TV' providing prepaid TV services; and

- Maroc Telecom donated MAD 1.5 billion to Morocco's anti-coronavirus fund

STATEMENT FROM H.E. OBAID HUMAID AL TAYER, CHAIRMAN OF ETISALAT GROUP

"Etisalat Group has delivered a good performance in the first half of 2020 considering the circumstances; the world is voyaging through unchartered waters and COVID-19 has affected all industries including the telecom sector. Etisalat managed to adapt, respond and demonstrate resilience as we ensured the delivery of uninterrupted services to our customers and had the privilege of supporting our society through various initiatives.

We are witnessing an opportunity to fast track digital transformation. The unconventional conditions have spurred the adoption of digital services, bridging a divide by changing customers' behaviour towards digital channels. Etisalat's innovative solutions have catered for the social distancing era, it has enabled remote working and education, it minimised human interactions and increased the pace of automation. Our infrastructure has accommodated the surge in requirements and is ready for more acceleration in digital adoption.

I would like to thank the UAE leadership for positioning the country as one of the most competitive nations globally. Despite the headwinds posed by today's extraordinary times we continue to pursue our digital goals to meet the distinctive needs of all customers. I would also like to extend appreciation to our shareholders and loyal customers for their sustained confidence during this period."

STATEMENT FROM HATEM DOWIDAR, ACTING CEO OF ETISALAT GROUP

"As we conclude the first half of the year, we pride ourselves with our ability to sustain shareholder value while ensuring the safety of our employees , the welfare of our customers, and the continuous support to the community. The group's financial performance is a testimony of the strong foundations Etisalat was built on and a reflection of a robust network playing a pivotal role in harnessing solutions and services enabling governments, industries and communities to accelerate digital transformation.

Today the digital revolution is in full force with businesses looking at every window of opportunity to transform their services and solutions. At Etisalat our focus to realise the vision and strategy of 'Driving the digital future to empower societies' supported customers during these unprecedented times by providing them a plethora of new innovative services and emerging technologies backed with resilient connectivity to mitigate the exponential spikes in the network.

Despite the global economic pressure, Etisalat is confidently moving forward and progressing positively in enabling societies across its operations. We will continue to focus on capitalising opportunities and enhancing overall customer experience while delivering long-term value for all our shareholders."

IMPACT OF COVID 19 PANDEMIC ON ETISALAT GROUP

We are witnessing unprecedented times that have severely impacted people's lives and the global economy. The current crisis has forced us to adapt rapidly to new realities and consider faster ways of working with customers, government authorities, vendors, and co-workers. We demonstrated resilience as we ensured the delivery of uninterrupted high quality services to our customers and furthermore contributed to supporting the societies in which we operate.

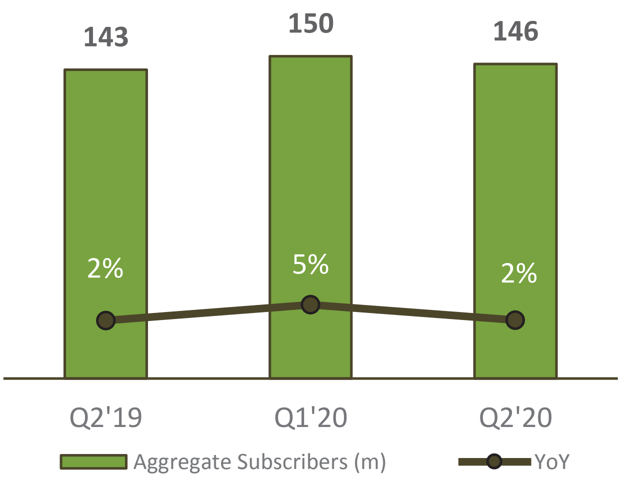
Our first priority was providing our customers with critical services and ensuring our customers and employees' health and safety. Accordingly, necessary precautions and preventive measures were taken at our premises and we implemented remote working for most of the staff with the exception of critical technical and installation services. We closed our shops and shifted sales to digital channels.

Etisalat Group's existing documented business continuity plan was activated to ensure the safe and stable continuation of its business operations. Business continuity planning committees were formed to determine and oversee the implementation of all business continuity plans associated with the effects of COVID-19, including measures to address and mitigate any identified key operational and financial issues.

