Emirates Telecommunications Group Company PJSC 'Etisalat Group'

Earnings Release Third Quarter 2017

25 July 2017

Head Office:
Etisalat Building
PO Box 3838
Abu Dhabi, UAE

Investor Relations:
ir@etisalat.ae

Financial Highlights for Q3 2017

- Aggregate subscriber base reached 140 million, at comparable level to prior year on a like for like basis;
- Consolidated revenues amounted to AED 12.9 billion, representing a decrease of 3% year over year;
- Consolidated EBITDA amounted to AED 6.6 billion, representing a decline of 3% year over year and resulting in EBITDA margin of 51% at comparable level to prior year;
- Consolidated net profit after Federal Royalty amounted to AED 2.4 billion resulting in a net profit margin of 19%, 5 points higher than prior year; and
- Consolidated capital spending decreased by 12% to AED 1.6 billion, representing 12% of the consolidated revenues.

Key Developments in Q3 2017

- Etisalat successfully completed the fastest 5G live trial globally reaching 71 Gbps during GITEX
- Etisalat launched new mobile brand "Swyp" targeting the youth segment in the UAE;
- Etisalat Misr launched 4G services in Egypt;
- Etisalat launched the first IPX Exchange platform in the Middle East and Africa region to support IPX traffic exchange; an integral part of Smart Hub services;
- Etisalat enhances International Connectivity to UAE with Asia-Africa-Europe-1 (AAE-1) Submarine Cable System bringing additional international capacity to UAE connecting Europe and Far East; and
- Etisalat Won 'Best Operator' Award at Telecoms World Middle East 2017 and was recognized for its 'Managed Unified Communication' services at the Global Telecoms Innovation Summit.

Statement from Saleh Al Abdooli, CEO of Etisalat Group

Engineer Saleh Al Abdooli, Group Chief Executive Officer, Etisalat Group, said "Etisalat continues to deliver solid performance in the third quarter, despite the prevailing global economic challenges and the vastly transforming industry. We are on the verge of entering a new era, which transcends any technological disruption we ever witnessed, and will be altering and reshaping our society and industry on a large scale.

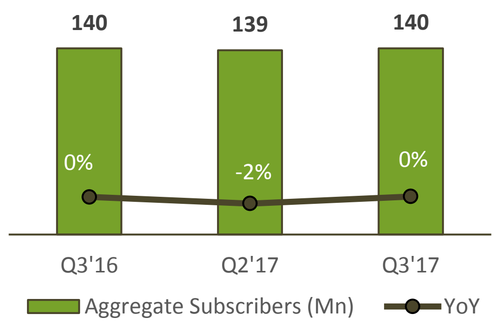
We always strive to remain one-step ahead and to harness the power of technology for the greater value of our customers and communities. Our digital agenda has enabled us to enhance our internal operations and widened the spectrum of our offerings. It remains the key driving force while we are probing the potential that emergent streams, as in Robotics and Artificial Intelligence, can bring to us.

Within the overall scheme of things, innovation remains at the core of our priorities, we believe in nurturing open innovation and in developing a favourable ecosystem through successful collaborations and targeted investments in future technologies. We are adamant when it comes to our innovation leadership and utilizing it in delivering smarter solutions and adding value to our customers and shareholders.

Etisalat is confidently moving forward and progressing positively in enriching lives and enabling societies across its footprint. As a group, we will always assure a vigorous portfolio that is generating synergy, focusing on customer experience, growing value, and operating as one family.

As we look back at our achievements, we sense and honor the great support that was extended to us by the wise leadership of the UAE, who did not only enable the creation of a world class telecom sector, but are also leading the way and acting as role models in technology adoption. Appreciation is also extended to our shareholders and loyal customer, to whom we owe more success and greater achievements."

Subscribers



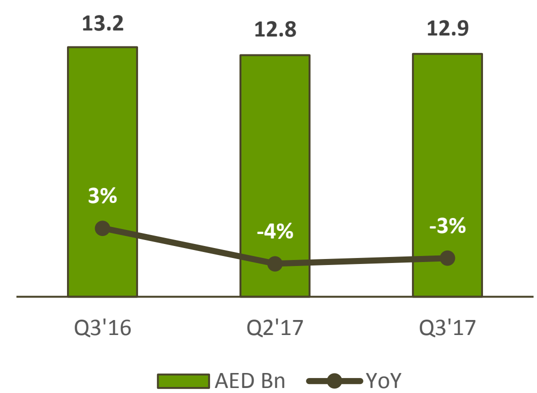
Etisalat Group aggregate subscribers as at 30 September 2017 was 140 million reflecting a net addition of 0.1 million during the last 12 month period on a like for like basis (after excluding subscriber numbers in Nigeria from last year). Despite the impact of subscriber disconnection in compliance with the regulatory mandated registration in Saudi Arabia and West Africa, we maintained strong subscriber growth in the UAE, Morocco, Ivory Coast, Benin, Mali, Burkina Faso, Togo, Niger and Afghanistan. Quarter over quarter subscriber increased by 1%.

