Etisalat Group

Q1 2014 Results Presentation
28 April 2014

Aspire Forward

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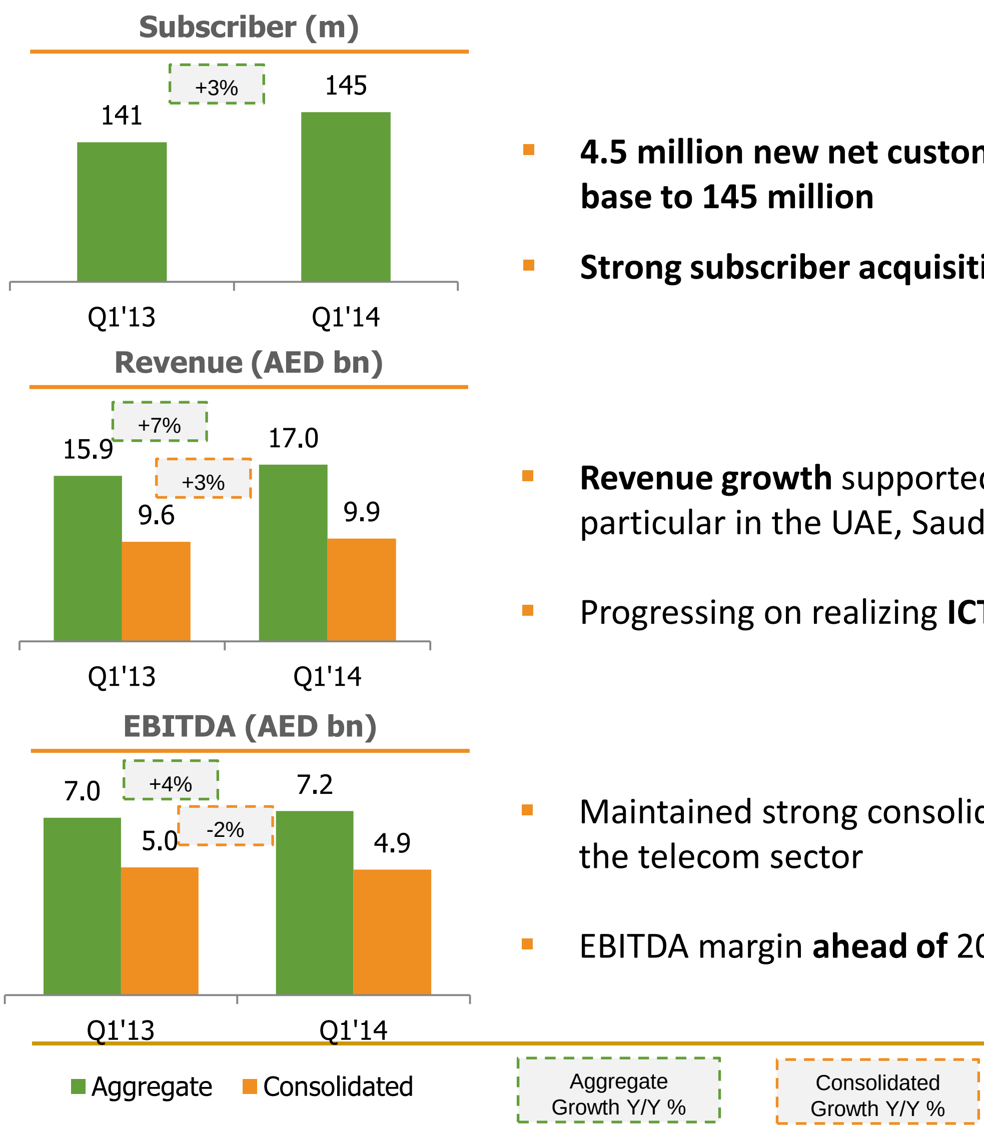
Business Overview

Ahmad Julfar
Chief Executive Officer
Etisalat Group

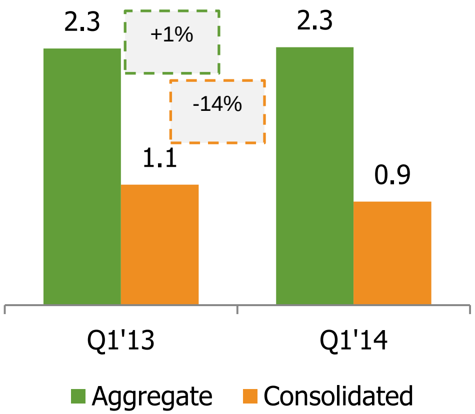
Aspiring to be the most admired emerging markets telecom group



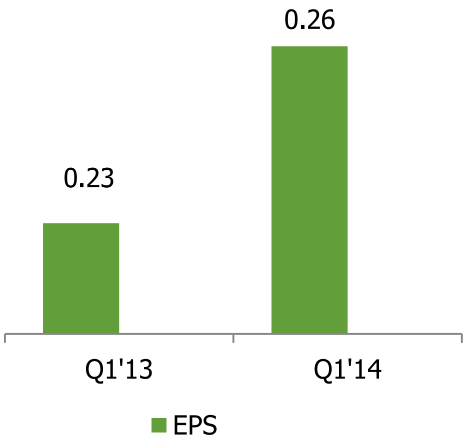
- **4.5 million new net customers** joined Etisalat Group **increasing our subscriber base to 145 million**
- **Strong subscriber acquisition** mainly in the UAE, Egypt and Nigeria
- **Revenue growth** supported by data segment and new product launches in particular in the UAE, Saudi Arabia and Nigerian markets
- Progressing on realizing **ICT opportunities** within our prime markets
- Maintained strong consolidated EBITDA margin at 50% level , **one of the best** in the telecom sector
- EBITDA margin **ahead of** 2014 guidance

