Emirates Telecommunications Group Company PJSC 'Etisalat Group'

Earnings Release Third Quarter 2021

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Financial Highlights for Q3 2021

- Aggregate subscriber base reached 155 million, representing a year over year increase of 4%;
- Consolidated revenues for the third quarter amounted to AED 13.3 billion, representing an increase of 2.0% year over year and 0.6% quarter over quarter;
- Consolidated EBITDA for the third quarter amounted to AED 6.7 billion, representing a decrease of 2.4% year over year, resulting in an EBITDA margin of 51%, 2 percentage points lower than the prior year. Excluding one-off item recognised last year, EBITDA grew 0.1%;
- Consolidated net profit after Federal Royalty amounted to AED 2.4 billion, representing a 1.0% increase year over year and 1.7% quarter over quarter, resulting in a net profit margin of 18%;
- Consolidated capital spending increased by 77% to AED 2.7 billion, representing 21% of the consolidated revenue. Excluding spectrum acquisition and license costs, capital spending increased by 7%; and
- Operating free cash flow amounted to AED 4.0 billion, representing a 25% decrease year over year mainly due to spectrum and license acquisition costs. Excluding these costs, operating free cash flow declined by 3%.

Financial Highlights for 9M 2021

- Aggregate subscriber base reached 155 million, representing a year over year increase of 4%;
- Consolidated revenues for the first nine months of 2021 amounted to AED 39.7 billion, representing an increase of 2.8% year over year;
- Consolidated EBITDA for the first nine months of 2021 amounted to AED 20.1 billion, remaining steady year over year and resulting in an EBITDA margin of 51%, 1 percentage point lower than the prior year. Excluding one-off item from prior year, EBITDA increased by 0.9%;
- Consolidated net profit after Federal Royalty amounted to AED 7.2 billion, representing a 2.9% increase year over year and resulting in a net profit margin of 18%;
- Consolidated capital spending increased by 30.7% to AED 5.4 billion, representing 14% of the consolidated revenue; Excluding spectrum acquisition and license costs, capital spending increased by 5%;
- Operating free cash flow amounted to AED 14.7 billion, representing a decrease of 8% year over year. Excluding spectrum and license costs, operating free cash flow remained stable; and
- Given the momentum and consistent performance in the first 9 months, Management improved full year 2021 guidance for all financial indicators.

Key Developments in Q3 2021

- Etisalat Group completed all the steps for increasing foreign ownership limit in its share capital to 49%;
- Etisalat Group successfully acquired additional stake in Etisalat Investment North Africa, increasing its effective ownership in Maroc Telecom Group from 48.4% to 53.0%;
- PTCL's Ufone won nine megahertz of spectrum in the 1,800 megahertz band at base price;
- Etisalat UAE named the world's fastest mobile network by Ookla for the second consecutive year;
- PTCL teamed up with Dell Technologies to introduce Azure Cloud Computing Services in Pakistan;
- Etisalat Digital launched cloud-based Electronic Medical Record platform to enable UAE healthcare establishments to share data instantly;
- Etisalat partnered with Orange to establish an inter-network packet exchange (IPX) point at Etisalat's smart data switch (SmartHub) in the UAE;
- Etisalat partnered with Yale Middle East to provide a full range of its smart door locking solutions;
- PTCL and Cisco signed a Service Provider Partnership agreement to modernize IT infrastructure and deliver services to businesses in Pakistan; and
- Etisalat was named the best regional SMS service provider at the fifth annual Carrier Community Global Awards ceremony in Berlin.

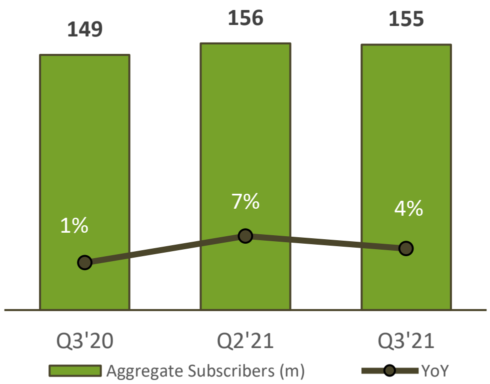
Statement from Hatem Dowidar, CEO of Etisalat Group

Etisalat Group continued to deliver a steady growth in the third quarter of 2021, demonstrating agility as we address the growing and ever-changing customer needs and market dynamics across our operations. We remain focused on achieving key strategic priorities that would enable a smarter digital tomorrow while opening new opportunities to engage with business and customers alike.

