EMIRATES TELECOMMUNICATIONS GROUP COMPANY PJSC 'ETISALAT GROUP'

EARNINGS RELEASE
FIRST QUARTER 2018

24 APRIL 2018

INVESTOR RELATIONS
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FINANCIAL HIGHLIGHTS FOR Q1 2018

- Aggregate subscriber base reached 144 million, representing a year over year increase of 3%;
- Consolidated revenues amounted to AED 13.1 billion, representing an increase of 5% year over year;
- Consolidated EBITDA totaled AED 6.5 billion, representing an increase of 2% year over year and resulting in EBITDA margin of 49%, 2 points lower than prior year;
- Consolidated net profit after Federal Royalty amounted to AED 2.1 billion resulting in a net profit margin of 16%; and
- Consolidated capital spending decreased by 16% to AED 1.3 billion, representing 10% of the consolidated revenues.

KEY DEVELOPMENTS IN Q1 2018

- Etisalat implemented VAT on its products and services effective from 1 January, 2018;
- Etisalat Group shareholders approved Board's recommendations to distribute a full year cash dividend of 80 fils per share for the fiscal year 2017 and share buy-back up to 5% of the Company's paid-up capital at the Company General Assembly Meeting held on 21 March 2018;
- E-vision entered into an exclusive 5-year content deal with Starz Play, a streaming video on-demand service in the MENA region;
- Etisalat launched 'Hello Business Hub' in UAE, a one-stop place for all start-ups and SMBs;
- Etisalat Misr settled dispute with Telecom Egypt on international calls services for USD 48 million;
- Mobily acquired additional spectrum in the frequency bands 800 MHZ and 1800 MHZ.

STATEMENT FROM SALEH AL ABDOOLI, CEO OF ETISALAT GROUP

Engineer Saleh Al Abdooli, Group Chief Executive Officer. Etisalat Group, said: "Etisalat's first quarter results are a continuation of previous quarters' solid performance, and a promising start for the current year, alluding positive prospects for both customers and shareholders."

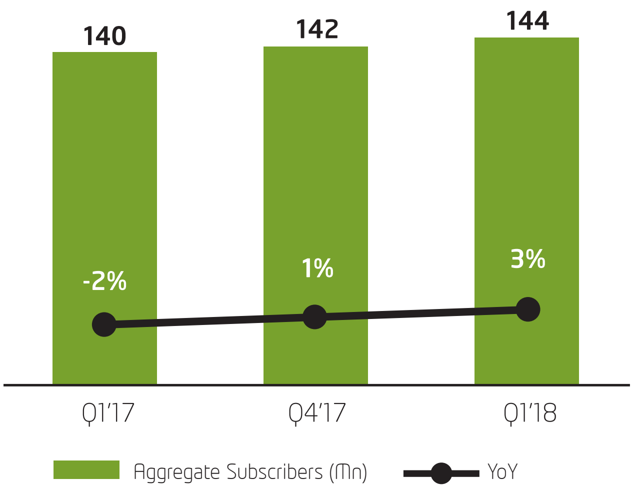
"As we continue to encounter evolving industry dynamics, innovation and successful partnerships remain relevant and integral in sustaining our leading market position and assuring our profitability. Engaging the customers and allowing them to experience and probe our solutions potential has proven to be rewarding as we expand our products and services portfolio and introduce more value adding choices."

"Adoption of cutting edge technologies is a strategic imperative that will always be a cornerstone in etisalat agenda, and while we operate in multiple markets with varying levels of technological maturity, our home market remains a driving force; as we witness the government adopting futuristic technologies, like AI and Blockchain, and leading the digital transformation of the society as a whole"

"Etisalat has continued its efforts to align its business with its digital initiatives which has enabled us to develop a healthy business portfolio. Moving forward, we will stay focused on realizing our strategic and operational goals and on materializing our digital transformation. We will continue to push technological boundaries and tap on non-traditional revenue streams that will augment our core services revenues and maximize the return on investment of our networks and platforms."