Investing in network quality and improving returns to shareholders

CapEx (AED bn)



EPS (AED)



- Network quality and capacity as key differentiator for profitable growth
- Continued major strategic investments for future growth
  - **First LTE Advanced** technology tested and deployed in the UAE
  - **Launched 3G commercial services in Ivory Coast**
- **Earnings improvement resulting in increased returns to shareholders**
- 35 fils per share final dividend for the year 2013 was paid to our shareholders in April

Aggregate Growth Y/Y %

Consolidated Growth Y/Y %

Update on Maroc Telecom transaction

- Etisalat and Vivendi signed the SPA for the acquisition of Vivendi's 53% stake in Maroc Telecom on 4 November 2013
- Etisalat to pay MAD 92.6 per share, payable in Euro 3.9 bn at Closing
  - 6.2 x 2013 EV/EBITDA
  - Etisalat to also pay cash for Vivendi's share of the 2012 dividends Euro 0.3 bn which will be kept in the Target Company at Closing
- Transaction conditional upon (i) executing SHA with the Kingdom of Morocco and (ii) securing competition and regulatory approvals in the Kingdom of Morocco and certain other jurisdictions in Maroc Telecom's footprint
  - Closing expected before end of May 2014

January 17th	April 24th	May 28th	July 23rd	Nov4th	May 2014
Etisalat submitted non binding offer	Etisalat submitted binding offer	Shareholders approval for financing	Vivendi grants Etisalat exclusivity	Etisalat and Vivendi sign SPA	Expected closing

Financial Overview

Serkan Okandan
Chief Financial Officer
Etisalat Group

Etisalat Group

	Q1'13	Q4'13	Q1'14	QoQ Growth	YoY Growth
Subs (m) (1)	141	148	**145**	*-2%*	*+3%*
Revenue (AED m)	9,604	9,774	**9,899**	*+1%*	*+3%*
EBITDA (AED m)	5,035	4,372	**4,939**	*+13%*	*-2%*
EBITDA Margin	52%	45%	**50%**	*+5pp*	*-3pp*
Net Profit	1,825	1,453	**2,024**	*+39%*	*+11%*
Net Profit Margin	19%	15%	**20%**	*+5pp*	*+1pp*
EPS (AED)	0.23	0.18	**0.26**	*+39%*	*+11%*

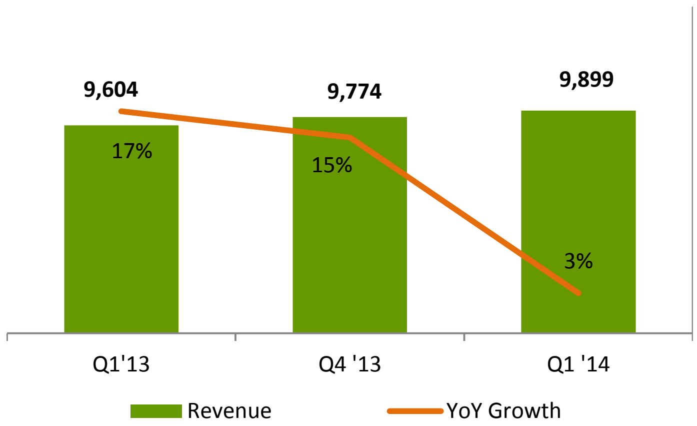
Highlights

- Strong operational performance led by domestic operations
- Maintained Y/Y growth in aggregate subscriber base
- Strong Y/Y revenue growth mainly due to UAE operations
- EBITDA margin declined Y/Y due to higher interconnection costs, marketing and subscribers acquisition costs and handsets costs
- Double digit improvement in net profit due to higher share of results from associates

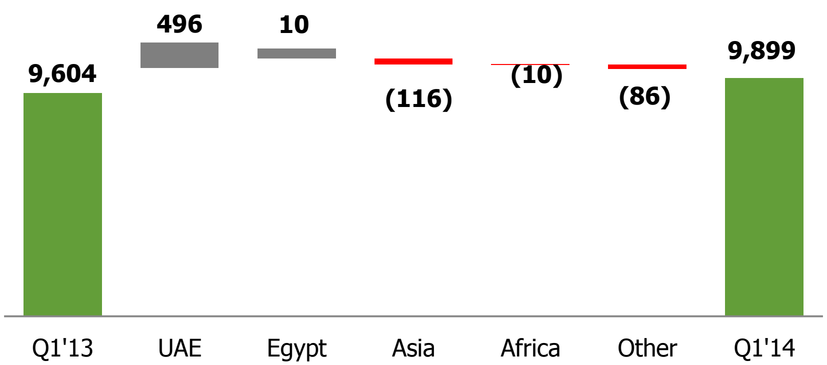
(1) Subscriber numbers calculated as aggregate number of GSM, CDMA, fixed, fixed broadband and WLL lines generating revenue during the last 90 days.

