Emirates Telecommunications Group Company PJSC

Earnings Release – First Quarter 2023

2 May 2023

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Financial Highlights for Q1 2023

The Group displayed resilience in constant currency despite challenging economic headwinds and heightened inflationary pressures

Aggregate Subscriber Base

164
million

Representing a year over year increase of **3%**

Consolidated Reported Revenues

AED 13.0
billion

Representing a year over year decline of **2%** with a **constant currency growth of 7%** fueled by growth across all markets

Consolidated Reported EBITDA

AED 6.2
billion

Representing a year over year decline of **9%** and **2.5% in constant currency**, translating to an EBITDA Margin of **48%** attributed to changes in revenue mix and inflationary pressures

Consolidated Net Profit After Royalty

AED 2.2
billion

Representing a year over year decrease of **10%** with a net profit margin of **17%,** due to forex losses & higher cost of fund related to the investment in Vodafone Group where dividend will incur in H2 2023

Consolidated Capital Spending

AED 1.1
billion

Representing a decline of **33%** with an intensity ratio of **8%**

Operating Free Cashflow

AED 5.1
billion

Representing a year over year decrease of **1%** and a margin of **39%**

- Economic activities were challenging in most of our international markets, underpinned by unprecedented level of inflation in **Egypt (32.7%) and Pakistan (35.37%)** as of March 2023 constraining consumer spending during the quarter.
- The Group was also susceptible to foreign exchange rate volatility, which remained elevated in most of our key markets with nearly all currencies depreciating year-on-year, spearheaded by **the Egyptian pound, the Pakistani Rupee and Moroccan Dirham, remaining well below average levels of Q1 2022 by -45.2%, - 32.0% and -8.0%, respectively.**
- **However, this was mostly offset by the strong performance of our operations in the UAE.**

FY 2023 Guidance

Despite the current macro-economic challenges we reiterate our FY 2023 guidance

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we are&

Key Developments in Q1 2023

Acquisition of Careem's super app
e& signed a binding agreement with Uber Technologies, Inc. to acquire a majority stake of 50.03% in Careem's super app business in exchange for an investment of USD 400 million in the company.

Most valuable brand portfolio
e& has consolidated its position as the most valuable portfolio of telecom brands in the Middle East and Africa (MEA), according to the 2023 Brand Finance Global 500 Report.

e& partner networks programme
e& international signed a Memorandum of Understanding with Tunisie Telecom to join the 'e& partner networks' business programme developed to collaborate with telecom-operating companies in regional markets.

Mastercard partnership
e& announced a strategic partnership with Mastercard that will see consumers and businesses benefit from a variety of new technologies and user-friendly experiences while transforming digital payments.

Microsoft Azure OpenAI GPT integration
e& becomes one of the first digital conglomerates in the MENA region to utilise GPT capabilities in Azure OpenAI Service to enhance its customer service and products.

ServiceMarket acquisition
e& completed the acquisition of ServiceMarket, acquiring 100% of shareholding of the online marketplace. This acquisition is in line with the Group's strategy to empower consumers, strengthen Smiles online marketplace presence and drive diversification of our business.

5G Portable Private Network
etisalat by e& announced successful deployment and testing of 5G Portable Private Network MEC (Multi-access Edge Computing) functionality in collaboration with Huawei Technologies.

Launch of Mobile Security Operation Centre
etisalat by e& announced the launch of the Mobile Security Operation Centre (MSOC) in collaboration with the UAE Cybersecurity Council to provide business customers with real-time protection services.

E-Space partnership
e& and E-Space announced plans to develop advanced global IoT, Smart-IoT and digital transformation solutions to maximise the value of borderless smart connectivity.

5G Open Innovation Lab
e& has joined 5G Open Innovation Lab's (5G OI Lab) global innovation ecosystem.

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Statement from Hatem Dowidar, Group Chief Executive Officer of e&

"The Group's performance in the first quarter indicates growth in the number of subscribers, revenues, and profits in local currencies, but was impacted by the strong fluctuations in the currency exchange rate within the Egyptian and Pakistani markets. This growth can be attributed to the Group's flexibility and efforts to provide innovative business solutions and the latest technologies to the communities we serve. Furthermore, the Group has succeeded in building unique digital experiences supported by strategic investments, to enhance our business portfolio.

etisalat by e& Egypt and PTCL in Pakistan successfully achieved their strategic goals by enhancing their customers' digital experience while achieving growth based on local currency revenues, the strong fluctuations in the exchange rates of the Egyptian pound and the Pakistani rupee, coupled with the unprecedentedly high inflation rates in the two markets, have negatively impacted revenues and profits reported in AED. As a result, these effects were evident in the Group's consolidated results.

