etisalat

EMIRATES TELECOMMUNICATIONS GROUP COMPANY PJSC 'ETISALAT GROUP'

EARNINGS RELEASE
THIRD QUARTER 2018

25 OCTOBER 2018

INVESTOR RELATIONS
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FINANCIAL HIGHLIGHTS FOR Q3 2018

- Aggregate subscriber base reached 144 million, representing a year over year increase of 3%;
- Consolidated revenues amounted to AED 13.2 billion, representing an increase of 2% year over year;
- Consolidated EBITDA totaled AED 6.6 billion, representing an increase of 1% year over year and resulting in EBITDA margin of 50%, 1 point lower than prior year;
- Consolidated net profit after Federal Royalty amounted to AED 2.3 billion resulting in a net profit margin of 17%;
- Consolidated capital spending increased by 3% to AED 1.6 billion, representing 12% of the consolidated revenues; and
- Improved full year capex guidance while delivering against revenue and EBITDA margin guidance.

KEY DEVELOPMENTS IN Q3 2018

- Etisalat Group successfully completed the sale of its shareholding in Thuraya for a final consideration of USD 37 million equivalent of AED 137 million;
- Etisalat Group was granted the approval of the Securities and Commodities Authority on the share buyback program;
- Etisalat Group's board of directors recommended lifting restrictions on foreign shareholders voting rights;
- Etisalat connects Expo 2020 Dubai to 5G network;
- Etisalat Misr and Telecom Egypt signed the first MoU for virtual fixed voice services;
- Etisalat Misr & Ericsson launched Egypt's First Voice Over LTE (VoLTE) services; and
- JCR-VIS Credit Rating Company Limited assigned initial long term entity rating of 'AAA' and short term rating of 'A-1+' to PTCL.

STATEMENT FROM SALEH AL ABDOOLI, CEO OF ETISALAT GROUP

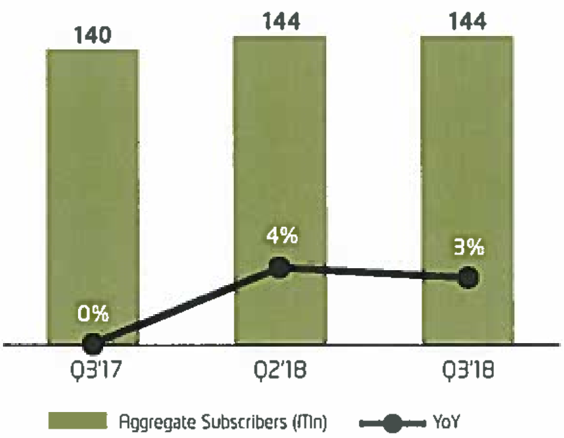
Engineer Saleh Al Abdooli, Group Chief Executive Officer, Etisalat Group, said: "Etisalat Group continues to deliver a solid performance in the third quarter thanks to our continued focus and effort in the digitalisation of services and solutions. As we move into the 5G era, our network and talented teams are well equipped to lead the ever-changing requirements of our consumers and the telecom industry.

In keeping the momentum of our success and focusing on adding value to our customers and shareholders, we remain committed to bring innovative solutions and provide value propositions for the digital age. Our efforts have helped build a dynamic ecosystem that will drive future growth and pave the way for our digital ambitions and implementation of futuristic technologies.

Etisalat is confidently moving forward and progressing positively in enabling societies across its operations. We will continue to focus on creating innovative services, capitalizing on opportunities for new revenue streams and enhancing overall customer experience while delivering long-term value for all our stakeholders.

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

SUBSCRIBERS



Etisalat Group aggregate subscribers as at 30 September 2018 was 144 million reflecting a net gain of 4.5 million during the last 12 month period, due to strong subscriber growth in the Morocco, Ivory Coast, Mali, Togo, Niger, Benin, Burkina Faso, and Pakistan. Quarter over quarter active subscriber base grew by 0.3%.