Group Revenue Organic growth in line with full year guidance

Revenue (AED m) and YoY growth (%)

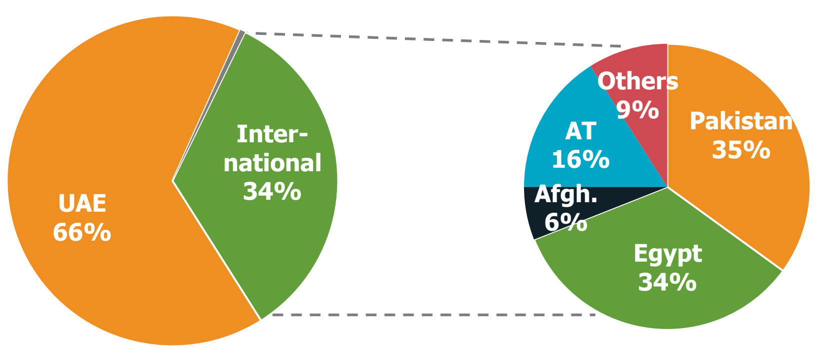


Sources of Revenue growth – Q1’14 vs Q1’13 (AED m)



Revenue by Cluster Q1’14

Domestic vs. Int’l | **Int’l**



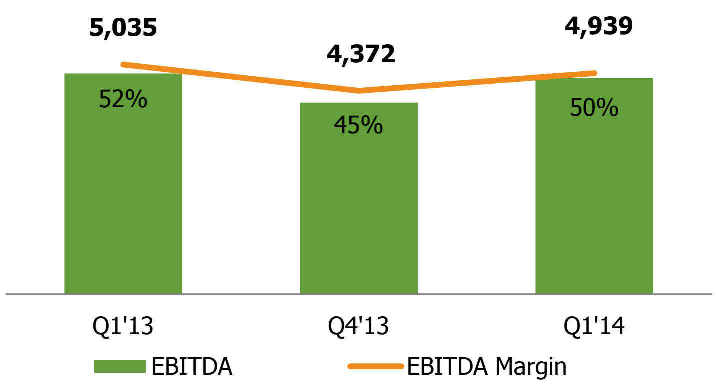
Highlights

- In Q1’14, consolidated revenues grew by 3% Y/Y attributed to strong performance of the UAE operations
- Revenue from international operations declined Y/Y by 3% and contributed 34% of consolidated revenues of Q1’14
  - Low single digit revenue growth in Egypt
  - Revenue growth in Asia Cluster impacted by currency devaluation in Pakistan
  - Revenue growth is marginally lower in Africa Cluster

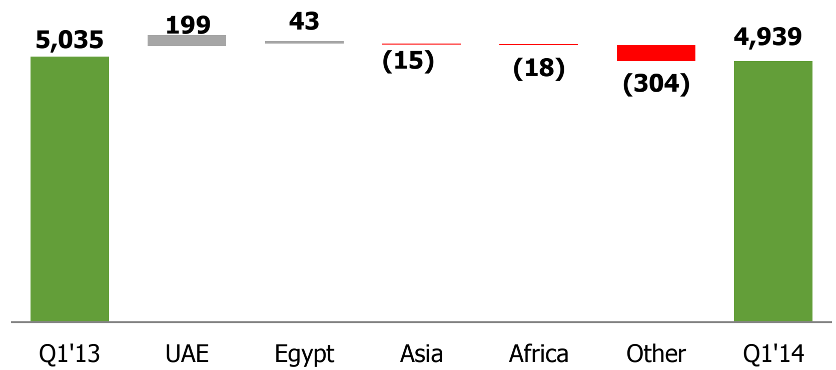
Note: “Other revenues” consist of non-telecom revenues, management fees, etc.

Group EBITDA Remarkable EBITDA margin achieved

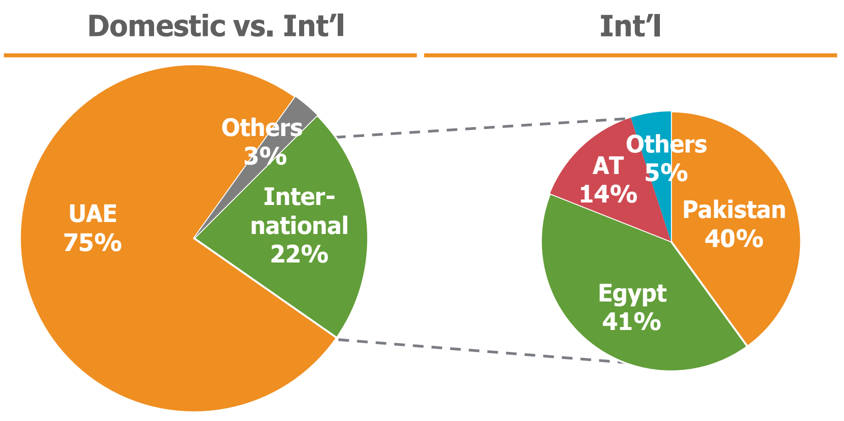
EBITDA (AED m) & EBITDA Margin



Sources of EBITDA growth – Q1’14 vs Q1’13 (AED m)