We look at the future confidently with a positive outlook for our operations despite the various global macro-economic factors that are reshaping the business environment across our footprint. We will continue to channel our efforts towards enabling private and public sectors digital transformation journeys while equipping our operations with the next generation of technologies like AI and robotics to drive efficiencies. Etisalat mobile network reasserted its leadership as the fastest globally due to our sincere efforts in consistently pushing boundaries and delivering added value to our customers, shareholders, and the communities we serve.

Thanks to the vision of the UAE leadership and their continuous support to the telecom sector, inspiring us to deliver world-class networks and innovative services. We also extend our appreciation to our loyal customers and shareholders to whom we owe more success and greater achievements.

Subscribers



Etisalat Group aggregate subscribers as at 30 September 2021 was 155 million reflecting a strong net addition of 6.0 million during the last 12 months period due to subscriber growth in Saudi Arabia, Burkina Faso, Egypt, Chad, Benin, Pakistan, Morocco, Mauritania, Ivory Coast and Gabon. Quarter over quarter subscriber base remained flat.

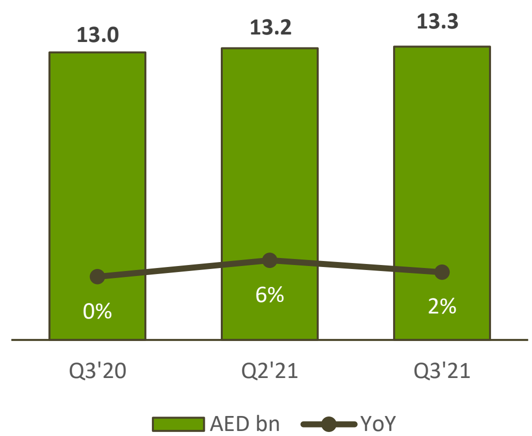
In the **UAE,** the active subscriber base reached 12.0 million subscribers in the third quarter of 2021, representing a decrease of 1% year on year and quarter over quarter. The mobile subscriber base increased by 1% year on year to 10.4 million subscribers attributed to the solid net addition in the postpaid subscribers that increased by 9%. Quarter over quarter, mobile subscriber base increased by 68 thousand subscribers driven by an increase in postpaid subscribers. Our eLife subscription continued momentum driven by our strong value proposition coupled with its superior network quality. This combination is helping in driving consistent growth with 1% year on year increase to 1.1 million subscribers. Total broadband segment grew by 4% year on year to 1.3 million subscribers.

For **Maroc Telecom,** the subscriber base reached 72.8 million subscribers as at 30 September 2021, representing a year over year growth of 3%. This growth is mainly attributable to the operations in Burkina Faso, Chad, Benin, Morocco, Mauritania, Ivory Coast and Gabon.

In **Egypt**, subscriber base increased by 3% year over year to 27.0 million mainly due to market growth.

In **Pakistan**, subscriber base increased by 2% year over year to 25.2 million attributed to the mobile and fixed segments.

Revenue



Etisalat Group's consolidated revenues for the third quarter of 2021 amounted to AED 13.3 billion, representing an increase of 2.0% in comparison to the same period last year and increased by 0.6% quarter over quarter. Third quarter revenue growth was supported by increased demand for data connectivity and witnessed growth in international operations and remained steady in domestic operations.

In the **UAE**, revenue in the third quarter remained flat year on year and quarter on quarter at AED 7.4 billion. The positive contribution from data, digital, TV services and handset sales was offset by the decline in voice revenue due to the higher penetration of VoIP.

Mobile segment revenue remained steady year over year at AED 2.7 billion. Postpaid segment continued to perform strongly, supported by growth in postpaid subscribers, higher mobile data usage and recovery in outbound roaming that offset the decline in voice revenue that continued to be impacted by the increased penetration of OTT services. Fixed segment revenue declined by 1% year over year to AED 2.8 billion as a result of a decline in fixed voice revenue that was partially offset by growth in broadcast television revenue. Other segment revenue increased by 1% year over year to AED 2.0 billion attributed to higher handset sales and digital services.