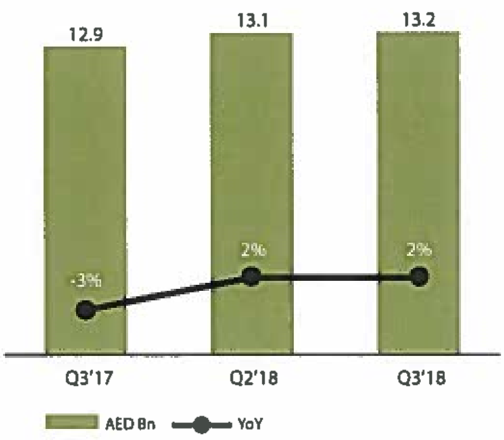
In the **UAE**, the active subscriber base grew to 12.5 million subscribers in the third quarter of 2018 representing a year on year growth of 0.4%. The mobile subscriber base grew year on year by 1% to 10.7 million subscribers representing a net addition of 70 thousand subscribers of which 55% was in the higher ARPU postpaid segment. eLife segment continued to drive consistent growth with 5% year on year increase to over 1 million subscribers. Total broadband segment grew by 4% year on year to 1.2 million subscribers. However, quarter over quarter, active subscriber base declined by 2% attributed mainly to summer seasonality effect that impacted mobile prepaid segment.

For **Maroc Telecom**, the subscriber base reached 61.0 million customers as at 30 September 2018, representing a year over year growth of 8%. This growth is mainly attributable to the operations in Morocco, Mali, Ivory Coast, Togo, Benin, Niger, and Burkina Faso.

In **Egypt**, subscriber base decreased by 7% year over year to 31.0 million mainly due to stricter regulatory requirements for subscriber acquisitions through indirect channels and increased competitiveness in the market.

In **Pakistan**, subscriber base increased by 9% year over year and 2% quarter over quarter to 23.6 million. This increase is attributed to the mobile segment.

REVENUE



Etisalat Group's consolidated revenue for the third quarter of 2018 amounted to AED 13.2 billion, representing an increase of 2% in comparison to the same period last year and was flat quarter over quarter.

In the **UAE**, revenue in the third quarter increased year on year by 2% to AED 7.8 billion, as a result of growth of fixed segment by AED 122 million attributed to internet, data and broadcast television revenues and growth in Other segment by AED 136 million attributed mainly to digital services, visitor roaming, wholesale and handset revenues. However, mobile segment revenues declined by AED 111 million due to increased competitive intensity and pricing pressure. Quarter over quarter, revenue declined by 1% attributed to summer seasonality and increased promotions.

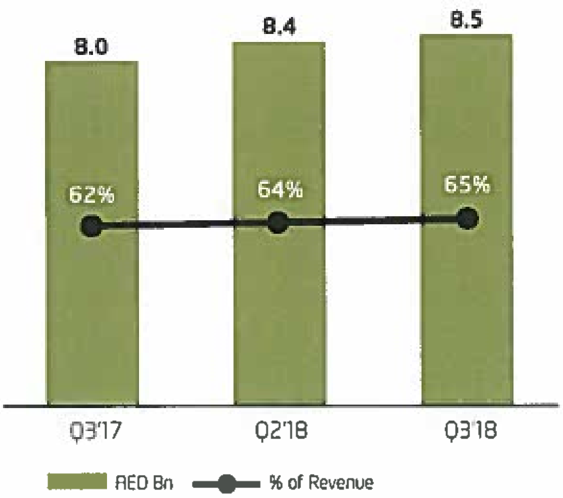
Revenues of **International consolidated operations** for the third quarter of 2018 increased year over year by 2% to AED 5.3 billion. Revenues from International operations represented 40% of Group consolidated revenue.

Maroc Telecom consolidated revenue for the third quarter of 2018 amounted to AED 3.4 billion representing a year over year increase of 3% attributed mainly to domestic operations. In Morocco, revenue increased year over year in local currency by 6% attributed to 8% growth in mobile segment and 1% growth in the fixed segment. The growth in the mobile and fixed segments is due to increase in subscriber base and strong growth in data. Revenue from international operations was flat year over year, resulting in 44% contribution to Maroc Telecom Group's consolidated revenue.

In **Egypt**, revenue for the third quarter of 2018 was AED 0.7 billion, an increase of 18% year on year and 7% quarter over quarter. Third quarter year on year growth is attributed to mobile data, international incoming voice and national roaming.

In **Pakistan**, revenue for the third quarter decreased by 6% to AED 1.0 billion as compared to the same period in 2017 and increased by 1% as compared to the second quarter of 2018. Revenue growth is impacted by unfavourable exchange rate movements of Pakistani Rupees against AED. In local currency, revenue growth for the quarter is 10% mainly attributed to mobile segment, Broadband DSL and Charji (LTE) segments.