EBITDA by Cluster Q1’14



Highlights

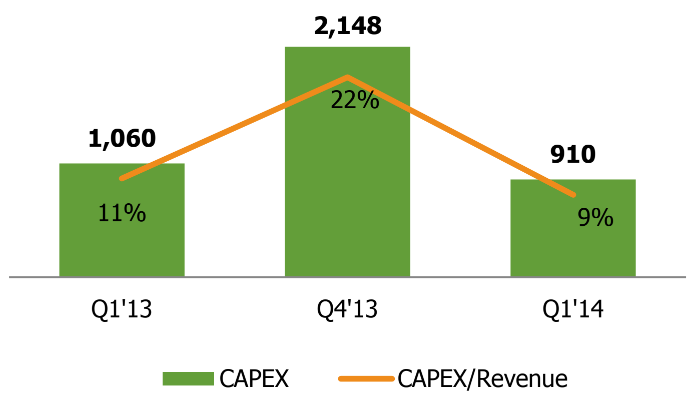
- In Q1’14, consolidated EBITDA declined Y/Y by 2%
- EBITDA of consolidated international operations increased Y/Y by 1%, resulting in 22% contribution to Group EBITDA, an improvement of 1 point compared to Q1’13
  - Positive contribution from Egypt due to lower handsets cost and marketing expenses
  - Negative contribution from Asia cluster due to operations in Afghanistan and Sri Lanka
  - Africa Cluster impacted by operations in Ivory Coast
  - Others include AED 285 million one time credit recorded for Pakistan consolidation in Q1 2013

Note: “Other EBITDA” consist of results from non-telecom operations, management fees, etc.

Group CAPEX Slow down of capex at the beginning of the year

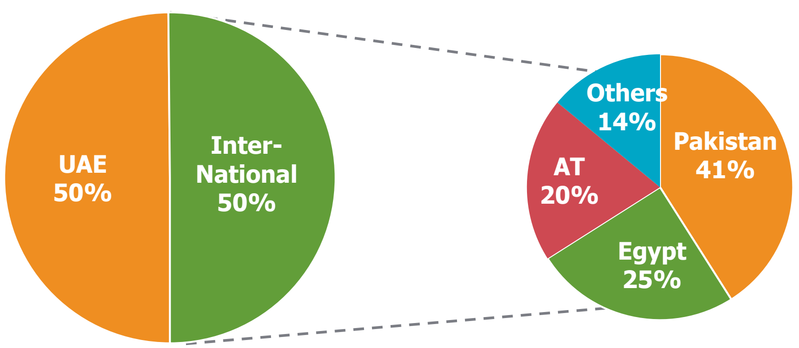
etisalat

CAPEX (AED m) & CAPEX/Revenue Ratio (%)



CAPEX by Cluster (Q1’14 vs Q4’13)

Domestic vs. Int’l | **Int’l**



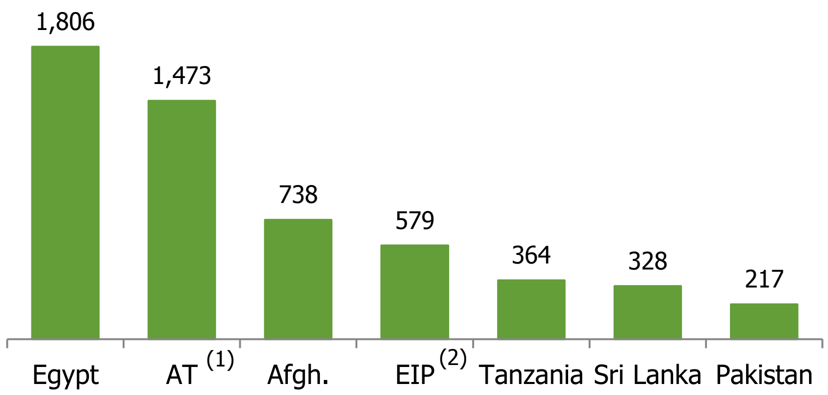
Highlights

- In Q1’14 Consolidated Capex declined Y/Y by 14% resulting in Capex/Revenue ratio of 9%. This decline is mainly attributed to international operations.
- Capital spending in the UAE declined by 3%
- Capital expenditures in international operations declined by 22% Y/Y and represented 50% of total Capital expenditures in Q1’14:
  - Lower capex in Egypt
  - Asia cluster impacted by lower capex mainly in Pakistan
  - Higher capital spending in Africa cluster mainly in Benin

Group Balance Sheet & Cash Flows Strong balance sheet and operating cashflow

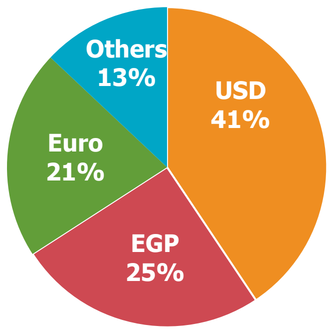
Balance Sheet (AED m)	Q4'13	Q1'14
Cash & Cash Equivalent	15,450	18,823
Total Assets	85,716	90,814
Total Debt	5,872	5,505
Net Cash	9,579	13,319
Total Equity	49,593	49,769

Borrowings by Operation Q1'14 (AED m)



Net cash position (AED m)	3M'13	3M'14
Operating	3,964	4,354
Investing	(770)	(501)
Financing	(159)	(479)
Net change in cash	3,035	3,375
Effect of FX rate changes	*(26)*	*(1)*
Ending cash balance	16,943	18,823

Debt by Currency



(1) Atlantique Telecom Countries are Benin, Central African Republic, Cote d'Ivoire, Gabon, Niger, Togo.
(2) Advances from non controlling interest from minority shareholders of Etisalat Pakistan International.

