

Q3 2014 Results

Emirates Integrated Telecommunications Company PJSC

October 2014



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- Emirates Integrated Telecommunications Company PJSC (hereafter "du") is a telecommunication services provider in the UAE.
- du cautions investors that certain statements contained within this document state management's intentions, hopes, beliefs, expectations or predictions of the future are forward-looking statements.
- Management wishes to caution the reader that forward-looking statements are not historical facts and are only estimates or predictions. Actual results may differ materially from those projected as a result of risks and uncertainties, but are not limited to:
 - Our ability to manage domestic and international growth and maintain a high level of customer service
 - Future sales growth
 - Market acceptance of our product and service offerings
 - Our ability to secure adequate financing or equity to fund our operations
 - Network expansion
 - Performance of our network and equipment
 - Our ability to enter into strategic alliances or transactions
 - Co-operation by the incumbent in provisioning lines and enabling us to interconnect our equipment at the local exchange
 - Regulatory approval processes
 - Changes in technology
 - Price competition
 - Other market conditions and associated risks
- The company undertakes no obligation to update publicly any forward-looking statements, whether as a result of future events, new information, or otherwise.
- For further information about the company, or material contained within this forward looking statement, please direct your enquiries to our Investor Relations team by email at investor.relations@du.ae or by telephone on +971 4 434 5101.



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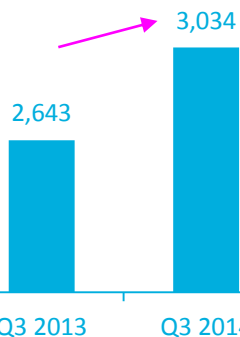
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Q3 Financial Highlights

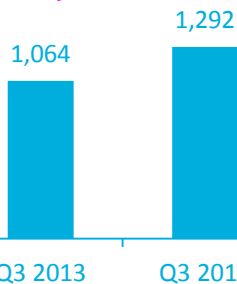
Total Revenue (AED M)

+14.8%



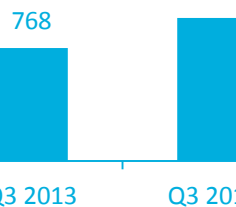
EBITDA (AED M)

+21.4%



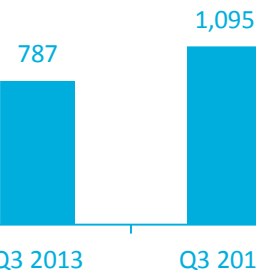
Net Profit before Royalty (AED M)

+26.6%



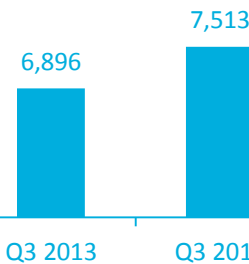
Free Cash Flow (AED M)

+39.1%



Mobile 90-day active subscribers (000s)

+8.9%



Stable revenue growth

- Steady growth in overall revenue
- Mobile service data revenue continues to grow from AED 616 million in Q3 2013 to AED 684 million in Q3 2014

Positive EBITDA

- Increased operating efficiencies from 27.2% in Q3 2013 to 24.6% in Q3 2014 positively impacted EBITA

Healthy net profit

- Strategic focus on efficiencies further adds to healthy growth in net profit before royalty

Free cash flow

- Increased EBITDA contributed to the 39.1% growth in free cash flow

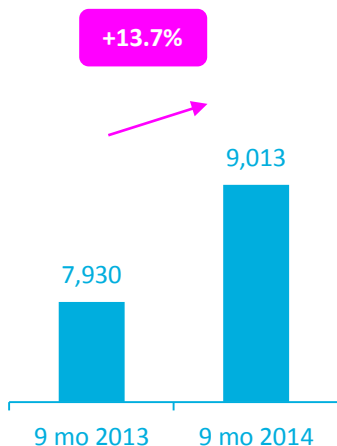
Mobile subscribers steady increase

- Total mobile subscriber base grew to 7.5 million mobile customers
- Post-paid mobile subscribers now account for 10.0% of total mobile customers compared to 9.1% in Q3 2013
- My Number My Identity campaign resulted in a total of 578k deactivations

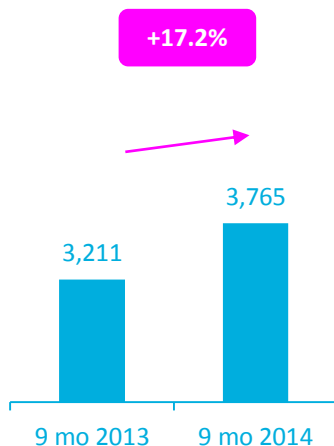


9 months Financial Highlights

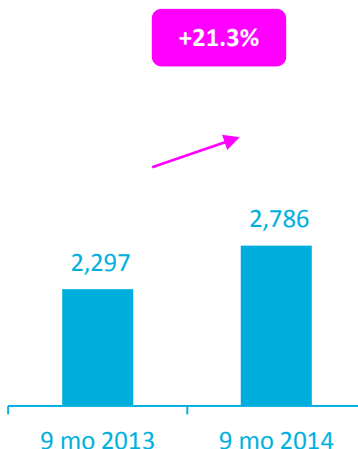
Total Revenue
(AED M)



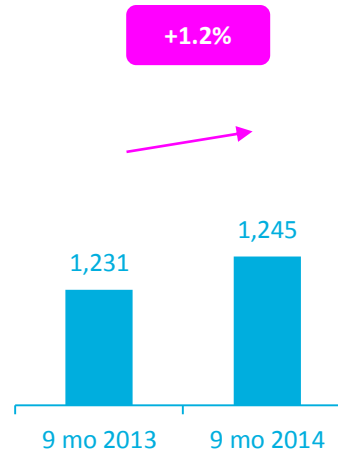
EBITDA
(AED M)



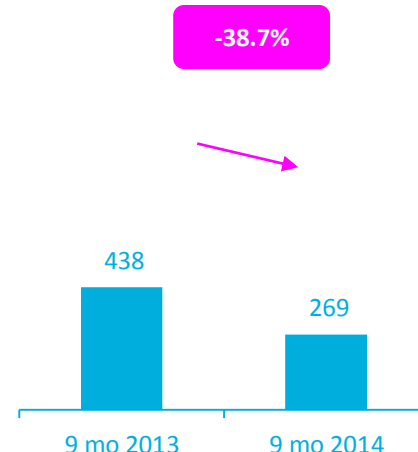
**Net Profit before
Royalty (AED M)**



Free Cash Flow
(AED M)



**Mobile Customer Net
Additions - Cumulative**
(000s)



Positive revenue growth

- Healthy overall revenue growth compared to Q3 2013
- Mobile service data revenues continues to grow at 16.7% in a 9 month period from Q3 2013

Positive EBITDA

- Operating expenses as a % of revenue dropped from 26.7% to 24.4% due to continuously optimising operating models

Healthy net profit

- Increase in EBITDA contributed to an increase in net profits

Stable free cash flow

- Stable free cash flow from Q3 2013

Mobile additions lower due to MNMI

- My Number My Identity campaign resulted in a total of 578k deactivations



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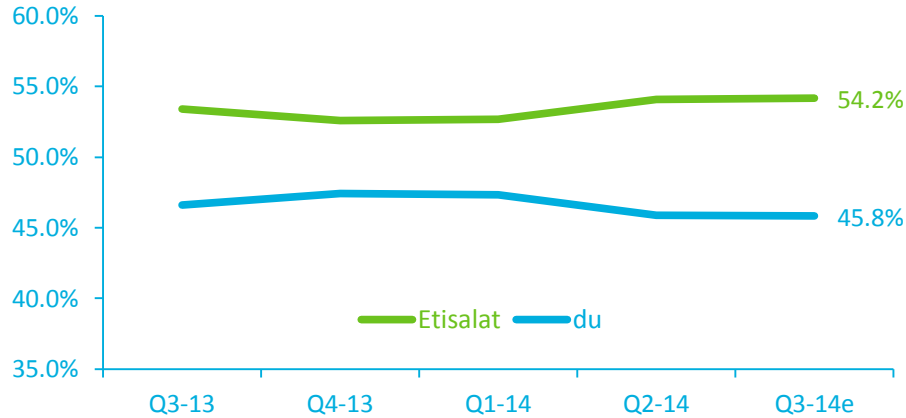
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Market Overview

Market share consolidation – increasing emphasis on growing revenue share

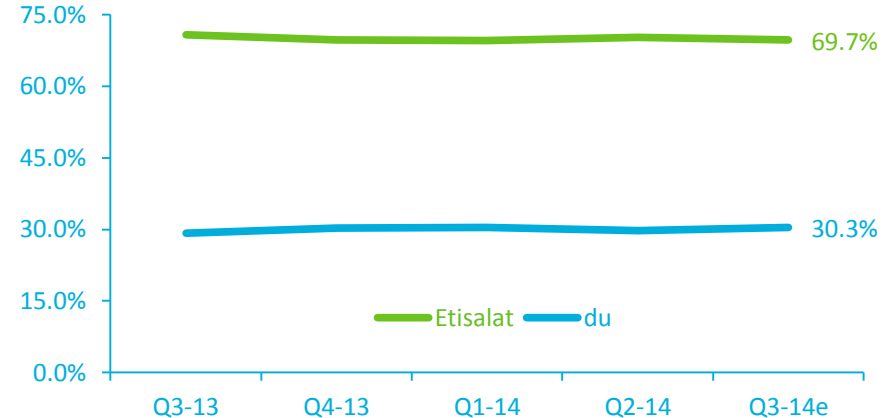
UAE Mobile Subscribers - Market share quarterly evolution*



