Maroc Telecom

PRESS RELEASE

Rabat, Monday, April 24, 2017

Q1 2017 CONSOLIDATED RESULTS

Highlights:

» **2.7% increase in the Group customer base**, to reach more than 54 million customers**;**

» **1.4% growth in the Group's EBITDA at constant exchange rate,** due to the major efforts of costs optimization, allowing for an increase of 1.6 points in the EBITDA margin, up to 49.8%;

» **2.1% increase in consolidated EBITA and 8.7% rise in the Group share of net income**, at constant exchange rate and excluding exceptional items;

» **High demand for mobile data**, for which revenues grow by 58% in Morocco**;**

» **Re-establishment of a 20% asymmetry of mobile termination rates in Morocco**, to the benefit of the competitor operators as from March 1st, 2017;

» **Continuous turnaround of the new subsidiaries Moov that are now generating a positive net income;**

» **Success of the voluntary redundancy plan in Morocco launched in December 2016**.

2017 outlook maintained, at constant scope and exchange rates:

- **Stable revenues;**
- **Stable EBITDA;**
- **CAPEX approximately 23% of revenues, excluding frequencies and licenses.**

On the occasion of the publication of this press release, Abdeslam Ahizoune, Chairman of the Management Board, stated:

"In a context marked by a tightening of environmental and competition regulations, Maroc Telecom Group good results for this first quarter of 2017 prove the relevance of its development model, which is based on an effective commercial dynamic that is centered on technological innovation and services adapted to the needs of its customers. In a parallel fashion, the Group pursues its costs optimization, to sustain its margin rates and strengthen its profitability. Its investment capacity, which is thus preserved, enables the Group to pursue a strategy whereby it stands out for the quality of its networks and services in its markets both in Morocco and in the Sub-Saharan Africa."

GROUP CONSOLIDATED RESULTS

IFRS in MAD millions	Q1-2016	Q1-2017	Changes	Change at constant exchange rates(1)
Revenues	**8,750**	**8,517**	**-2.7%**	**-1.9%**
EBITDA	**4,214**	**4,242**	**+0.7%**	**+1.4%**
Margin (%)	48.2%	49.8%	+1.6 pt	+1.6 pt
EBITA net of exceptional items*	**2,615**	**2,649**	**+1.3%**	**+2.1%**
Margin %	**29.9%**	**31.1%**	**+1.2 pt**	**+1.2 pt**
EBITA	**2,910**	**2,466**		
Net earnings Group share net of exceptional items*	**1,376**	**1,494**	**+8.6%**	+8.7%
Margin (%)	**15.7%**	**17.5%**	**+1.8 pt**	+1.7 pt
Net earnings Group share	**1,526**	**1,366**		
CAPEX (2)	**2,074**	**1,187**	**-42.8%**	
o/w licenses & frequencies	882			
CAPEX /REV.(excl. frequencies & licenses)	13.6%	13.9%	+0.3 pt	
CFFO	**2,642**	**1,350**	**-48.9%**	

** The exceptional items corresponding to the capital gain on the disposal of real estate for 295 million Moroccan Dirhams at the first quarter of 2016 and restructuring costs for 183 million Moroccan Dirhams at the first quarter of 2017*

► Subscriber base

The number of Group subscribers reached more than 54 million at end March 2017, up 2.7% over one year, mainly driven by the growth of the Mobile and Internet customers in Niger, Ivory Coast, Togo and Gabon thanks to continuous market share gains.

► Revenues

As of end of March, 2017, Maroc Telecom Group reported consolidated revenues(3) totaling 8,517 million Dirhams, down 2.7% (-1.9% at constant exchange rates), notably due to the unfavorable calendar effect and important reductions in call termination rates in Morocco and internationally.

► Earnings from operations before depreciation and amortization

At end of March 2017, Maroc Telecom Group earnings from operations before depreciation and amortization (EBITDA) amounted to 4,242 million Dirhams, up 0.7% from the previous year (+1.4% at constant exchange rates). This performance is explained by the intensification of programs seeking to cut operating costs, which drop by 2.0% at constant exchange rates, and the favorable impact of the reduction in mobile termination rates in the African subsidiaries. The EBITDA margin has risen by 1.6 pt in a year, and established to the high level of 49.8%.