Etisalat Group operations were impacted as a result of lockdown measures that led to mobility and travel restrictions. This impacted the way we conduct our business and put pressure on our revenue as a result of stores closure, affecting the mobile prepaid segment and handset sales in addition to loss of roaming revenue due to the travel ban and additional provisions related to trade receivables and contract assets. In response, Etisalat Group was agile in implementing cost optimization initiatives aimed at reducing costs and minimizing the impact of top-line pressure.

Despite the fact that the economic recovery remains uncertain and the effects of COVID-19 on humanity and businesses continue to evolve - hence there are potential risks and uncertainties associated with its future impact on businesses - Etisalat Group continues to update its plans while aiming to respond to them effectively. For more details on the impact of COVID-19 on Etisalat Group's business and financial results, please refer to note 25 of the condensed consolidated interim financial information report.

SUBSCRIBERS



Etisalat Group aggregate subscribers as at 30 June 2020 was 146 million reflecting a net addition of 2.7 million during the last 12 month period due to subscriber growth in Morocco, Burkina Faso, Ivory Coast, Mali and Niger as well as the integration of subscribers of Tigo Chad. Quarter over quarter subscriber base decreased by 2% mostly in prepaid segment as a results of temporary lockdown in most of our markets.

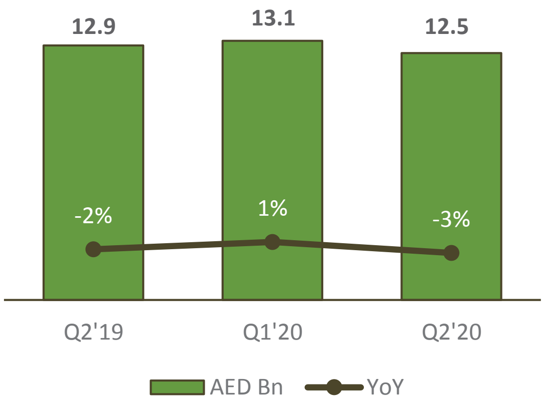
In the UAE, the active subscriber base amounted to 11.8 million subscribers in the second quarter of 2020, which declined by 5% year on year and by 7% quarter over quarter. The mobile subscriber base decreased by 6% year on year to 10.0 million subscribers attributed to the prepaid segment that dropped by 9% due to temporary lockdown of physical retail channels that impacted subscriber acquisition. The postpaid segment grew by 6% year over year. eLife subscription continued to drive consistent growth with a 5% year on year increase to 1.1 million subscribers. Total broadband segment grew by 4% year on year to 1.2 million subscribers.

For Maroc Telecom, the subscriber base reached 68.4 million subscribers as at 30 June 2020, representing a year over year growth of 9%. This growth is mainly attributable to the operations in Burkina Faso, Morocco, Ivory Coast, Mali and Niger as well as to the integration of Tigo Chad.

In Egypt, subscriber base decreased by 2% year over year to 26.0 million mainly in prepaid segment.

In Pakistan, subscriber base decreased to 24.8 million, representing a 2% drop year over year and 5% quarter over quarter. This decrease is attributed to lower subscriber acquisition during the lockdown.

REVENUE



Etisalat Group's consolidated revenue for the second quarter of 2020 amounted to AED 12.5 billion, representing a decrease of 3% in comparison to the same period last year and a decrease of 5% quarter over quarter. The year over year decrease is attributed to COVID-19 pandemic that resulted in temporary lockdown and reduced activities in most of our markets and negatively influenced revenue.

In the UAE, revenue in the second quarter decreased year on year by 5% to AED 7.4 billion and decreased quarter over quarter by 3%. This decline is attributed to mobility restrictions and border closures in response to COVID-19 that limited sales activities.. During this period, Etisalat continued to support various "Stay at Home" initiatives by offering free OTT applications for consumers to connect with their family and to study and work from home and offered some premium TV content for free for home entertainment. As a result, mobile prepaid, fixed voice, outbound roaming and handset sales declined. Mobile segment revenue declined year over year by 17% to AED 2.6 billion attributed to prepaid segment that was impacted by retail shop closures, increased penetration of OTT services and wifi offloading. Fixed segment revenue remained stable at AED 2.8 billion. Other segment revenue increased by 6% year over year to AED 2.0 billion attributed to higher digital and ICT services.

