

## **EITC Announces its Q2 and H1 2020 Financial Results Reporting For the First Half 2020 a Net Income of AED 570 million and a Total Revenues of AED 5.66 Billion**

- Revenues and Net Income impacted by movement restrictions, low business activities and shift in customer behavior due to COVID-19
- Accelerated transformation program and maintained deployment plans, to sustain long-term value creation
- Board of Directors approved the distribution to shareholders of an interim dividend of AED 589 million, resulting in an interim dividend per share of 0.13 AED

**Dubai, UAE, 22 July 2020**—Emirates Integrated Telecommunications Company PJSC (“EITC”) published today its financial results for the second quarter of 2020. EITC reported for the first half of the year (H1 2020) Revenues of AED 5.66 billion and a Net Income of AED 570 million.

The Board of Directors approved the distribution to shareholders of an interim dividend of AED 589 million, equivalent to an interim dividend per share of 0.13 AED.

### **Q2 and H1 2020 Financial Results Analysis**

Due to the general lockdown of activity in the UAE during Q2 2020, EITC’s financial performance was negatively impacted from the limitation of sales activity, the change in customer behaviour and the strong reduction of tourism and trade activities.

EITC reported in H1 2020 total revenues of AED 5.66 billion driven by a contraction in mobile revenues and other revenues, partially offset by the continued growth in fixed revenues.

Q2 2020 mobile revenues were under pressure due to the movement restrictions across the country, which led to an erosion of the base as a result of lower gross additions and lagged churn and a shift in customer behaviour from prepaid mobile usage to fixed usage as companies implemented work from home initiatives. Therefore, H1 mobile revenues declined to AED 2.81 billion, coming mainly from the significant reduction in the prepaid customer base and the prepaid usage.

H1 2020 fixed revenues continued to grow at a rate of 4.8% year-on-year to AED 1.29 billion, reflecting a healthy increase in the subscriber base fuelled by the higher home connectivity needs during the quarter.

To sustain the increase in data traffic across the country and the company’s deployment plans, EITC invested in Q2 2020 AED 509 million, equivalent to 19.1% of revenues. In addition to investments in capacity upgrades and network maintenance, Capex were also allocated to 5G network rollout and

the implementation of digital transformation initiatives, in line with the company's plans to drive long-term value creation.

H1 2020 EBITDA was down to AED 2.32 billion, impacted by the decline in mobile revenues, the increase in spending to optimise customer offering during the second quarter, and the inelasticity of certain costs to revenue decline. Consequently, net income declined in H1 2020 to AED 570 million.

During the quarter, EITC implemented a cost efficiency program that should allow, with the start of the market recovery in Q3, to contain the erosion in EBITDA and net income. The cost efficiency program includes initiatives related to optimisation of resources, a reduction in marketing spend and renegotiation of supplier contracts.

EITC's mobile subscriber base was 6.42 million at the end of Q2 2020, down from last year, mainly due to the combination of lower sales due to movement restrictions and the churn lag.

Fixed customer base continued to increase at a healthy pace, reaching at the end of in Q2 2020 226 thousand subscribers, up by 6.8% from Q2 2019.

**Commenting on the results, Mohamed Hadi Al Hussaini, Chairman, EITC, said:** *"Despite a challenging environment that adversely impacted our results for the quarter we continued our transformation programme, particularly on the digital front, and we remain committed to continue investing in our business to sustain long-term value creation. Our capex spend for the half year period was up by 75.3% to AED 819 million, equivalent to 14.5% of our half year revenues.*

*Our strong balance sheet and solid cash position allowed us to proceed with an interim dividends reflecting our continuous commitment to our shareholders. On behalf of the Board of Directors, I am pleased to announce that the board approved the distribution to our shareholders of an interim dividend of 0.13 AED per share.*

*At EITC we play a vital role in supporting the country's digital infrastructure through the provision of communications and connectivity services. During these uncertain times and rapid change in all aspects of our personal lives and business processes, we remain committed to supporting all our customers and the country as we navigate through the Covid-19 pandemic."*

**Commenting on the results, Johan Dennelind, CEO of EITC said:** *"During Q2 2020 we focused our efforts on managing the impact of the Covid-19 crisis by ensuring the provision of uninterrupted connectivity and service for all our customers across the country, while protecting the health and safety of our employees and customers. We refined our contingency plans to cope with the evolution of the situation and to prepare the company for the gradual ramp-up of the economic activity as lockdown restrictions are being eased across the country.*

*With the benefit of a robust digital infrastructure, we seamlessly transitioned more than 95% of our employees to work from home during the second quarter of the year. For our employees who operate on the ground, such as our store employees and technical teams, we implemented additional health*

*and safety measures to ensure their and our customers safety. I want to extend a warm thanks to all our people for being so strong in tough times.*

*For our customers, we upgraded our network capacity to accommodate the shift and increase in data traffic, and provided more online services to ensure business continuity across all sectors, including education.*

*Financially, we have seen, as expected, a severe negative impact on our business coming mainly from mobile revenues, as we are structurally more exposed to the prepaid sector and from “other revenues” due to the lockdown and travel restrictions. However, our fixed business continued to grow, boosted by the increase in demand for home connectivity. Consequently, for the first half of the year, we reported revenues of AED 5.66 billion and a net income of AED 570 million, down year on year, reflecting the unprecedented market conditions and the significant contraction in the economic activity.*

*As a result, we have launched a cost efficiency programme to ease the pressure on our bottom line, the extent of which will also depend on the speed of the market recovery post lockdown. We launched several initiatives to optimise our cost structure and took immediate actions to reduce certain of our costs including marketing spend, optimisation of current resources and contract renegotiations and we expect to see savings realised in H2 2020.*

*While the Covid-19 situation has impacted the business negatively in the short term, it has also demonstrated the relative resilience of our model as a vital sector for the economy and confirmed the need to accelerate our transformation towards more digitalisation, higher efficiency and further technology developments (Cloud, 5G, AI, ICT, etc.) to cope with the evolving needs of our customers. Therefore, we have accelerated our transformation program, and continued the deployment of our investment plans with capex spend for the half year period reaching AED 819 million, or 14.5% of revenues.*

*Going forward, we expect to see a stabilisation and a gradual pick-up in economic activity in H2 2020, particularly as movement restrictions are being eased across the country, more and more people are returning to the office and tourists are starting to come back. We will continue to see severe impact on our year on year results but we expect to recover on a sequential basis for the rest of the year. As the situation remains fluid, we will continue to adhere to the highest health and safety precautions to protect our employees and customers.”*

**ENDS**

## **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 8 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 50.12 percent owned by Emirates Investment Authority, 19.7 percent by Emirates International Telecommunications, 10.06 percent by Mamoura Diversified Global Holding PJSC and the remaining by public shareholders and national companies. Listed on the Dubai Financial Market (DFM), the company trades under the name 'du'.

**Investor Relations Contacts:**

FTI Consulting

Anca Cighi: Anca.Cighi@fticonsulting.com, +971 55 989 3309

Rahul Ravisankar: Rahul.Ravisankar@fticonsulting.com, +971 4 437 2103