

Emirates Integrated Telecommunications Company PJSC (“du”) Net Profit After Royalty increases to AED 449 million in Q1 2019, a 14.0% growth excluding exceptional one-off benefit last year

- EBITDA ¹ and Net Profit increased 4.7% and 14.0% respectively, excluding exceptional one-off benefit last year, compared to the same period last year. Including the one-off benefit, EBITDA and Net Profit After Royalty declined by 6.9% and 12.3%, respectively.
- In line with previous quarters, Fixed Revenue increased 9% to AED 611 million, while Mobile Revenue decreased 8% to AED 1.66 billion, due to continued pressure from declining voice revenues and increased consumption of data

Dubai, UAE, 24 April 2019: Emirates Integrated Telecommunications Company PJSC (DFM: “du”) today published its financial results for the three months ended 31 March 2019, announcing revenue of AED 3.14 billion, compared to AED 3.33 billion in Q1 2018, driven by a decline in mobile revenue, which is partially offset by growth in fixed revenue.

In Q1 2018 EITC recorded a one-off benefit related to regulatory costs, which positively impacted company profitability for the year 2018. Consequently, and excluding the one-off benefit, *like-for-like* EBITDA and net profit after royalty increased by 4.7% and 14.0%, respectively in Q1 2019 as compared to the same period last year.

First Quarter 2019 Analysis

(AED million)	First Quarter Analysis		
	Q1 2018	Q1 2019	% change
Revenue	3,331	3,140	-5.7%
Fixed revenue	561	611	9.0%
Mobile revenue	1,801	1,657	-8.0%
Other	969	872	-10.0%
Net Profit after Royalty	513	449	-12.3%
Adjusted Net Profit after Royalty ²	394	449	14.0%
Mobile subscribers (thousands)	8,571	7,774	-9.3%
Fixed line subscribers (thousands)	753	772	2.5%

¹ IFRS16 accounting standards were implemented from January 2019 onwards, which primarily impacts the accounting treatment of leases and rentals. In order to conform to the current period presentation, the cost figures for the previous year/period have been regrouped below EBITDA.

² In Q1 2018 EITC recorded a one-off benefit which was a cost reversal related to regulatory costs, which positively impacted company profitability for the full year. Excluding the one-off regulatory cost reversal, net profit after royalty increased by 14.0% in Q1 2019 to AED 449 million, up from AED 394 million in Q1 2018.

Commenting on the results, Osman Sultan, EITC's Chief Executive Officer, said:

"We had a good start to the year, focusing on driving efficiency across the business to maintain profitability and increasing our capex spend as we prepare for the 5G launch very soon.

"Industry wide challenges, with continued pressure on voice revenues and data monetisation, are reflected in our top line results, with revenue decreasing 5.7% to AED 3.14 billion in Q1 2019, mainly driven by the decline in mobile revenues of 8% to AED 1.66 billion.

"The decline in our mobile base is a result of a clean-up of our prepaid base in line with the "My Number My Identity" Campaign and our strategy to focus more on the higher value post-paid segment, which was indeed up by 12.4% in Q1 2019 compared to the same period last year.

"Fixed revenues continue to show strong growth, increasing 9.0% to AED 611 million in Q1 2019, compared to the same period last year.

"Despite the decline in revenue and the negative impact from the implementation of new accounting standards (IFRS16), Q1 2019 adjusted EBITDA and Net Profit increased by 4.7% and 14.0% respectively, compared to the same period last year, and excluding the exceptional one-off benefit from last year. The growth in EBITDA and Net Profit is a result of good operational efficiency across the business."

"We take a long-term view and remain focused on implementing our strategy to drive more efficiency in our core business, while capturing new areas of growth through ICT as we reposition our company for the future of the telecom business. We have a strong capital position, enabling us to make the right investments in our business. Capex spend in Q1 2019 was AED 181 million, up by 74% compared to the same period last year, as we are ramping up preparations for the launch of 5G."

Reflecting the importance of ICT in the company's strategy, EITC announced the appointment of Mr. Peter Larnholt as the Chief Information Officer. "I am pleased to welcome Peter Larnholt to our leadership team, who brings a wealth of experience from the ICT and telecommunications sector and who will help drive forward our digital strategy," continued Mr Sultan.

During the quarter, EITC announced a partnership with Nokia, Affirmed Networks and MediaTek to launch next generation Narrow-Band IoT services, leveraging our purpose-built IoT platform. This new technology is critical to the successful adoption of 5G, as it will enable devices to deliver a wealth of smart city applications ranging from smart metering, smart parking, trackers, smart health, industrial and agriculture use cases.

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About Emirates Integrated Telecommunications Company PJSC (EITC)

The Emirates Integrated Telecommunications Company PJSC (EITC) was founded in 2005 as the UAE's second licensed telecommunications provider. EITC has two telecommunications brands under its umbrella: the du brand was launched

in 2007 and serves almost 9 million active subscribers and over 100,000 businesses throughout the UAE; EITC has launched its second brand, Virgin Mobile, the region's first digital service, in September 2017.

EITC is 39.5 percent owned by Emirates Investment Authority, 19.75 percent by Mubadala Investment Company PJSC, 19.5 percent by Emirates International Telecommunications and the remaining by public shareholders and National organisation. Listed on the Dubai Financial Market (DFM), the company trades under the name 'du'.

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