With a vision to create a more progressive business model, we have continued to explore new avenues, expand our offerings and forge new partnerships. Our recent investment in Careem's Super App is another strategic step in our transformation into a global technology group by bringing more digital services into our customers' daily lives.

We will continue to explore future technologies and develop new verticals that will accelerate digital transformation, positively impacting businesses and people's lives while maximising value creation for our shareholders."

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Subscribers

Aggregate subscribers as of 31 March 2023 stood at a solid 164 million, recording the highest number of subscribers in the Group's history. This translated to net additions of 4.8 million during the last 12-month period, mainly due to strong subscriber acquisition in Egypt, UAE, Pakistan, Burkina Faso, Gabon, Chad, Togo, Central African Republic and Benin. Quarter over quarter subscriber base increased by 1.1 million subscribers.

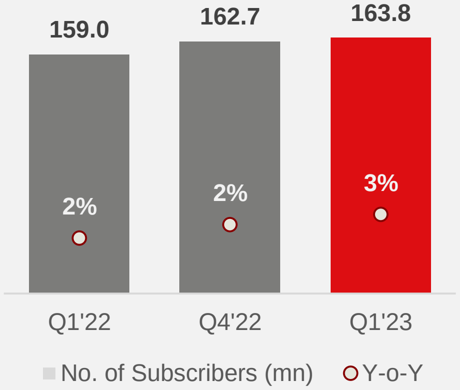
In the **UAE**, we continued solidifying our presence through maintaining high quality services and diversifying our product offerings. As a result, the active subscriber base increased by 6% year over year to 13.9 million subscribers in the first quarter of 2023. The mobile subscriber base increased by 6% year on year to reach 12.2 million subscribers attributed to solid year on year growth in both the prepaid and postpaid segments, up year over year 6% and 7% respectively, driven by population growth and overall expansion in the economy. eLife subscriptions continue to reap the benefits of its superior network quality and content diversification, resulting in consistent growth of 4% year on year to 1.2 million subscribers. This funnels down to growth in the broadband segment where subscribers witnessed an increrase of 5% year on year to record 1.4 million subscribers.

For **Maroc Telecom**, the subscriber base reached 75.0 million subscribers as at 31 March 2023, representing a year over year decline of 1%. This was primarily attributable to the decrease in subscriber base in Morocco by 3% while Moov Africa's subscriber base was stable year over year.

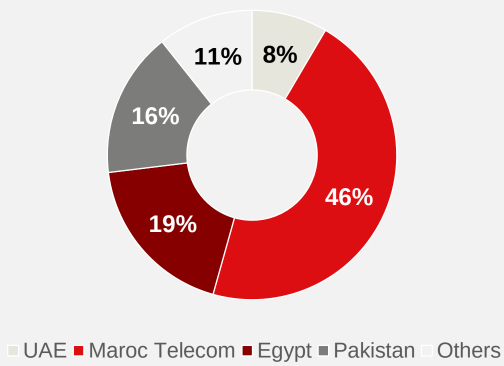
In **Egypt**, subscriber base witnessed a solid 9% increase year over year to 30.6 million subscribers due to successful service offerings.

In **Pakistan**, subscriber base grew 4% year over year to 26.6 million, attributed to higher mobile subscriber acquisition in Ufone and FTTH.

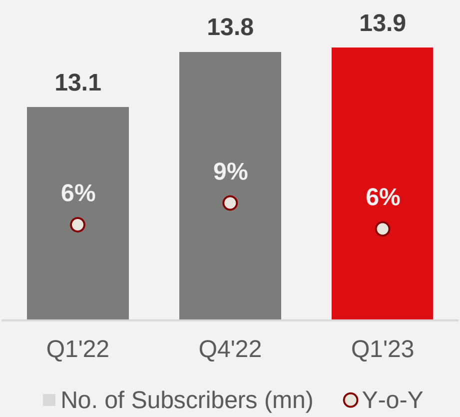
Aggregate Subscribers



Q1'23 Breakdown by OpCo



UAE Subscribers



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Revenue

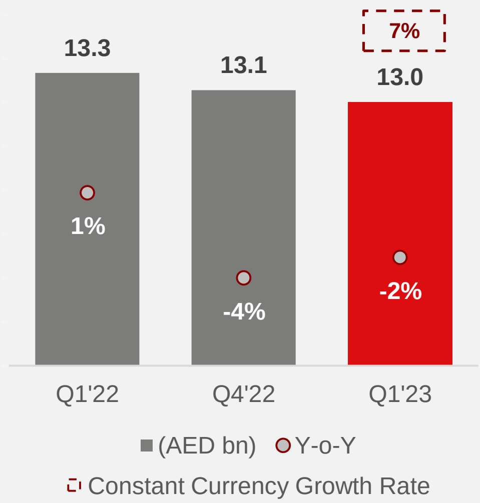
Consolidated reported revenue for the first quarter of 2023 amounted to AED 13.0 billion, representing a decline of 2.5% in comparison to the same period last year and a 1% decrease quarter over quarter. First quarter revenue continued to witness significant exchange rate volatility in the Egyptian Pound, Pakistani Rupee and Moroccan Dirham as a result of global macro-economic turbulence overshadowing robust operational performance in local currency. This was mostly offset by strong performance in the UAE operation. At constant exchange rates, revenue was robust and increased year over year by 6.6% reflecting growth in all key markets.