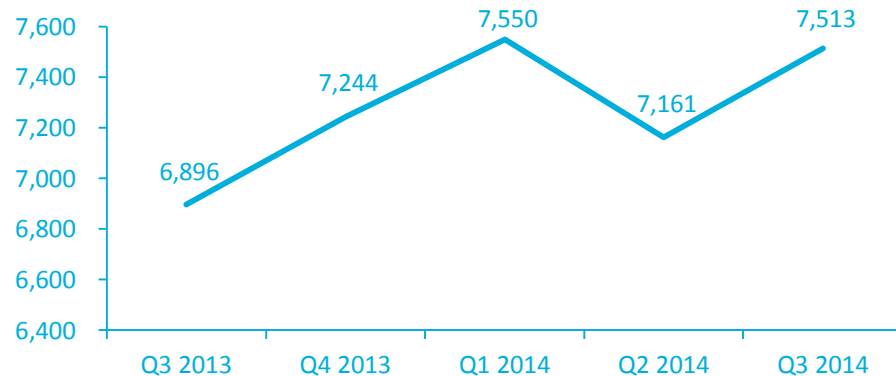
Source: TRA Market Statistics July 2014, Internal estimates, Etisalat Quarterly/ annual financial reports

* Etisalat subscribers are estimates

UAE Telecom Market - Revenue share quarterly evolution



du Mobile Subscribers – Active 90 Days (000s)



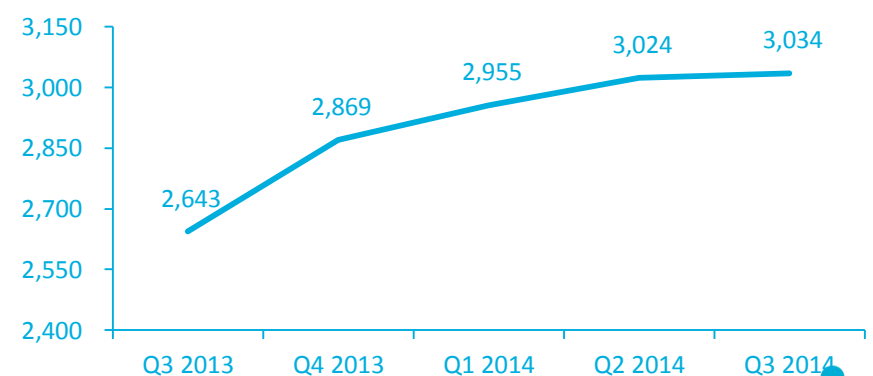
(2013 e)



UAE

- Population: 8.3 million
- Population growth: 3%
- GDP: US\$ 402 b
- GDP per capita: US\$ 44,552

du Total Revenues (AED M)



(Source: TRA – July 2014, UAE's National Bureau of Statistics (NBS), IMF: World Economic Outlook October 2014, Internal estimates)

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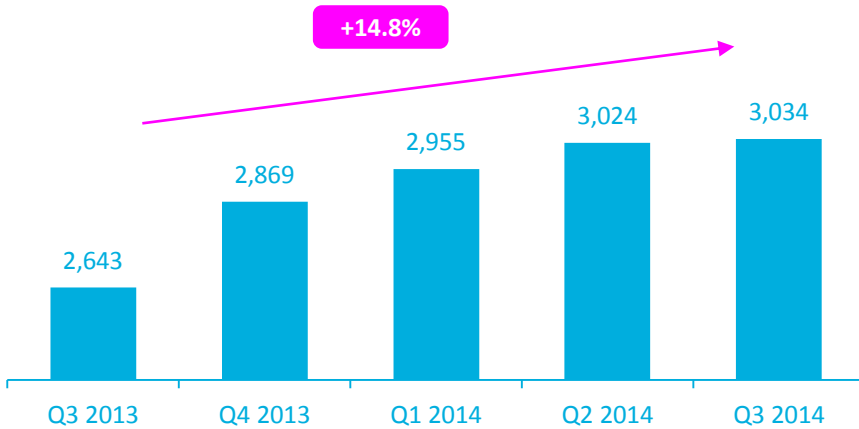
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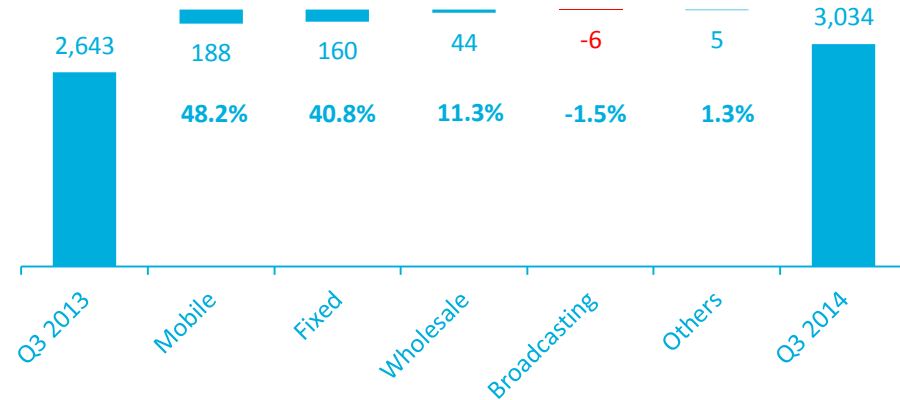
Total Revenues

Mobile and Fixed revenues contributing to growth in revenue

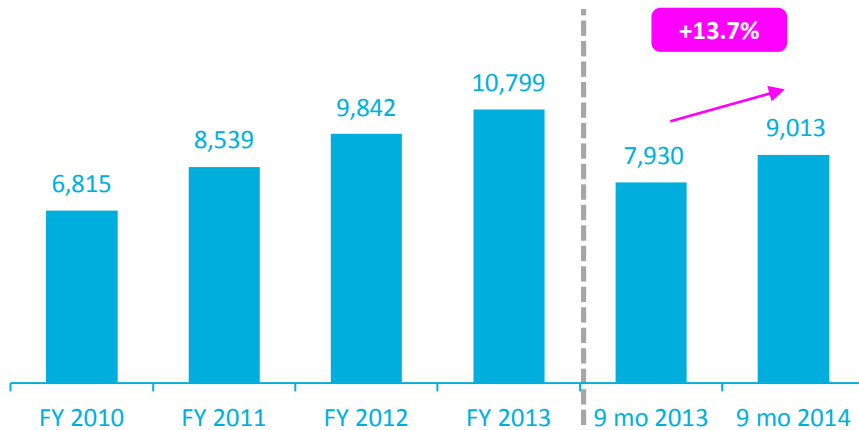
Quarterly Revenue (AED M)



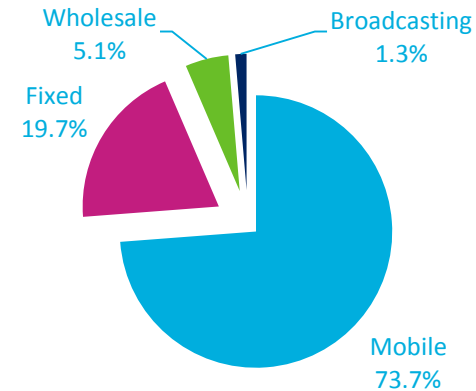
Like for Like Revenue Breakdown Quarter Change (AED M)



Yearly Revenue (AED M)



Revenue Split Q3 2014



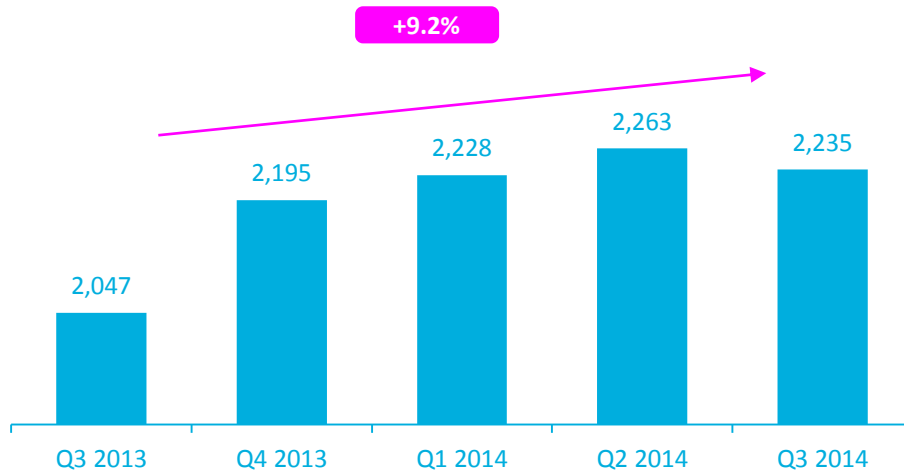
- Revenues grew to AED 3.03 billion, the second consecutive quarter revenue has exceeded AED 3 billion, and a 15% increase against Q3 2013. Mobile revenue grew to AED 2.24 billion, a 9% increase year-on-year. Fixed revenue increased by 36% to 598 million compared to 439 million in Q3 2013. The company remains focused on innovation and improving service experience to retain high value customers across all segments