In the **UAE** the subscriber base grew to 12.5 million subscribers in the third quarter of 2017 representing a year on year growth of 2%. Subscriber growth continued to be driven by the performance of mobile and eLife segments. The mobile subscriber base grew year on year by 3% to 10.6 million subscribers representing a net addition of 0.3 million subscribers of which 49% was in the high quality postpaid segment. eLife subscriber continued to drive consistent growth with 6% year on year increase to 1 million subscribers. Total broadband segment grew by 2% year on year to 1.1 million subscribers.

For **Maroc Telecom** the subscriber base reached 56.4 million customers as at 30 September 2017, representing a year over year growth of 8%. This growth is mainly attributable to the operations in Morocco, Ivory Coast, Mali, Togo, Benin, Burkina Faso and Niger.

In **Pakistan**, subscriber base declined by 4% year over year to 21.6 million. Quarter over quarter, subscriber base was stable. The year over year decline is attributed to the Company's change in focus to value in the mobile segment and higher competition facing EVO segment from the mobile operators.

Revenue



Etisalat Group's consolidated revenue for the third quarter of 2017 amounted to AED 12.8 billion, representing a decline of 3% in comparison to the same period last year and an increase of 1% quarter over quarter. Third quarter revenues were impacted by unfavourable exchange rate movements mainly in Egypt. In constant currencies revenue growth year over year was 2%.

In the **UAE**, revenue in the third quarter increased year on year by 3% to AED 7.6 billion, as a result of growth of the subscriber base in the mobile postpaid and eLife segments driven by customers uptake to premium content and higher speed packages, increase in handsets sales due to enrich device portfolio with new exclusive deals, and increased offering of business solutions, digital and ICT services. In addition, we witnessed increase in wholesale segment. Quarter over quarter revenue declined by 2% due to summer seasonality effect.

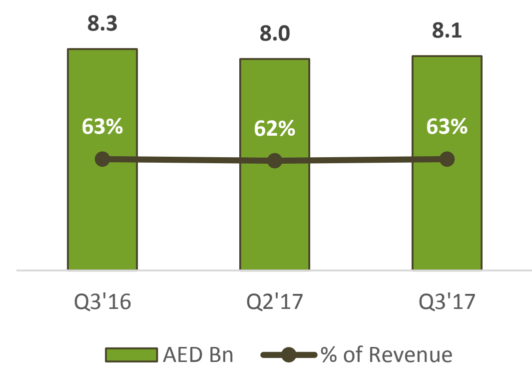
Revenues of **International consolidated operations** for the third quarter of 2017 decreased year over year by 8% to AED 5.2 billion negatively impacted by the unfavourable exchange rate movements that continued to impact the financial performance of the countries of operations such as Egypt in addition to competitive pressure of mobile segment in Morocco and fixed segment in Pakistan. Revenues from International operations represented 40% of Group consolidated revenue.

Maroc Telecom consolidated revenue for the third quarter of 2017 amounted to AED 3.3 billion representing a year over year growth of 1% in AED and 2% decline in MAD attributed to stringent regulatory environment in mobile segment in the domestic market and the decrease in call termination rates in Morocco and in the international subsidiaries. In Morocco, revenue declined by 6% impacted by the re-establishment of a 20% asymmetry on mobile call termination rates as from the beginning of March and the decrease of incoming international revenue due to the deregulation of IP telephony as from November 2016. Revenue from international operations increased year over year by 6% in local currency, resulting in 45% contribution to Maroc Telecom Group's consolidated revenue, an increase of 3 points compared to third quarter of 2016. This is attributed to the increase in revenues at the Moov subsidiaries, despite the impact of the drop in call termination rates and the deactivation of unidentified customers, and gains in market share supported by substantial investments to cater for the growth in voice and data usage.

In **Egypt**, revenue for the third quarter of 2017 was AED 0.6 billion, a decrease of 44% year on year while grew 9% quarter over quarter. Third 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 13% mainly attributed to new pricing of scratch cards, growth in the data segment and higher international incoming revenue and handsets sales.