Country by Country Financial Review

UAE: Healthy growth and improvement in operating profit

	Q1'13	Q4'13	Q1'14	QoQ Growth	YoY Growth
Subs[1] (m)	9.3	10.4	**10.9**	*+5%*	*+16%*
Revenue (AED m)	6,007	6,288	**6,503**	*+3%*	*+8%*
EBITDA (AED m)	3,516	3,361	**3,715**	*+11%*	*+6%*
EBITDA Margin	59%	53%	**57%**	*+4pp*	*-1pp*
Net Profit	1,539	1,461	**1,651**	*+13%*	*+7%*
Net Profit Margin	26%	23%	**25%**	*+2pp*	*0pp*
CAPEX	477	*508*	*460*	*-9%*	*-3%*
CAPEX/Revenue	8%	*8%*	*7%*	*-1pp*	*-1pp*

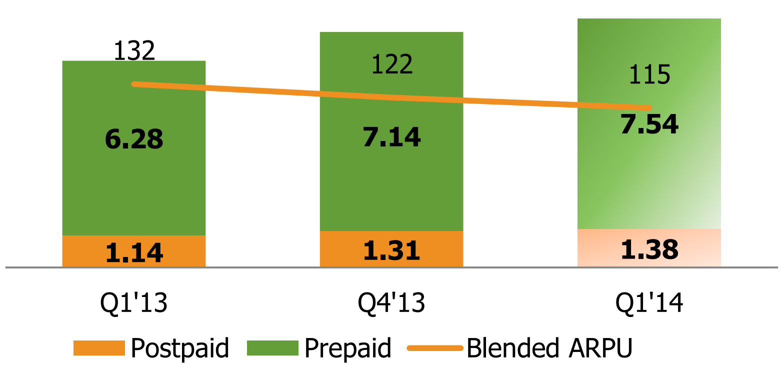
Highlights

- Maintained strong subscriber growth momentum
- Solid Y/Y revenue performance driven by growth across all core segments and new innovative products
- Improvement in EBITDA level attributed to improvements in revenue trends
- EBITDA margin slightly lower Y/Y due to higher interconnection costs and handset device costs
- Net profit improvement attributed to higher EBITDA level
- Capex spend focused on stimulating growth and network differentiation

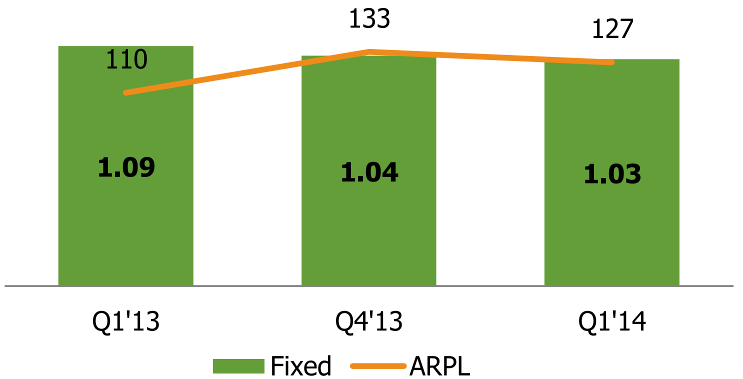
(1) Subscriber numbers calculated as aggregate number of GSM, fixed, fixed broadband and eLife lines generating revenue during the last 90 days.

UAE: Solid Subscriber growth in mobile, broadband and eLife segments

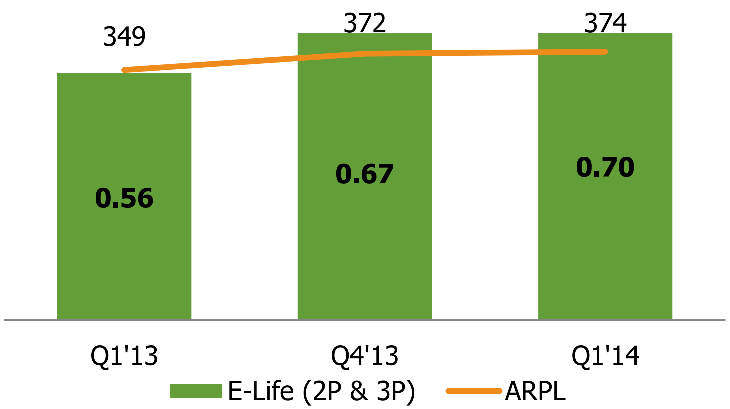
Mobile Subs (m) & ARPU(1) (AED)



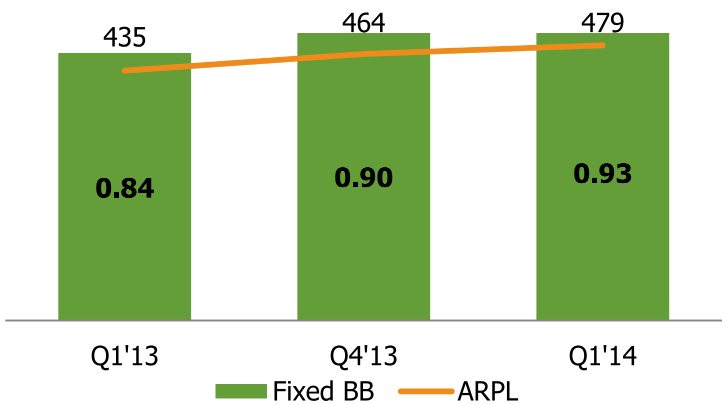
Fixed Subs (m) & ARPL(2) (AED)



eLife Subs – Double & Triple-Play (m)