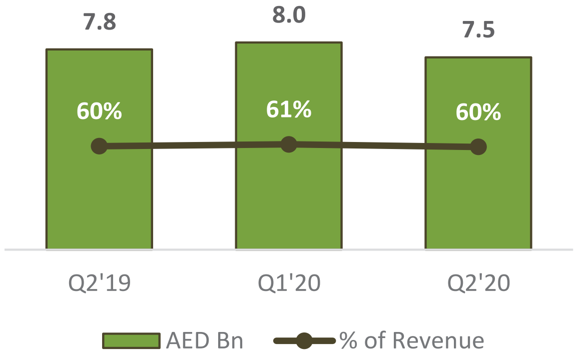
Revenues of International consolidated operations for the second quarter of 2020 remained stable year over year at AED 5.0 billion and decreased quarter over quarter by 4%. Etisalat Misr witnessed strong performance and the consolidation of Tigo Chad's financials into Maroc Telecom Group financials effective from July 1, 2019 impacted the year on year results however the growth was offset by unfavorable exchange rates movements in the Pakistani Rupee and CFA Franc. In constant currency, revenues from international operations grew year over year by 2%. Revenues from International operations represented 40% of Group consolidated revenue.

Maroc Telecom consolidated revenue for the second quarter of 2020 amounted to AED 3.2 billion, remaining stable year over year and it was positively impacted by the consolidation of Tigo Chad's operations effective from July 2019. In Morocco, revenue decreased year over year by 4% in local currency. The mobile segment revenue decreased by 7% as a result of decline in international incoming revenue, outgoing prepaid and roaming activities; however it was partially offset by the increase in the revenue of the fixed segment by 5%. Revenue from international operations increased year over year by 6% in local currency, resulting in 45% contribution to Maroc Telecom Group's consolidated revenue. On a like for like basis, revenues from international operations declined by 2% impacted by lower mobile termination rates and the impact of the current crisis.

In Egypt, revenue for the second quarter of 2020 was AED 1.0 billion, an increase of 18% year on year and a decrease of 4% quarter over quarter. Second quarter year on year growth is attributed to strong contribution from mobile data and national roaming revenue.

In Pakistan, revenue for the second quarter was AED 0.7 billion representing a year over year decrease of 15% and a decrease of 6% quarter over quarter. Revenue growth is impacted by unfavourable exchange rate movements of the Pakistani Rupee against AED. In local currency, revenue declined in the quarter by 5% mainly attributed to the mobile segment that declined by 16% and was impacted by lockdown that affected people's ability to make physical transactions in a cash dominated economy as well as the reinstatement of taxes on telecom services effective from April 2019 . This decline was partially offset by revenue growth in fixed broadband, corporate segment and Ubank.

OPERATING EXPENSES



Consolidated operating expenses for the second quarter of 2020 was AED 7.5 billion, a decrease of 4% compared to the same quarter of the previous year and a decrease of 7% from the first quarter of 2020. The decrease is mainly attributed to the agility of the group to optimize cost structure during COVID-19 pandemic resulting in lower staff costs, marketing costs, direct cost of sales and other operating expenses. Key components of operating expenses are:

- Direct cost of Sales decreased year over year by 2% to AED 2.9 billion in the second quarter of 2020, while decreased by 3% quarter over quarter. As a percentage of revenue, it remained stable at 23% in the second quarter.

- Staff expenses decreased by 14% to AED 1.1 billion for the second quarter of 2020 as compared to the same period of last year and quarter over quarter. As a percentage of revenue, staff costs decreased by 1 percentage point in the second quarter to 8%.

