



# Etisalat Group

## Results Q4 2015

**10 March 2016**  
**Abu Dhabi**

Aspire Forward

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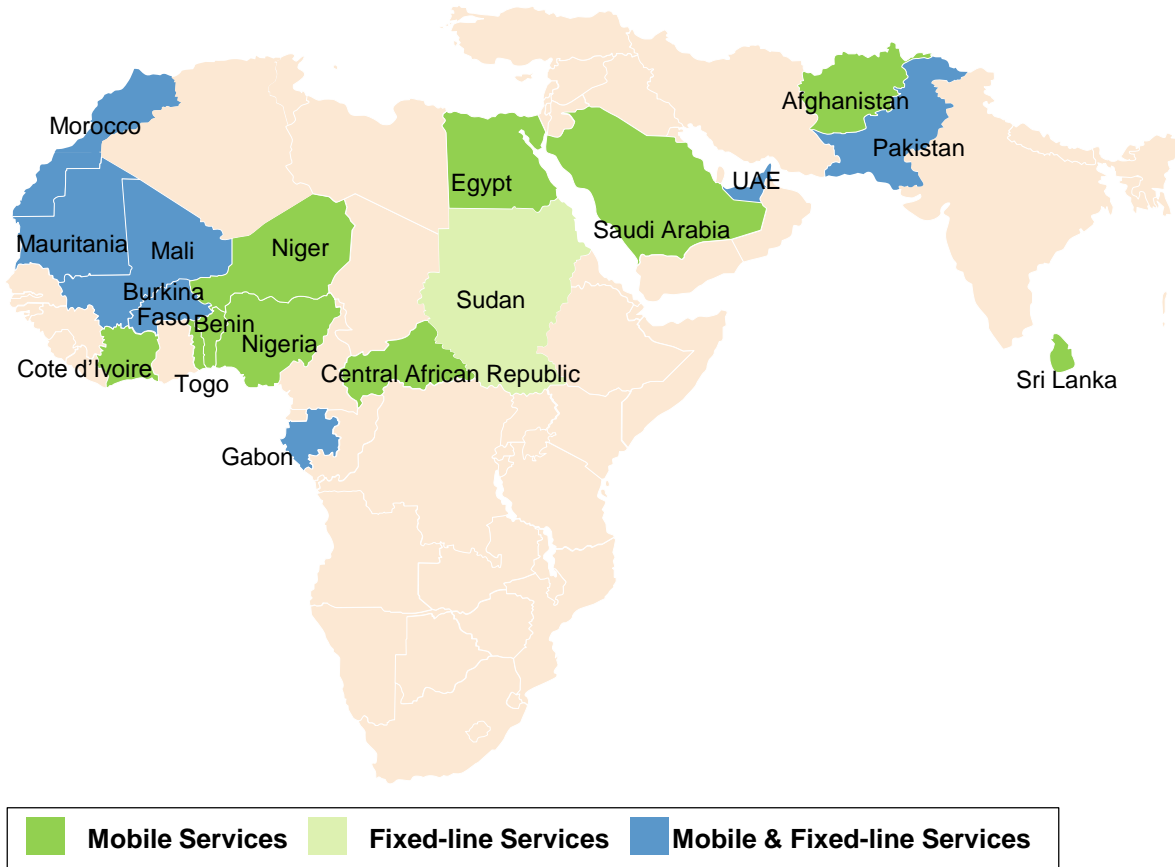
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# 1. Business Overview

**Hatem Dowidar**  
**Acting Chief Executive Officer**  
**Etisalat Group**

# Significant scale, profitability, cash generation and strong balance sheet ...

## Etisalat Group Footprint



## Key facts<sup>1)</sup>

- **18 countries, 167m subs**
- **Revenue: AED 51.7bn**
- **EBITDA: AED 26.6 bn (51 % margin)**
- **OFCF: AED 16.2 bn (31 % margin)**
- **Net Profit: AED 8.3bn (16% margin)**
- **DPS 80 fils (84% payout ratio)**
- **SP&P: AA-**, (Outlook : Stable)
- **Moody's : Aa3**, (Outlook: Stable <sup>(2)</sup>)
- **Fitch: A+**, (Outlook: stable)

(1) Key financials are for FY 2015 (FX rate of AED 3.674/USD)

(2) On March 8<sup>th</sup>, 2016 Moody's placed Etisalat Group under review

# Key events during 2015...

## Portfolio Optimization

- Completed restructure of **Atlantique Telecom** under Maroc Telecom Group
- Completed **sale of 85% shareholding in Zantel**
- Completed **towers sale and leaseback in Nigeria**

## Strategic Investment

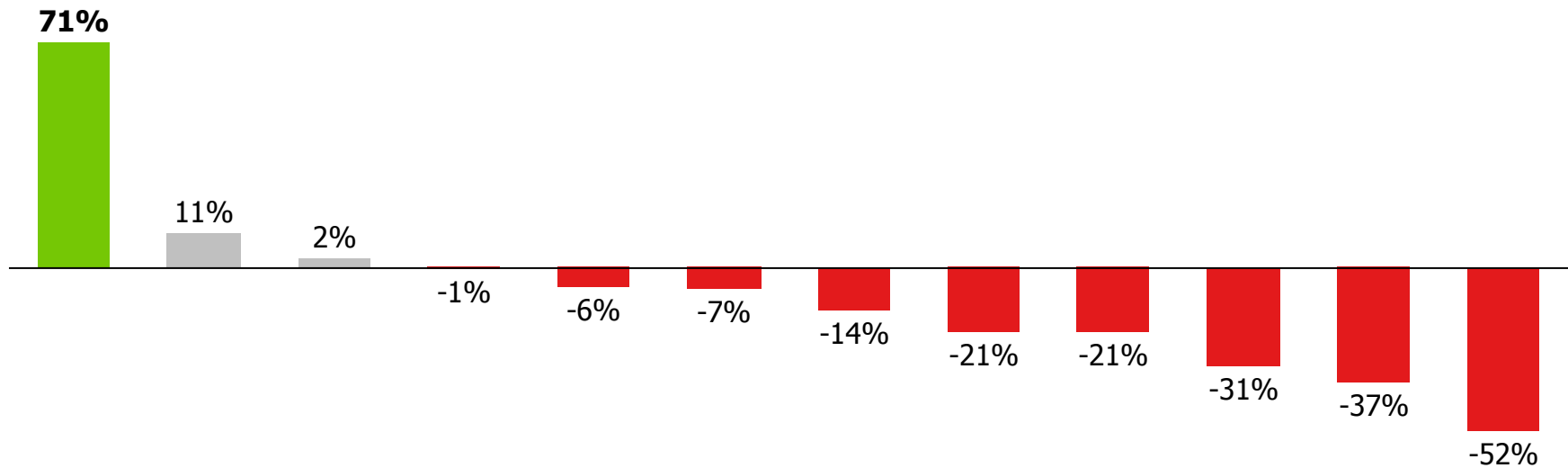
- Key **network investments** and **build-up of digital and ICT** capabilities in the UAE
- Acquisition of **4G license and spectrum in Morocco** and **launched 4G+ services**
- Renewal of **2G license in Mauritania and Niger**
- Acquisition of **3G license and universal license in Niger and Ivory Coast** respectively

## Corporate Structure

- **Allowing Foreign and Institutional** investors to own Etisalat's share
- Etisalat **inclusion in the MSCI EM index effective** from 1<sup>st</sup> December 2015
- Etisalat **inclusion in the FTSE EM index effective** from close of business on Friday, 18 March 2016 (i.e. on Sunday, 20 March 2016)