In the **UAE**, revenue grew in the first quarter by 2.1% year on year and remained steady quarter over quarter to AED 8.0 billion. This increase is attributed to strong ongoing business activity in the country supported by population growth and robust overall economic growth. Mobile segment continued its year over year revenue growth at 0.9% to AED 2.9 billion due to the increase in subscribers and in bundled propositions to consumer and enterprise segments. As a result, we witnessed strong growth in mobile data and outbound roaming that compensated for the decline in voice revenue. Fixed segment revenue increased by 2.4% year over year reaching AED 2.9 billion, supported by higher internet, data and TV services offsetting legacy voice. Other segment revenue increased year over year by a solid 3.2% to AED 2.2 billion due to increase in wholesale and handset revenues.

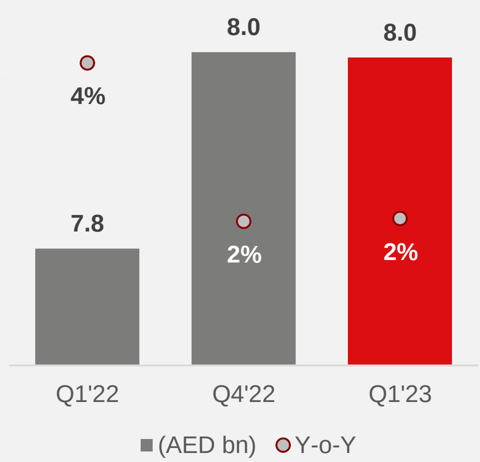
Reported revenues of **e& international** for the first quarter of 2023 decreased year over year by 13.7% to AED 4.6 billion and by 3.4% quarter on quarter. The decline is primarily attributable to the unfavourable exchange rate movements in the Egyptian Pound, Pakistani Rupee and Moroccan Dirham. At constant exchange rates, revenue of e& international remained resilient increasing year over year by 8.9%.

Maroc Telecom consolidated revenue for the first quarter of 2023 amounted to AED 3.1 billion, representing a year over year decrease of 5% attributed mainly to the unfavourable exchange movement of MAD against AED. In local currency, revenue increased year over year by 3.7%. In Morocco, revenue grew year over year by 1% in local currency.