In **Pakistan** operations, revenue for the third quarter was AED 1.0 billion representing a year over year decline of 2% and quarter over quarter decline of 1%. Revenue growth is impacted by lower subscriber base that resulted in lower usage, lower revenue from EVO due to competition from mobile operators.

Operating Expenses



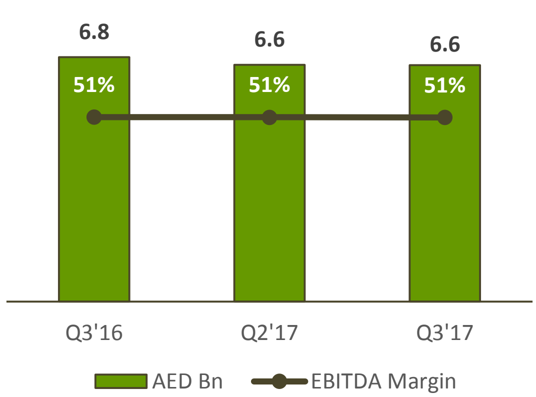
Consolidated operating expenses for the third quarter of 2017 was AED 8.1 billion, a decrease of 3% from the same quarter of the previous year, mainly due to lower depreciation and amortization expenses, lower network costs, lower staff and other operating expenses. Quarter over quarter, operating expenses increased by 1% mainly due to higher network costs, depreciation and amortization expenses and other operating expenses. Key components of operating expenses are:

- **Direct cost of Sales** increased year over year by 6% to AED 3.0 billion in the third quarter of 2017 while decreased by 3% quarter over quarter. As a percentage of revenues it increased by 2 points to 23% of revenues in the third quarter.
- **Staff expenses** decreased 7% to AED 1.2 billion for the third quarter of 2017 as compared to the same period of last year. As a percentage of revenue staff costs remained stable in the third quarter at 9% as compared to prior year and declined by 1 point as compared to prior quarter of 2017.
- **Depreciation and Amortization expenses** declined year over year by 7% to AED 1.8 billion in the third

quarter of 2017 as compared to the same period in 2016, while increased by 2% quarter over quarter. As a percentage of revenues, depreciation and amortization expenses represented 14%, 1 point lower than prior year and at comparable level to prior quarter.

- Network costs decreased 6% to AED 0.7 billion in the third quarter of 2017 as compared to the same period in 2016 while increased by 8% as compared to the second quarter of 2017. As a percentage of revenues, Network costs remained stable at 5% as compared to prior year and prior quarter.
- Marketing expenses increased by 1% to AED 0.2 billion in the third quarter of 2017 as compared to the same period in 2016 and by 8% in comparison to the second quarter of 2017. Marketing expenses represented 2% of the third quarter revenues, similar to the same period of last year and second quarter of 2017.
- Other operating expenses decreased 14% year over year to AED 0.8 billion in the third quarter while increased by 30% quarter over quarter. Other operating expenses represented 6% of the quarter revenues, 1 point lower than prior year and 1 point higher than prior quarter.

EBITDA



Group Consolidated EBITDA for the third quarter of 2017 decreased by 3% year on year while was flat quarter on quarter at AED 6.6 billion, resulting in EBITDA margin of 51%, at comparable level to prior year and prior quarter. EBITDA growth is negatively impacted by unfavourable exchange rate movements in Egypt and competitiveness pressure in Morocco and Pakistan.

In the UAE, EBITDA in the third quarter of 2017 was AED 4.2 billion increasing year-over-year by 1% leading to an EBITDA margin of 54% in comparison to 55% in the previous year, mainly attributed to higher interconnection and termination costs and higher marketing costs. EBITDA decreased 4% with EBITDA margin by 1 point in comparison to the second quarter of 2017 mainly attributed to lower revenue due to summer seasonality effect and higher marketing costs associated with promotional and marketing activities to entice usage.

EBITDA of International consolidated operations decreased year over year by 7% to AED 2.4 billion in the third quarter, resulting in a 36% contribution to Group consolidated EBITDA. This decrease is attributed to unfavorable movement in the Egyptian Pound against Dirham and regulatory environment in Morocco.