# Attractive returns to shareholders

**Total Shareholder Return in USD<sup>1</sup>**  
(% USD, 1<sup>st</sup> Jan - 31<sup>st</sup> Dec 2015)

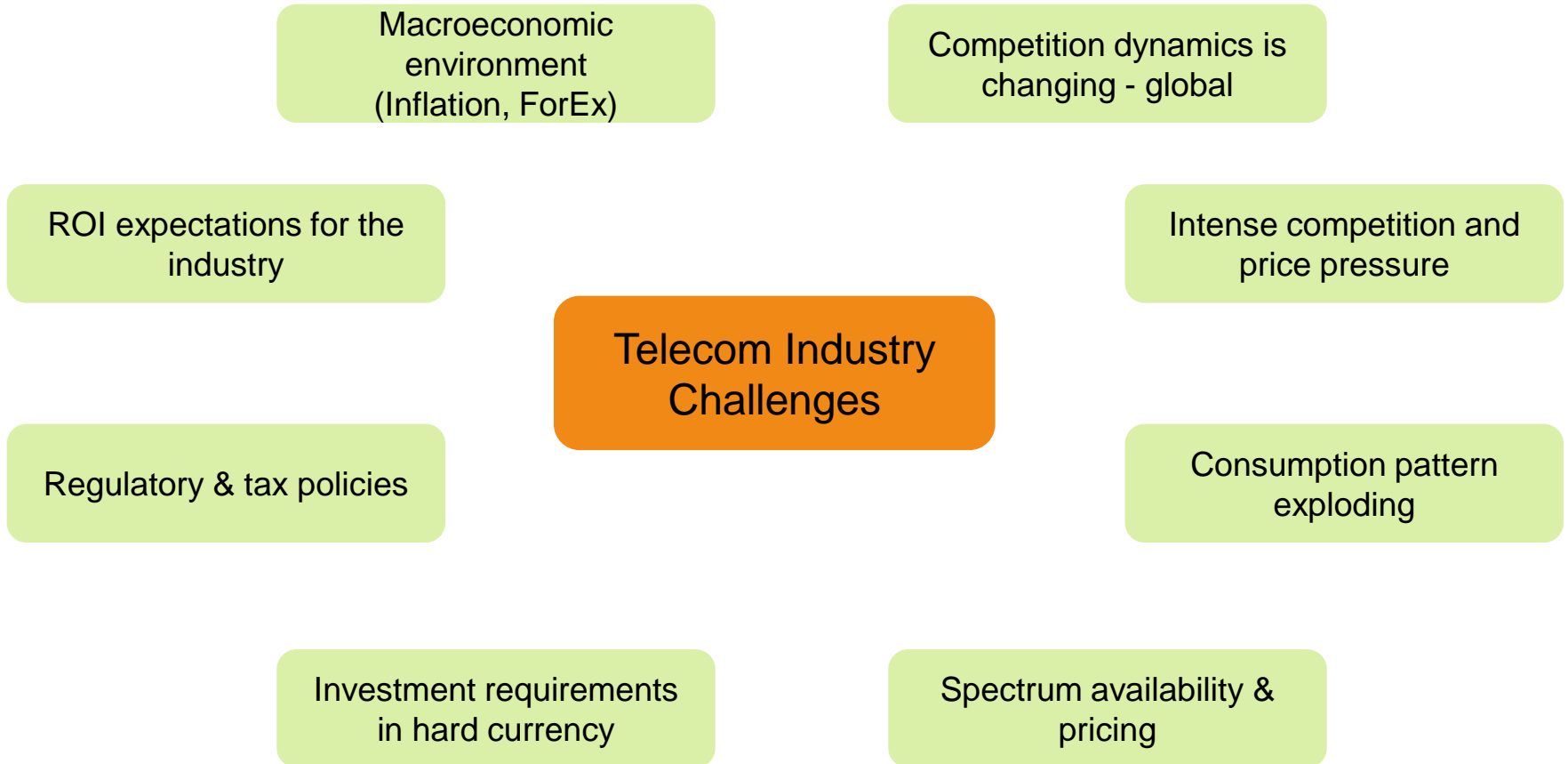


<b>Etisalat</b>		STC	Orange	Vodafone	Vodacom	Airtel	Telenor	Millicom	Vimpelcom	Zain	Ooredoo	MTN
<i>Market Capitalization (USD Bn, 31<sup>st</sup> Dec 2015)</i>												
2014	2015											
23.6	38.1	36.5	44.6	86.7	14.6	19.3	25.2	5.8	5.8	5.0	6.6	15.6

Note 1: Shareholder returns assume reinvestment of dividend proceeds in the stock  
Source: Bloomberg, Etisalat Group Strategy analysis

# The dynamics in the telecom industry are rapidly changing

## Industry Dynamics - High Level



# In this context, Etisalat has the ambition to strengthen its status of leading digital telecom group

## Sustainable Growth in Digital Age

Customer Lifecycle Management

B2B

Content, M2M, IoT

Mobile Financial Services

Voice & Data

Selected adjacents

Leverage Group's scale

Lean operations

Next generation operations

Efficiency and rationalization of operations

Innovative Network technologies

Evolving operating model

Attention to efficiency – journey for operational transformation



## 2016 Priorities

- Progress with **portfolio optimisation**
- Pursue opportunities for **Cost improvement**
- Defend **value share** and **leadership position** in Morocco and UAE
- Operations with **challenger position to grow faster** than the market
- Invest in **spectrum and networks** to support data growth
- Develop **digital and ICT** capabilities
- Increase focus on **cash flow generation**

## **2. Financial Overview**

**Serkan Okandan**  
**Chief Financial Officer**  
**Etisalat Group**

# Etisalat Group Financial Highlights

<i>AED Million</i>	<b>Q4 2015</b>	<i>Growth YoY%</i>	<b>FY2015</b>	<i>Growth YoY%</i>
Revenue	12,671	-4%	51,737	+7%
EBITDA	6,488	+19%	26,526	+14%
<i>EBITDA Margin</i>	51%	+10pp	51%	+3pp
Net profit	2,604	+10%	8,263	-4%
<i>Net profit Margin</i>	21%	+3pp	16%	-2pp
Capex	4,931	+79%	10,309	+16%
<i>Capex/Revenue</i>	39%	+18PP	20%	+2pp

## 4Q2015 Highlights

- One-off impacted revenue and EBITDA growth
  - Like-for-like revenue growth is flat
- Margin improvement due to better revenue mix and cost control measures
- Higher profit due to lower amortization charges share of losses from associates.
- Higher capex spend due to domestic operations and new licenses acquisition/renewal in CDI and Niger

## FY2015 Highlights

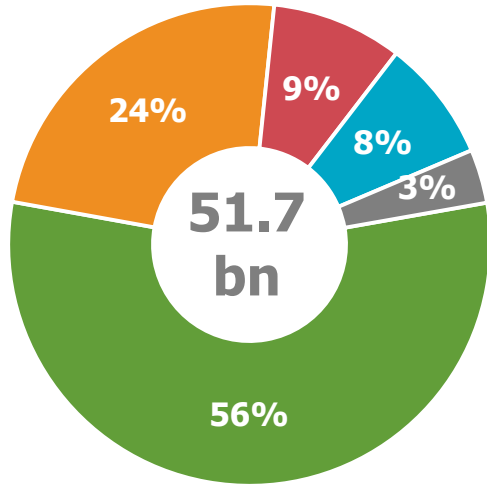
- Revenue growth driven by performance of domestic operations and full consolidation of Maroc Telecom
- Margin improvement due to better revenue mix and cost control measures
- Profit decline due to higher dep/amortization expenses, forex losses, finance costs and royalty charges
- Higher capex spend due to domestic operations & licenses acquisition/renewal within MT Group operations

# 2015 Actual Against Guidance:

Financial KPI	Guidance 2015	Actual 2015	Main Reasons
Revenue Growth %	~ 9%	6.7%	<ul style="list-style-type: none"> <li>Overall slow-down in revenue growth</li> <li>Further currency devaluation of MAD and EGP impacted revenue in AED (&gt;1 pp)</li> <li>One-time adjustments impacting revenue (~1 pp)</li> </ul>
EBITDA Margin%	~ 50%	51.3%	<ul style="list-style-type: none"> <li>More favorable revenue mix in Q4'15</li> </ul>
CAPEX / Revenue %	~ 15%	19.9%	<ul style="list-style-type: none"> <li>Faster closure of projects before year-end</li> <li>License acquisitions/renewal in CDI &amp; Niger in Dec (~1 pp)</li> <li>Capitalization of network projects (~4 pp)</li> </ul>