OPERATING EXPENSES



Consolidated operating expenses for the third quarter of 2018 was AED 8.5 billion, an increase of 6% from the same quarter of the previous year and 2% from the second quarter of 2018. The year over year increase is attributed to higher cost of sales, higher staff costs, higher network costs, forex losses as compared to forex gain in prior year and higher other operating expenses. Key components of operating expenses are:

- **Direct cost of Sales** increased year over year by 2% to AED 3.1 billion in the third quarter of 2018 while decreased by 3% quarter over quarter. As a percentage of revenues direct cost of sales remained stable at 24% of revenues in the third quarter as compared to prior year.

- **Staff expenses** increased by 7% to AED 1.3 billion for the third quarter of 2018 as compared to the same period of last year and increased by 2% quarter over quarter. As a percentage of revenue staff costs remained stable at 10% in comparison to the same period of prior year and previous quarter.

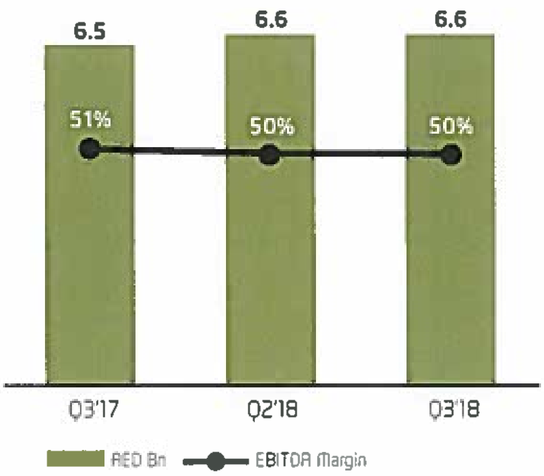
- **Depreciation and Amortization expenses** was stable at AED 1.8 billion in the third quarter of 2018 as compared to the same period in 2017, while decreased quarter over quarter by 1%. As a percentage of revenues, depreciation and amortization expenses remained flat at 13% in the third quarter.

- **Network costs** increased by 4% to AED 0.7 billion in the third quarter of 2018 as compared to the same period in 2017 and by 3% as compared to the second quarter of 2018. As a percentage of revenues, network costs represented 5% of revenues, similar to third quarter of prior year.

- **Marketing expenses** increased by 1% to AED 0.2 billion in the third quarter of 2018 as compared to the same period in 2017 while declined by 4% in comparison to the second quarter of 2018. Marketing expenses represented 2% of the third quarter revenues, similar to third quarter of prior year.

- **Other operating expenses** increased by 27% year over year to AED 1.5 billion in the third quarter and increased by 21% quarter over quarter. This increase is mainly attributed to forex losses. Other operating expenses represented 11% of the quarter revenues, 2 percentage points higher than prior year and previous quarter.

EBITDA



Group Consolidated EBITDA for the third quarter of 2018 increased year on year by 1% to AED 6.6 billion, resulting in EBITDA margin of 50%, 1 percentage point lower than prior year as a result of change in revenue mix. Quarter on quarter EBITDA in absolute term and EBITDA margin were stable.

In the **UAE**, EBITDA in the third quarter of 2018 was AED 4.0 billion decreasing year-over-year by 1% leading to an EBITDA margin of 52% in comparison to 53% in the previous year. The year over year decrease is mainly attributed to higher interconnection and termination costs, higher roaming costs, higher cost of devices and higher network and staff costs. EBITDA decreased by 5% with EBITDA margin down by 2 percentage points in comparison to the second quarter of 2018. This is mainly attributed to summer seasonality and promotion activities in the market.

EBITDA of **International consolidated operations** increased year over year by 5% to AED 2.5 billion in the third quarter, resulting in a 38% contribution to Group consolidated EBITDA.

Maroc Telecom's consolidated EBITDA in the third quarter of 2018 increased year over year by 4% to AED 1.8 billion, resulting in EBITDA margin of 53%, an increase of 1 percentage point. In local currency, EBITDA in absolute terms increased by 4% attributed to growth in Morocco operations that grew by 9% due to higher revenue trend while EBITDA of international operations declined year over year by 3% impacted by introduction of new taxes and regulatory fees..