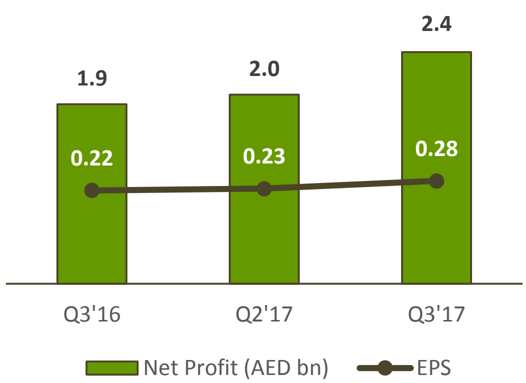
Maroc Telecom's consolidated EBITDA for the third quarter of 2017 amounted to AED 1.7 billion, resulting in EBITDA margin of 52%. In local currency, EBITDA in absolute terms increased by 1% attributed to the performance of the international subsidiaries that increased year over year by 15% due to the favourable impact of the fall in the call termination rates and lower operating costs. This was mostly offset by lower EBITDA from Morocco that was impacted by lower revenues.

In Egypt, EBITDA in the third quarter declined year on year by 51% to AED 0.2 billion and EBITDA margin decreased 6 points to 38%. Quarter over quarter, EBITDA increased by 17% and EBITDA margin by 2 points. EBITDA in the third quarter was impacted by unfavourable foreign exchange rate movements and inflationary pressure that impacted operating costs.

In Pakistan EBITDA in the third quarter of 2017 decreased year on year by 2% to AED 0.3 billion with

EBITDA margin being stable at 34%. This decrease is mainly attributed to higher costs of sales. Quarter over quarter EBITDA increased by 1% and EBITDA margin by 1 point due to lower marketing expenses, staff costs, interconnection and termination costs.

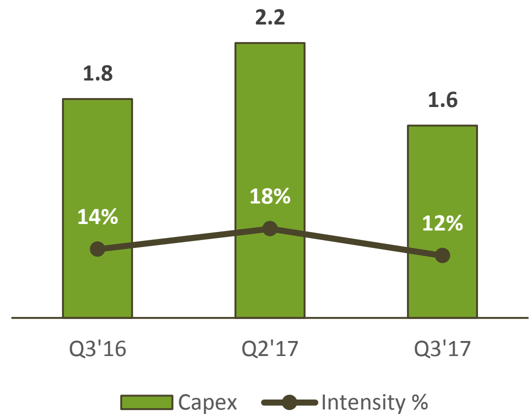
Net Profit & EPS



Consolidated net profit after Federal Royalty increased year over year by 29% to AED 2.4 billion in the third quarter of 2017 resulting in higher profit margin of 5 points to 19%. This increase is attributed to lower depreciation and amortization charges, higher net finance income, lower losses from discontinued operations and incurring forex gains during the period as compared to forex losses in the same period of last year.

Earnings per share (EPS) amounted to AED 0.28 in the third quarter of 2017 representing an increase of 29% from the same period of last year.

Capex



Consolidated capital expenditure decreased year over year by 12% to AED 1.6 billion in the third quarter of 2017 resulting in a capital intensity ratio of 12%. This decline is attributed to lower capex spend in the UAE and Pakistan.

In the UAE, capital expenditure in the third quarter was committed to network maintenance. Capital expenditure during the quarter amounted to AED 0.3 billion, a 66% decrease in comparison to the same period last year. Capital intensity ratio was 4%, representing 8 points lower than the same quarter of the prior year and 10 points lower than the second quarter of 2017.

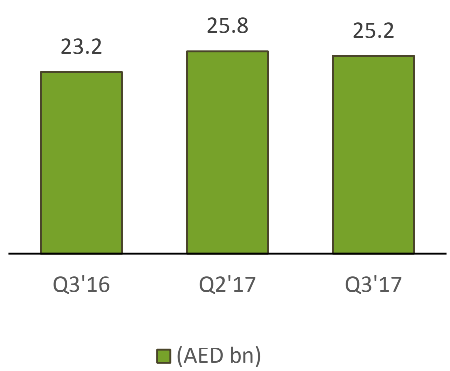
Capital expenditures in consolidated international operations in the third quarter of 2017 increased by 47% to AED 1.3 billion compared to the same period last year and represented 80% of total Group capital expenditure.

In Maroc Telecom, capital expenditure for the third quarter increased by 79% year over year to AED 0.9 billion resulting in a capital intensity ratio of 28%. This increase is attributed to higher capex spend in Morocco and internationally. Capex spend in Morocco increased year over year by 66% due to the acceleration of roll-out of high speed networks. On the international front, capex spend increased by 82% year over year focusing on deployment and upgrading of optical transmission networks to support the growth of data and voice usage.

In **Egypt** capital expenditure for the third quarter increased by 50% year over year to AED 0.2 billion resulting in a capital intensity ratio of 33%, 21 points higher than the same period of prior year. The increase in capital spending is attributed to the deployment of 4G network.