# Etisalat Group Financial Highlights

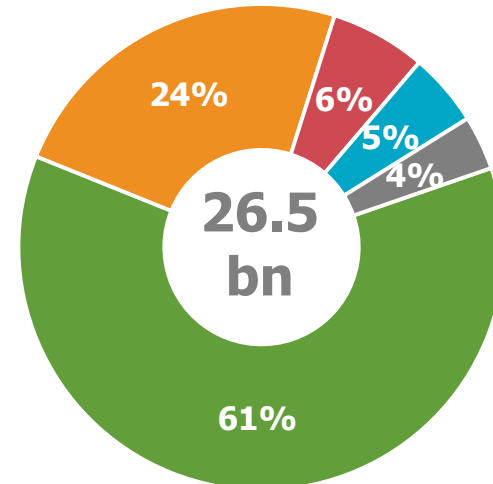
Revenue Breakdown FY 2015 (AED m)



**+7%**  
YoY Growth

UAE		<b>+6%</b>
MT Group		<b>+52%</b>
Egypt	<i>(LC +2%)</i>	<b>-6%</b>
Pakistan	<i>(LC -9%)</i>	<b>-10%</b>

EBITDA Breakdown FY 2015 (AED m)



**+14%**  
YoY Growth

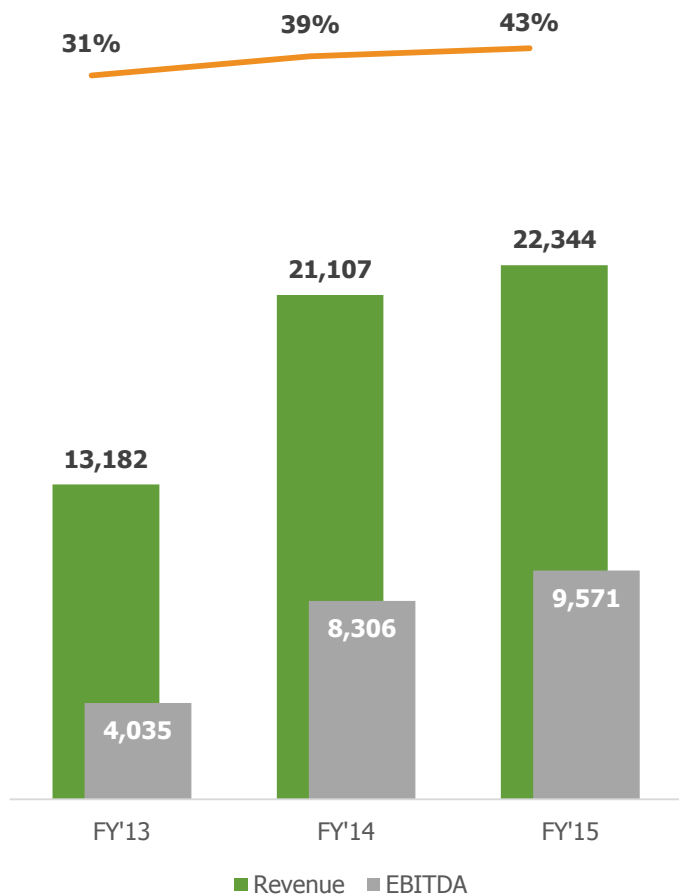
UAE		<b>+9%</b>
MT Group		<b>+42%</b>
Egypt	<i>(LC +2%)</i>	<b>-4%</b>
Pakistan	<i>(LC +4%)</i>	<b>+2%</b>

(1) Financial figures are restated to exclude the impact of discontinued operations (Zantel & Canar)

■ Represents others

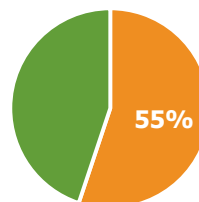
# Int'l Operations Financial Highlights FY 2015

Revenue (AED m)/EBITDA (AED m) /  
EBITDA Margin (%)



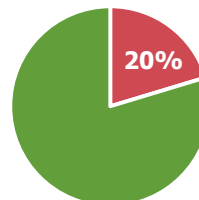
Revenue & EBITDA (AED m) /  
EBITDA Margin (%) / YoY Growth %

## Maroc Telecom Group



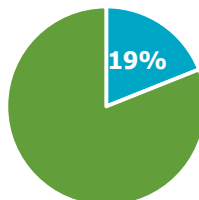
	FY 2015	YoY Growth in AED	Growth in MAD
<b>Revenue</b>	<b>12,316</b>	<b>+52%</b>	<b>+75%</b>
<b>EBITDA</b>	<b>6,308</b>	<b>+42%</b>	<b>+61%</b>
<b>EBITDA Margin</b>	<b>51%</b>	<b>-4pp</b>	<b>-4pp</b>

## Etisalat Misr



	FY 2015	YoY Growth in AED	YoY growth in PKR
<b>Revenue</b>	<b>4,544</b>	<b>-6%</b>	<b>+2%</b>
<b>EBITDA</b>	<b>1,692</b>	<b>-4%</b>	<b>+2%</b>
<b>EBITDA Margin</b>	<b>+37%</b>	<b>+1pp</b>	<b>+1pp</b>

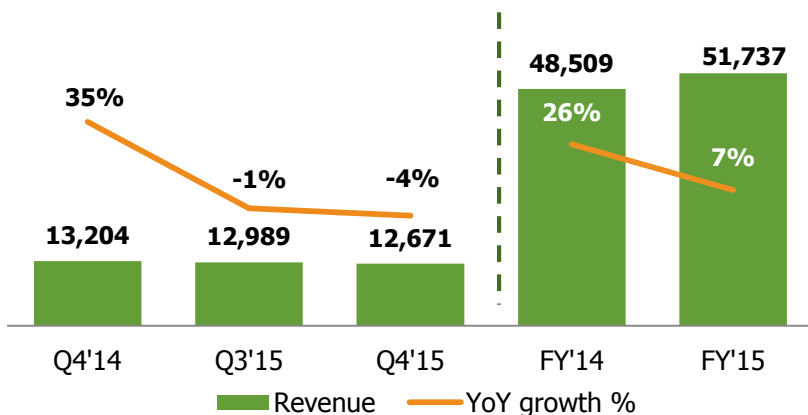
## Pakistan



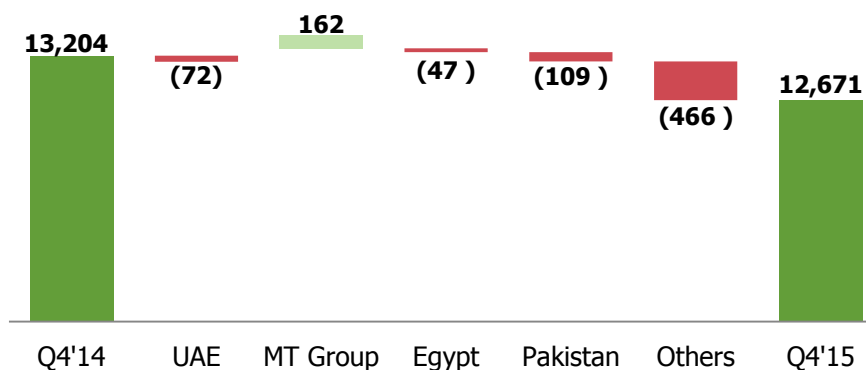
	FY 2015	YoY Growth in AED	YoY growth in PKR
<b>Revenue</b>	<b>4,236</b>	<b>-10%</b>	<b>-9%</b>
<b>EBITDA</b>	<b>1,292</b>	<b>+2%</b>	<b>+4%</b>
<b>EBITDA Margin</b>	<b>30%</b>	<b>+4pp</b>	<b>+4pp</b>

# Group Revenue

Revenue (AED m) and YoY growth (%)