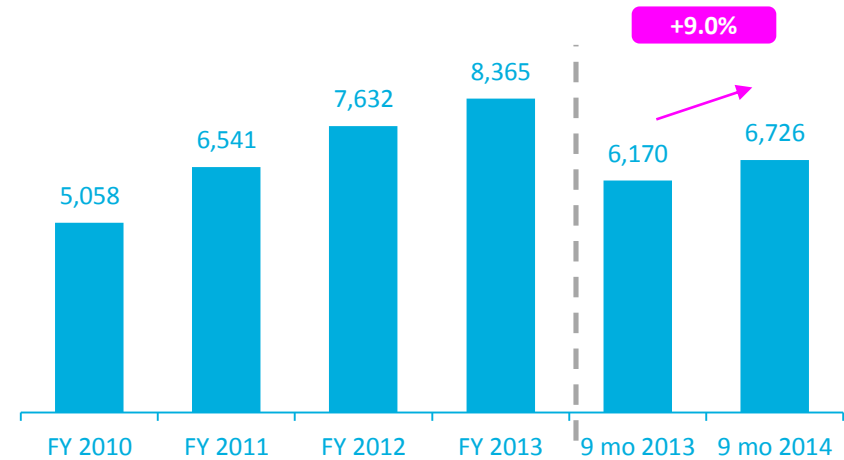
Revenue Drivers - Mobile

Steady growth compared to Q3 2013, seasonality contributed to slight decrease in revenue compared to Q2 2014

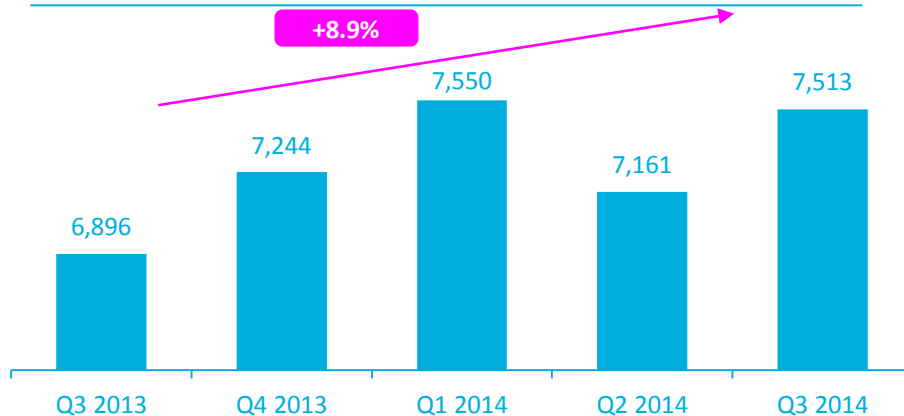
Quarterly Mobile Revenues (AED M)



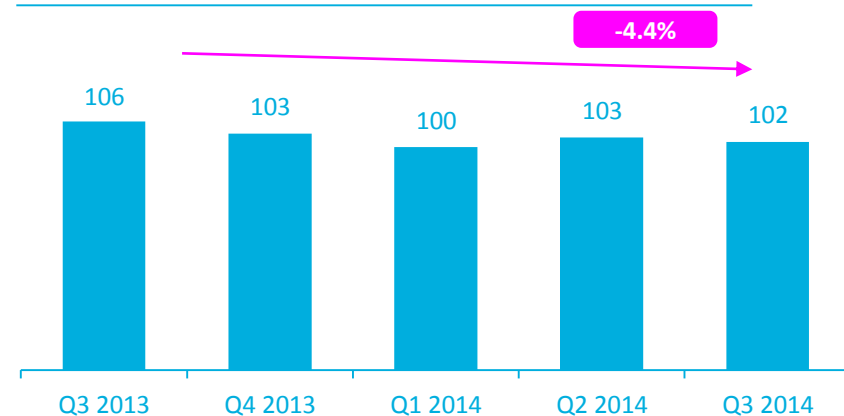
Yearly Mobile Revenues (AED M)



Mobile Subscribers Active 90 Days ('000)



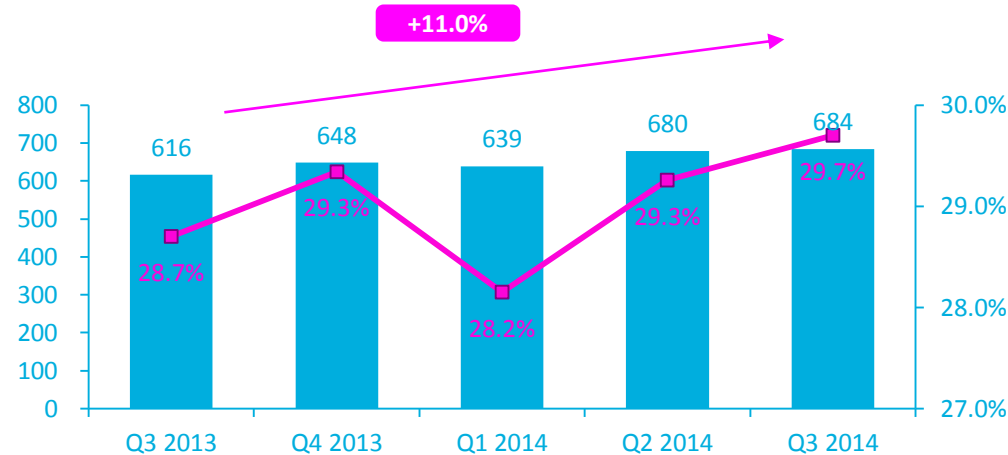
Quarterly Mobile ARPU (AED)



Revenue Drivers - Mobile

Double digit growth despite seasonality effects

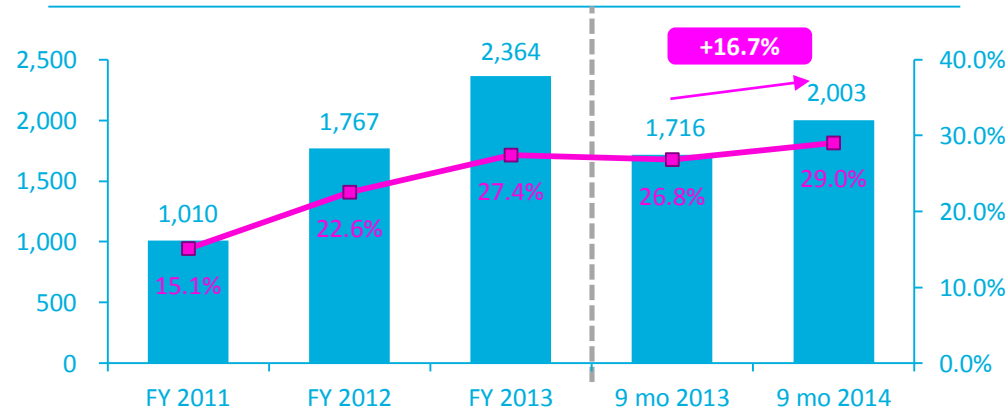
Quarterly Mobile Service Data Revenues (AED M)



Mobile data continues to be a key market driver

- Mobile service data revenues continues to maintain double digit growth from 616m in Q3 2013 to AED 684m in Q3 2014
- Revenue in Q3 2014 steady compared to Q2 2014 due to seasonality
- Strong value propositions pushed to the market:
 - Further added value on data to du Premier Plan, Business Plan, and National Business Plan
 - Data offers on du's device exchange programme
 - New data service: Unlimited Social data pack

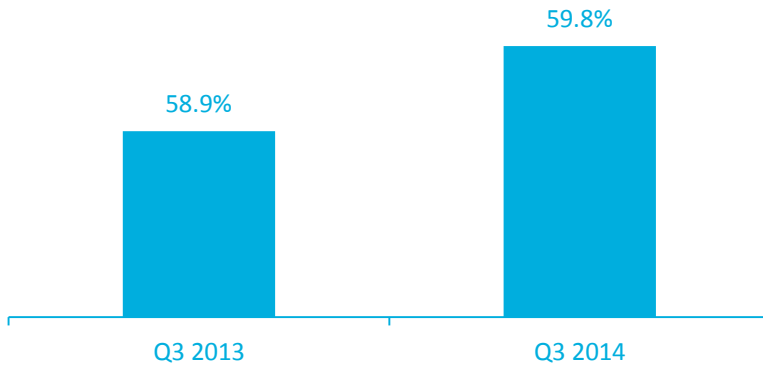
Year to Date Mobile Service Data Revenues (AED M)



