Clarification of calculation methodology for du's royalty charge for 2012 to 2016

Emirates Integrated Telecommunications Company PJSC ("du") is able to provide the following clarification on the calculation methodology for the royalty structure for 2012 to 2016 recently announced by the Federal Government.

- The revenue royalty charge will be deducted from du's actual net profit before applying the net profit royalty charge.
- Example: The royalty charge for 2012 is set at 5.0% of revenues and 17.5% of profit. Therefore, if revenues are AED 1,000 and net profit is AED 500, the net profit after royalty is AED 371.25.

2012	Revenue (hypothetical)	AED 1,000
	Profit (hypothetical)	AED 500
	Royalty on revenues (5.0% for 2012)	AED 1,000 x 5%= AED 50
	Revenue royalty charge deducted from net profit	AED 500 – 50 = **AED 450**
	Royalty on net profit (17.5% for 2012)	AED 450 x 17.5% = AED 78.75
	Net profit after royalty	AED 450 – 78.75 = **AED 371.25**

The revenue royalty only applies to regulated revenues ie those specific licensed services and excludes lines of unregulated services, such as Broadcasting, TV and equipment revenues. All revenues related to Bundles, which are primarily in the Mobile segment and incorporate both licensed and unlicensed services, are classified as regulated revenues.