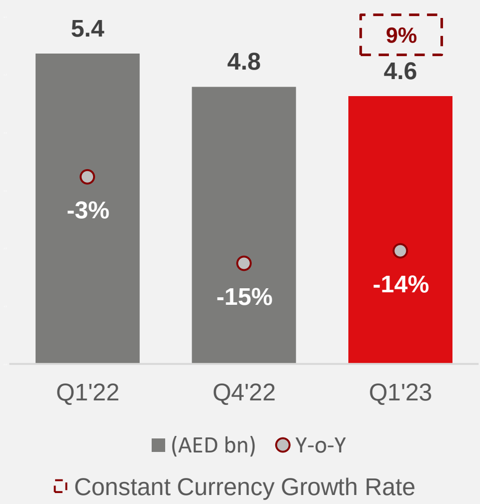
Consolidated Revenue



UAE Revenues



International Revenue



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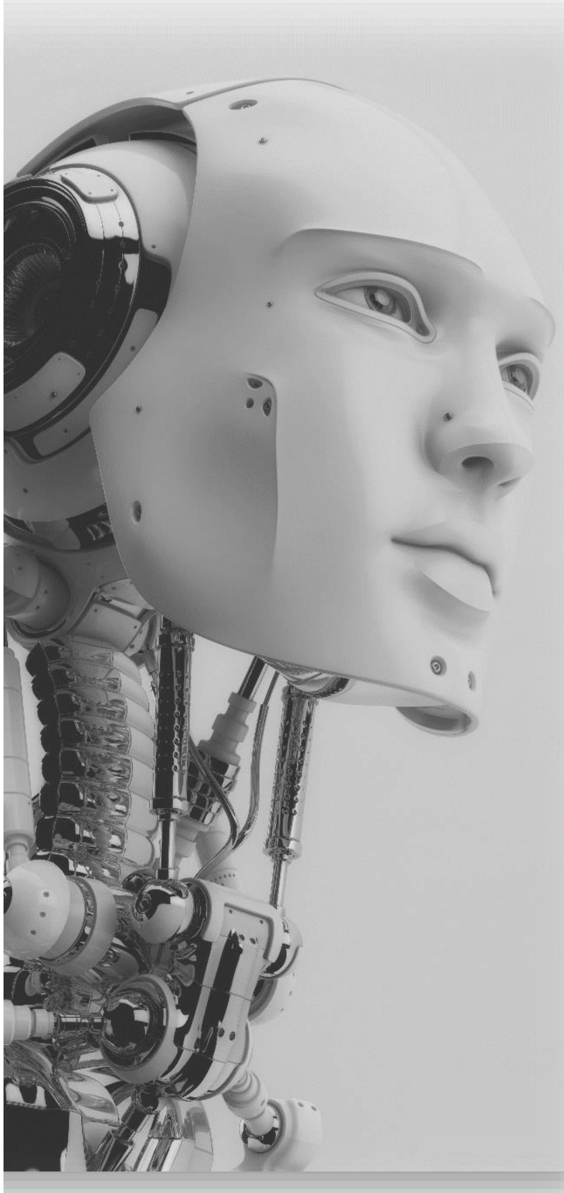
Revenue *(Continued…)*

The mobile segment revenue increased by 1% year over year despite the persistence of unfavourable regulatory and competitive environment. The fixed segment, remained stable year on year due to the strong performance of the fixed broadband by +7.2% offsetting decline in voice revenue. Revenue from international operations "Moov Africa" increased by 7% year over year in Moroccan Dirham mainly due to strong growth of mobile data (+27%) and higher mobile money activities (+12%), resulting in 51% contribution to Maroc Telecom Group's consolidated revenue.

In **Egypt**, reported revenue for the first quarter of 2023 was AED 0.8 billion, witnessing a 37% decline year over year. In local currency however, revenue increased by a solid 15% despite the end of the national roaming agreement with Telecom Egypt in December 2022. The growth in the first quarter is attributed to subscriber growth and strong contribution from mobile data and voice-revenue.

In **Pakistan**, reported revenue for the first quarter was AED 0.6 billion, representing a year over year decrease of 16%, primarily due to unfavourable exchange rate movements of the Pakistani Rupee against AED. In local currency, revenue increased by 23%. The growth in local currency in the first quarter was attributed to the positive contribution from fixed segment mainly due to strong growth in FTTH and corporate and wholesale segments; mobile segment supported by subscriber growth and mobile data as well as Ubank services.



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Operating Expenses

Consolidated operating expenses for the first quarter of 2023 was AED 8.7 billion, an increase of 5% compared to the same quarter of the previous year and a decrease of 2% from the fourth quarter of 2022. The increase was mainly due to global inflationary pressures, especially with double digit inflation growth in both Egypt and Pakistan. However, this was offset by lower marketing, depreciation and network costs, among others.

Key components of operating expenses are:

- **Direct cost of sales** witnessed a 14% increase year over year to AED 3.7 billion in the first quarter of 2023. As a percentage of revenue, it grew by 4 percentage points in the first quarter. This increase is driven by higher handset and content cost to support revenue growth from handset and TV services.

- **Staff expenses** decreased year over year by 2% to AED 1.1 billion for the first quarter of 2023. As a percentage of revenue, staff costs remained stable at 9%.

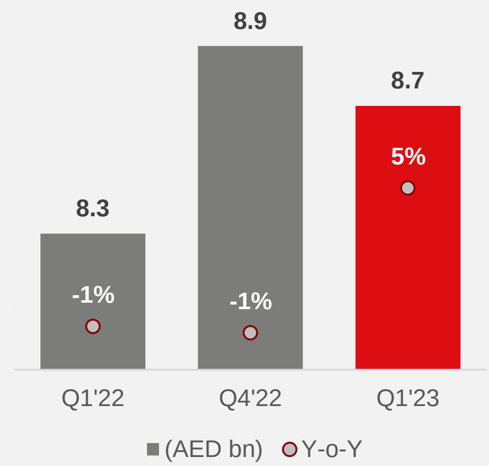
- **Depreciation and amortisation** decreased year over year by 11% to AED 1.8 billion in the first quarter of 2023. As a percentage of revenue, depreciation and amortisation expenses decreased by 1 percentage points year over year to 14%.

- **Network costs** decreased by 6% year over year to AED 0.7 billion in the first quarter of 2023. As a percentage of revenue, network costs remained relatively unchanged at 5%.