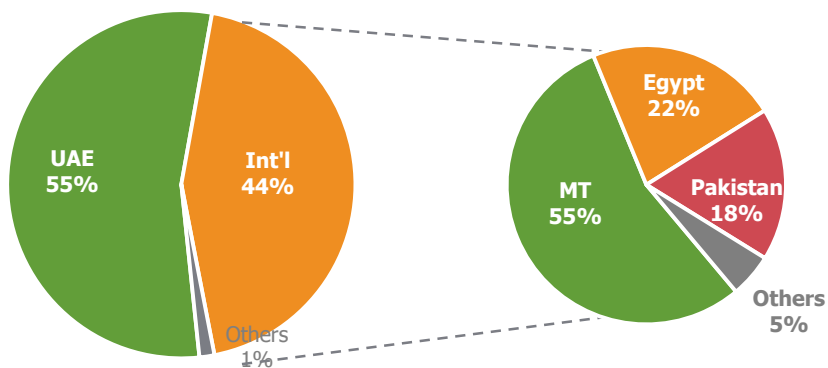
Sources of Revenue growth – Q4'15 vs Q4'14 (AED m)



Revenue by Cluster (Q4'15)

## Domestic vs. Int'l

## International

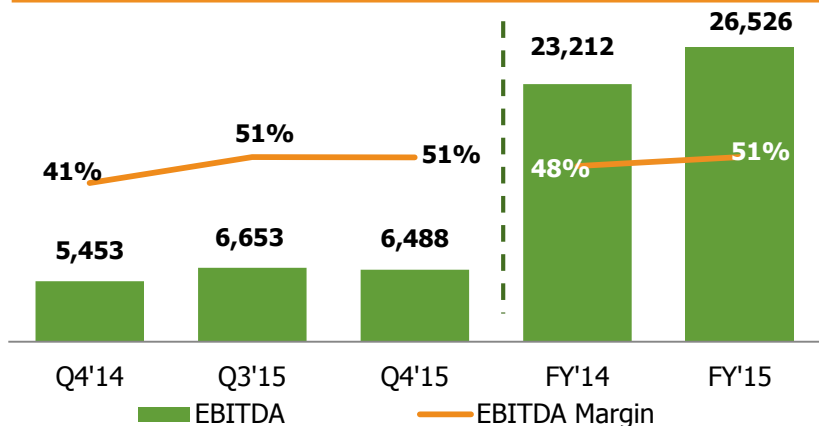


## Highlights

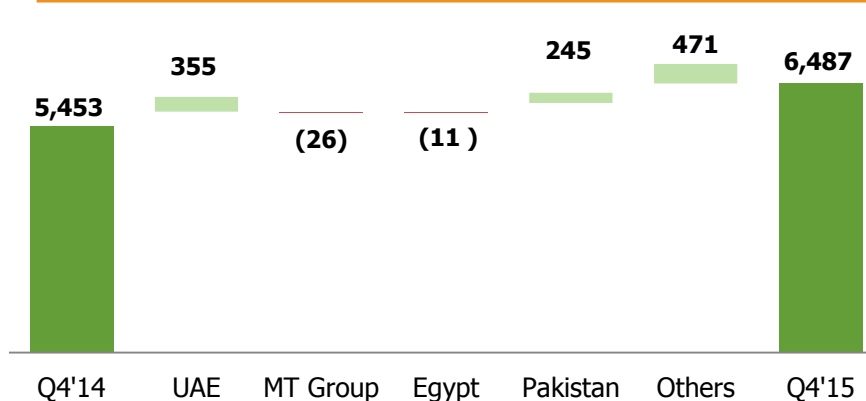
- In Q4'15 consolidated revenue declined Y/Y by 4% attributed to one-off adjustments; on a like for like it is flat.
- Revenues from international consolidated operations declined by 1%, resulting in 44% contribution to Group revenues, an improvement of 1 point compared to Q4'14
  - Growth in MT group driven by int'l operations
  - Revenue growth in Egypt in local currency
  - Revenue growth in Pakistan negatively impacted by increased competition in international and mobile revenue
  - Others reflect the consolidation of Atlantique Groups' operations under Maroc Telecom

# Group EBITDA

EBITDA (AED m) & EBITDA Margin



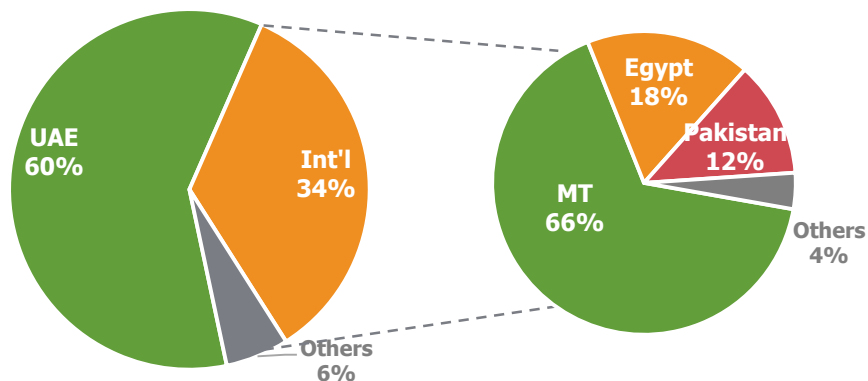
Sources of EBITDA growth – Q4'15 vs Q4'14 (AED m)



EBITDA by Cluster (Q4'15)

Domestic vs. Int'l

International



Highlights

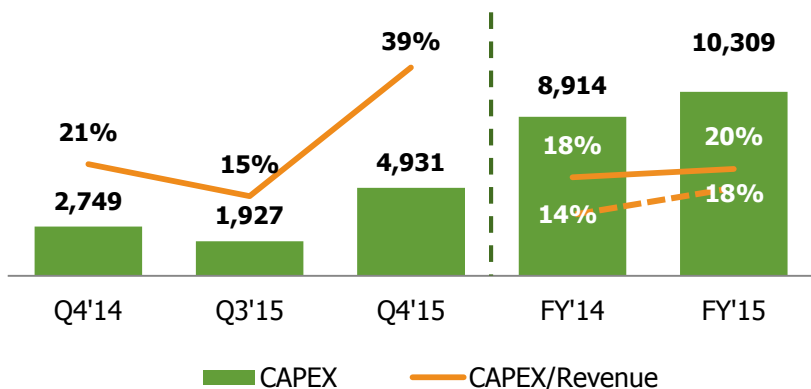
- In Q4'15 Consolidated EBITDA increased Y/Y by 19% to AED 6.5 bn
- EBITDA in the UAE positively impacted by lower cost of sales and reduced operating costs.
- EBITDA of consolidated international operations increased Y/Y by 10%, resulting in 34% contribution to Group EBITDA, a contraction of 2 points compared to Q4'14
  - Maroc Telecom and Egypt impacted by currency depreciation; maintained growth in local currency
  - Pakistan benefited from one-off related to Voluntarily Separation Scheme implemented in Q4 2014.

Note: "Others EBITDA" consist of domestic non-telecom operations, other international operations, management fees, etc.

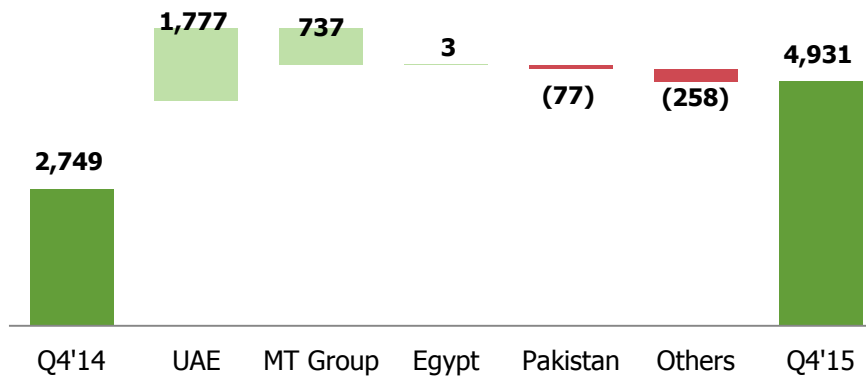


# Group CAPEX

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



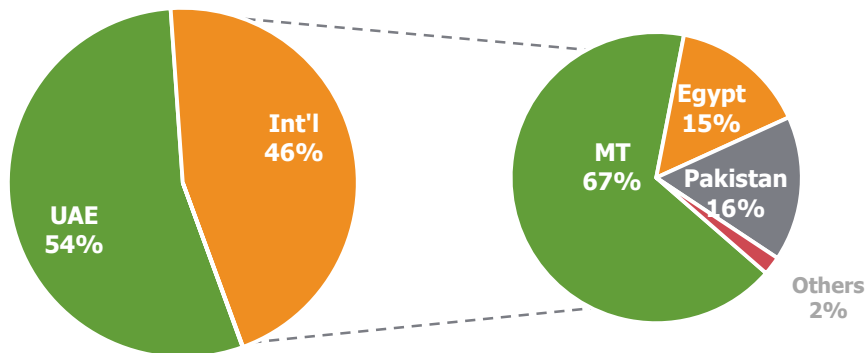
Sources of Capex growth – Q4'15 vs Q4'14 (AED m)