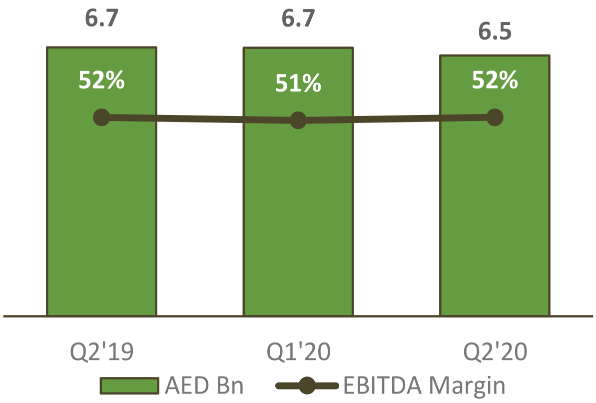
- Depreciation and Amortization expenses increased year over year by 1% to AED 1.9 billion in the second quarter of 2020 as compared to the same period in 2019, and decreased quarter over quarter by 5%. As a percentage of revenue, depreciation and amortization expenses increased by 1 percentage point to 15% in the second quarter and remained constant compared to the first quarter of 2020.

- Network costs remained stable year over year at AED 0.6 billion in the second quarter of 2020 as compared to the same period in 2019 and decreased by 2% compared to the first quarter. As a percentage of revenue, network costs remained stable at 5%, similar to the same period last year and the first quarter of this year.

- Marketing expenses decreased by 29% to AED 0.2 billion in the second quarter of 2020 as compared to the same period in 2019 and decreased by 26% in comparison to the first quarter of this year due to lower marketing activity related to the lockdowns. As a percentage of revenue, marketing expenses decreased to 1% in the second quarter, 1 percentage point lower than the same period last year and similar to the first quarter of this year.

- Other operating expenses decreased by 1% year over year to AED 0.8 billion in the second quarter and decreased by 14% quarter over quarter. This decline is mainly attributed to lower IT costs and foreign exchange gain compared to foreign exchange loss in the prior periods. Other operating expenses represented 7% of the quarter revenues, stable compared to the same period of the prior year and 1 percentage point lower than the first quarter of 2020.

EBITDA



Group Consolidated EBITDA for the second quarter of 2020 decreased by 3% year on year and quarter on quarter to AED 6.5 billion, resulting in an EBITDA margin of 52%, stable compared to the prior year and 1 percentage point higher than the prior quarter.

In the UAE, EBITDA in the second quarter of 2020 was AED 4.0 billion, a 4% decrease year-over-year and leading to an EBITDA margin of 54%, 1 percentage point higher than the second quarter of the previous year. EBITDA decreased by 1% with EBITDA margin up by 1 percentage point in comparison to the first quarter of 2020. The year over year decrease is mainly attributed to lower revenue that outweighed the cost reductions; while the increase in EBITDA margin is due to a better revenue mix.

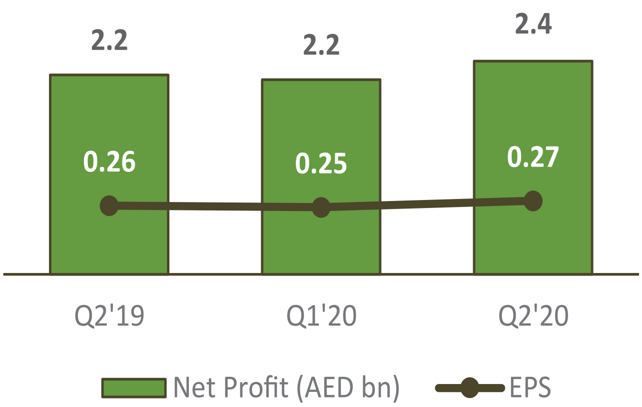
EBITDA of International consolidated operations decreased year over year by 1% to AED 2.5 billion in the second quarter, resulting in a 38% contribution to Group consolidated EBITDA. EBITDA margin of international operations decreased by 1 percentage point to 49%, compared to the same period last year and increased by 1 percentage point compared to the first quarter of 2020. In constant currency, EBITDA was stable year over year.

Maroc Telecom's consolidated EBITDA for the second quarter of 2020 amounted to AED 1.8 billion decreasing year over year by 2%, resulting in an EBITDA margin of 56%. In Moroccan Dirham, EBITDA in absolute terms remained stable year over year. In Morocco, EBITDA declined year-over-year by 3% to MAD 3.0 billion due to lower revenue; while EBITDA from international markets increased year over year by 9% in MAD, mainly attributed to the lower mobile termination rates in various countries and consolidation of Tigo Chad's operations effective from July 2019.