► Earnings from operations

At end of March 2017, consolidated earnings from operations[4] (EBITA) for Maroc Telecom Group stand at 2,466 million Dirhams, including 183 million Dirhams of restructuring costs relative to the voluntary redundancy plan launched in Morocco at the end of 2016. Excluding this one off impact and the capital gain realized following the disposal of a real estate asset in the first quarter of 2016 (295 million Moroccan Dirhams), Maroc Telecom Group EBITA rose by 2.1% at constant exchange rates, due to the 1.4% improvement in EBITDA.

The voluntary redundancy plan in Morocco launched in December 2016 has benefited a total of 1,017 employees, for a global cost of 569 million Dirhams.

► Group share of net income

For the first quarter 2017, the Group share of net income came to 1,366 million Dirhams, after booking restructuring costs in the amount of 128 million Moroccan Dirhams after tax. Apart from this effect and the real estate capital gain realized in the first quarter of 2016, the group share of net income rose by 8.7% (at constant exchange rates), notably due to the success of the restructuring of the new subsidiaries which net income, in total, is positive now.

► Cash flow

Cash flows from operations (CFFO)[5] are down 49% as compared with the same period of 2016, to 1,350 million Dirhams, after making payment of 435 million Dirhams for licenses in the Ivory Coast and Togo and of 553 million Dirhams for the voluntary redundancy plan in Morocco. The remaining part of the restructuring charge will be disbursed in the second quarter of 2017.

- ***Morocco***

IFRS in MAD millions	Q1-2016	Q1-2017	Changes
Revenues	**5,157**	**5,024**	**-2.6%**
Mobile	**3,399**	**3,275**	**-3.6%**
Services	3,319	3,187	-4.0%
Equipment	80	88	+9.8%
Fixed-line	**2,240**	**2,214**	**-1.2%**
including fixed-line data*	597	640	+7.1%
Elimination	-482	-465	
EBITDA	**2,680**	**2,643**	**-1.4%**
Margin (%)	52.0%	52.6%	+0.6 pt
EBITA before restructuring	1,767	1,717	-2.8%
Margin (%)	34.3%	34.2%	-0.1 pt
EBITA	**1,767**	**1,534**	
CAPEX	**499**	**599**	**+20.1%**
CAPEX /REV.	9.7%	11.9%	+2.3 pts
CFFO before restructuring	1,572	1,541	-2.0%
CFFO	**1,572**	**988**	

*Fixed-line data includes Internet, ADSL TV and Data services to businesses

During the first quarter of 2017, operations in Morocco generated revenues of 5,024 million Dirhams, down 2.6% as a result of the reduction in revenues from the Mobile (- 3.6%) and Fixed (-1.2%) activities in rather unfavorable regulatory and competition contexts. The re-establishment of a 20% asymmetry on mobile call termination rates as from the beginning of March and the incoming international revenue decrease are partially offset by the upturn of both mobile (+58%) and fixed data revenues (+7%).

Earnings from operations before depreciation and amortization (EBITDA) stand at 2,643 million Dirhams, down slightly by 1.4% vs the same period of the previous year, thanks to the 1.8% reduction in operating costs reflecting the first positive effects of the voluntary redundancy plan. The EBITDA margin rose by 0.6 pt and reached a high level of 52.6%.

Earnings from operations (EBITA) was 1,534 million Dirhams, following the booking of an additional restructuring charge of 183 million Dirhams, connected with the voluntary redundancy plan. Aside from this effect, EBITA in Morocco would have dropped by just

2.8%, due to the 1.4% reduction in EBITDA and the 1.4% rise in amortization expenses following the major investments pursed by Maroc Telecom to modernize its networks and deploy 4G+.

During the first three months of 2017, cash flows from operations in Morocco stood at 988 million Dirhams, due to the payment of 553 million Dirhams in indemnities under the scope of the voluntary redundancy plan. Restructuring operations aside, these flows dropped by just 2.0% due to the reduction in EBITDA and the 20% rise in investments.