CAPEX by Cluster (Q4'15)

Domestic vs. Int'l

International



Highlights

- In Q4'15 Consolidated Capex increased Y/Y by 79% resulting in Capex/ Revenue ratio of 39%. This increase was driven by:
  - Higher capital spend in the UAE operations due to capitalization of network projects and focus on network modernization, digital and ICT capabilities
  - License Renewal / Acquisition in Ivory Coast & Niger
  - Lower capex spending in Pakistan
  - Lower capex spend in Afghanistan and reclassifying Atlantic operations under MT Group

# Group Balance Sheet & Cash Flows

Balance Sheet (AED m)	Dec-14	Dec-15
Cash & Cash Equivalent <sup>(1)</sup>	18,543	21,422
Total Assets	128,178	128,265
Total Debt <sup>(1)</sup>	22,229	22,080
Net Cash / (Debt)	(3,686)	(658)
Total Equity	60,283	59,375

Net cash position (AED m)	FY'14	FY'15
Operating	17,209	20,425
Investing	(24,102)	(9,339)
Financing	9,162	(8,387)
Net change in cash	2,268	2,967
<i>Effect of FX rate changes</i>	<i>834</i>	<i>(9)</i>
Reclassified as held for sales	(9)	(78)
Ending cash balance	18,543	21,422

## Investment Grade Credit Ratings



**AA-/Stable**



**A+/Stable**



**Aa3/Stable<sup>(2)</sup>**

## Highlights

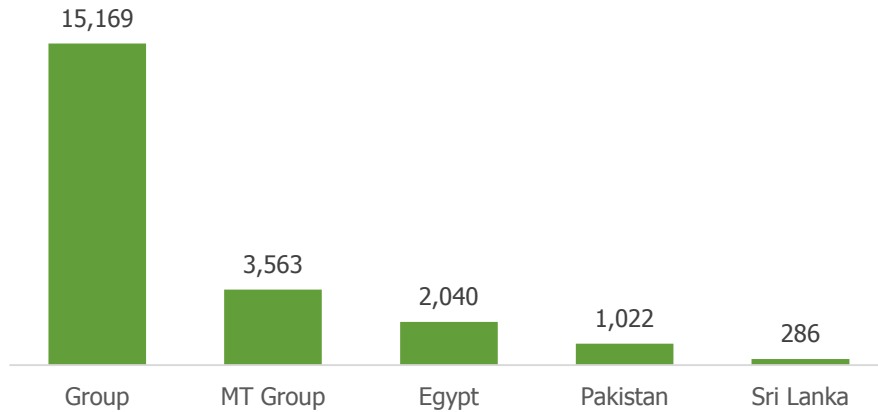
- Maintained healthy liquidity position
- Low net debt to EBITDA level
- Better operating cash flow due to better profitability
- Maintained strong credit ratings with stable outlook from the three credit ratings agencies

(1) Balances as of 31 December 2014 & 2015 excludes discontinued operations

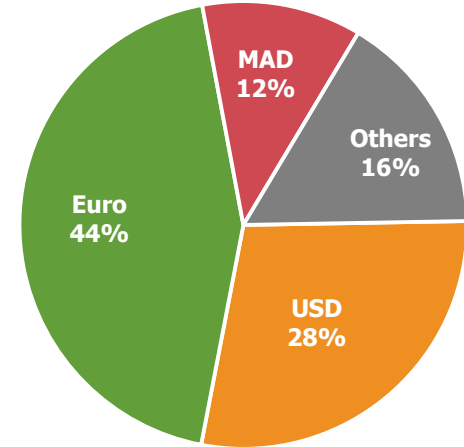
(2) On March 8<sup>th</sup>, 2016 Moody's placed Etisalat Group under review

# Debt Profile: Diversified debt portfolio

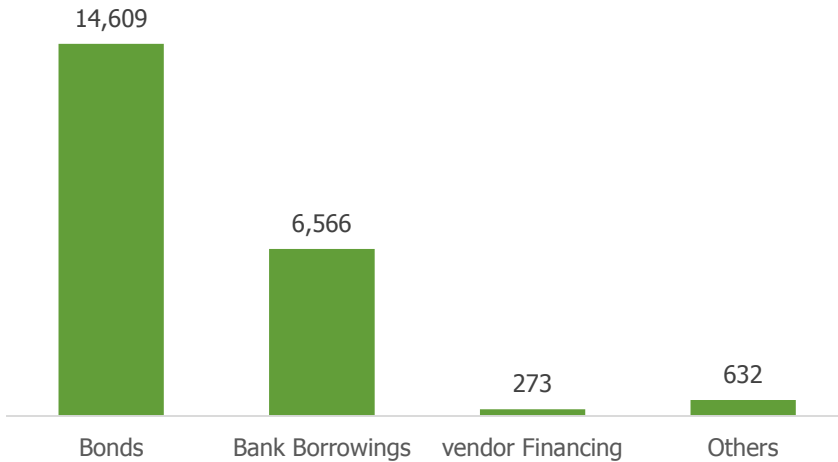
**Borrowings <sup>(1)</sup> by Operation FY'15 (AED m)**



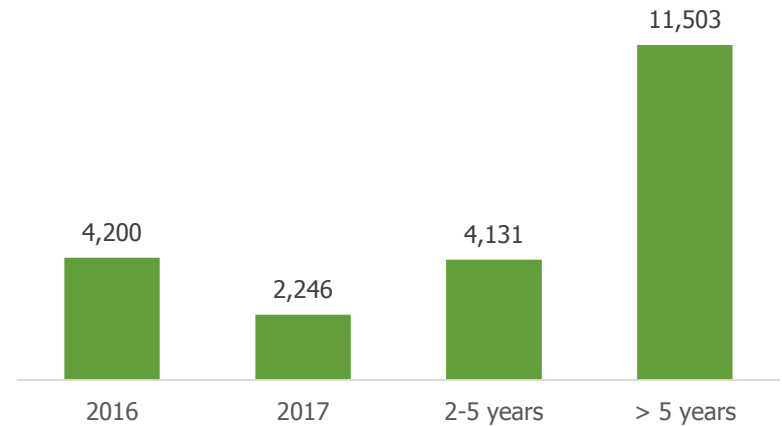
**Borrowings <sup>(1)</sup> by Currency FY'15**



**Debt <sup>(1)</sup> by Source FY'15 (AED m)**



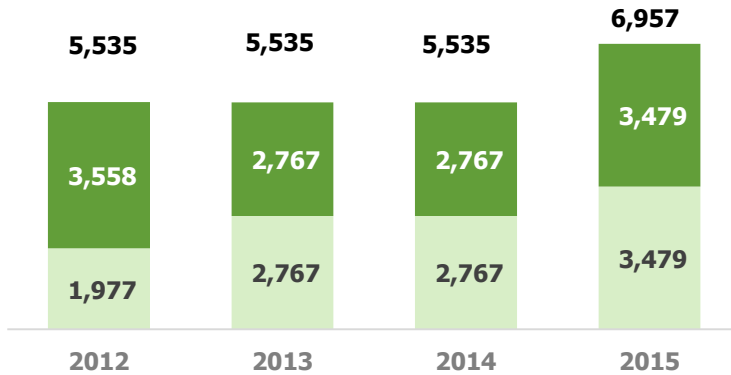
**Repayment <sup>(1)</sup> Schedule**



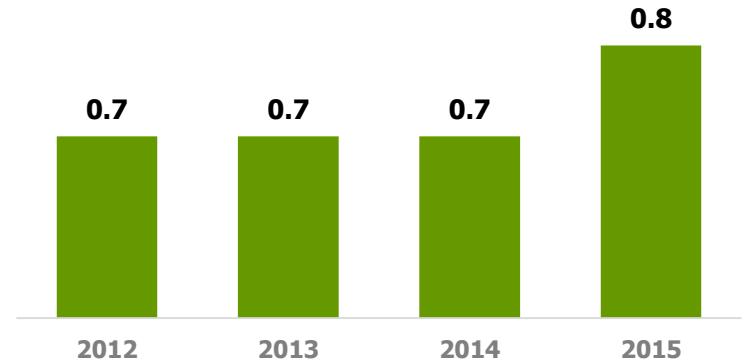
(1) Debt balance as of 31 December 2015 excludes borrowing from discontinued operations