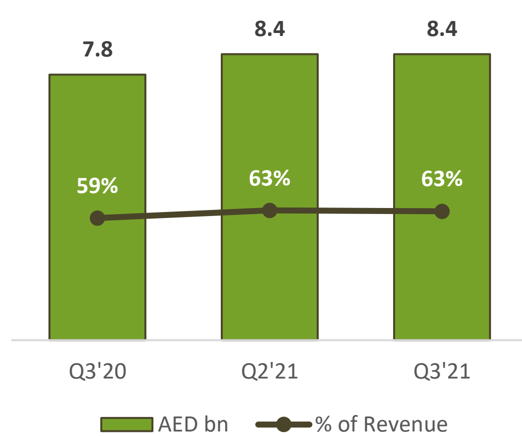
Revenues of **International consolidated operations** for the third quarter of 2021 increased year over year by 7% to AED 5.7 billion and quarter over quarter by 1%. This growth is mainly attributed to the strong performance of Etisalat Misr and PTCL Group due to subscriber growth and increasing data usage in addition to favourable exchange rate movement of MAD against AED. Revenue from International operations represented 43% of Group consolidated revenue.

Maroc Telecom consolidated revenue for the third quarter of 2021 amounted to AED 3.5 billion representing a year over year increase of 2% attributed mainly to favourable exchange rate movement in MAD against AED. However, in local currency revenue declined by 2%. In Morocco, revenue decreased year over year by 2% in local currency attributed to the decline in mobile revenue by 4% and fixed segment by 1%. This decline is attributed to the ongoing regulatory and competitive pressure and decrease in national call termination rates that impacted performance in particular prepaid data. This was offset by an increase in the fixed data segment, which continued to grow and increased year-over-year by 8%, in addition to more favourable year-on-year summer seasonality attributed to expats visiting Morocco. Revenue from international operations decreased year over year by 1% in local currency, resulting in 46% contribution to Maroc Telecom Group's consolidated revenue. This decline is attributed to unfavourable exchange rate movement in CFA against MAD that more than offset the strong growth in mobile data and mobile money.

In **Egypt**, revenue for the third quarter of 2021 was AED 1.3 billion, an increase of 21% year on year and 6% quarter over quarter. The year on year growth is attributed to strong contribution from mobile data and national roaming revenue.

In **Pakistan**, revenue for the third quarter was AED 0.8 billion representing a 7% increase year over year. The growth was attributed to the positive contribution from all its operations, including fixed and mobile broadband as well as Ubank services. Quarter over quarter revenue declined by 5% due to unfavourable exchange rate movement in PKR against AED. However, in local currency, revenue increased by 2% due to higher voice and data usage.

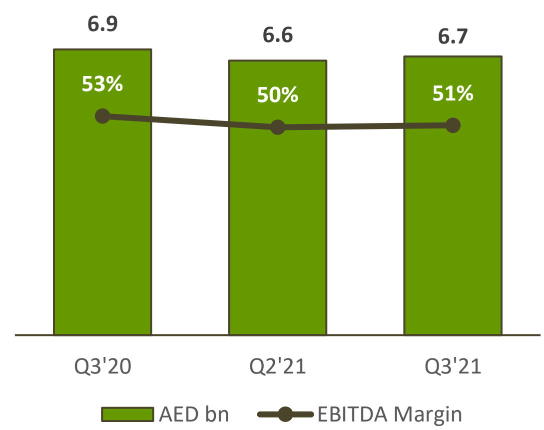
Total Expenses



Consolidated expenses for the third quarter of 2021 was AED 8.4 billion, an 8% increase compared to the same quarter of the previous year and remained flat compared to the second quarter of 2021. The year on year increase is associated with revenue growth and is mainly attributed to higher foreign exchange loss, marketing, staff and regulatory expenses in addition to higher direct cost of sales and operating costs associated with higher revenues, changes in revenue mix and resumption of many operational activities. Key components of expenses are:

- Direct cost of Sales increased year over year by 1% to AED 3.1 billion in the third quarter of 2021 and decreased by 4% quarter over quarter. As a percentage of revenue, it remained stable at 24% in the third quarter.
- Staff expenses increased by 5% to AED 1.2 billion for the third quarter of 2021 as compared to the same period of last year and increased by 1% quarter over quarter. As a percentage of revenue, staff costs remained stable in the third quarter at 9%.
- Depreciation and Amortization expenses increased year over year by 2% to AED 2.0 billion in the third quarter of 2021 as compared to the same period in 2020, and remained stable quarter over quarter. As a percentage of revenue, depreciation and amortization expenses remained flat at 15% in the third quarter compared to the same period in 2020 and to the second quarter of 2021.
- Network costs increased year over year by 4% to AED 0.7 billion in the third quarter of 2021 as compared to the same period in 2020 and decreased by 1% compared to the second quarter of 2021. As a percentage of revenue, network costs remained stable at 5%, similar to the same quarter in 2020 and the second quarter of this year.
- Marketing expenses increased by 39% to AED 0.3 billion in the third quarter of 2021 as compared to the same period in 2020 and increased by 1% in comparison to the second quarter of 2021 due to the improvement in the commercial activities and easing of restrictions. As a percentage of revenue, marketing expenses stood at 2% in the third quarter, 1 percentage point higher than the same period of last year and stable compared to the second quarter of this year.
- Other operating expenses increased by 47% year over year to AED 1.1 billion in the third quarter and by 11% quarter over quarter. This increase is mainly attributed to foreign exchange losses compared to foreign exchange gain in the prior year, higher regulatory, IT and consulting costs. Other operating expenses represented 8% of the quarter's revenue, a 3 percentage points increase compared to third quarter of the prior year and a 1 percentage point increase compared to the previous quarter.

EBITDA



Group Consolidated EBITDA for the third quarter of 2021 decreased by 2.4% year on year and increased by 1.5% quarter on quarter to AED 6.7 billion, resulting in an EBITDA margin of 51%, 2 percentage points lower than the prior year and stable compared to the prior quarter. Adjusted for a non-recurring item in Morocco last year, EBITDA increased by 0.1%.

In the UAE, EBITDA in the third quarter of 2021 was AED 3.8 billion, a 4% decrease year-over-year and leading to an EBITDA margin of 52%, 2 percentage points lower than the third quarter of the previous year. The year over year decrease is mainly attributed to higher cost of sales due to changes in revenue mix and higher marketing costs due to higher activity level this year. EBITDA decreased by 1% and EBITDA margin remained stable in comparison to the second quarter of 2021.

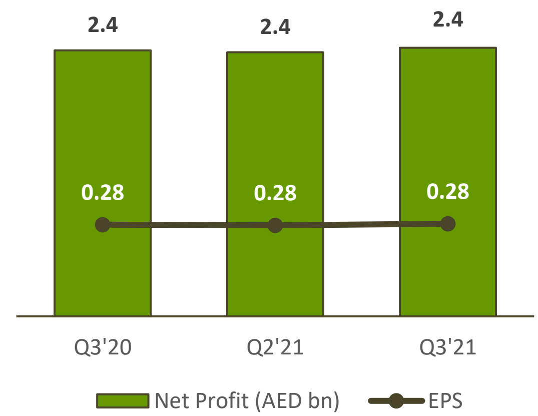
EBITDA of **International consolidated operations** remained stable year over year at AED 2.8 billion in the third quarter, resulting in a 41% contribution to Group consolidated EBITDA. EBITDA margin of international operations stood at 48%, 3 percentage points lower than the same period last year and stable compared to the second quarter of 2021. Excluding one-off item from last year, consolidated EBITDA of international operations increased year-over-year by 9% and EBITDA margin by 3 percentage points.

Maroc Telecom's consolidated EBITDA for the third quarter of 2021 amounted to AED 1.9 billion, a 6% decrease year over year, resulting in an EBITDA margin of 54%. In Moroccan Dirham, EBITDA in absolute terms decreased year over year by 10% mainly attributed to a one-off item related to resolution of dispute that was recognised last year. Adjusted EBITDA declined by 2% due to lower revenue. In Morocco, EBITDA declined by 16% due to the prior year one-off item. On a like-for-like basis, EBITDA declined by 4% due to lower revenue. This was partially offset by growth in EBITDA from international operations that increased year over year by 2% and was attributed to better gross margin and cost optimisation efforts.

In **Egypt**, EBITDA in the third quarter increased year on year by 24% to AED 0.6 billion and EBITDA margin increased by 1 percentage point to 46%. Quarter over quarter, EBITDA increased by 13% and EBITDA margin increased by 3 percentage points. This increase is attributed to strong revenue growth.