Mobile

	Unit	Q1-2016	Q1-2017	Changes
Mobile				
Customer base(6)	**(000)**	**18,317**	**18,373**	**+0.3%**
Prepaid	(000)	16,633	16,622	-0.1%
Postpaid	(000)	1,684	1,752	+4.0%
o/w Internet 3G/4G+ (7)	(000)	6,779	8,063	+19.0%
ARPU(8)	**(MAD/month)**	**59.0**	**56.6**	**-4.1%**

As of March 31, 2017, the Mobile subscriber base(6) reached 18.4 million, up 0.3% in a year, thanks to the 4.0% rise in postpaid subscribers, whilst the prepaid remained stable (-0.1%).

With the establishment of a 20% asymmetry on termination rates in favor of competing operators since March 1st, 2017 and a decrease in incoming international traffic, Mobile revenues came to 3,275 million Dirhams, down 3.6% over the same period of last year.

The outgoing revenues invoiced to customers are up by a solid 2.1% thanks to the success of Maroc Telecom mobile data offers which more than offset the drop in Voice, despite the unfavorable calendar effect.

Blended ARPU(8) for the first three months of 2017 was 56.6 Dirhams, down by 4.1% compared to the same period in 2016.

The rise in data services(9) continued with an 85% increase in traffic and a 19% increase in the mobile Internet customer base, supported by the rapid expansion of 3G and 4G+ networks covering 87% and 74% of the population respectively.

Fixed-line

	Unit	Q1-2016	Q1-2017	Changes
Fixed-line				
Fixed lines	**(000)**	**1,606**	**1,670**	**+4.0%**
Broadband access[10]	**(000)**	**1,174**	**1,285**	**+9.4%**

At the end of March 2017, the Fixed-line subscribers base reached 1,670 thousand lines, up 4.0%, mainly driven by the Residential segment, which increased its subscribers numbers by 6.0%.

The ADSL subscriber base continued to rise with close to 1.3 million subscribers, up 9.4% over the year.

During the first quarter of 2017, Fixed-line and Internet businesses in Morocco booked revenues of 2,214 million Dirhams, down 1.2% compared with the same period of 2016, primarily due to the reduction in the international transit business, which had small margins. Growth of Fixed-line data remains solid, rising by 7.1% during the first quarter of 2017.

International

Financial indicators

IFRS in MAD millions	Q1-2016	Q1-2017	Changes	Change at constant exchange rates(1)
Revenues	**3,860**	**3,766**	**-2.5%**	**-0.7%**
including Mobile Services	3,466	3,399	-1.9%	-0.1%
EBITDA	**1,534**	**1,599**	**+4.2%**	**+6.3%**
Margin (%)	39.7%	42.5%	+2.7 pts	+2.8 pts
EBITA net of the real estate disposal	**848**	**932**	**+9.8%**	**+12.2%**
Margin (%)	**22.0%**	**24.7%**	**+2.7 pts**	**+2.8 pts**
EBITA	**1,143**	**932**		
CAPEX	**1,575**	**588**	**-62.7%**	
o/w licenses & frequencies	882			
CAPEX /REV.(excl. frequencies & licenses)	17.9%	15.6%	-2.3 pts	
CFFO	**1,070**	**362**	**-66.2%**	

During the first quarter of 2017, the Group's international activities recorded revenues of 3,766 million Dirham, down 2.5% as a result of unfavorable calendar and foreign exchange impacts, as well as major reductions in call termination rates. Outside the impact of these factors, the revenues of the African subsidiaries are up 1.6%, a similar performance to that of the fourth quarter of 2016, thanks to gains in market share and growth in Data usage.

For the same period, earnings from operations before depreciation and amortization (EBITDA) came to 1,599 million Dirham, up 4.2% (+6.3% at constant exchange rates), due to the improvement by 2.4 points in the gross margin rates, particularly following the reduction in call termination rates and the efforts made to optimize operating costs, which are down 1.6%.

Earnings from operations (EBITA) for the first quarter of 2017 came to 932 million Dirhams, showing a sharp rise by 12.2% at constant exchange rates, after adjusting for the capital gain of 295 million Dirhams realized during the first quarter 2016 following the disposal of a real estate asset. The corresponding operating margin stood at 24.7%, up 2.8 points at constant exchange rates, thanks to the 0.4% reduction in amortization expense.