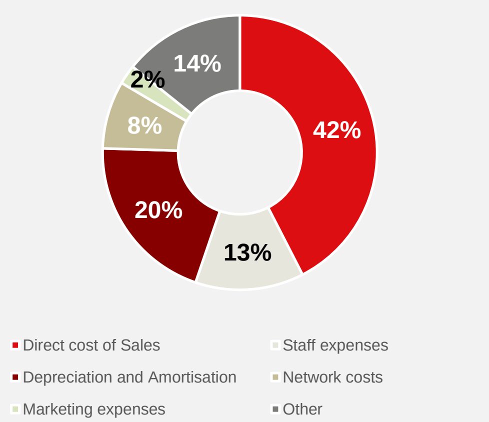
- **Marketing expenses** decreased year over year by 16% to AED 0.2 billion in the first quarter of 2023. As a percentage of revenue, marketing expenses remained steady compared to the comparable period the prior year at 2%.

- **Other operating expenses** increased by 32% year over year to AED 1.2 billion in the first quarter, mostly attributed to incurring forex losses in comparison to forex gain prior to comparable period and higher general and administrative costs. As a percentage of revenue, other operating expenses increased 2 percentage points to reach 10%.

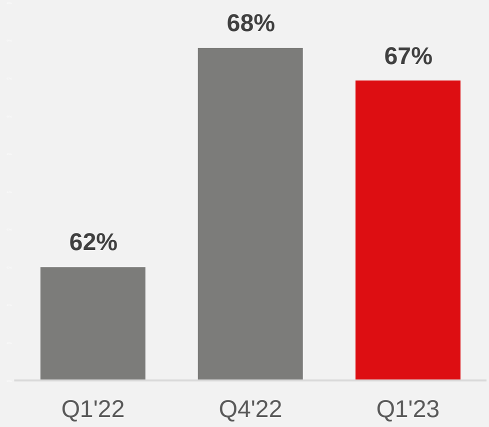
Consolidated OPEX



Q1'23 OPEX Breakdown



Consolidated OPEX as % of Revenue



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EBITDA

Group reported consolidated EBITDA for the first quarter of 2023 declined versus its comparable period in the previous year by 9% and increased 2% quarter on quarter to AED 6.2 billion, resulting in EBITDA margin of 48%. The year over year decline is primarily attributed to currency devaluation. At constant exchange rates, Group consolidated EBITDA declined organically 2.5% year over year. Several factors contributed to the decline, including changes in revenue mix, higher energy costs and inflation.

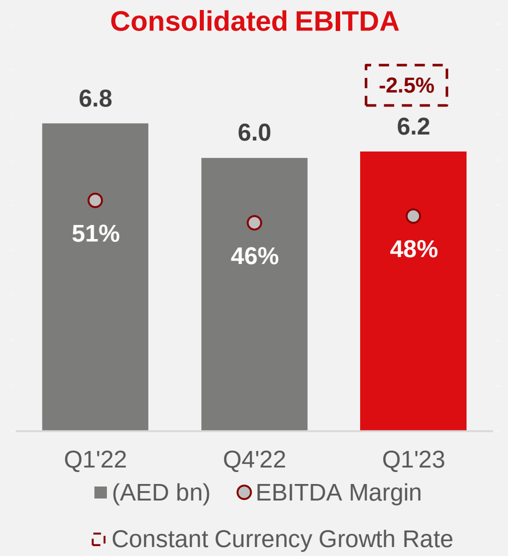
In the **UAE,** EBITDA in the first quarter of 2023 was AED 4.1 billion, representing a 1% increase year over year and leading to an EBITDA margin of 51%, 1 percentage point lower than the first quarter of the previous year. The increase in EBITDA is attributed to higher revenue and continued cost efficiency measures.

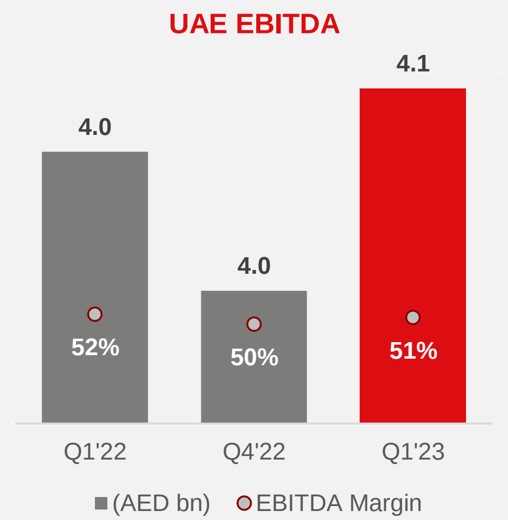
Reported EBITDA of **e& international** decreased by 18% year over year to AED 2.1 billion in the first quarter, resulting in a 34% contribution to the Group's consolidated EBITDA. In constant currency, EBITDA remained stable year on year impacted by inflationary and competitive pressures and energy costs.