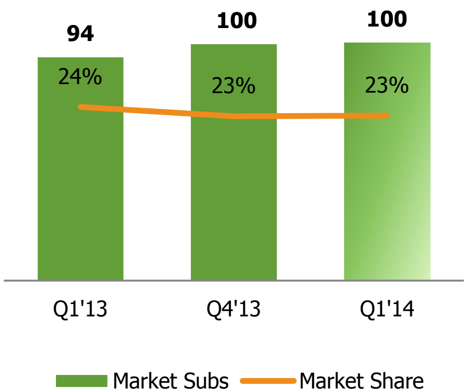
Fixed Broadband(3) Subs (m)



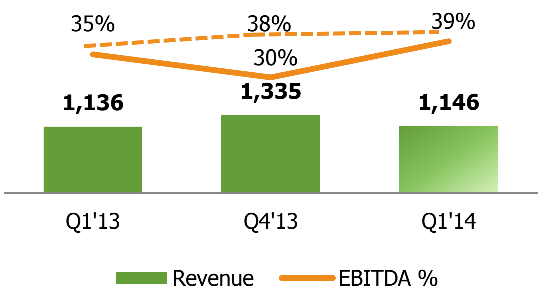
(1) Mobile ARPU ("Average Revenue Per User") calculated as total mobile voice, data and roaming revenues divided by the average mobile subscribers.
(2) ARPL ("Average Revenue Per Line") calculated as fixed line revenues divided by the average fixed subscribers.
(3) Fixed broadband subscriber numbers calculated as total of residential DSL (Al-Shamil), corporate DSL (Business One) and E-Life subscribers.

Egypt: Growth in local currency with improved margins

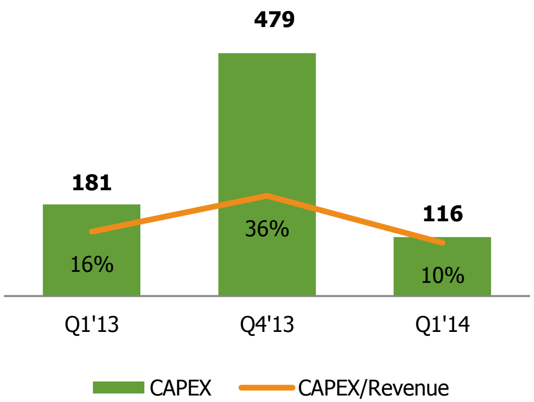
Total Subscribers [1] (m)



Revenue (AED m) / EBITDA Margin



CAPEX (AED m) & CAPEX/Revenue Ratio (%)



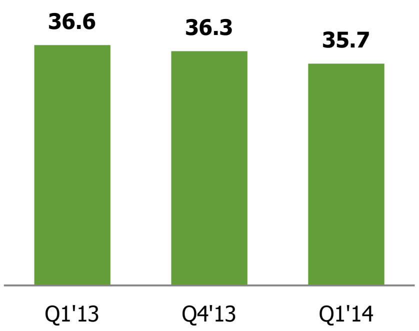
Highlights

- Continued to grow subscriber base
- Revenue growth Y/Y driven by higher data revenue and increase in subscriber acquisition
- EBITDA margin improvement Y/Y due to lower costs of devices
- Lower capital spending during the quarter representing 10% of revenue
- Expected competitive pressure in the mobile segment with granting unified license to the incumbent fixed operator

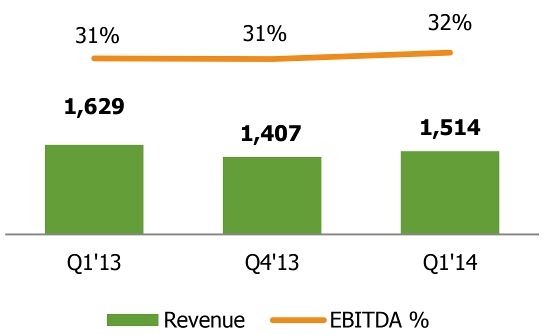
(1) Subscribers and market share data as per statistic published by the Ministry of Information and Technology

Asia: Improved operating margins despite operating challenges
Pakistan, Afghanistan and Sri Lanka

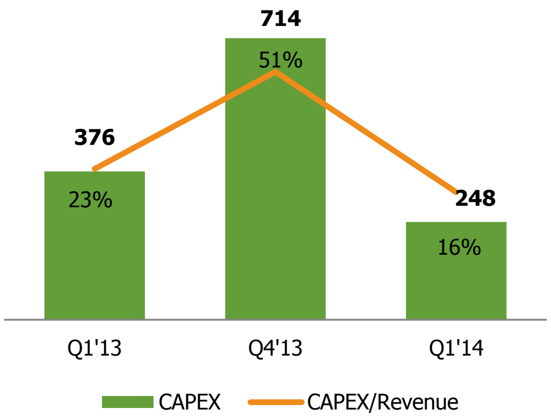
Subscribers (m)



Revenue (AED m) / EBITDA Margin



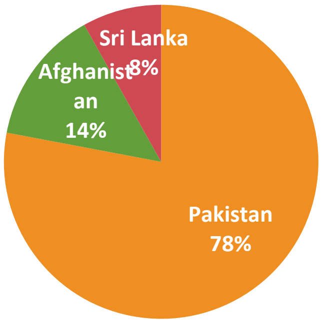
CAPEX (AED m) & CAPEX/Revenue Ratio (%)