Revenue Drivers – Mobile

Postpaid continues to be a focus for growth

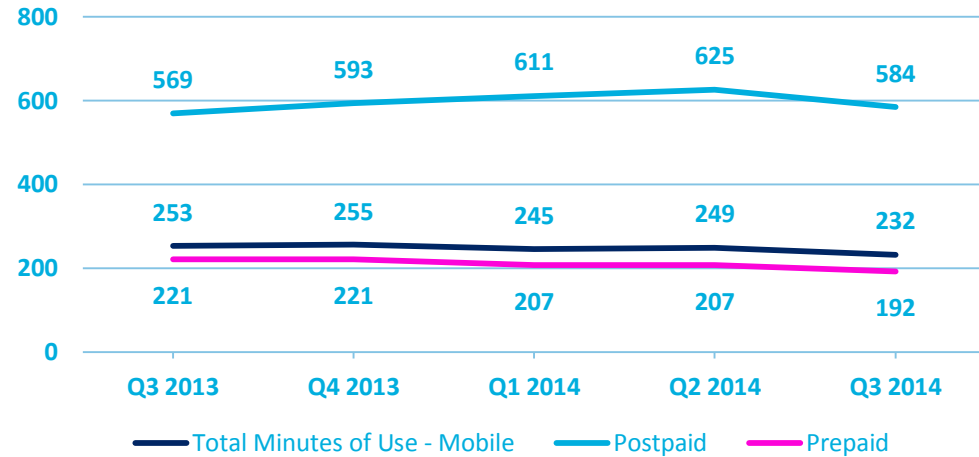
Postpaid contribution to growth Y on Y to mobile revenues
(excluding inbound roaming and handset revenue)



Focus on post-paid customers

- Continued strategy focus on postpaid customers drove contribution of postpaid revenue to the total mobile revenue growth up from 58.9% in Q3 2013 to 59.8% in Q3 2014

Quarterly Minutes of Use by Customer Segment



Overall minutes of use stable

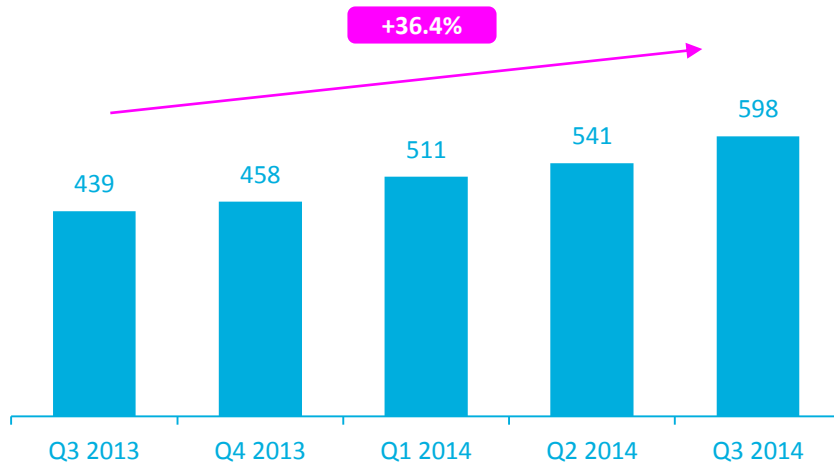
- Seasonality effects in Q3 reduced minutes of use in both postpaid and prepaid subscribers



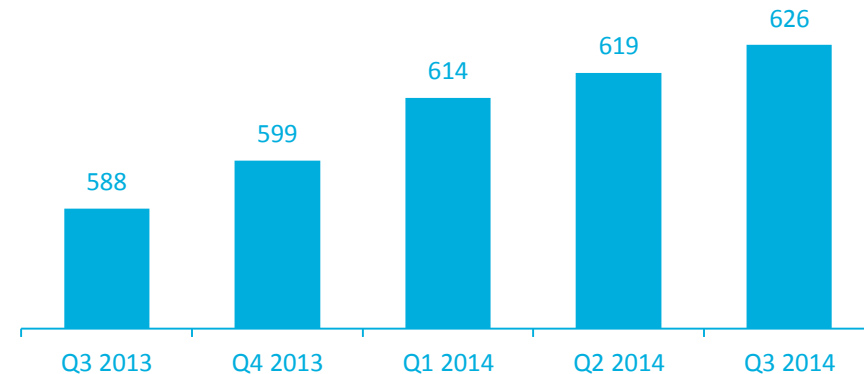
Revenue Drivers – Fixed

Strong growth in overall fixed business

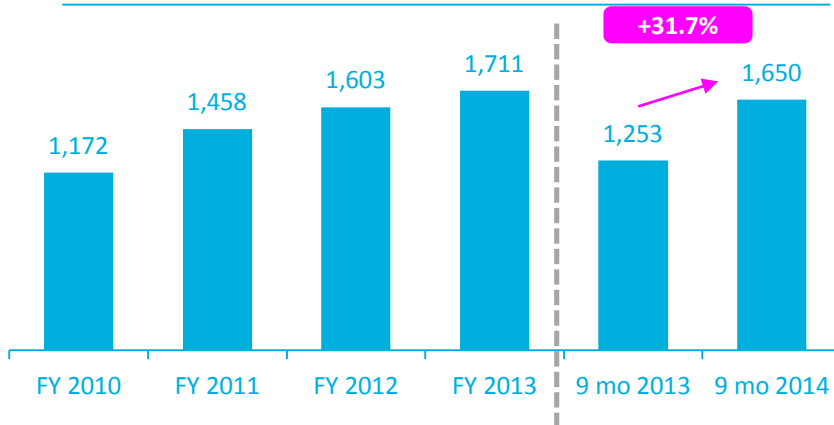
Quarterly Fixed Revenue (AED M)



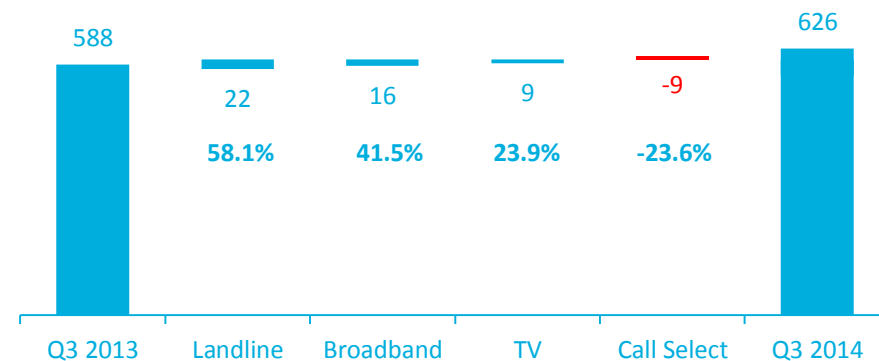
Quarterly Fixed Line Subscribers ('000)



Yearly Fixed Revenue (AED M)



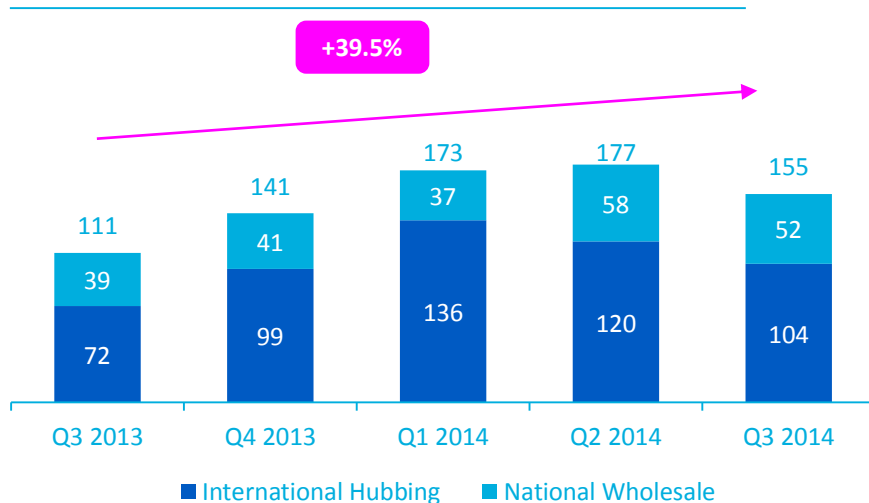
Fixed Line Subscriber Breakdown Quarter Change ('000)



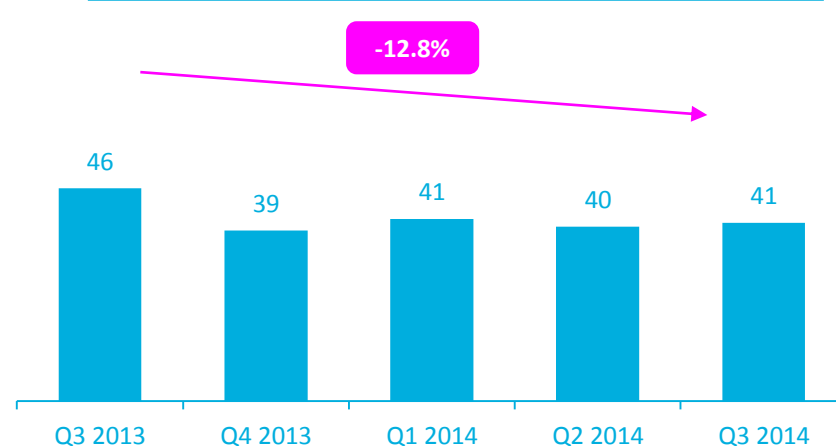
Revenue Drivers – Broadcast & Wholesale

Strong wholesale growth, broadcasting stabilized after termination of TV services in Q4 2013