In **Pakistan**, capital expenditure for the third quarter decreased by 46% year over year to AED 0.1 billion resulting in a capital intensity ratio of 10%, 8 points lower than prior year. Capital spending focused on fixed network transformation programme.

Debt



Total consolidated debt amounted AED 25.2 billion as of 30 September 2017, as compared to AED 22.3 billion as at 31 December 2016; an increase of AED 3.0 billion.

Consolidated debt breakdown by operations as of 30 September 2017 is as following:

- Etisalat Group (AED 15.9 billion)
- Maroc Telecom Group (AED 5.1 billion)
- Etisalat Misr (AED 2.8 billion)
- PTCL Group (AED 1.4 billion)

More than 62% of the debt balance is of long-term maturity that is due beyond 2019.

Currency mix for external borrowings is 41% in Euros, 27% in US Dollars, 14% in MAD and 18% in various currencies.

Consolidated cash balance amounted to AED 23.3 billion as of 30 September 2017 leading to a net debt position of AED 2.0 billion.

Profit & Loss Summary

(AED m)	Q3'16	Q2'17	Q3'17	*QoQ*	*YoY*
Revenue	13,244	12,831	12,896	+1%	-3%
EBITDA	6,816	6,599	6,588	0%	-3%
EBITDA Margin	51%	51%	51%	Opp	Opp
Federal Royalty	(1,661)	(1,610)	(1,678)	+4%	+1%
Net Profit	1,870	1,970	2,414	+23%	+29%
Net Profit Margin	14%	15%	19%	*+3pp*	*+5pp*

Balance Sheet Summary

(AED m)	December 2016	September 2017
Cash & Bank Balances	23,676	23,280
Total Assets	122,546	123,712
Total Debt	22,279	25,247
Net Cash / (Debt)	1,398	(1,968)
Total Equity	55,915	55,749

Cash Flow Summary

(AED m)	9M' 2016	9M' 2017
Operating	11,698	13,161
Investing	(4,880)	(5,190)
Financing	(8,446)	(8,194)
Net change in cash	(1,629)	(223)
Effect of FX rate changes	28	(183)
Reclassified as held for sales	56	10
Ending cash balance	19,877	23,280

	Average Rates			Closing Rates		
Foreign Exchange Rates	Q3'16	Q3'17	YOY	Q3'16	Q3'17	YOY
EGP - Egyptian Pounds	0.4145	0.2028	-51.1%	0.4152	0.2028	-51.2%
SAR - Saudi Riyals	0.9793	0.9794	*0.0%*	0.9793	0.9794	*0.00%*
CFA - Central African Francs	0.0063	0.0066	*4.7%*	0.0063	0.0066	*4.6%*
NGR - Nigerian Naira	0.0119	0.0107	*-10.0%*	0.0117	0.0102	*-12.8%*
PKR - Pakistani Rupees	0.0351	0.0349	*-0.5%*	0.0351	0.0349	*-0.6%*
AFA - Afghanistan Afghani	0.0543	0.0537	*-1.2%*	0.0546	0.0537	*-1.6%*
LKR – Sri Lankan Rupees	0.0252	0.0240	*-4.9%*	0.0252	0.0240	*-4.8%*
MAD - Moroccan Dirham	0.3762	0.3893	*3.5%*	0.3767	0.3895	*3.4%*

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)	Q3'16	Q2'17	Q3'17
EBITDA	6,816	6,599	6,588
Depreciation & Amortization	(1,913)	(1,736)	(1,778)
Exchange Gain/ (Loss)	(46)	(267)	61
Share of Associates and JV's results	(57)	(60)	(53)
Impairment and other losses	(7)	(185)	(0)
Operating Profit before Royalty	4,792	4,352	4,819

Disclaimer

Emirates Telecommunications Group Company PJSC and its subsidiaries ("Etisalat Group" or the "Company") have prepared this presentation (" Presentation") in good faith, however, no warranty or representation, express or implied is made as to the adequacy, correctness, completeness or accuracy of any numbers, statements, opinions or estimates, or other information contained in this Presentation.

The information contained in this Presentation is an overview, and should not be considered as the giving of investment advice by the Company or any of its shareholders, directors, officers, agents, employees or advisers. Each party to whom this Presentation is made available must make its own independent assessment of the Company after making such investigations and taking such advice as may be deemed necessary.

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 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).

Investors:

Investor Relations

Email: ir@etisalat.ae

Website: www.etisalat.com