In Egypt, EBITDA in the second quarter increased year on year by 25% to AED 0.4 billion and EBITDA margin increased by 2 percentage points to 42%. Quarter over quarter, EBITDA decreased by 4% and EBITDA margin remained stable. The year on year increase is attributed to higher revenue growth coupled with better operating cost control measures.

In Pakistan, EBITDA in the second quarter of 2020 decreased year on year by 22% to AED 0.2 billion with EBITDA margin decreased by 3 percentage points to 32%. EBITDA was negatively impacted by unfavourable exchange rate movements of the Pakistani Rupee against AED, lower revenue and higher provision on trade receivables. In local currency, EBITDA decreased year over year by 13%. Quarter over quarter, EBITDA increased by 3% and EBITDA margin also increased by 3 percentage points.

NET PROFIT & EPS

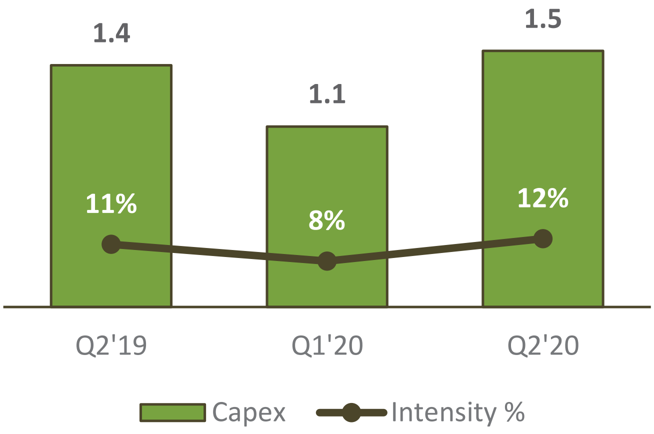


Consolidated net profit after Federal Royalty increased year over year by 7% to AED 2.4 billion in the second quarter of 2020 while net profit margin improved by 2 percentage points to 19%. This increase is attributed to better performance of associates, gain in financial investments, forex gain as compared to forex losses in prior year and lower federal royalty charges. Quarter over quarter net profit increased by 10%.

Earnings per share (EPS) amounted to AED 0.27 in the second quarter, an increase of 7% as compared to EPS of the same period last year.

On 21 July 2020, the Board of Directors approved an interim dividend distribution for the three months period ended 30 June 2020 at the rate of 15 fils per share. Shareholders registered in the Shareholders' Register at the close of the business day on 3 August 2020, will be eligible for the dividend distribution. This brings the interim dividend to 40 fils per share for the first half of 2020.

CAPEX



Consolidated capital expenditure increased year over year by 6% to AED 1.5 billion in the second quarter of 2020 resulting in a capital intensity ratio of 12%, 1 percentage point higher than the same period in 2019.

In the UAE, capital expenditure in the second quarter was focused on ensuring network quality, given the surge in data traffic as a result of the lockdown and enhancing of network capacity and speed. Capital expenditure during the quarter amounted to AED 0.9 billion, a 36% increase in comparison to the same period last year. Capital intensity ratio was 12%, representing 4 percentage points higher than the same quarter of the prior year and 6 percentage points higher than the first quarter of 2020.

Capital expenditures in International consolidated operations in the second quarter of 2020 decreased by 22% to AED 0.6 billion compared to the same period last year and represented 40% of total Group capital expenditure.

In Maroc Telecom, capital expenditure for the second quarter decreased by 38% year over year to AED 0.2 billion resulting in a capital intensity ratio of 8%. Capex spend in Morocco decreased year over year by 47% and focused on supporting the increase in mobile and fixed data traffic and ensure network quality. On the international front, capex spend decreased year over year by 26%with spend focusing on mobile networks expansion and upgrades to support the growth of data usage.

In Egypt, capital expenditure for the second quarter decreased by 1% year over year to AED 0.2 billion resulting in a capital intensity ratio of 19%, 4 percentage points lower than the same period of the prior year. Capex spend focused on network deployment and capacity upgrade.