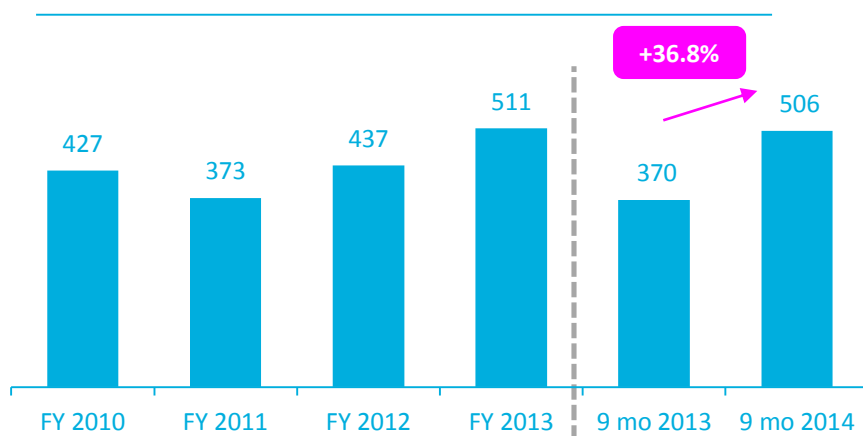
Quarterly Wholesale Revenues (AED M)



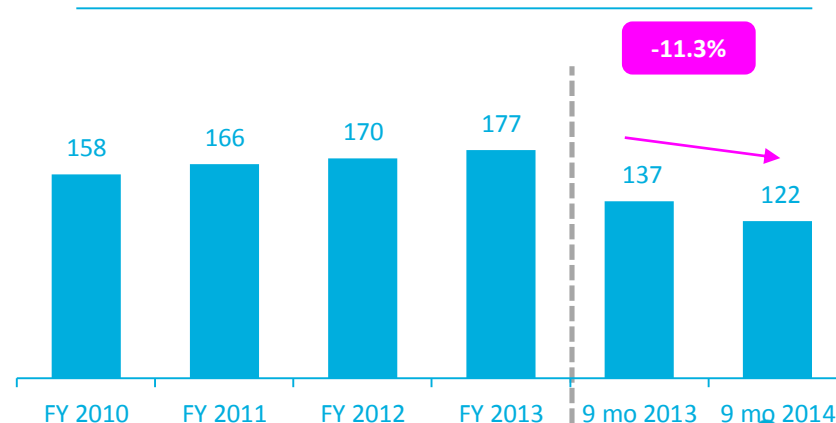
Quarterly Broadcast Revenues (AED M)



Yearly Wholesale Revenues (AED M)



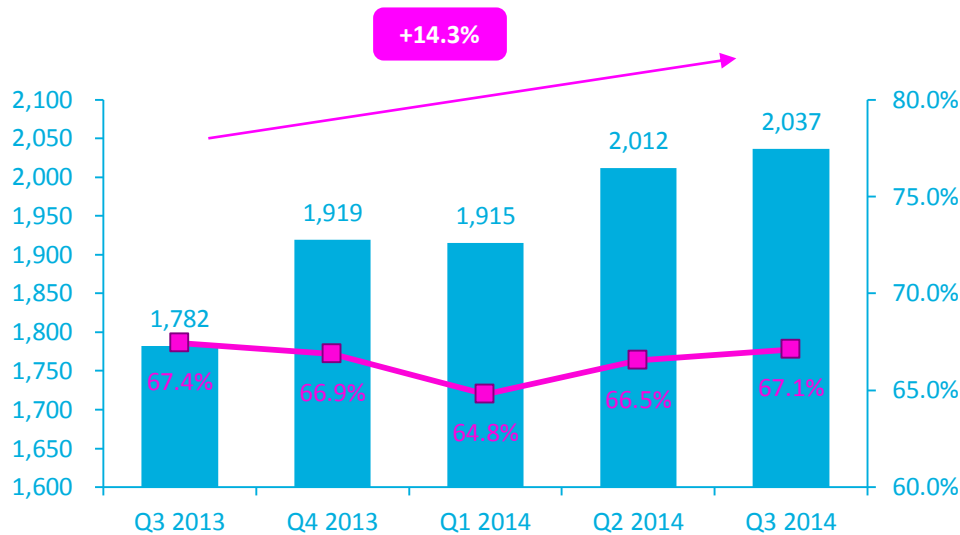
Yearly Broadcast Revenues (AED M)



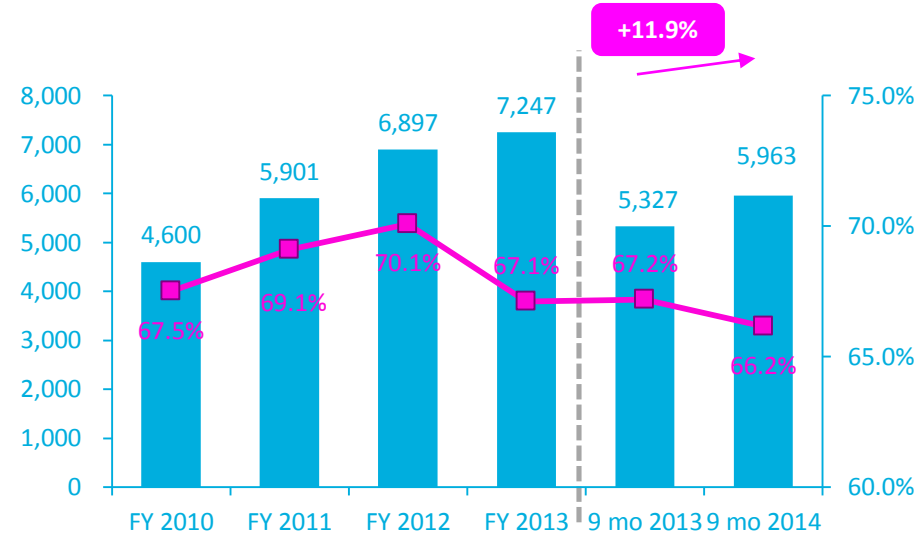
Gross Margin

Strong growth in gross margin performance

Quarterly Gross Margin (AED M) and Gross Margin %



Yearly Gross Margin (AED M) and Gross Margin %



Healthy gross margin

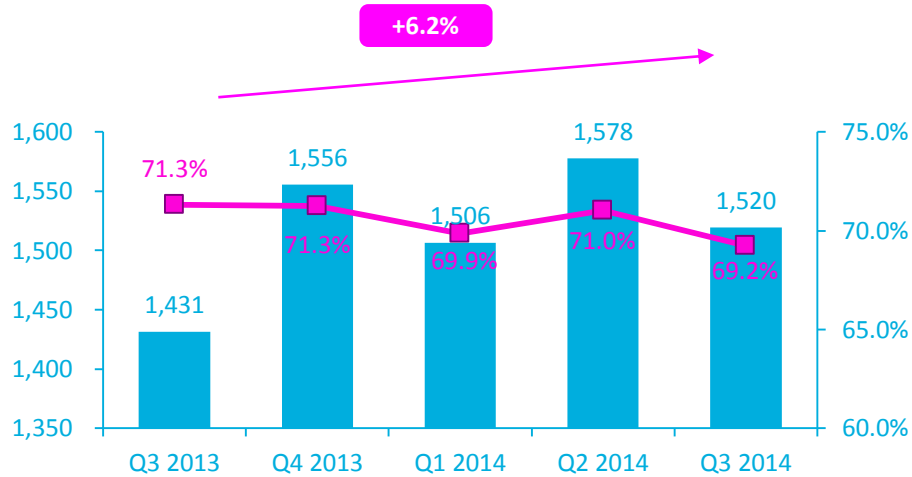
- Quarterly gross margin saw a 14.3% increase from Q3 2013
- Absolute gross margin saw strong double digit growth despite decreased growth in gross margin % due to a change in revenue mix