# Group Dividends: Proposed dividend for 2015 of AED 80 fils per share

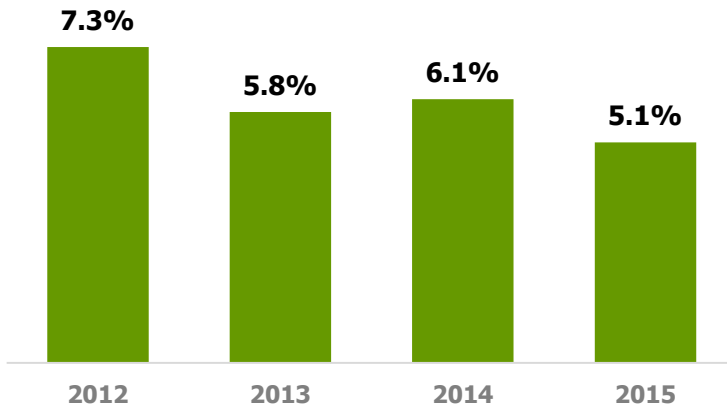
### Cash Dividends (AED m)



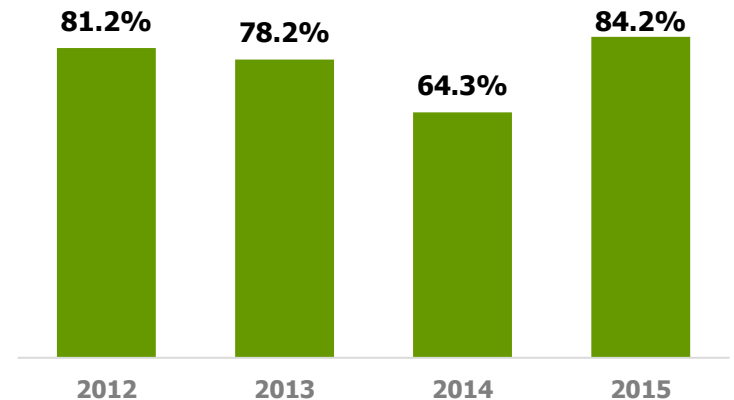
### Dividends Per Share (AED)



### Dividend Yield <sup>(1)</sup>



### Dividend Payout Ratio (%)



- Proposed dividends are subject to the shareholders approval on the AGM scheduled on March 27<sup>th</sup>, 2016

(1) Dividend yield is based on share price as of 18 August 2015 and 08 March 2016

## Country by Country Financial Review

# UAE: Sustained strong revenue growth and profitability

	Q4'14	Q3'15	Q4'15	QoQ Growth	YoY Growth	FY'14	FY'15	YoY Growth
Subs <sup>(1)</sup> (m)	11.0	11.6	<b>11.6</b>	0%	+6%	11.0	<b>11.6</b>	+6%
Revenue (AED m)	6,978	7,168	<b>6,906</b>	-4%	-1%	27,095	<b>28,774</b>	+6%
EBITDA (AED m)	3,531	4,138	<b>3,886</b>	-6%	+10%	14,957	<b>16,279</b>	+9%
EBITDA Margin	51%	58%	<b>56%</b>	-1pp	+6pp	55%	<b>57%</b>	+1pp
Net Profit	2,239	1,825	<b>1,828</b>	0%	-18%	7,309	<b>7,325</b>	0%
Net Profit Margin	32%	25%	<b>26%</b>	+1pp	-6pp	27%	<b>25%</b>	-2pp
CAPEX	908	737	<b>2,685</b>	+264%	+196%	2,524	<b>4,941</b>	+96%
CAPEX/Revenue	13%	10%	<b>39%</b>	+29pp	+25pp	9%	<b>17%</b>	+8pp

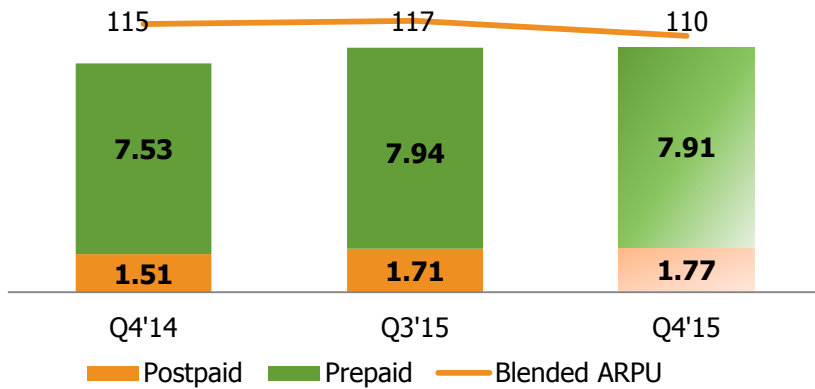
## Highlights

- Subscriber growth Y/Y driven by mobile and eLife segments
- Revenue impacted by one-off adjustments in fourth quarter; on a like-for-like basis Q4 Y/Y & Q/Q growth is +6% and +3%, respectively.
  - FY 2015 revenue growth is +8% on a like-for-like basis
- Strong revenue growth Y/Y attributed to growth in bundled propositions (voice & data) to Consumer & Enterprise segments, higher handset sales.
- EBITDA level impacted by one-off adjustments in the fourth quarter; on a like-for-like basis Q4 Y/Y & Q/Q growth is +19% and +2%, respectively.
  - FY 2015 EBITDA growth is 11% on a like-for-like basis
- Maintained healthy EBITDA margin at 56-57% level
- Lower Y/Y net profit in Q4 due to higher depreciation expenses, forex losses and higher royalty charges
  - FY 2015 net profit iY/Y growth is flat
- Increase in capital spending due to capitalization of network projects, network modernization and focus on digital and ICT capabilities

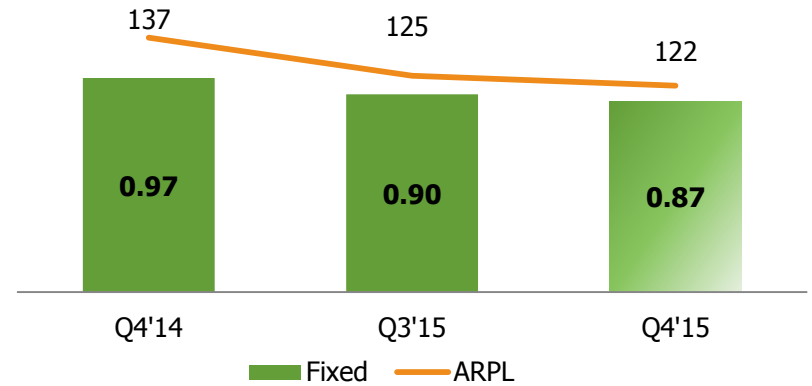
(1) Subscriber numbers calculated as aggregate number of GSM, fixed, fixed broadband and eLife lines generating revenue during the last 90 days.