Cash flows from operations (CFFO) on international business came to 362 million Dirhams following the payment made of 435 million Dirham for licenses in the Ivory Coast and Togo.

Aside from these exceptional items, and the capital gain realized in the first quarter of 2016, the CFFO of the African subsidiaries is up 1.1%.

Operating indicators

	Unit	Q1-2016	Q1-2017	Changes
Mobile				
Customer base(6)	(000)			
Mauritania		2,099	2,041	-2.8%
Burkina Faso		6,912	7,040	+1.8%
Gabon		1,567	1,716	+9.5%
Mali		8,810	6,833	-22.4%
Ivory Coast		5,395	7,014	+30.0%
Benin		3,503	3,775	+7.8%
Togo		2,196	2,574	+17.2%
Niger		967	1,623	+67.8%
Central African Republic		138	135	-2.1%
Fixed-line				
Customer base	(000)			
Mauritania		46	48	+4.6%
Burkina Faso		76	76	-0.5%
Gabon		18	19	+4.6%
Mali		140	151	+8.3%
Broadband				
Customer base (10)	(000)			
Mauritania		11	11	+4.2%
Burkina Faso		15	13	-8.4%
Gabon		12	14	+17.3%
Mali		58	63	+7.2%

Notes:

(1) Fixed exchange rate upheld for MAD / Ouguiya / CFA franc.
(2) CAPEX corresponds to the acquisition of tangible and intangible assets over the period.
3) Maroc Telecom consolidates the following companies in its financial statements: Mauritel, Onatel, Gabon Telecom, Sotelma and Casanet as well as the new African subsidiaries (Ivory Coast, Benin, Togo, Niger, Central African Republic) and Prestige Telecom which provides IT services to those companies since their acquisition on January 26, 2015.
(4) EBITA corresponds to EBIT before the amortization of intangible assets acquired through business combinations, before impairment of goodwill and other intangibles acquired through business combinations, and before other income and charges related to financial investments and to transactions with shareholders (except when recognized directly in equity).
(5) CFFO comprises pretax net cash flows from operations (see the statement of cash flows), dividends received from affiliates, and unconsolidated equity interests. CFFO also comprises net capital expenditure, which corresponds to net uses of cash for acquisitions and disposals of property, plant, equipment, and intangible assets.
(6) The active customer base is made up of prepaid customers who have made or received a voice call (other than from public telecommunications network operators (ERPT) or from their customer services centers) or have made an SMS/MMS or used Data services, with the exception of technical exchanges of information with ERPT departments, during the past three months, and postpaid customers who have not terminated their agreements.
(7) The active customer base for 3G and 4G+ mobile Internet includes holders of a postpaid subscription agreement (with or without a voice offer) and holders of a prepaid Internet subscription agreement who have made at least one top-up during the past three months or whose top-up is still valid and who have used the service during this period.
(8) ARPU is defined as revenues (generated by inbound and outbound calls and by data services) net of promotional offers, excluding roaming and equipment sales, divided by the average customer base for the period. In this instance, blended ARPU combines both prepaid and postpaid segments.
(9) Mobile data revenues include revenues from all non-voice services billed (SMS, MMS, mobile Internet, etc.), including the valuation of Mobile Internet access and SMS included in all Maroc Telecom postpaid rate plans and Jawal passes.
(10) The broadband customer base includes ADSL access and connections leased to Morocco and also includes the CDMA customer base for its historical subsidiaries.

Maroc Telecom is a full-service telecommunications operator in Morocco and leader in all its Fixed-Line, Mobile and Internet business sectors. It has expanded internationally and it now has a presence in ten African countries. Maroc Telecom is listed on both the Casablanca and Paris exchanges, and its majority shareholders are the Société de Participation dans les Télécommunications (SPT*) (53%) and the Kingdom of Morocco (30%).

****SPT is a company incorporated under Moroccan law and controlled by Etisalat.***

Contacts

Investor Relations	***Press Relations***
relations.investisseurs@iam.ma	relations.presse@iam.ma