SUBSCRIBERS

Etisalat Group aggregate subscribers as at 31 March 2018 was 144 million reflecting a net gain of 4.1 million during the last 12 month period, due to strong subscriber growth in the UAE, Morocco, Ivory Coast, Benin, Togo, Niger, Mali, Burkina Faso, Pakistan and Afghanistan. Quarter over quarter active subscriber base increased by 1%.



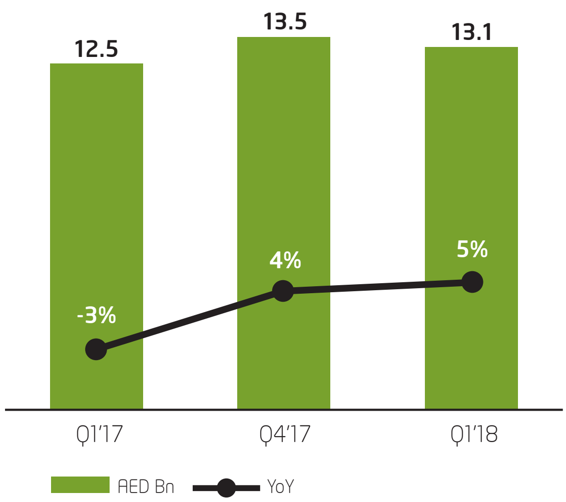
In the UAE, the active subscriber base grew to 12.9 million subscribers in the first quarter of 2018 representing a year on year growth of 3% and quarter over quarter growth of 2%. Subscriber growth continued to be driven by mobile and eLife segments. The mobile subscriber base grew year on year by 4% to 11.1 million subscribers representing a net addition of 0.5 million subscribers mostly in the prepaid segment. eLife segment continued to drive consistent growth with 4% year on year increase to over 1 million subscribers. Total broadband segment grew by 3% year on year to 1.1 million subscribers.

For Maroc Telecom, the subscriber base reached 58.7 million customers as at 31 March 2018, representing a year over year growth of 8%. This growth is mainly attributable to the operations in Morocco, Mali, Ivory Coast, Niger, Benin, Burkina Faso and Togo.

In Egypt, subscriber base decreased by 3% year over year and quarter over quarter to 33.2 million mainly due to stricter regulatory requirements in subscriber acquisitions.

In Pakistan, subscriber base increased by 5% year over year and 4% quarter over quarter to 22.8 million. This increase is attributed to the mobile segment.

REVENUE



Etisalat Group's consolidated revenue for the first quarter of 2018 amounted to AED 13.1 billion, representing an increase of 5% in comparison to the same period last year and a decline of 3% quarter over quarter.

In the UAE, revenue in the first quarter increased year on year by 3% to AED 7.8 billion, as a result of growth of the digital and ICT services, and wholesale segment iIn addition to increase in the handset sales. Quarter over quarter revenue declined by 3% due to lower handset revenue.

Revenues of International consolidated operations for the first quarter of 2018 increased year over year by 11% to AED 5.2 billion. Revenues from International operations represented 40% of Group consolidated revenue.