# UAE: Sustained growth in eLife and mobile subscribers

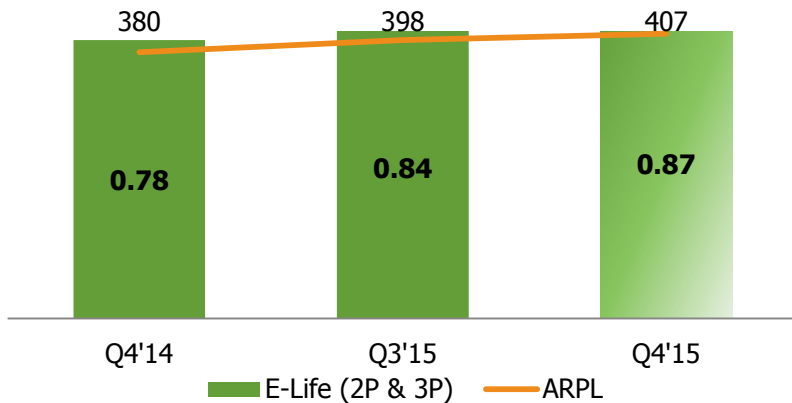
**Mobile Subs (m) & ARPU<sup>(1)</sup> (AED)**



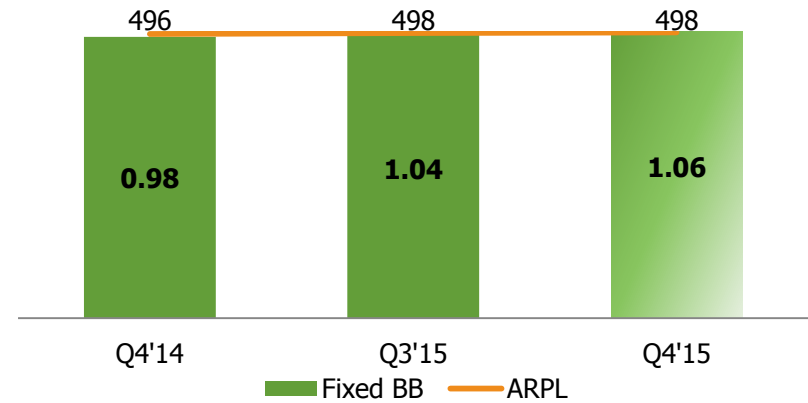
**Fixed Subs (m) & ARPL<sup>(2)</sup> (AED)**



**eLife Subs – Double & Triple-Play (m)**



**Fixed Broadband<sup>(3)</sup> Subs (m)**

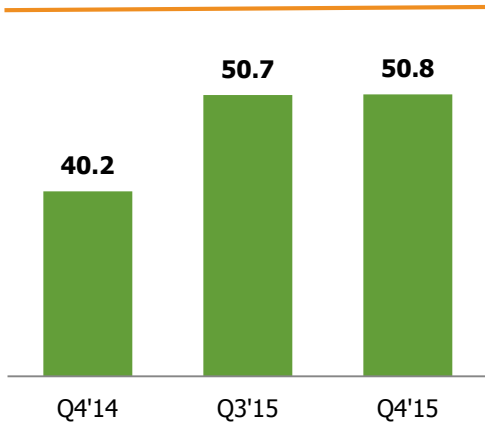


(1) Mobile ARPU ("Average Revenue Per User") calculated as total mobile voice, data and roaming revenues divided by the average mobile subscribers.  
 (2) ARPL ("Average Revenue Per Line") calculated as fixed line revenues divided by the average fixed subscribers.  
 (3) Fixed broadband subscriber numbers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

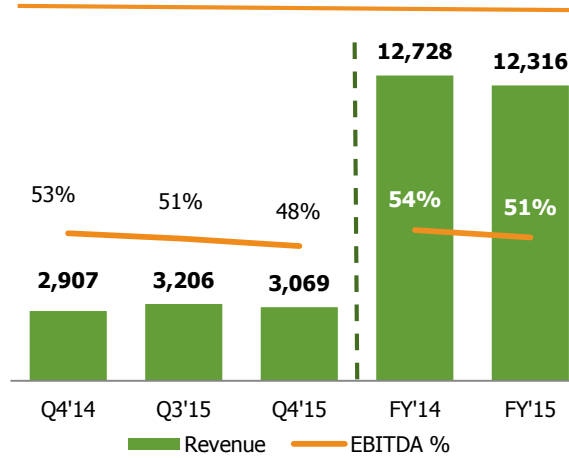
# Maroc Telecom: Growth driven by int'l subsidiaries

Morocco, Benin, Burkina Faso, CAR, CDI, Gabon, Mali, Mauritania and Togo

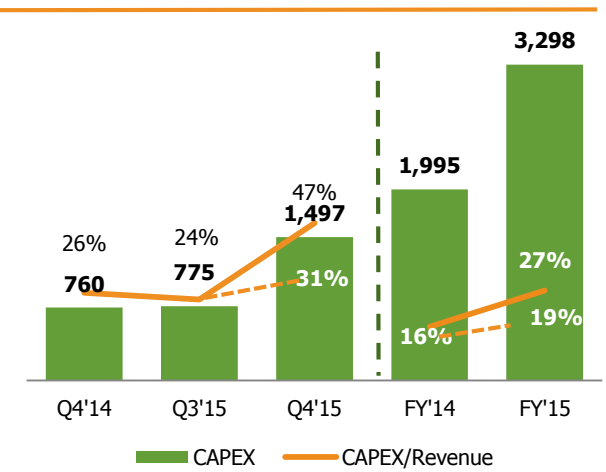
Subscribers (m)



Revenue (AED m) <sup>(1)</sup> / EBITDA Margin



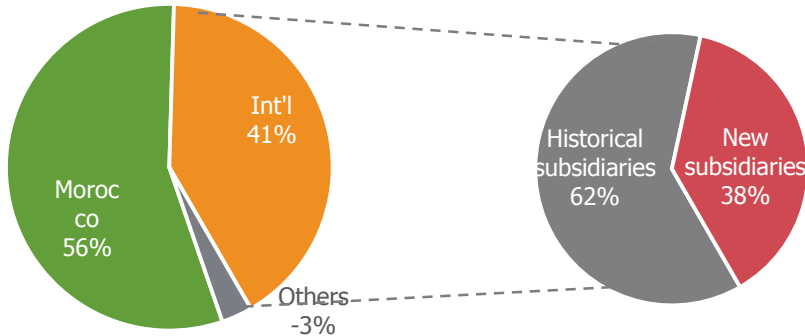
CAPEX (AED m) & CAPEX/Revenue Ratio (%)



Revenue Breakdown Q4'15

Domestic vs. Int'l

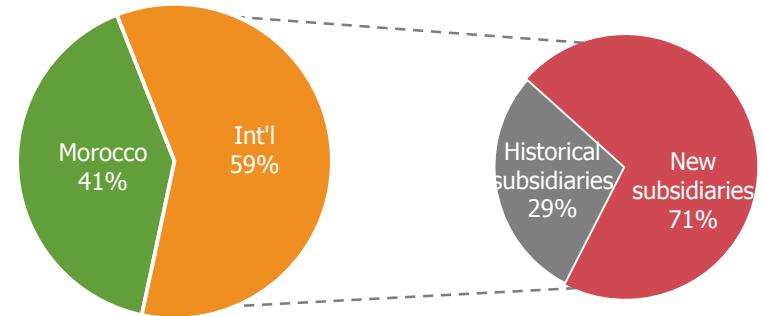
Int'l



Capex Breakdown Q4'15

Domestic vs. Int'l

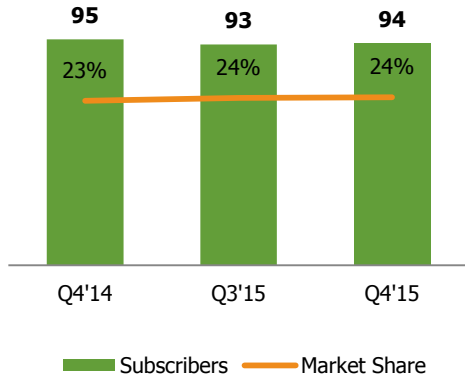
Int'l



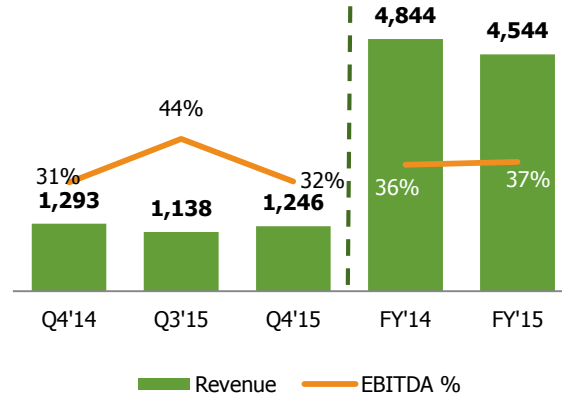


# Egypt: Improved profitability in local currency

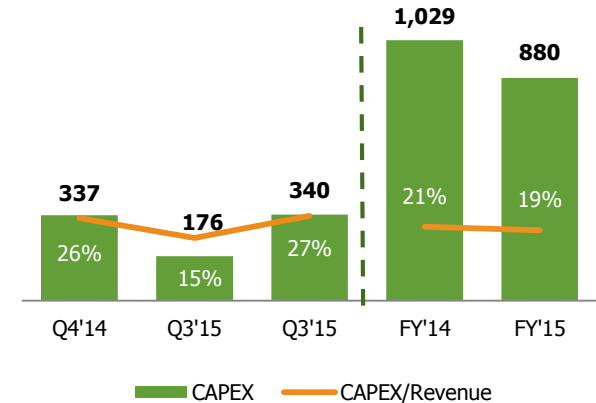
Total Subscribers <sup>(1)</sup> (m)