Highlights

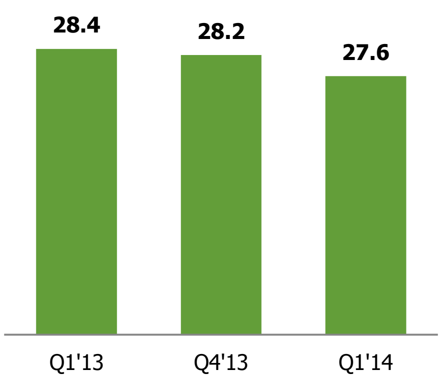
- Subscriber growth impacted by operations in Pakistan and Afghanistan
- Revenue growth Y/Y impacted by currency depreciation in Pakistan; and launch of 5th mobile operator and election process in Afghanistan
- EBITDA margin improvement due to lower interconnection costs and selling expenses
- Reduced capital spending during the quarter driven by Pakistan operations

Asia Cluster Revenue Breakdown (Q1’14)

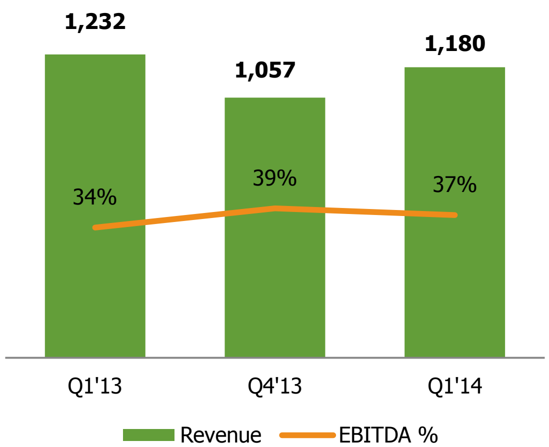


Pakistan: Continued growth in broadband revenues with healthy margins

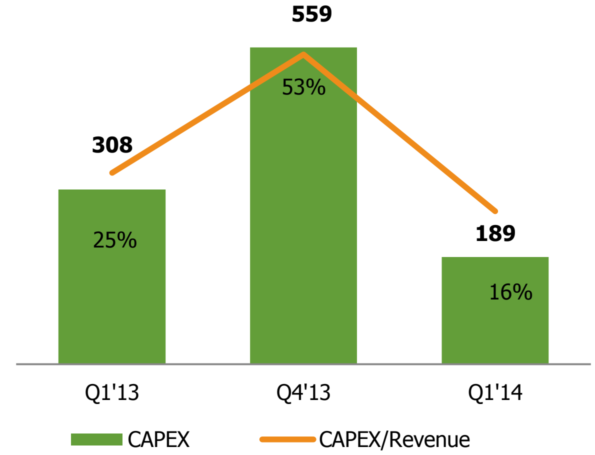
Subscribers (m)



Revenue (AED m) / EBITDA Margin



CAPEX (AED m) & CAPEX/Revenue Ratio (%)

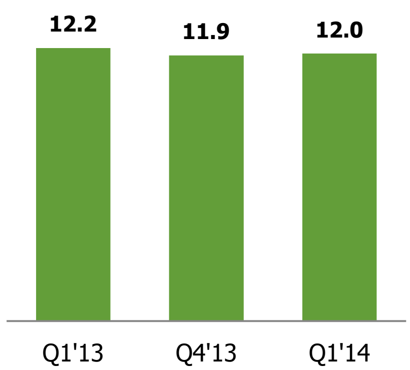


Highlights

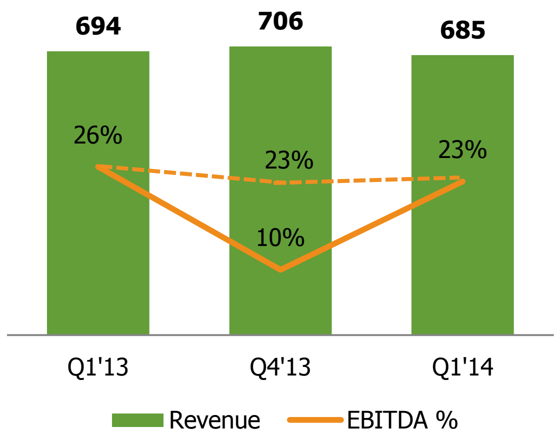
- Subscriber growth Y/Y impacted by mobile operations and realignment of subscriber definition with the Group
- Revenue growth Y/Y impacted by currency depreciation; however, maintained revenue growth in local currency by increasing broadband revenue due to strong subscriber growth in DSL and EVO.
- EBITDA margin improvement due to lower interconnection/termination costs, selling and marketing expenses
- Capex spending Y/Y declined 39% resulting in capital intensity ratio of 16%
  - Ufone won 5 MHz spectrum at 2100 for 15 years in return for a consideration of USD 147.5 million on April 23rd
  - expected to launch 3G services in Q2 2014

Africa: Stable subscriber numbers and margins
Ivory Coast, Benin, Togo, Gabon, Niger, CAR, Tanzania, & Sudan

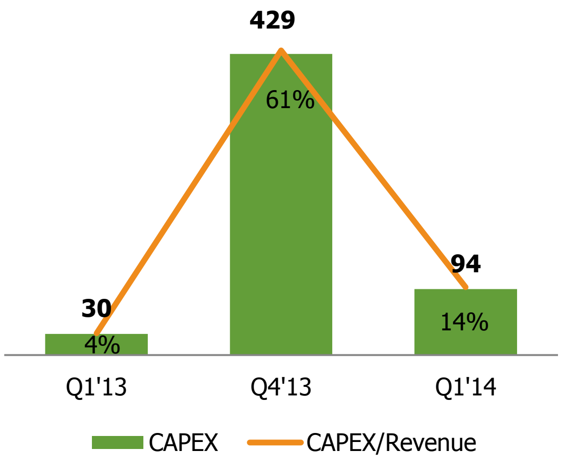
Subscribers (m)