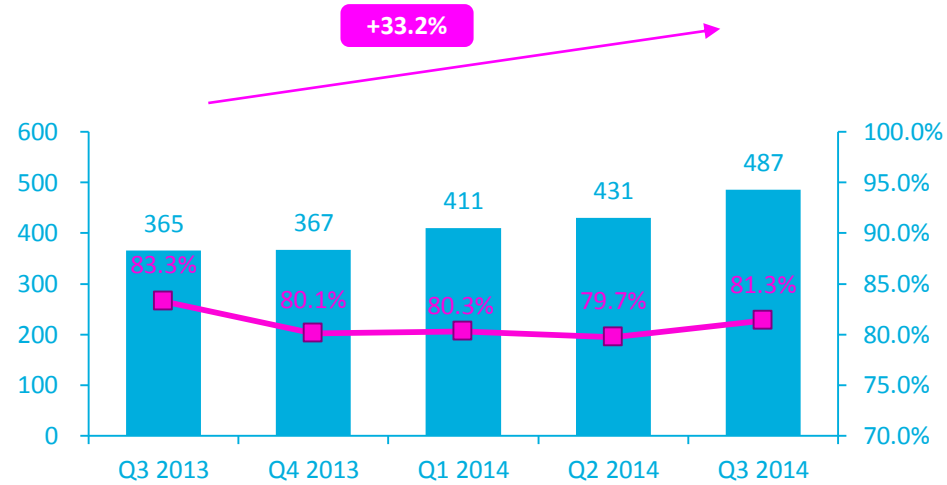
Gross Margin – Breakdown by Segment

Mobile, Fixed, Wholesale steady growth performance from Q3 2013

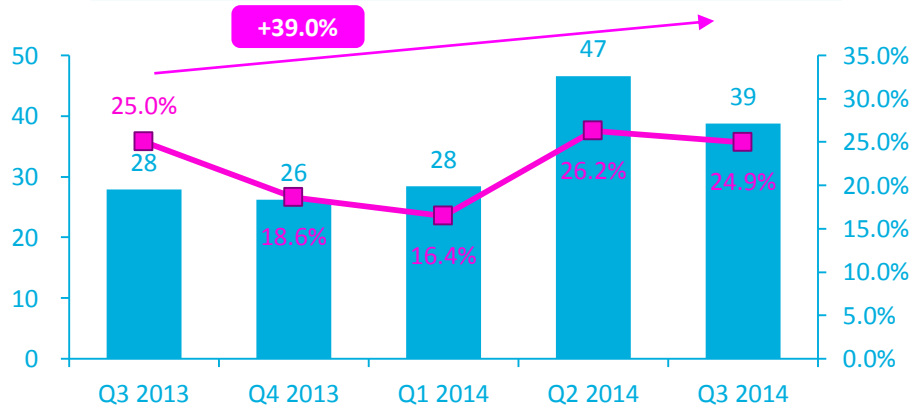
Quarterly Mobile Gross Margin (AED M)*



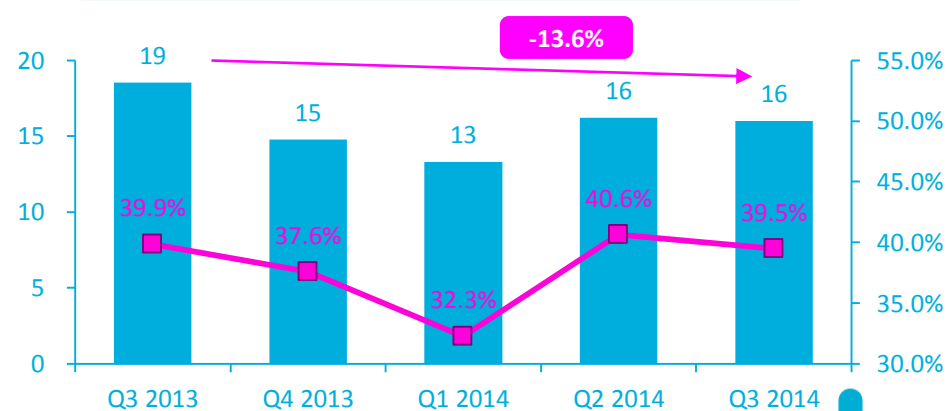
Quarterly Fixed Gross Margin (AED M)



Quarterly Wholesale Gross Margin (AED M)



Quarterly Broadcasting Gross Margin (AED M)



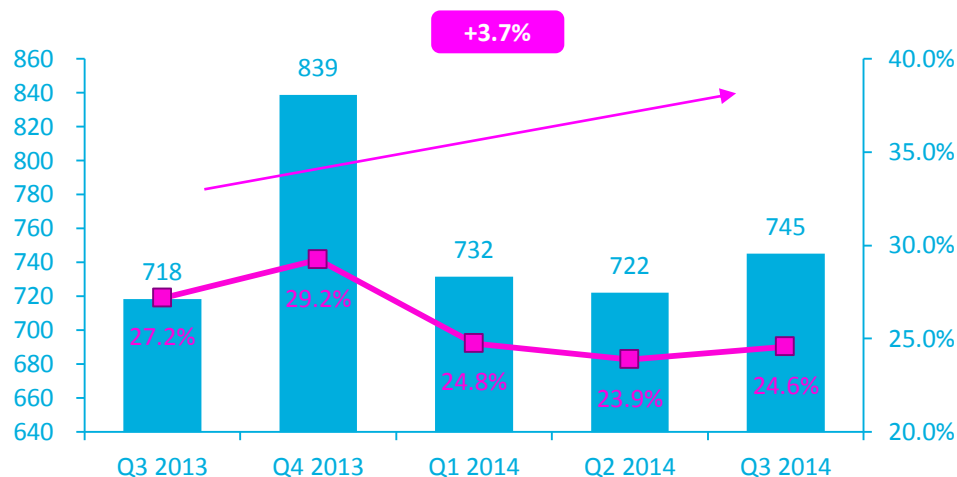
* Lower gross margin in Q3 2014 due to higher subscriber acquisition costs relating to increased gross subscriber additions



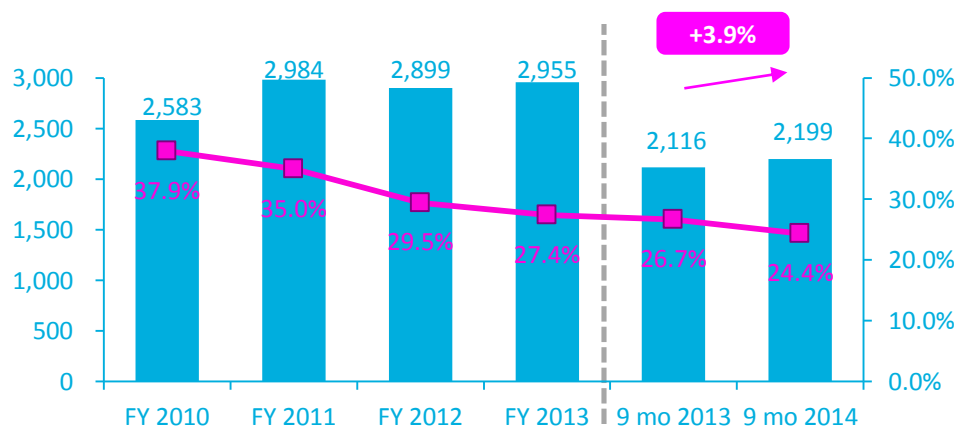
Overheads

Continuing improvement in operational efficiencies

Quarterly Overheads (AED M)



Yearly Overheads (AED M)



Overheads as a % of Revenue	Q3 2014	Q2 2014	Q3 2013
Manpower	11.0%	11.2%	12.0%
Teleco license & related fees	2.6%	2.7%	2.5%
Sales & marketing	2.0%	1.9%	2.3%
Bad debts	1.2%	0.7%	1.0%
Network operations & maintenance	6.1%	5.9%	7.7%
Rent & utilities	0.8%	0.5%	1.0%
Miscellaneous	1.0%	0.9%	0.7%
Total Overheads as % of Revenue	24.6%	23.9%	27.2%

Strategy focus on improving operational efficiencies

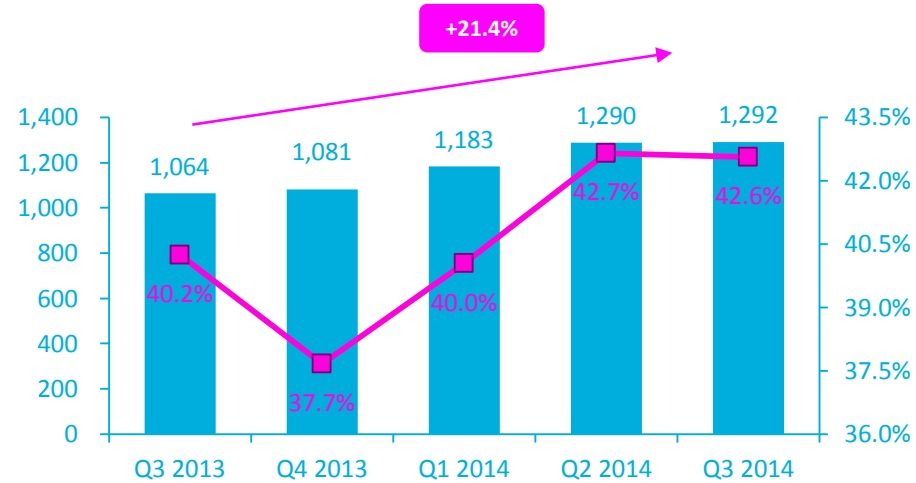
- Overheads as a % of revenue reduced due to operating efficiencies
- Maintained strategic focus on streamlined service delivery