Revenue (AED m) / EBITDA Margin



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

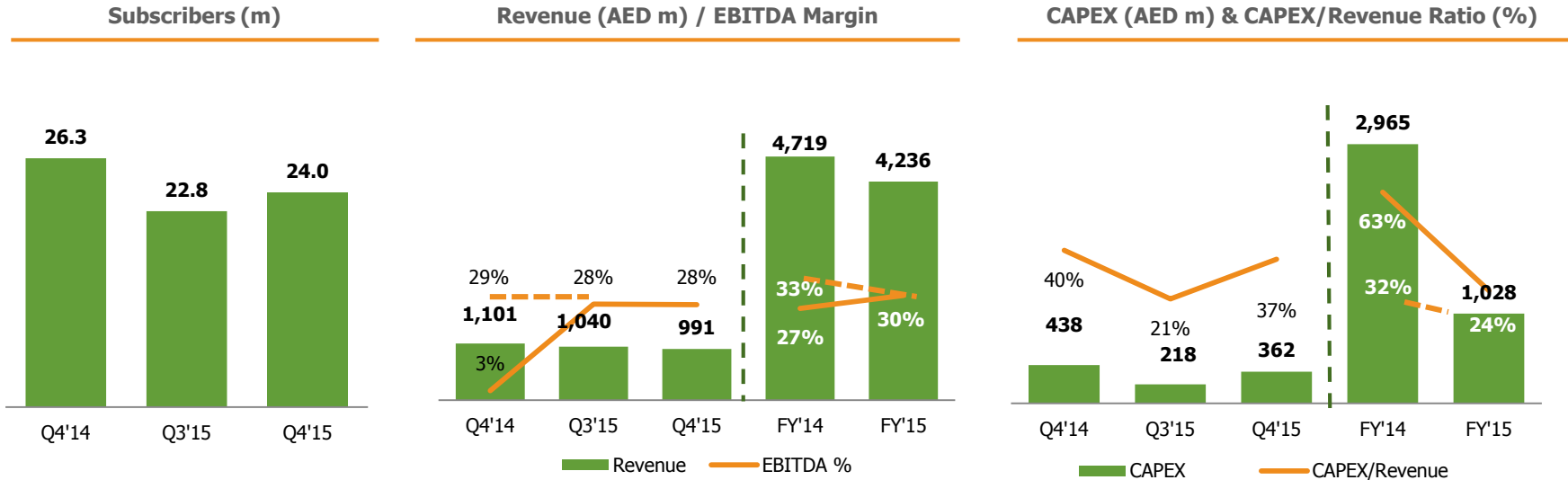


## Highlights

- Subscriber growth impacted by regulator mandated subscriber registration exercise
- Revenue growth Y/Y impacted by currency depreciation
  - Maintained revenue growth in local currency: 5% in Q4 and 2% for the full year
- Revenue growth is mainly attributed to continued upward trend in data revenue
- Margins slightly better Y/Y due to higher revenue that was partially offset by higher network & billing costs, interconnection and termination costs.
- Capex spending focused on network expansion

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

# Pakistan: Turnaround in net mobile subscriber growth

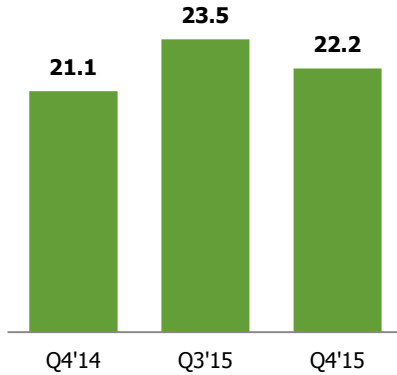


## Highlights

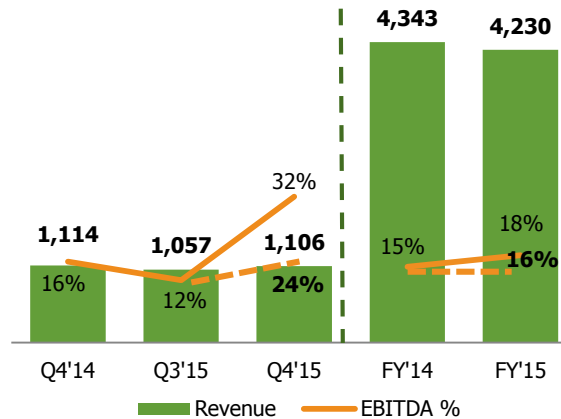
- Subscriber growth Y/Y impacted by regulatory mandated biometric verification measures;
  - partial recovery of lost SIM during Q4'15
- Revenue growth Y/Y impacted by subscriber loss in mobile segment, price competition in international and mobile segments
  - Maintained growth in data services due to an increase in broadband revenue driven by growth in DSL and EVO.
- EBITDA margin improved Y/Y due to lower staff costs and network costs
- Capex spending is lower than prior year that includes 3G/2G license acquisition and renewal and rollout of 3G network.

# Nigeria: Slow down in subscriber growth due to compliance with regulatory requirements

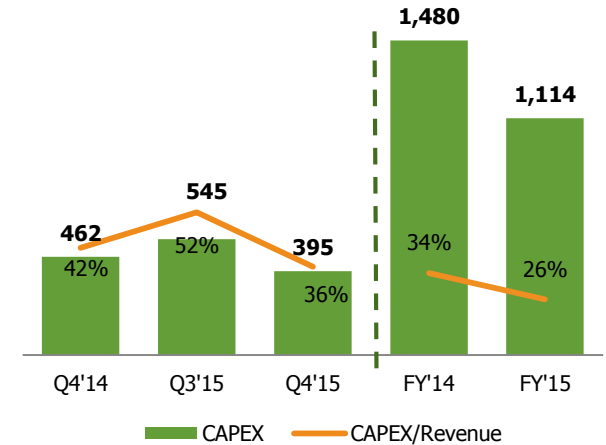
Subscribers (m)



Revenue (AED m) / EBITDA Margin



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



## Highlights

- Subscriber growth in Q4 is impacted by strict compliance with the regulatory mandated registration process
- Strong revenue growth in local currency of 15% in Q4'15 and 17% on annual basis
- Improvement in EBITDA level as well as higher revenue growth trend
- Higher EBITDA level Y/Y due to higher revenue, resulting in higher EBITDA margin
- Lower capex spend due to the tower sales and leaseback transaction

# 2016 Outlook:

Financial Objective	Outlook 2016 [in AED]	Outlook 2016 [with constant currencies <sup>(1)</sup> ]
Revenue Growth	stable	Low single digit
EBITDA Margin	around 48% - 50%	
CAPEX / Revenue Ratio	around 18%	

(1) Assuming monthly average forex rates against AED during the year 2016 stay the same as in 2015.

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**Etisalat Group Investor Relations**  
**Email: [ir@etisalat.ae](mailto:ir@etisalat.ae)**  
**Website:**  
**[www.etisalat.com/en/ir/index.jspr](http://www.etisalat.com/en/ir/index.jspr)**

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