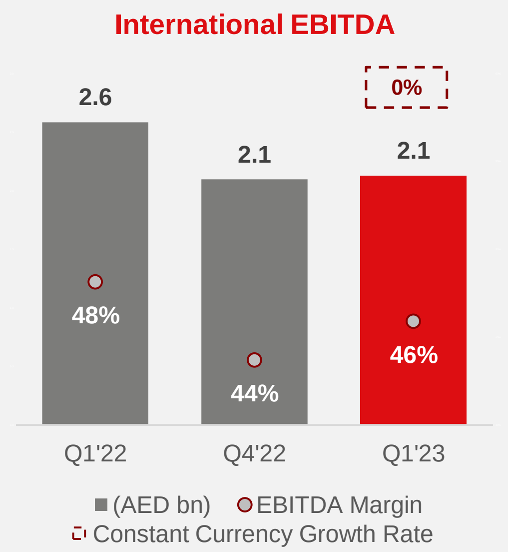
Maroc Telecom's reported consolidated EBITDA for the first quarter of 2023 decreased by 6% to AED 1.7 billion and resulted in an EBITDA margin of 54%, stable versus the same period in the prior year. In Moroccan Dirhams, EBITDA in absolute terms increased by 3% year over year attributed to an increase in Moov Africa by 6% while it was stable in Moroccan operations.

In **Egypt**, reported EBITDA in the first quarter decreased year on year by 52% to AED 0.3 billion representing EBITDA margin of 35%. In local currency, EBITDA decreased by 13% year over year. The decrease in EBITDA was mainly due to high inflationary impact coupled with termination of national roaming agreement.

In **Pakistan**, reported EBITDA in the first quarter of 2023 decreased year on year by 27% to AED 0.2 billion with EBITDA margin decreasing year over year by 4 percentage points to 25. In local currency, EBITDA grew 8% year over year, despite the inflationary impact on staff cost and higher network costs due to higher energy and utility costs.







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Net Profit After Federal Royalty

Consolidated net profit after federal royalty attributed to the owners of the company decreased year over year by 10% to AED 2.2 billion in the first quarter of 2023 and net profit margin contracted by 1 percentage point to 17%. The decline was mainly due to higher cost of borrowings associated with the strategic investment in Vodafone and forex losses that was partially offset by higher income from associates, lower impairment loss on trade receivables and contract assets and lower federal royalty and tax expenses.

Earnings per share (EPS) amounted to AED 0.25 in the first quarter decrease of 10% as compared to EPS of the comparable period the previous year.

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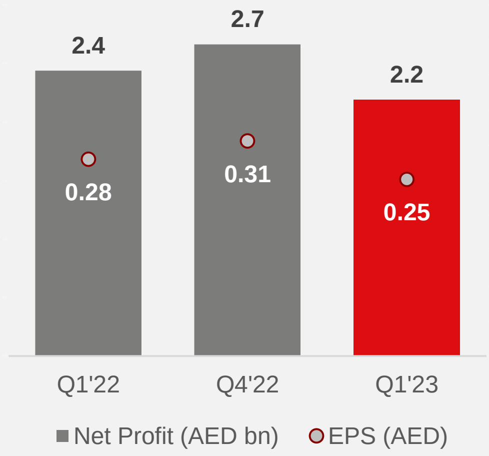
Net Profit & EPS



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CAPEX

Consolidated capital expenditure declined 33% year over year at AED 1.1 billion in the first quarter of 2023 resulting in a capital intensity ratio of 8%, 4 percentage points lower than the same period of the prior year. On a like-for-like basis, excluding spectrum costs from prior period, capital expenditure decreased year over year by 19%. Capital spending focused on expansion of mobile and fibre networks in key.

In the **UAE**, capital expenditure during the quarter amounted to AED 0.5 billion, a 43% increase in comparison to the same period last year. Capital intensity ratio was 6%, 2 percentage points higher when compared to the same quarter of the prior year. Capital spending focused on networks modernization, 5G network rollout and network maintenance.

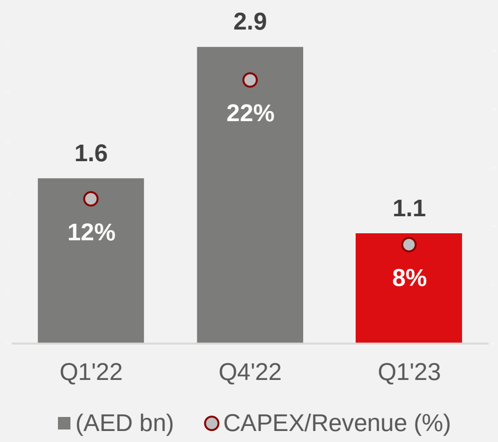
Capital expenditures in **e& international** in the first quarter of 2023 decreased by 54% to AED 0.6 billion compared to the same period last. International operations represented 52% of the Group's total consolidated capital expenditure.