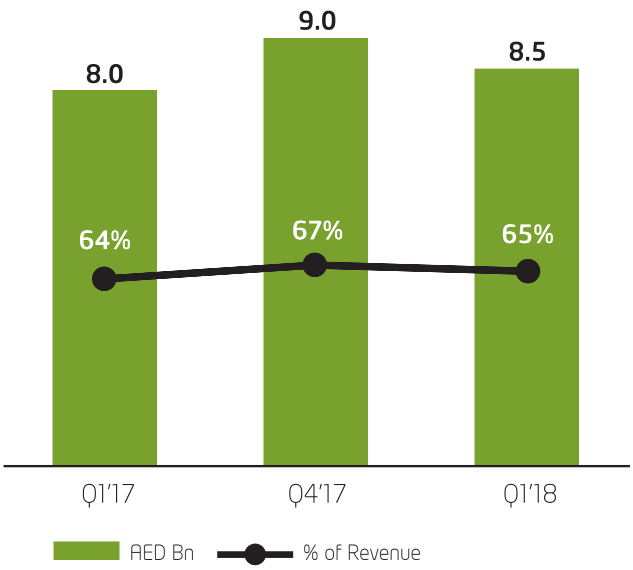
Maroc Telecom consolidated revenue for the first quarter of 2018 amounted to AED 3.4 billion representing a year over year increase of 15% attributed to both domestic and international operations. In Morocco, revenue increased year over year in local currency by 5% attributed to 3% growth in mobile segment and 5% growth in the fixed segment. The growth in the mobile segment is due to increase in subscriber base and strong growth in mobile broadband that offset the negative impacts of asymmetry of mobile call termination and deregulation of telephony over IP. Revenue from international operations increased year over year by 10% in local currency, resulting in 44% contribution to Maroc Telecom Group's consolidated revenue. This growth is attributed to strong performance of Moov's entities in particular Ivory Coast, Benin, and Togo, where these subsidiaries continued to gain market share and benefited from the growth in data usage.

In Egypt, revenue for the first quarter of 2018 was AED 0.7 billion, an increase of 21% year on year and 12% decline quarter over quarter. First quarter year on year growth is attributed to data segment and national roaming.

In Pakistan, revenue for the first quarter decreased by 3% to AED 1.0 billion as compared to the same period in 2017 and decreased by 2% as compared to the fourth quarter of 2017. Revenue growth is impacted by unfavourable exchange rate movements of Pakistani Rupees against AED. In local currency, revenue growth for the quarter is 3% mainly attributed to mobile segment, Broadband DSL and Charji (LTE) segments.

OPERATING EXPENSES

Consolidated operating expenses for the first quarter of 2018 was AED 8.5 billion, an increase of 7% from the same quarter of the previous year and 5% decline from the fourth quarter of 2017. The year over year increase is attributed to higher cost of sales, higher depreciation and amortization expenses, higher network costs, and other operating expenses. Key components of operating expenses are:



- **Direct cost of Sales** increased year over year by 12% to AED 3.2 billion in the first quarter of 2018, while decreased by 5% quarter over quarter. As a percentage of revenues direct cost of sales increased by 2 points to 24% of revenues in the first quarter.

- **Staff expenses** decreased by 3% to AED 1.2 billion for the first quarter of 2018 as compared to the same period of last year. As a percentage of revenue staff costs decreased by 1 point to 9% in the first quarter and remained stable quarter over quarter.

- **Depreciation and Amortization expenses** increased year over year by 2% to AED 1.8 billion in the first quarter of 2018 as compared to the same period in 2017, while declined quarter over quarter by 4%. As a percentage of revenues, depreciation and amortization expenses remained flat at 14% in the first quarter.

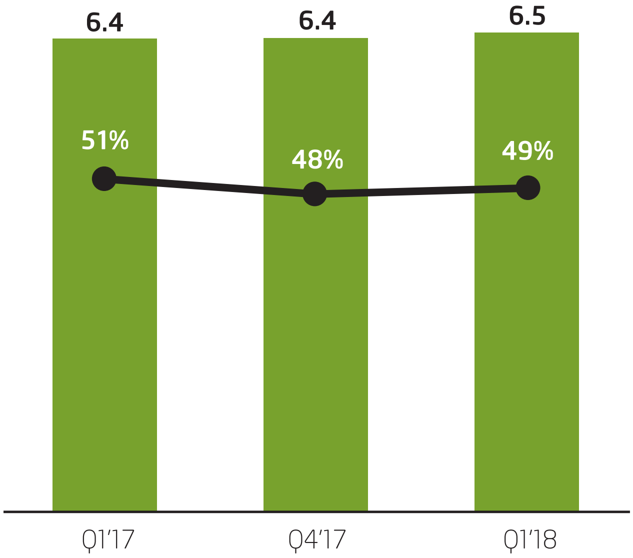
- **Network costs** increased by 15% to AED 0.6 billion in the first quarter of 2018 as compared to the same period in 2017 and by 32% as compared to the fourth quarter of 2017. As a percentage of revenues, network costs represented 5% of revenues, similar to first quarter of prior year.