In **Egypt**, EBITDA in the third quarter increased year on year by 34% to AED 0.3 billion and EBITDA margin by 5 percentage point to 45%. Quarter over quarter, EBITDA increased by 33% and EBITDA margin increased by 9 percentage points. EBITDA growth is attributed to enhanced revenue trend and positive impact from a one-off item related to stamp taxes. Excluding this impact, EBITDA margin would have been 39%.

In **Pakistan** EBITDA in the third quarter of 2018 decreased year on year by 5% to AED 0.3 billion with EBITDA margin flat at 33%. Quarter over quarter EBITDA increased by 3% and EBITDA margin by 1 percentage point. During the quarter, EBITDA was negatively impacted by unfavourable exchange rate movements of Pakistani Rupees against AED. In local currency, EBITDA growth for the quarter is 10% mainly attributed to higher revenue and lower costs of sales.

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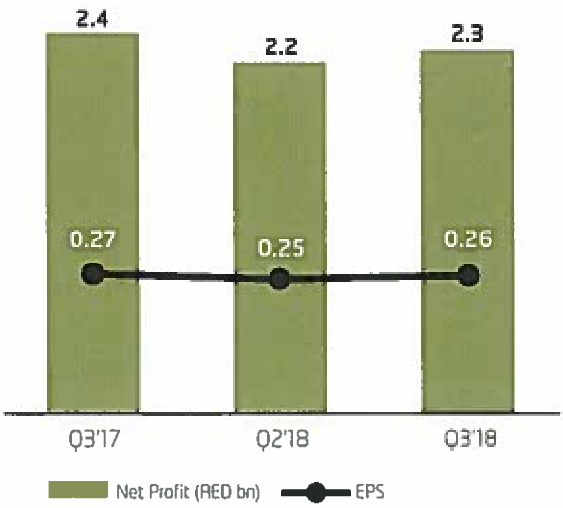
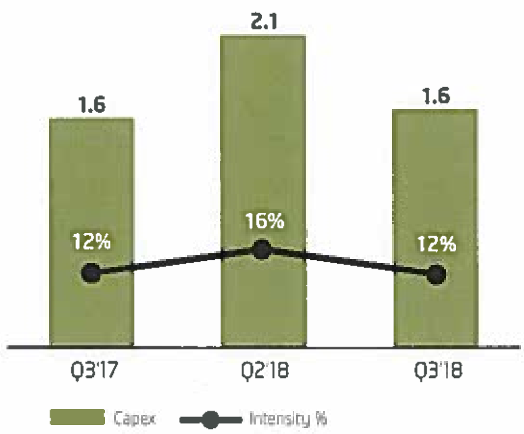
NET PROFIT & EPS



Consolidated net profit after Federal Royalty decreased year over year by 4% to AED 2.3 billion in the third quarter of 2018 resulting in profit margin of 17%, 1 percentage points lower than prior year. The third quarter net profit is negatively impacted by forex losses as compared to forex gains in the prior year.

Earnings per share (EPS) amounted to AED 0.26 in the third quarter of 2018, an decrease of 4% as compared to EPS of the same period of last year.

CAPEX



Consolidated capital expenditure increased year over year by 3% to AED 1.6 billion in the third quarter of 2018 resulting in a capital intensity ratio of 12%. This increase is attributed to domestic operations.

In the UAE, capital expenditure in the third quarter was focused on building capabilities supporting new revenue streams, enhancing network capacity and network maintenance. Capital expenditure during the quarter amounted to AED 0.8 billion, a 171% increase in comparison to the same period last year and 14% higher than the second quarter of 2018. Capital intensity ratio was 11%, representing 7 percentage points higher than the same quarter of the prior year and 1 percentage points higher than the second quarter of 2018.

Capital expenditures in consolidated international operations in the third quarter of 2018 decreased by 38% to AED 0.8 billion compared to the same period last year and prior quarter and represented 49% of total Group capital expenditure.

In Maroc Telecom, capital expenditure for the third quarter decreased by 56% year over year to AED 0.4 billion resulting in a capital intensity ratio of 12%. This decrease is attributed to both domestic and international operations. Capex spend in Morocco decreased year over year by 69% focusing on network enhancements and 4G deployment that reached 98% of population. Capex in international operations decreased year over year by 41% and focused on network expansion and capacity enhancements.

In Egypt capital expenditure for the third quarter decreased by 29% year over year to AED 0.1 billion resulting in a capital intensity ratio of 20%, 13 percentage point lower than the same period of prior year. Capital spending focused on upgrading network capacity and deployment of 4G network.