In Pakistan, capital expenditure for the second quarter remained stable year over year at AED 0.2 billion resulting in a capital intensity ratio of 26%, 4 percentage points higher than the prior year. Capital spending focused on enhancement of the mobile network's capacity.

DEBT

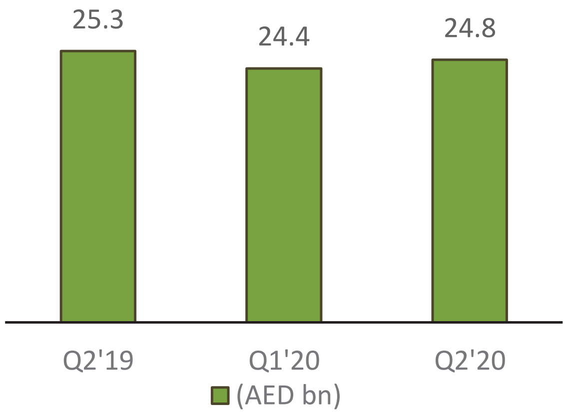
Total consolidated debt amounted AED 24.8 billion as of 30 June 2020, as compared to AED 23.9 billion as at 31 December 2019; an increase of AED 0.9 billion.

Consolidated debt breakdown by operations as of 30 June 2020 is as following:

- Etisalat Group (AED 14.8 billion)
- Maroc Telecom Group (AED 7.3 billion)
- Etisalat Misr (AED 1.3 billion)
- PTCL Group (AED 1.3 billion)

More than 51% of the debt balance is of long-term maturity that is due beyond the second quarter of 2021.

Currency mix for external borrowings is 40% in Euros, 23% in US Dollars, 17% in MAD and 20% in various currencies.



Consolidated cash balance amounted to AED 24.4 billion as of 30 June 2020 leading to a net debt position of AED 0.4 billion.

PROFIT & LOSS SUMMARY

(AED m)	Q2'19	Q1'20	Q2'20	QoQ	YoY
Revenue	12,879	13,113	12,492	-5%	-3%
EBITDA	6,722	6,715	6,523	-3%	-3%
EBITDA Margin	52%	51%	52%	+1pp	0pp
Federal Royalty	(1,584)	(1,455)	(1,509)	+4%	-5%
Net Profit	2,232	2,179	2,388	+10%	+7%
Net Profit Margin	17%	17%	19%	+3pp	+2pp

BALANCE SHEET SUMMARY

(AED m)	December 2019	June 2020
Cash & Bank Balances	29,657	24,421
Total Assets	128,266	121,893
Total Debt	23,889	24,828
Net Cash / (Debt)	5,768	(406)
Total Equity	57,767	55,345

CASH FLOW SUMMARY

(AED m)	6M' 2019	6M' 2020
Operating	4,277	3,545
Investing	(2,969)	(2,432)
Financing	(3,710)	(6,415)
Net change in cash	(2,402)	(5,302)
Effect of FX rate changes	85	94
Reclassified as held for sales	(30)	(27)
Ending cash balance	26,014	24,421

	Average Rates			Closing Rates		
Foreign Exchange Rates	Q2'19	Q2'20	YOY	Q2'19	Q2'20	YOY
EGP - Egyptian Pound	0.2161	0.2317	7.23%	0.2199	0.2277	3.54%
SAR - Saudi Riyal	0.9793	0.9777	-0.17%	0.9793	0.9791	-0.02%
CFA - Central African Franc	0.0063	0.0062	-1.97%	0.0064	0.0063	-1.97%
PKR - Pakistani Rupee	0.0249	0.0225	-9.62%	0.0230	0.0219	-4.73%
AFA - Afghanistan Afghani	0.0475	0.0479	0.89%	0.0457	0.0474	3.81%
MAD - Moroccan Dirham	0.3795	0.3729	-1.75%	0.3836	0.3778	-1.52%

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)	Q2'19	Q1'20	Q2'20
EBITDA	6,722	6,715	6,523
Depreciation & Amortization	(1,841)	(1,950)	(1,852)
Exchange Gain/ (Loss)	(18)	(34)	37
Share of Associates and JV's results	(2)	(31)	49
Impairment and other losses	2	(0)	0
Operating Profit before Royalty	4,863	4,762	4,758

DISCLAIMER

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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 16 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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