In **Maroc Telecom**, capital expenditure for the first quarter decreased in AED by 31% year over to AED 0.3 billion, resulting in a capital intensity ratio of 10%. Capital spending declined in local currency in Morocco by 43% year over year while increased in Moov Africa's operations by 7%. Capital spending focused on expanding fibre-to-the-home (FTTH) and 4G mobile network coverage.

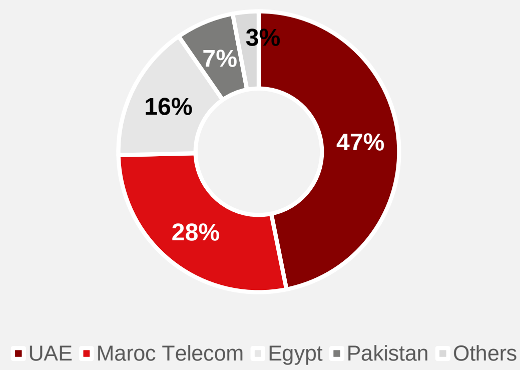
In **Egypt**, capital expenditure for the first quarter decreased by 70% year over year to AED 0.2 billion resulting in a capital intensity ratio of 21%, which was 23 percentage points lower than the same period of the prior year. Excluding the spectrum cost from the first quarter of 2022, capital expenditure declined by 36% and capex intensity ratio was stable. Capital spending focused on 4G deployment and upgrading of network capacity.

In **Pakistan** , capital expenditure for the first quarter decreased 69% year over year at AED 0.1 billion resulting in a capital intensity ratio of 12%, 20 percentage points lower than the comparable period in the prior year. Capital spending focused on expansion of FTTH network and enhancement of the fixed network's capacity.

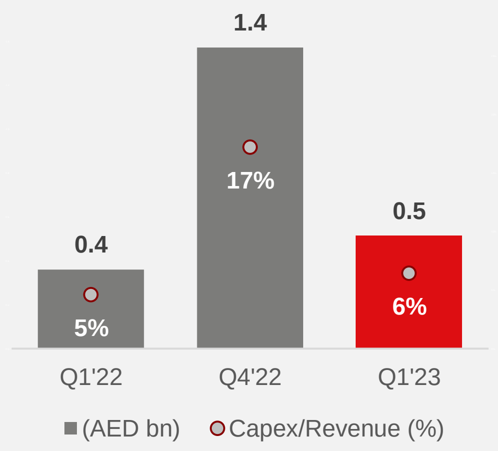
Consolidated CAPEX



Q1'23 CAPEX Breakdown by OpCo



UAE CAPEX



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Debt

Total consolidated gross debt amounted AED 46.9 billion as of 31 March 2023, as compared to AED 48.0 billion as of 31 December 2022; a decrease of AED 1.0 billion as a result of repayment of bank borrowings.

Consolidated debt breakdown by operations as of March 2023 is as following:

- Group (AED 36.9 billion)
- Maroc Telecom Group (AED 5.5 billion)
- PTCL Group (AED 3.2 billion)
- Etisalat Misr (AED 1.4 billion)

Around 51% of the debt balance is of long-term maturity that is due after 1 year.

Currency mix of borrowings is 47% in USD, 19% in Euros, 16% in AED and 19% in other currencies.

Consolidated cash balance amounted to AED 31.5 billion as of 31 March 2023 leading to a net debt position of AED 15.5 billion and a Net Debt /EBITDA ratio of only 0.61x.

