Group CFO's Review

Demonstrating our unique market proposition, financial strength and operational resilience, e& accelerated its strategic growth journey this year, achieving significant milestones in profitability, market cap and brand value, while overcoming the continued challenges of the COVID-19 pandemic across our markets to position the Group for continued growth and shareholder value creation in the coming years.

During a year of recovery in the UAE market and continued growth in our international markets, e& was once again recognised as the leading operator in the world in terms of mobile network performance demonstrating our commitment to offering the latest technologies, building the best quality networks, and providing superior customer experience across our footprint.

This strong performance supported an improved revenue trend in the UAE and sustained growth momentum in our international operations, driving an increase in the Group's consolidated revenue of 3.2% in 2021 to reach AED 53.3 billion.

The impact of the COVID-19 pandemic and the ongoing changes in the revenue mix continued to weigh down our operations and results, particularly in terms of softer mobile revenue due to reduced roaming and increased penetration of VoIP applications, as well as an overall reduction of economic activity across our markets.

However, our disciplined and agile financial approach ensured improvement in EBITDA while sustaining a strong 50.1% margin, considered among the highest in the industry, through focused cost optimisation efforts, driving increased profitability and earnings. Accordingly, net profit increased by 3.2%, reaching AED 9.3 billion at a net profit margin of 17%.

During this eventful year, we also increased the foreign ownership limit in our share capital to 49%. This resulted in our weights in key indices being upgraded, spurring significant inflows to Etisalat Group's share. Complementing our strong performance and growth potential, this triggered a consistent increase in market capitalisation of 88% year on year, to end 2021 as one of the top ten telcos worldwide.

Reflecting this success and the Group's commitment to shareholder return, e&'s Board of Directors rewarded its shareholders by recommending a dividend per share of 80 fils for the year 2021, resulting in total shareholder return of approximately 95%.

Diversification driving growth and profitability

A reflection of the strength of e&'s diversified portfolio built over the last few years, we achieved a resilient set of results and business growth across our markets. Group consolidated revenue recovered following the disruption faced in 2020, supported by improved operating environments in some of our key markets in 2021.

Consolidated revenues for the year totalled AED 53.3 billion, up 3.2%, reflecting an improved revenue trend in our UAE operations and a rise in international revenue of 6.7%, due in large part to the strong performance of Etisalat Misr attributed to the growing demand of mobile broadband, improvement in the fixed and mobile broadband in Pakistan, and growth in the international markets of Maroc Telecom Group.

Group consolidated EBITDA for 2021 increased to AED 26.7 billion, resulting in an EBITDA margin of 50.1%, despite the unfavourable changes in the revenue mix; adjusting for a non-recurring item in Morocco last year, EBITDA increased by 1.7% and margin declined by 0.7 points.

Embedded across the Group's operations and corporate culture, cost optimisation programmes continued to create value during 2021, looking for new ways to improve efficiencies or reduce costs to deliver increasing value to customers and shareholders. COVID-19 magnified the importance of these optimisation programmes, given some operational and financial uncertainties. e& used the momentum to further improve efficiency by adopting new operating models including remote working to drive savings in travel, utilities, training, and other administrative costs. The Group continues to enhance its processes through utilising group synergies and digital transformation, which will fuel investments and new revenue streams to drive future growth.

Overall, we delivered a healthy growth in net profits, which rose by 3.2% to reach AED 9.3 billion for the year, while earnings per share amounted to AED 1.07 in 2021, an increase of 3.2% compared to the previous year.

This increase in Group profitability was driven by several factors, including our focus on core revenue that continues to make up a sizeable part of our revenue; leveraging our networks and capabilities to grow new revenue streams; strong focus on cost optimisation efforts, without hampering the growth potential of new revenue streams; higher contributions from key associates; and lower net finance and other costs due to optimised debt profile, following the refinancing of our maturing bonds.

Profit and Loss Summary

(AED million)	2021	2020
Revenue	53,342	51,708
EBTIDA	26,721	26,443
EBTIDA Margin	50.1%	51.1%
Federal Royalty	(5,542)	(5,594)
Net Profit	9,317	9,027
Net Profit Margin	17%	17%

"We focused on improving efficiencies and increasing value to customers and shareholders."

Karim Bennis
Group Chief Financial Officer

Robust balance sheet and cash flow

Continuously strengthening our balance sheet and ensuring the strong financial position of our Group remains a key priority. During 2021, we maintained high liquidity supported by our strong cash flow generation that resulted in a cash balance of AED 28.6 billion at year end, providing a unique net cash position for our industry and great financial flexibility moving forward.