In Pakistan, capital expenditure for the second quarter increased by 111% year over year to AED 0.2 billion resulting in a capital intensity ratio of 22% up by 12 percentage points as compared to prior year. Capital spending focused on fixed network transformation and efficiencies for providing higher speed data and IPTV services.

DEBT

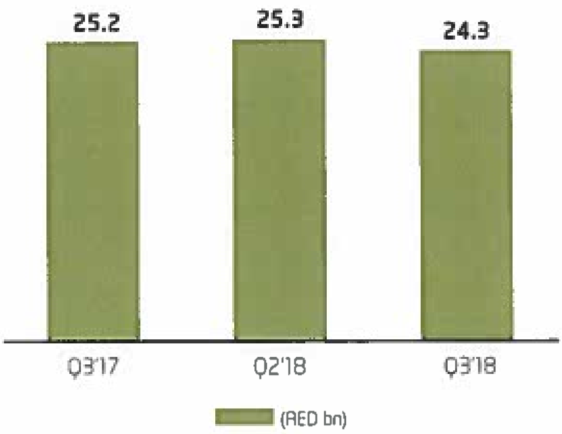
Total consolidated debt amounted AED 24.3 billion as of 30 September 2018, as compared to AED 24.7 billion as at 31 December 2017; a decrease of AED 0.4 billion.

Consolidated debt breakdown by operations as of 30 September 2018 is as following:

- Etisalat Group (AED 15.8 billion)
- Maroc Telecom Group (AED 5.6 billion)
- Etisalat Misr (AED 1.6 billion)
- PTCL Group (AED 1.4 billion)

More than 59% of the debt balance is of long-term maturity that is due beyond 2020.

Currency mix for external borrowings is 41% in Euros, 29% in US Dollars, 16% in MAD and 14% in various currencies.



Consolidated cash balance amounted to AED 24.3 billion as of 30 September 2018 leading to a net debt position of AED 0.1 billion.

PROFIT & LOSS SUMMARY

(AED m)	Q3'17	Q2'18	Q3'18	QoQ	YoY
Revenue	12,889	13,099	13,150	0%	+2%
EBITDA	6,543	6,600	6,579	0%	+1%
EBITDA Margin	51%	50%	50%	0PP	-1PP
Federal Royalty	(1,678)	(1,491)	(1,553)	+4%	-7%
Net Profit	2,377	2,199	2,282	+4%	-4%
Net Profit Margin	18%	17%	17%	+1PP	-1PP

BALANCE SHEET SUMMARY

(AED m)	December 2017	September 2018
Cash & Bank Balances	27,125	24,254
Total Assets	128,894	124,212
Total Debt	24,705	24,348
(Net Cash / (Debt	2,420	(95)
Total Equity	58,206	56,423

CASH FLOW SUMMARY

(AED m)	September 2017	September 2018
Operating		
Investing		
Financing		
Net change in cash		
Effect of FX rate changes		
Reclassified as held for sales		
Ending cash balance		

	Average Rates			Closing Rates		
Foreign Exchange Rates	Q3'17	Q3'18	YOY	Q3'17	Q3'18	YOY
EGP - Egyptian Pounds	0.2028	0.2055	1.31%	0.2028	0.2054	1.28%
SAR - Saudi Riyals	0.9794	0.9792	-0.02%	0.9794	0.9792	-0.02%
CFA - Central African Francs	0.0066	0.0065	-1.17%	0.0066	0.0065	-1.26%
PKR - Pakistani Rupees	0.0349	0.0299	-14.26%	0.0349	0.0299	-14.45%
AFA - Afghanistan Afghani	0.0537	0.0501	-6.73%	0.0537	0.0497	-7.36%
LKR - Sri Lankan Rupees	0.024	0.0227	-5.33%	0.024	0.0225	-6.38%
MAD - Moroccan Dirham	0.3893	0.3890	-0.09%	0.3895	0.3894	-0.02%

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)	Q3'17	Q2'18	Q3'18
EBITDA	6,543	6,600	6,579
Depreciation & Amortization	(1,770)	(1,796)	(1,771)
Exchange Gain/ (Loss) & Hedge ineffectiveness	80	(79)	(197)
Share of Associates and JV's results	(46)	(20)	(9)
Impairment and other losses	(0)	(55)	(17)
Operating Profit before Royalty	4,807	4,650	4,585

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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