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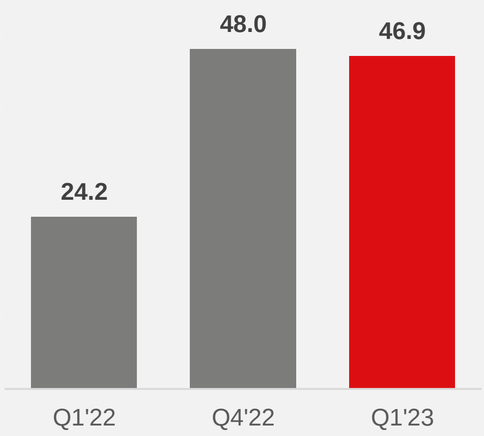
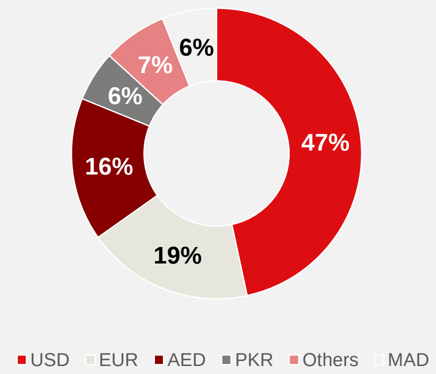
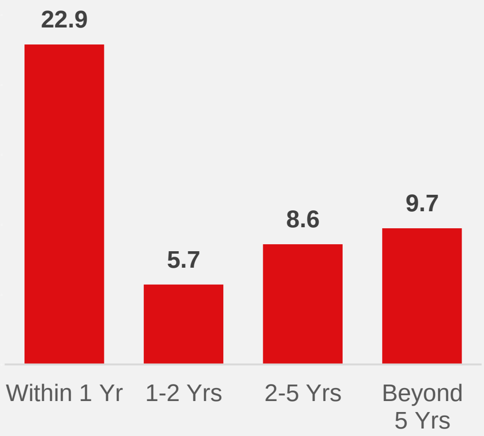
Total Debt (AED bn)



Q1'23 Borrowings by Currency (%)



Repayment Schedule (AED bn)



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Performance Against Guidance FY 2023

Q1 2023 performance is ahead of management's full year guidance in revenue growth at constant currency and capital spending. Management reiterates full year guidance for 2023.

Financial KPI	Guidance FY 2023	Actual Q1 2023
Revenue Growth% *(Constant Currency)*	**Low to mid single digit growth**	**+6.6%**
EBITDA Margin%	**~ 49.0%**	**48%**
EPS (AED)	**1.13 - 1.15**	**0.25**
CAPEX/ Revenue %	**15% - 17%**	**8.4%**

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Key Financial Highlights

P&L Statement:

(AED m)	Q1'22	Q4'22	Q1'23	QoQ	YoY
Revenue	13,331	13,135	13,002	-1.0%	-2.5%
EBITDA	6,801	6,042	6,183	2.3%	-9.1%
EBITDA Margin	51.0%	46.0%	47.6%	+1.5 pp	-3.5 pp
Federal Royalty	-1,427	-1,329	-1,342	0.9%	-6.0%
Net Profit	2,434	2,659	2,187	-17.8%	-10.2%
Net Profit Margin	18.3%	20.2%	16.8%	-3.4 pp	-1.4 pp

Balance Sheet:

(AED m)	December 2022	March 2023
Cash & Bank Balances	32,839	31,454
Total Assets	145,085	146,725
Total Debt	47,954	46,935
Net Cash / (Debt)	-15,115	-15,481
Total Equity	49,999	51,497

Cashflow Statement:

(AED m)	Q1'22	Q1'23
Operating	6,100	3,928
Investing	-3,875	-3,650
Financing	-1,479	-1,303
Net change in cash	746	-1,025
Effect of FX rate changes	-107	-361
Reclassified as held for sales	-31	0
Ending cash balance	29,184	31,454

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Foreign Exchange Rates

	Average Rates			Closing Rates		
	Q1'22	Q1'23	YOY	Q1'22	Q1'23	YOY
EGP - Egyptian Pound	0.2269	0.1243	***-45.22%***	0.1985	0.1192	***-39.94%***
SAR - Saudi Riyal	0.9788	0.9783	***-0.04%***	0.9790	0.9784	***-0.07%***
CFA - Central African Franc	0.0063	0.0060	***-3.85%***	0.0062	0.0061	***-1.13%***
PKR - Pakistani Rupee	0.0207	0.0140	***-32.02%***	0.0202	0.0129	***-35.82%***
AFA - Afghanistan Afghani	0.0376	0.0409	***8.89%***	0.0412	0.0418	***1.51%***
MAD - Moroccan Dirham	0.3873	0.3564	***-7.97%***	0.3792	0.3596	***-5.18%***

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)	Q1'22	Q4'22	Q1'23
EBITDA	**6,801**	**6,042**	**6,183**
Depreciation & Amortization	**-1,974**	**-1,846**	**-1,762**
Exchange Gain/ (Loss)	**5**	**-102**	**-263**
Share of Associates and JV's results	**11**	**190**	**141**
Impairment and other losses	**0**	**-3**	**-18**
Operating Profit before Royalty	**4,843**	**4,282**	**4,281**

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Disclaimer

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About e&

e& 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 and technology conglomerates with one of the largest market capitalisations among global telcos. It is a highly rated organisation with ratings from Standard & Poor's and Moody's (AA-/Aa3).

The Group's shareholding structure consists of 60% held by the Emirates Investment Authority and 40% free float. e& (Ticker: EAND) is quoted on the Abu Dhabi Securities Exchange (ADX).

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