Consolidated capital expenditure (CAPEX) increased by 17.9% in 2021 to reach AED 8.4 billion, resulting in a capital intensity ratio of 15.7%, two percentage points higher than in 2020. Capital spending was driven by spectrum acquisition in Pakistan and Egypt and ongoing network modernisation in several markets, including: 5G rollout in the UAE, fibre investments in Morocco and Pakistan, and networks coverage and expansion in Egypt and international subsidiaries of Maroc Telecom. Excluding the spectrum and license acquisitions in Pakistan, Egypt and Mauritania, capital expenditure increased by 8.5% year on year and capital intensity ratio by 0.6%. Operating free cash flow, excluding spectrum, remained strong and slightly decreased by 1.3% year over year to AED 19.7 billion with FCF margin at almost 37% of revenue.

Total consolidated debt amounted to AED 25.7 billion as of 31 December 2021, as compared to AED 26.7 billion as of end 2020, a drop of AED 1.0 billion due to the Group's improved debt profile. During 2021, we capitalised on the favourable capital market conditions to issue new bonds of EUR 1.0 billion, consisting of two tranches, under the General Medium Term Note (GMTN) programme established in 2014. The proceeds were used to refinance our maturing EUR 1.2 billion bond, which was six times over-subscribed and will deliver solid interest cost savings during the bond tenure. As of 31 December 2021, the Group had a strong net cash position of AED 2.8 billion.

e&'s credit ratings continue to be one of the highest in the telecom sector (AA- by S&P Global and Aa3 by Moody's, with stable outlook), reflecting the Group's robust balance sheet, its proven long-term performance, and its strong cash flow generation.

Growing subscribers, brand value and market share

In a year of significant milestones for e&, we were recognised as the strongest telecom brand in the world by Brand Finance. We are the first and only telecom brand from the MENA region to achieve this global recognition. With a combined brand value of e&'s portfolio valued at well over USD 12.5 billion, rising 16% in 2021, we remain the most valuable telecoms brand portfolio in the region.

Balance Sheet Summary

(AED million)	2021	2020
Cash and Bank Balances	28,575	31,345
Total Assets	128,197	133,018
Total Debt	25,732	26,701
Net Cash/ (Debt)	2,843	4,644
Total Equity	57,564	60,550

Cash Flow Summary

(AED million)	2021	2020
Operating	18, 110	18,968
Investing	(8,775)	(7,129)
Financing	(13,086)	(9,443)
Net Change in cash	(3,751)	2,396
Effect of FX rate changes	1,039	(684)
Others	(58)	(23)
Ending cash balances	28,575	31,345

Our subscriber base continued to grow during 2021, as we remained focused on bringing in high-quality net adds, a key component in helping us continue to deliver solid year-over-year revenue growth. By year-end, e&'s aggregate number of subscribers reached 159 million, representing a 3% increase compared to 2020, mainly due to subscriber growth in high value segments in both the domestic and international operations.

These achievements, as well as our surge in market cap during the year, reflect our undisputed leadership position in our domestic UAE market, where we enjoy value share of 67% of Mobile and 80% of Fixed, as well as our international footprint where we have either number one or number two position in terms of value share in 12 out of the 15 markets.

Our acquisition of elGrocer, a leading UAE grocery delivery platform, enhanced Etisalat UAE's ability to offer value added services to its customers. We increased our ownership in Digital Financial Services by fully acquiring the business, as part of e&'s strategy and digital ambitions in accelerating efforts in mobile financial services in the UAE to meet the growing consumer demands.

In February 2022, we announced a partnership with ADQ, Alpha Dhabi Holding and First Abu Dhabi Bank (FAB) to launch a next generation digital banking platform 'Wio', a unique and exciting opportunity to invest in the growing digital banking sector while leveraging synergies in this space.

Meanwhile, across our international footprint, our stake increase in Etisalat Investment North Africa (EINA) will improve our net profitability, as it will increase our ownership in Maroc Telecom Group by 4.7% to 53%. Maroc Telecom Group, a leading telecom group in North and Sub-Saharan Africa with a high profitability margin and cash flow generation and a key asset in our international portfolio.

Looking forward

In the year ahead, we will continue to pursue our Vision to "Drive the Digital Future to Empower Societies." We will continue to invest in networks that are critical to connecting our customers and vital to the development of the economies within our footprint, while seeking both organic and inorganic revenue growth across our markets.

The fundamentals of our key markets remain robust, and the profound digital shift promises a new era of digital growth and outstanding opportunities for our Group. We intend to leverage the full potential of the digital capabilities we have been building to improve and strengthen our market positioning in the region and capture further growth opportunities.