- **Marketing expenses** decreased by 8% to AED 0.2 billion in the first quarter of 2018 as compared to the same period in 2017 and by 34% in comparison to the fourth quarter of 2017. Marketing expenses represented 2% of the first quarter revenues, similar to first quarter and fourth quarter of prior year.

- **Other operating expenses** increased by 11% year over year to AED 1.4 billion in the first quarter and declined by 13% quarter over quarter. Other operating expenses represented 11% of the quarter revenues, 1 point higher than prior year and 1 point lower than prior quarter.

EBITDA

Group Consolidated EBITDA for the first quarter of 2018 increased by 2% year on year while was flat quarter on quarter at AED 6.5 billion, resulting in EBITDA margin of 49%, 2 points lower than prior year and 2 points higher than prior quarter.



In the **UAE,** EBITDA in the first quarter of 2018 was AED 4.1 billion decreasing year-over-year by 2% leading to an EBITDA margin of 52% in comparison to 54% in the previous year. EBITDA decreased by 1% with EBITDA margin up by 1 point in comparison to the fourth quarter of 2017. The year over year decrease is mainly attributed to higher interconnection and termination costs, higher roaming costs, higher cost of devices and higher network costs.

EBITDA of **International consolidated operations** increased year over year by 13% to AED 2.4 billion in the first quarter, resulting in a 37% contribution to Group consolidated EBITDA.

Maroc Telecom's consolidated EBITDA for the first quarter of 2018 increased year over year by 15% to AED 1.8 billion, resulting in EBITDA margin of 52%. In local currency, EBITDA in absolute terms increased by 6% due to growth in Morocco and international operations that grew by 5% and 7%, respectively. Growth in EBITDA is mainly attributed to growth in revenues.

In **Egypt,** EBITDA in the first quarter increased year on year by 29% to AED 0.3 billion and EBITDA margin increased 2 points to 39%. Quarter over quarter, EBITDA declined by 24% and EBITDA margin decreased by 6 points. The first quarter EBITDA continued to improve in local currency driven by enhanced revenue trend.

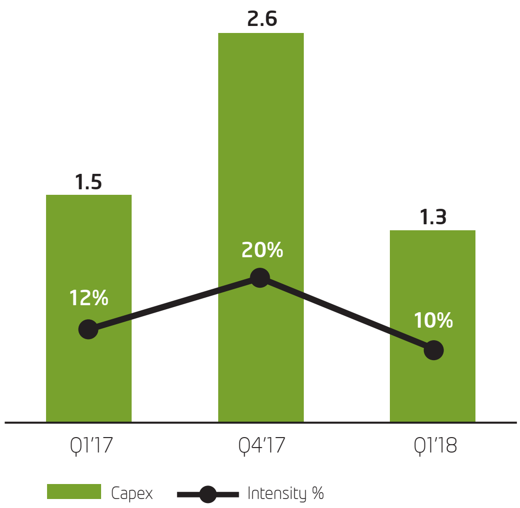
In **Pakistan** EBITDA in the first quarter of 2018 decreased year on year by 5% to AED 0.3 billion with EBITDA margin decreasing by 1 point to 34%. Quarter over quarter EBITDA increased by 2% and EBITDA margin by 1 point. During the quarter, EBITDA was negatively impacted by upfront subscribers' acquisition costs to convert subscribers from CDMA to LTE in addition to seasonal marketing activities.

NET PROFIT & EPS

Consolidated net profit after Federal Royalty was stable year over year at AED 2.1 billion in the first quarter of 2018 resulting in profit margin of 16%, 1 point lower than prior year. The first quarter net profit is negatively impacted by higher depreciation charges, lower net finance and other income, higher taxation and minority interest.

Earnings per share (EPS) amounted to AED 0.24 in the first quarter of 2018, similar to EPS of the same period of last year.