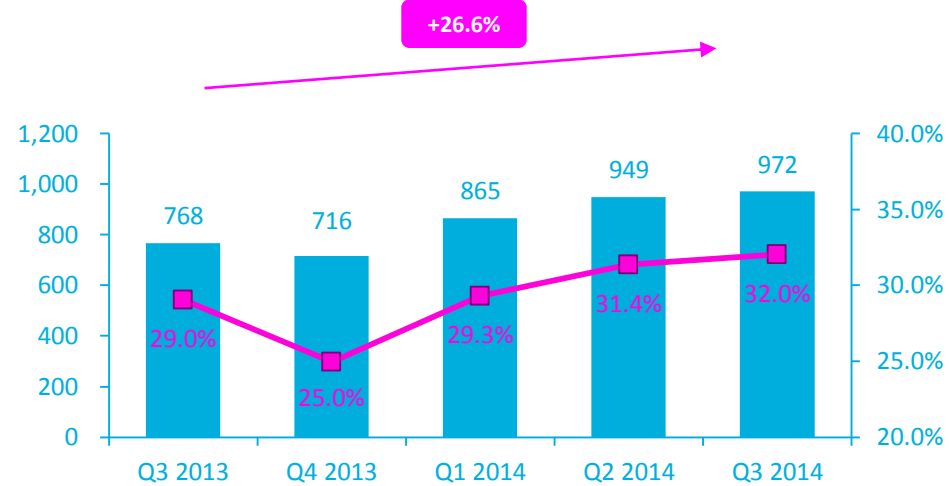
Profitability

Strong performance in EBITDA and Net Profit

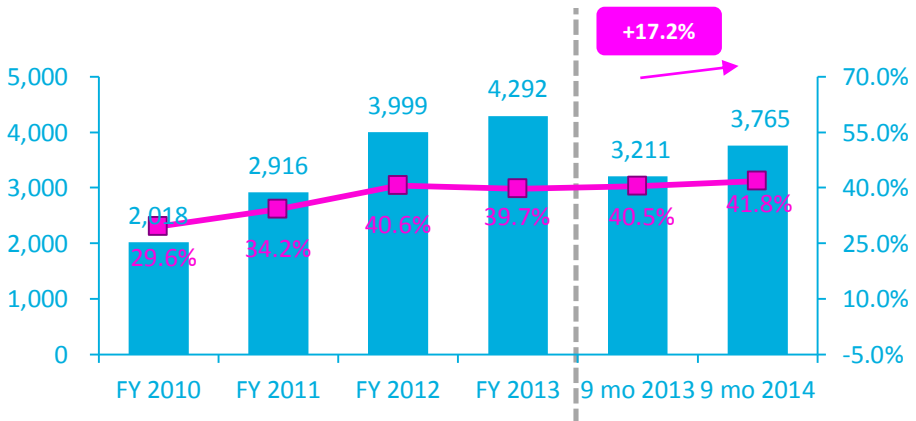
Quarterly EBITDA (AED M)



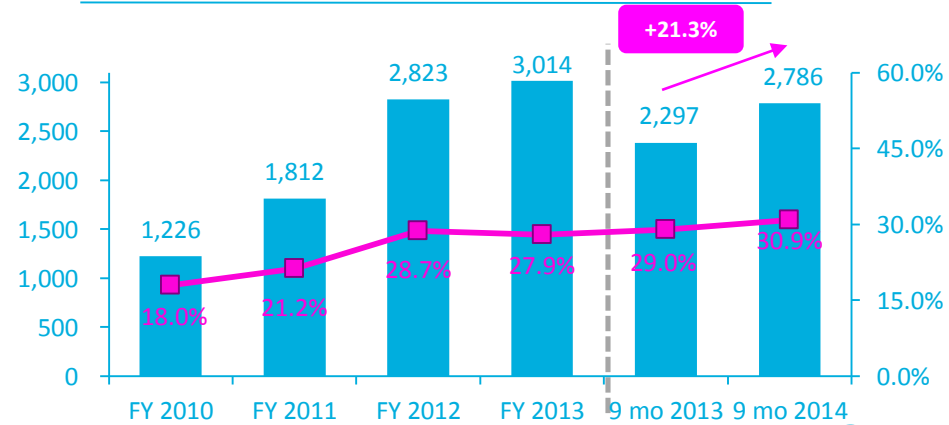
Quarterly Net Profit before Royalty (AED M)



Yearly EBITDA (AED M)



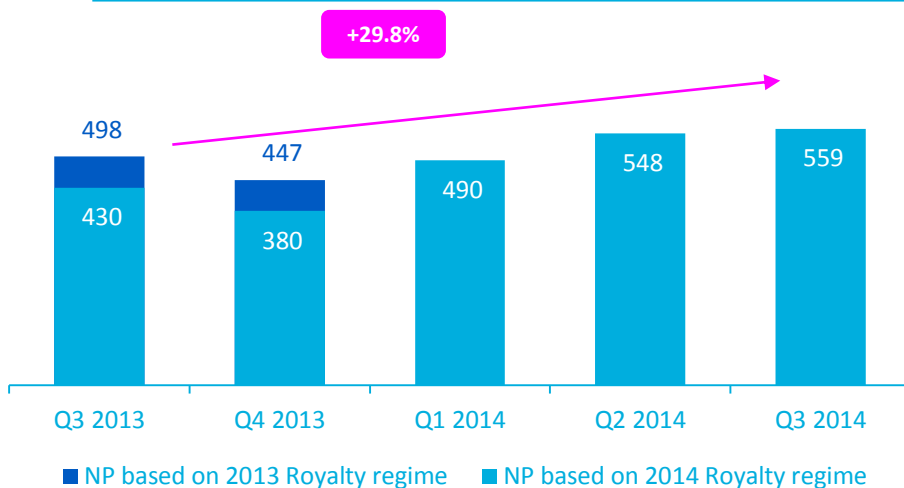
Yearly Net Profit before Royalty (AED M)



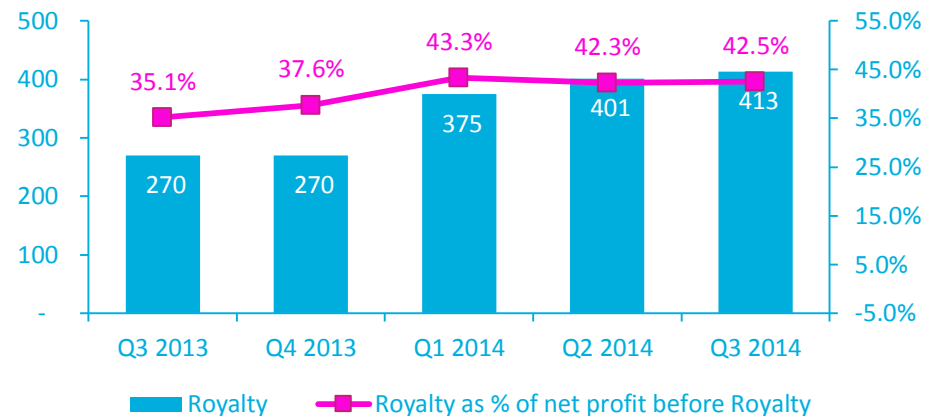
Net Profit after Royalty

Impact of royalty regime between 2013 and 2014 normalised for comparison purposes

Quarterly Net Profit after Royalty (AED M)



Quarterly Royalty Compared (AED M)*



Royalty Methodology Compared

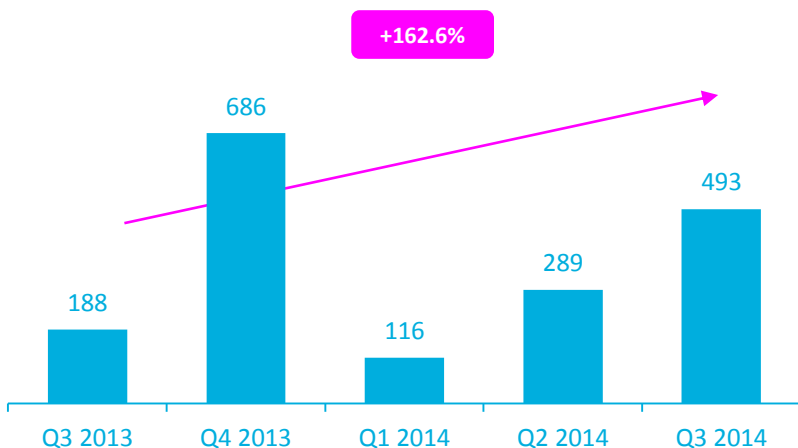
Royalty	2013	2014	2015	2016
Royalty rate on Regulated Revenue	7.50%	10.00%	12.50%	15.00%
Royalty rate on Net Profit	20.00%	25.00%	30.00%	30.00%

*2013 Royalty normalized for 2012 adjustment

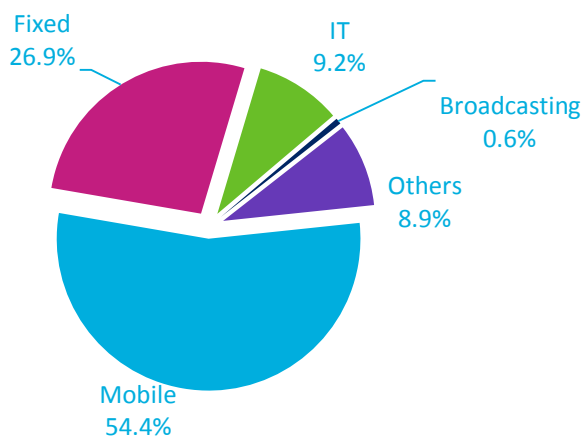


Capital Investments

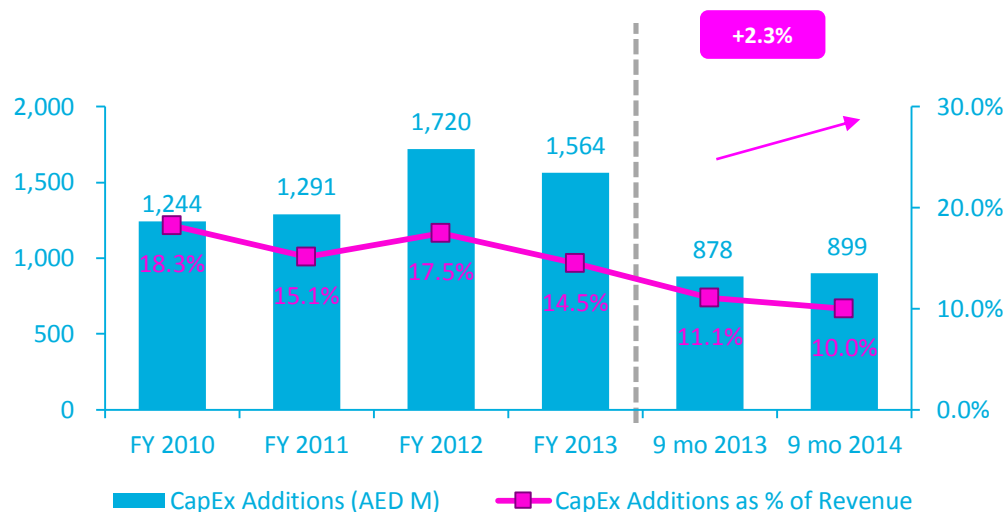
Quarterly CapEx Additions (AED M)



