Group
CFO's Review

e& demonstrated the resilience of its financial discipline and strategic focus in 2022, efficiency in costs and increasing top-line growth. Against a challenging macroeconomic headwinds, we implemented our new operating model and invested to scale our businesses, culminating in an impressive performance during this eventful year.

EBITDA margin

50%

Net debt to EBITDA

0.58x

Tackling challenges to return robust results

The 2022 global macroeconomic environment had a profound impact on economies and companies across the world. The year saw dramatic reductions in the global economic growth caused by steep interest rate increases to tackle surging inflation, supply chain disruptions, fierce competition and a tightening regulatory environment.

e& was not immune from the consequences of slower global growth, on top of ongoing competitive and regulatory pressures in some of the countries where we operate. Increased foreign exchange rate volatility in our international markets put pressure on reported currency revenues and repeated interest rate hikes naturally added to our cost of funding.

Given this operating environment, the Group's achievements were all the more remarkable. We are pleased to announce a strong operational and financial performance for 2022, with reported growth at constant exchange rates and pleasing advances in many of our strategic ambitions.

Our disciplined approach and resilience delivered significant top-line growth in all key operations at constant exchange rates. Revenues at constant exchange rates rose 4.7% to AED 52.4 billion, supported by growth in our domestic and international businesses and intense focus on building new revenue streams. On a consolidated reported revenue basis, revenues were down 1.7%, reflecting the impact of exchange rate volatility.

Faced with rising inflation and higher energy bills, the Group's focus on cost optimisation initiatives cut operating expenses by 2% to AED 33.3 billion, that partially offset the revenue decline and resulted in EBITDA of AED 26.2 billion and an EBITDA margin of 50%, stable year over year. In constant currency, EBITDA increased year over year by 3.7%.

The Group delivered a record net profit after federal royalty of AED 10.0 billion, a 7.4% increase year over year, resulting in a net profit margin of 19% and translating into earnings per share of AED 1.15, compared to AED 1.07 in 2021. This increase is attributed to higher income from associates, lower depreciation and amortisation expenses, and to higher income from financial investments, offsetting foreign exchange losses, higher net finance and other costs, and federal royalty charges.

e&'s Board of Directors rewarded its shareholders by recommending consistent dividend per share of AED 0.80 representing a payout ratio of 70%.

Bolstering our balance sheet

Our balance sheet is also a testament to the exceptional fiscal discipline and prudent financial management that have contributed to e& having among the highest credit ratings in the industry, AA- and Aa3 with a 'stable outlook' from S&P Global and Moody's respectively.

Operating free cashflow of AED 18.2 billion remained strong on the back of solid fundamentals, permitting us to end the year in a robust liquidity position with cash of AED 32.8 billion.

Gross debt of AED 48.0 billion (2021: AED 25.7 billion) reflected borrowings to finance day-to-day operations and various investments, predominantly our acquisition of a strategic shareholding in the Vodafone Group, becoming its largest shareholder. The net debt of AED 15.1 billion dirhams translated into 0.58 times net debt to EBITDA multiple.

Our current borrowings currency mix is relatively stable with 62% held in USD/AED and 18% in Euro. Bank borrowings represent 76% of total debt. The remaining 24% of our debt is mostly in bonds that will be maturing between 2024 and 2033.

Efficient capital spending deployment was maintained without affecting potential revenue growth opportunities, largely contributing to consolidated capital spending dropping 3.9% to AED 8.0 billion, translating to a capex intensity ratio of 15%. Capital spending was driven by our ongoing commitment to expand our superior quality network and reinforcing our leadership position. This includes the deployment of 5G network in the UAE, the expansion of fibre networks within the countries of Maroc Telecom Group and Pakistan as well as the expansion of mobile networks coverage in several markets.

Financial highlights from operating divisions

All our companies showed pleasing growth in local currency terms. etisalat by e& in the UAE reported revenue growth of 3.2% to AED 31.2 billion, contributing 59% of the Group's consolidated revenue. This solid outcome stemmed from the continuing post-pandemic recovery led by the mobile segment that grew year over year by 6% due to positive contributions from data and outbound roaming. Similarly, we grew fixed segment by 1% supported by unique fibre offerings and strong TV services. While we continued to expand our digital revenue. EBITDA from the UAE operation increased 4.6% to AED 16.2 billion, reflecting an EBITDA margin of 52%. EBITDA growth attributed to higher revenue generation and a healthier gross margin.

The Group delivered net profit after federal royalty of AED 10.0 billion, the highest profit in the Group's history reflecting the strength and resilience of our operations.

Karim Bennis
Group Chief Financial Officer

Group
CFO's Review (continued)

e& international, which comprises all of our telecom operations outside the UAE, felt the impact of unfavourable rates of exchange with the Egyptian Pound, Pakistani Rupee and Moroccan Dirham, resulting in revenues declining 9.6% in reported currency to AED 20.4 billion. However, at constant exchange rates, our international division grew revenue by 5.6%, buoyed by double-digit growth in Egypt and Pakistan. Maroc Telecom Group's growth was flat, reflecting ongoing regulatory and competitive pressure in Morocco compensated by growth in Moov Africa. EBITDA from international operations declined 9.3% to AED 9.7 billion in reported currency, but increased 4.7% at constant exchange rates. EBITDA margin stood at 48%, an increase of 0.1 point compared to the prior year.

The year ahead

e&'s sound financial position, exceptional brand and reputation, and our new operating model support our ambition to accelerate growth organically and by acquisitions that will scale the business and expand our footprint. Pursuing attractive, value-accretive M&A prospects will be a top priority in our agenda. At the same time, we will focus on growing local currency revenues in all our markets and maintaining the momentum in cash flow generation and profitability.

Profit and Loss Summary	2021 AED million	2022 AED million
Revenue	53,342	52,434
EBTIDA	26,721	26,202
EBTIDA Margin	50%	50%
Federal Royalty	(5,542)	(5,771)
Net Profit	9,317	10,007
Net Profit Margin	17%	19%

Balance Sheet Summary	2021 AED million	2022 AED million
Cash & Bank Balances	28,575	32,839
Total Assets	128,197	145,085
Total Debt	25,732	47,954
Net Cash/ (Debt)	2,843	(15,115)
Total Equity	57,564	49,999

Cash Flow Summary	2021 AED million	2022 AED million
Operating	18,111	19,135
Investing	(8,775)	(27,269)
Financing	(13,086)	13,621
Net Change in cash	(3,751)	5,486
Effect of FX rate changes	1,039	(1,003)
Others	(58)	(219)
Ending cash balances	28,575	32,839