Revenue (AED m) / EBITDA Margin



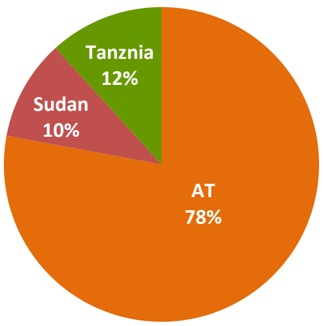
CAPEX (AED m) & CAPEX/Revenue Ratio (%)



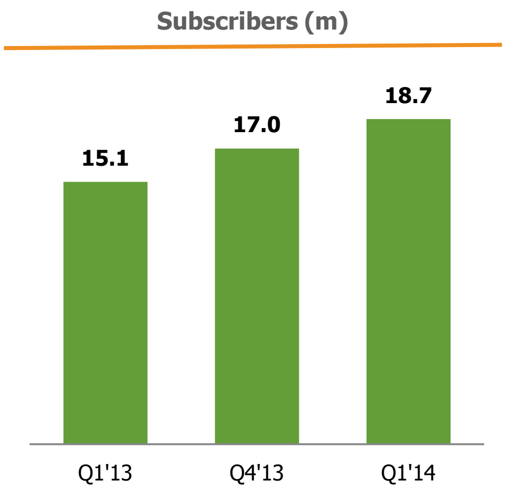
Highlights

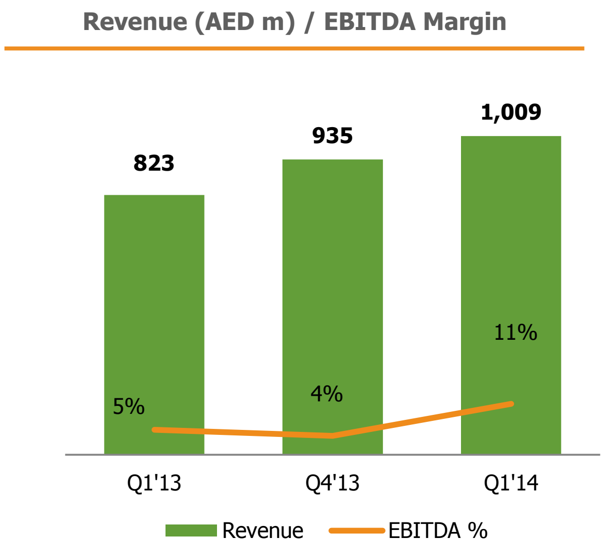
- Y/Y subscriber growth negatively impacted by the SIM registration in Tanzania. However, maintained subscriber growth in Benin, Togo, Gabon and Niger
- Revenue growth Y/Y impacted by operations in Ivory Coast and currency depreciation in Sudan
- EBITDA margin impacted by newly introduced sales tax in Ivory Coast, higher interconnection and termination costs and special project expenses.
- Higher capital spending Y/Y with Capital intensity ratio of 14%

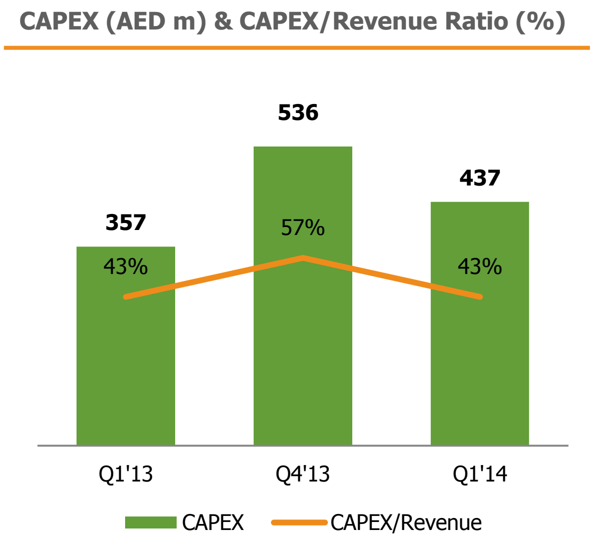
Africa Cluster Revenue Breakdown (Q1'14)



Nigeria: Very strong performance underpinned by commercial execution and quality network







Highlights

- Solid subscribers growth driven by launch of new product and services
- Double digit revenue growth of 23% driven by improved commercial momentum
- Higher EBITDA level attributed to improvement in revenue trend
- 7 pts Y/Y improvement in EBITDA margin to 11% more than doubling the EBITDA in absolute amounts
- Higher capital spending in Q1’14 focusing on network expansion and quality

2014 Outlook [1] : Confident in delivering the full year management guidance

Financial Objective	Guidance 2014	Actual Q1 2014
Revenue Growth %	2% - 3%	3%
EBITDA Margin%	47% - 49%	50%
CAPEX / Revenue Ratio	16% - 19%	9%

(1) All figures represent consolidated numbers and does not include any impact from a potential M&A transaction during 2014.
(2) Capex / Revenue Ratio guidance does not include acquisition of 3G license and related capex in Pakistan.

Q&A

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