Q3 2014 CapEx Spend by Segment



Year to Date CapEx Additions (AED M)



Focus to further improve key infrastructure

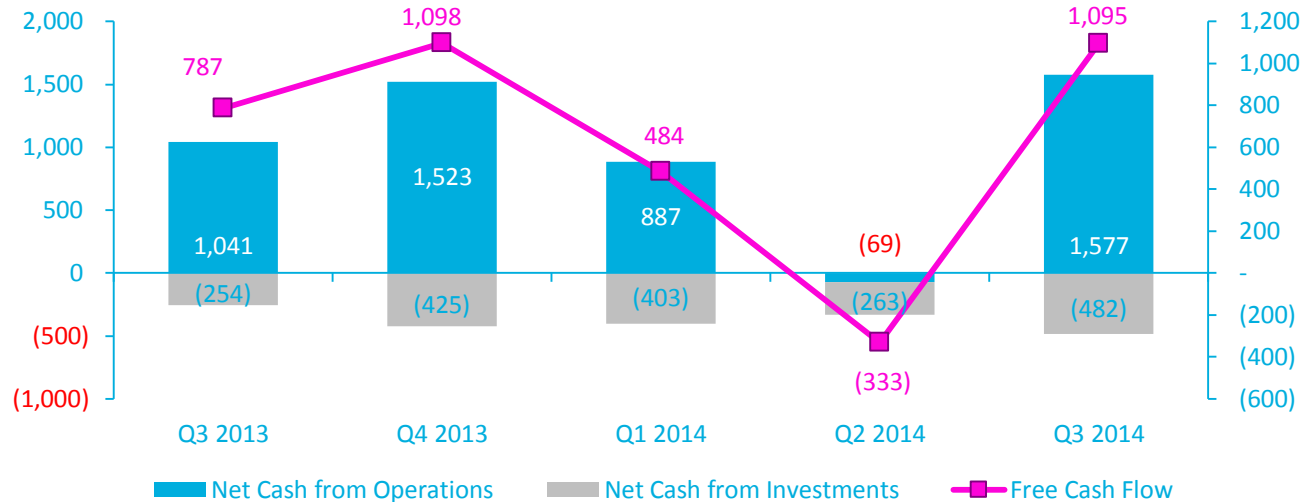
- CapEx spend for Q3 2014 grew 162.6% from Q3 2013, driven mainly by 3G and LTE site rollout
- For the remainder of 2014, CapEx will further focus on the mobile 3G and LTE rollout including improvements to the products and services to enhance customer experience



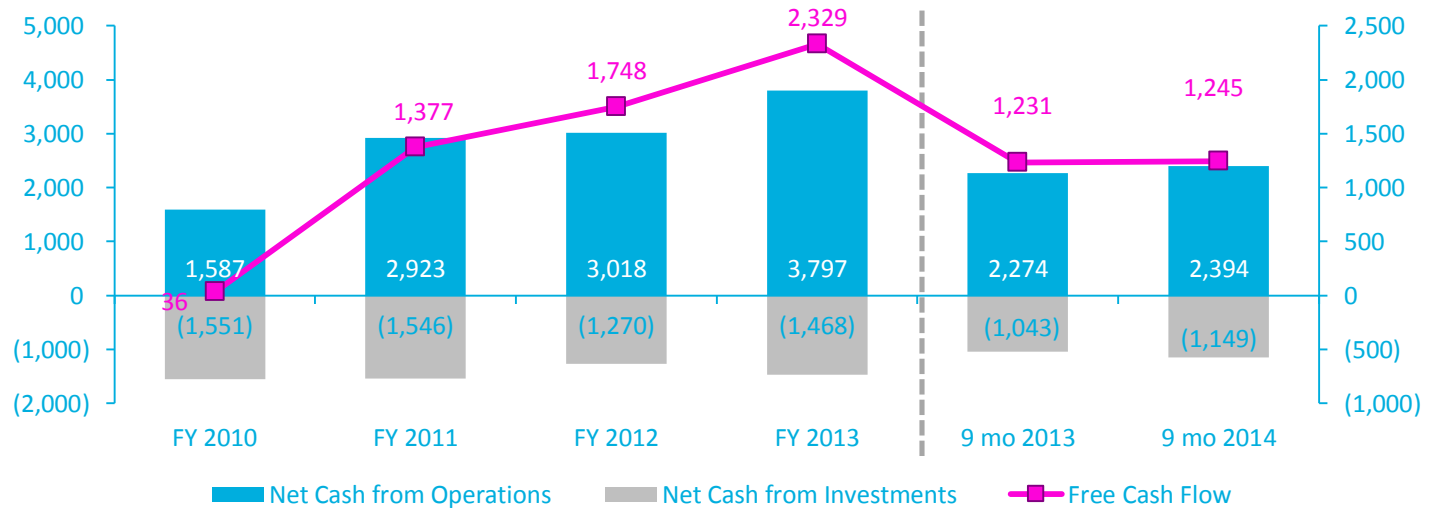
Cash & Debt Overview

Strong cash generation

Quarterly Free Cash Flow (AED M)

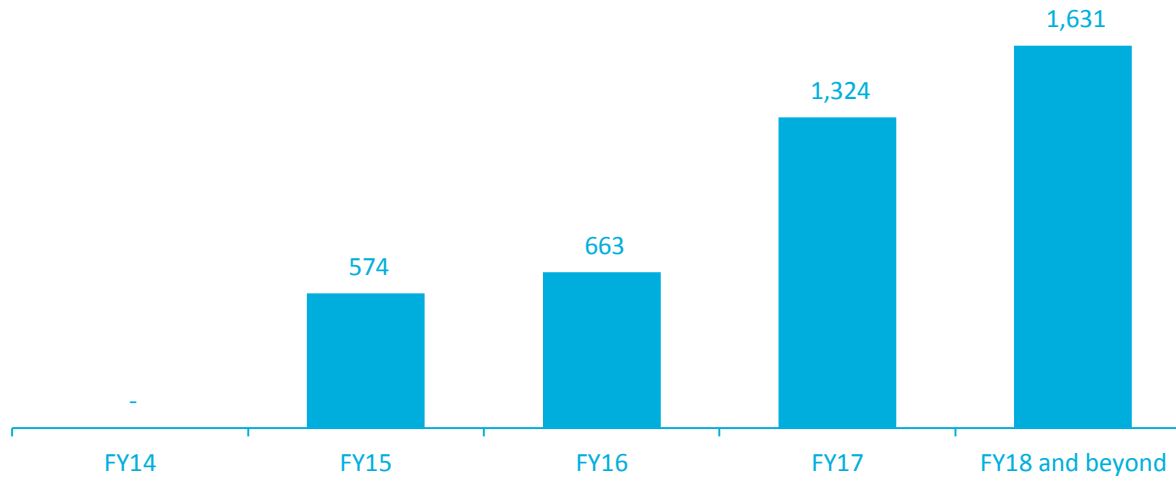


Year to Date Free Cash Flow (AED M)



Cash & Debt Overview

Debt Maturity Profile (AED M)



Bank Facilities

Loan Sources (AED Millions)	Available	Drawn
ECA - NSN Nordea	73	73
ECA - NSN KFW	299	299
Vendor - CISCO Capital	14	14
DBS - Bilateral Loan	551	544
SCB-Bilateral Loan	1,102	617
Club Facility - Long Term Loan	2,645	2,645
TOTAL DEBT FACILITIES	4,684	4,192
TOTAL CASH IN HAND		4,870



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Strategy and Outlook

Efficiency and value creation: Positioning the company for success in a continually evolving telecommunications market

- Focus on profitable growth and increased value share
- Increase focus on mobile data and bundled offerings supported by continued emphasis on data network investments
- Provide seamless, superior and segmented customer experience
- Sustained investment in our capabilities to maintain a strong performance and position the company for future growth
- Maximize return on investments and cash flow generation for our shareholders



Q&A



وتحيا بها الحياة
add life to life