CAPEX



Consolidated capital expenditure decreased year over year by 16% to AED 1.3 billion in the first quarter of 2018 resulting in a capital intensity ratio of 10%. This decrease is attributed to both domestic and international operations.

In the UAE, capital expenditure in the first quarter was focused on building digital capabilities and network maintenance. Capital expenditure during the quarter amounted to AED 0.5 billion, a 15% decrease in comparison to the same period last year. Capital intensity ratio was 6%, representing 1 point lower than the same quarter of the prior year and 6 points lower as compared to the fourth quarter of 2017.

Capital expenditures in consolidated international operations in the first quarter of 2018 decreased by 10% to AED 0.8 billion compared to the same period last year and represented 62% of total Group capital expenditure.

In Maroc Telecom, capital expenditure for the first quarter increased by 37% year over year to AED 0.6 billion resulting in a capital intensity ratio of 17%. This increase is attributed to international operations that grew in local currency by 52% focusing on networks expansion and capacity upgrade especially in the Moov entities. Capex spend in Morocco decreased year over year by 1% focusing on network enhancements and 4G deployment.

In Egypt capital expenditure for the first quarter decreased by 58% year over year to AED 0.1 billion resulting in a capital intensity ratio of 15%, 27 points lower than the same period of prior year. Capital spending focused on deployment of 4G network.

In Pakistan, capital expenditure for the first quarter decreased by 52% year over year to AED 0.1 billion resulting in a capital intensity ratio of 10%, 11 points lower than prior year. Capital spending focused on fixed network transformation and efficiencies.

DEBT

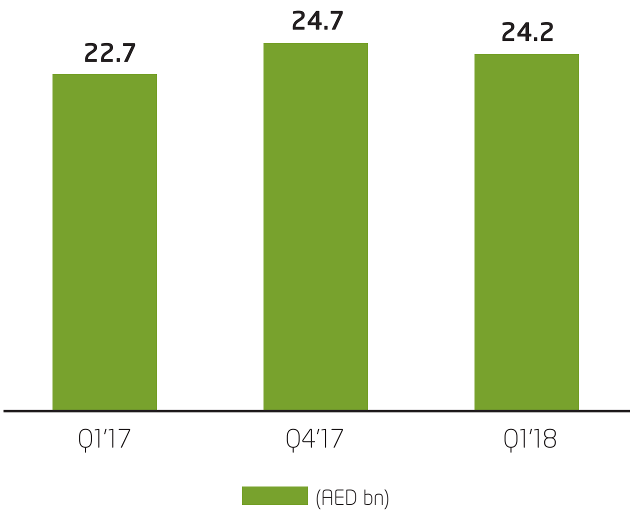
Total consolidated debt amounted AED 24.2 billion as of 31 March 2018, as compared to AED 24.7 billion as at 31 December 2017; a decrease of AED 0.5 billion.

Consolidated debt breakdown by operations as of 31 March 2018 is as following:

- Etisalat Group (AED 16.4 billion)
- Maroc Telecom Group (AED 4.6 billion)
- Etisalat Misr (AED 1.7 billion)
- PTCL Group (AED 1.4 billion)

More than 63% of the debt balance is of long-term maturity that is due beyond 2020.

Currency mix for external borrowings is 45% in Euros, 28% in US Dollars, 13% in MAD and 14% in various currencies.



Consolidated cash balance amounted to AED 25.7 billion as of 31 March 2018 leading to a net cash position of AED 1.6 billion.

PROFIT & LOSS SUMMARY

(AED m)	Q1'17	Q4'17	Q1'18	QoQ	YoY
Revenue	12,464	13,467	13,104	-3%	+5%
EBITDA	6,356	6,450	6,479	0%	+2%
EBITDA Margin	51%	48%	49%	+2PP	-2PP
Federal Royalty	(1,659)	(1,092)	(1,557)	+43%	-6%
Net Profit	2,105	1,970	2,112	+7%	0%
Net Profit Margin	17%	15%	16%	+1PP	-1PP