In **Pakistan,** EBITDA in the third quarter of 2021 decreased year on year by 2% to AED 0.2 billion with EBITDA margin lower by 3 percentage points at 29%. The year over year decrease is attributed to higher cost of sales and operating expenses. Quarter over quarter, EBITDA decreased by 8% and EBITDA margin decreased by 1 percentage point mostly attributed to unfavourable exchange movement of PKR against AED. In local currency, EBITDA declined by 1% due to higher operating costs.

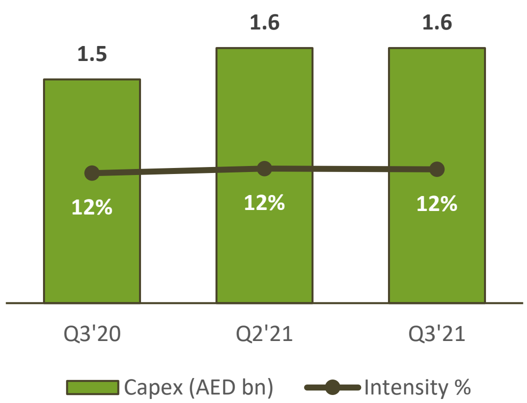
Net Profit & EPS



Consolidated net profit after Federal Royalty increased year over year by 1.0% to AED 2.4 billion in the third quarter of 2021 and net profit margin remained stable at 18%. This increase is attributed to better contribution from associates, lower royalty, and lower net finance and other costs due to optimised debt profile. Quarter over quarter net profit increased by 1.7%.

Earnings per share (EPS) amounted to AED 0.28 in the third quarter, an increase of 1.0% as compared to EPS of the same period last year.

Capex



Consolidated capital expenditure increased by 77% year over year to AED 2.7 billion in the third quarter of 2021 resulting in a capital intensity ratio of 21%, 9 percentage points higher than the same period in 2020. Excluding the spectrum and license acquisitions in Pakistan and Mauritania, capital expenditure increased by 7% year on year and capital intensity ratio by 1 percentage point. Capital spending in the third quarter was driven by spectrum acquisition in Pakistan, ongoing network modernization in several markets, including 5G roll-out in UAE, fibre investments in Morocco and Pakistan and networks coverage and expansion in Egypt and international subsidiaries of Maroc Telecom. Quarter over quarter, capital expenditure increased by 68% and capital intensity ratio by 8 percentage points. Excluding the spectrum and license acquisition, it increased by 2% and the intensity ratio remained flat.

In the **UAE**, capital expenditure in the third quarter was focused on network modernization, 5G roll-out, capacity enhancement and network maintenance. Capital expenditure during the quarter amounted to AED 0.5 billion, a 44% decrease in comparison to the same period last year. Capital intensity ratio was 7%, representing 6 percentage points lower than the same quarter of the prior year and stable compared to the second quarter of 2021.

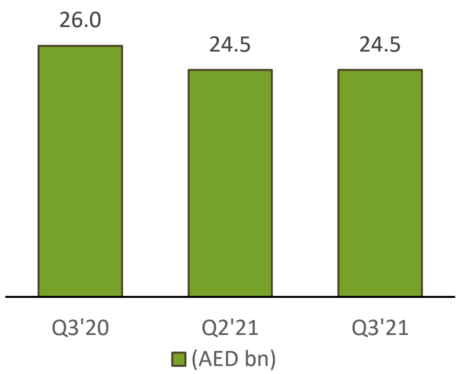
Capital expenditures in consolidated **international operations** in the third quarter of 2021 increased by 2.8 times to AED 2.2 billion compared to the same period last year and represented 80% of total Group capital expenditure. Excluding the spectrum and license acquisitions, international capital expenditures increased by 94% year over year and by 1% quarter over quarter.

In **Maroc Telecom**, capital expenditure for the third quarter increased by 92% year over year to AED 0.6 billion resulting in a capital intensity ratio of 18%. Capex spend in Morocco increased year over year by 81% in local currency and was focused on fibre-to-the-home network, expanding mobile network and improving indoor coverage. On the international front, capex spend increased year over year by 88% with spend focusing on networks expansion and upgrades to support the growth in traffic and customer base.

In **Egypt**, capital expenditure for the third quarter increased by 169% year over year to AED 0.3 billion resulting in a capital intensity ratio of 24%, 13 percentage points higher than the same period of the prior year. Capital spending focused on 4G deployment and upgrading of network capacity.

In **Pakistan**, capital expenditure for the third quarter increased by 1,133% year over year to AED 1.2 billion resulting in a capital intensity ratio of 158%, 144 percentage points higher than the prior year. This increase is attributed to the nine megahertz in the 1,800 megahertz band that Ufone won at base price of $279 million. Excluding the spectrum acquisition cost in the third quarter of 2021, capital expenditure increased by 96% year over year and decreased by 6% quarter over quarter. Capital spending focused on fibre roll-out and enhancement of the fixed network's capacity.

Debt



Total consolidated debt amounted AED 24.5 billion as of 30 September 2021, as compared to AED 26.7 billion as at 31 December 2020; a decrease of AED 2.2 billion due to improved debt profile..

Consolidated debt breakdown by operations as of 30 September 2021 is as following:

- Etisalat Group (AED 14.3 billion)
- Maroc Telecom Group (AED 7.3 billion)
- PTCL Group (AED 1.7 billion)
- Etisalat Misr (AED 1.2 billion)

More than 70% of the debt balance is of long-term maturity that is due beyond the third quarter of 2022.

Currency mix for external borrowings is 38% in Euros, 24% in US Dollars, 18% in MAD and 20% in various currencies.

Consolidated cash balance amounted to AED 24.9 billion as of 30 September 2021 leading to a net cash position of AED 0.4 billion.

Guidance FY2021

Management improved full year 2021 guidance in all financial indicators reflecting the consistency of the performance and strong financial results.

Etisalat Group revised full year 2021 guidance:

Financial KPI	Original Guidance FY2021	Revised Guidance FY2021
Revenue Growth%	Stable	+2.0% to +3.0%
EBITDA Margin%	49% - 50%	~ 50.0%
EPS (AED)	Stable	~ 1.05
Capex/ Revenue %	16% - 18%	15.5% - 16.5%

Profit & Loss Summary

(AED m)	Q3'20	Q2'21	Q3'21	*QoQ*	*YoY*
Revenue	13,039	13,216	13,294	+0.6%	+2.0%
EBITDA	6,904	6,641	6,741	+1.5%	-2.4%
EBITDA Margin	53.0%	50.3%	50.7%	+0.5pp	-2.2pp
Federal Royalty	(1,475)	(1,416)	(1,435)	+1.3%	-2.7%
Net Profit	2,412	2,395	2,436	+1.7%	+1.0%
Net Profit Margin	18.5%	18.1%	18.3%	+0.2pp	-0.2pp

Balance Sheet Summary

(AED m)	December 2020	September 2021
Cash & Bank Balances	31,345	24,917
Total Assets	133,018	125,437
Total Debt	26,701	24,548
Net Cash / (Debt)	4,644	369
Total Equity	60,550	57,132

Cash Flow Summary

(AED m)	9M' 2020	9M' 2021
Operating	10,506	10,795
Investing	(4,317)	(4,034)
Financing	(8,681)	(13,930)
Net change in cash	(2,492)	(7,168)
Effect of FX rate changes	(187)	781
Reclassified as held for sales	(26)	(41)
Ending cash balance	26,952	24,917

	Average Rates			Closing Rates		
Foreign Exchange Rates	Q3'20	Q3'21	YOY	Q3'20	Q3'21	YOY
EGP - Egyptian Pound	0.2307	0.2338	*+1.34%*	0.2330	0.2336	*+0.25%*
SAR - Saudi Riyal	0.9792	0.9792	*0.00%*	0.9791	0.9792	*+0.01%*
CFA - Central African Franc	0.0066	0.0066	*+0.83%*	0.0065	0.0065	*-0.98%*
PKR - Pakistani Rupee	0.0221	0.0223	*+1.16%*	0.0222	0.0215	*-3.07%*
AFA - Afghanistan Afghani	0.0475	0.0447	*-5.98%*	0.0476	0.0434	*-8.64%*
MAD - Moroccan Dirham	0.3941	0.4108	*+4.23%*	0.3966	0.4047	*+2.05%*

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)	Q3'20	Q2'21	Q3'21
EBITDA	6,904	6,641	6,741
Depreciation & Amortization	(1,955)	(2,001)	(1,999)
Exchange Gain/ (Loss)	69	(24)	(112)
Share of Associates and JV's results	58	68	78
Impairment and other losses	0	0	(0)
Operating Profit before Royalty	5,076	4,685	4,708

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. Foreign ownership limit is 49% of capital. Etisalat *(Ticker: Etisalat)* is quoted on the Abu Dhabi Stock Exchange (ADX).

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