BALANCE SHEET SUMMARY

(AED m)	December 2017	March 2018
Cash & Bank Balances	27,125	25,748
Total Assets	128,894	127,180
Total Debt	24,705	24,167
(Net Cash / (Debt	2,420	1,581
Total Equity	58,206	56,835

CASH FLOW SUMMARY

(AED m)	3M' 2017	3M' 2018
Operating	5,251	4,683
Investing	(1,519)	(1,278)
Financing	(194)	(4,758)
Net change in cash	3,538	(1,353)
Effect of FX rate changes	10	(22)
Reclassified as held for sales	7	(2)
Ending cash balance	27,231	25,748

	Average Rates			Closing Rates		
Foreign Exchange Rates	Q1'17	Q1'18	YOY	Q1'17	Q1'18	YOY
EGP - Egyptian Pounds	0.2058	0.2080	1.06%	0.2013	0.2080	3.33%
SAR - Saudi Riyals	0.9794	0.9794	0.00%	0.9794	0.9794	0.00%
CFA - Central African Francs	0.0059	0.0069	16.28%	0.0060	0.0069	14.93%
NGR - Nigerian Naira	0.0119	0.0102	-14.29%	0.0119	0.0102	-14.29%
PKR - Pakistani Rupees	0.035	0.0330	-5.84%	0.0350	0.0317	-9.43%
AFA - Afghanistan Afghani	0.0551	0.0531	-3.66%	0.0550	0.0528	-4.00%
LKR – Sri Lankan Rupees	0.0243	0.0238	-2.20%	0.0242	0.0236	-2.48%
SDG - Sudanese Pounds	0.3644	0.3978	9.17%	0.3660	0.3992	9.07%
MAD - Moroccan Dirham	0.2058	0.2080	1.06%	0.2013	0.2080	3.33%

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)	Q1'17	Q4'17	Q1'18
EBITDA	6,356	6,450	6,479
Depreciation & Amortization	(1,761)	(1,871)	(1,802)
Exchange Gain/ (Loss) & Hedge ineffectiveness	(96)	(96)	(89)
Share of Associates and JV's results	(49)	(46)	(21)
Impairment and other losses	(1)	(580)	(3)
Operating Profit before Royalty	4,449	3,857	4,564

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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
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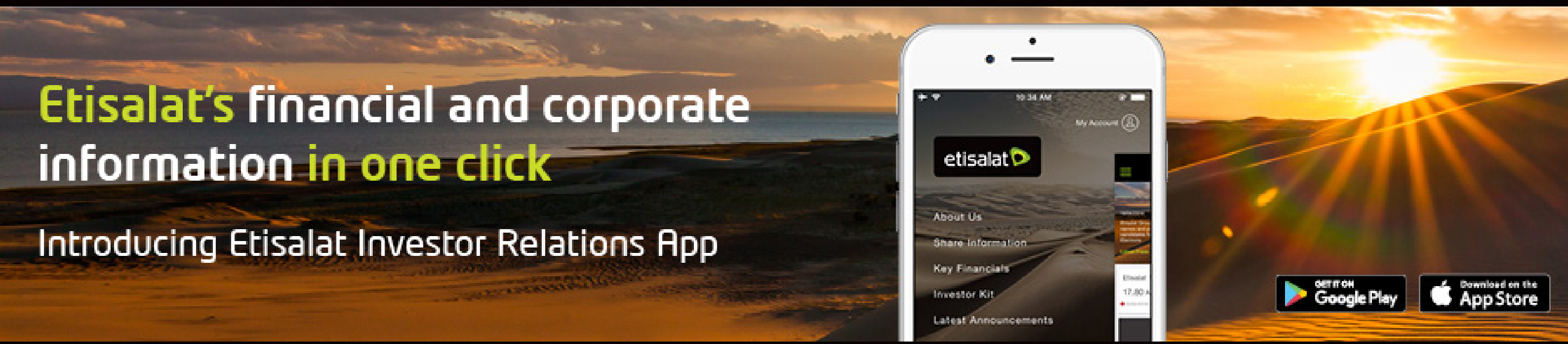
Website: www.etisalat.com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