

Q3 2013 Results

Emirates Integrated Telecommunications Company PJSC

October 2013



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- 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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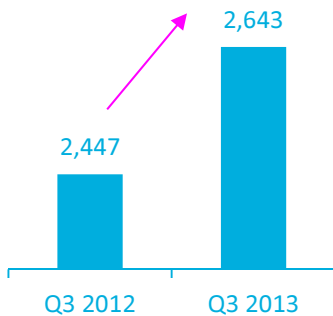


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Q3 Financial Highlights

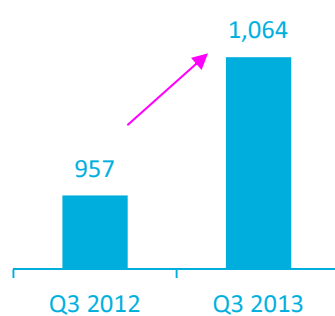
Total Revenue* (AEDm)

+8.0%



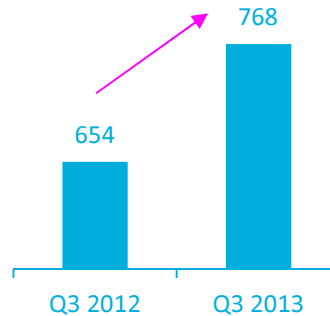
EBITDA (AEDm)

+11.2%



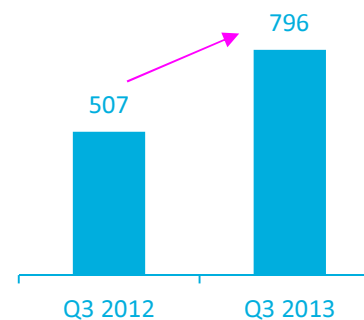
Net Profit before Royalty (AEDm)

+17.4%



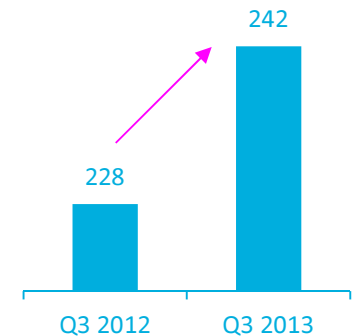
Free Cash Flow (AEDm)

+57.1%



Mobile Customers Net Additions (000s)

+6.1%



Stable revenues

- Revenues increased 8.0% year on year to AED 2.64 billion and service revenue** increased 6.9% to AED 2.58 billion in Q3 2013, as compared to Q2 2013
- 95% of growth in service revenue was driven by the mobile data segment

Strong EBITDA growth

- EBITDA growth of 11.2% year on year is higher than revenue growth of 8.0% year on year, indicating cost efficiency and profitable growth
- As a percentage of revenue, operating expenses were reduced from 30.5% in Q3 2012 to 27.2% in Q3 2013

Increased profitability

- Due to the strong growth in EBITDA margin, net profit before royalty increased to 29.0% of revenue in Q3 2013, up from 26.7% in Q3 2012

Free cash flow

- EBITDA growth contributed to a strong increase in free cash flow of 57.1% from 507 million in Q3 2012 to AED 796 million in Q3 2013
- 2012 free cash flow impacted by royalty payments

Focus on acquiring and retaining high value customers

- Increased net mobile postpaid customer additions from 26K in Q2 2013 to 37K in Q3 2013.
- Focus remains on acquisition and retention of high value customers

Notes:

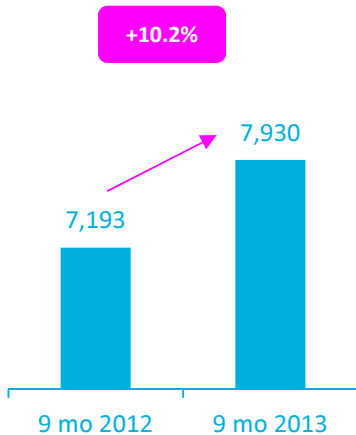
*Like for like revenues based on the change in accounting treatment reported at full year 2012. There is no effect on EBITDA due to the change in accounting treatment.

**Service revenue is calculated by deducting mobile handset revenue from the Company's total revenue.

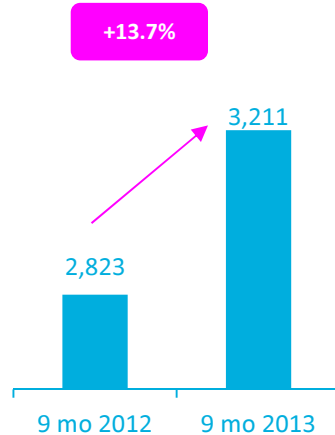


9 Months Financial Highlights

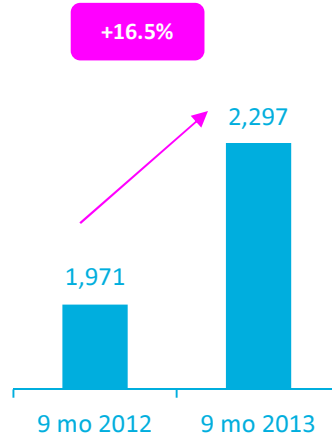
Total Revenue* YTD
(AEDm)



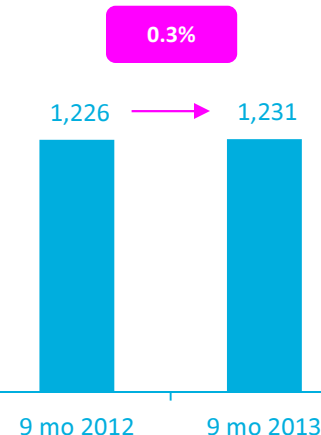
EBITDA YTD
(AEDm)



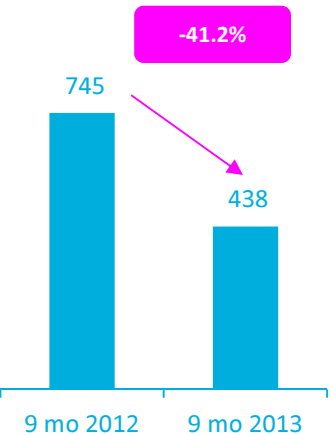
Net Profit before Royalty YTD (AEDm)



Free Cash Flow YTD
(AEDm)



Mobile Customers Net Additions – Cumulative
(000s)



Continued revenue growth

- Revenues increased 10.2% to AED 7.93 billion for the first nine months of 2013
- Mobile data revenue increased 38.0% over the same period and was the main contributor to the increase in total revenues



Maintained strong margins

- Strong EBITDA growth of 13.7% for the first nine months of the year
- EBITDA margin increased from 39.2% in the first nine months of 2012 to 40.5% in the first nine months of 2013

Sustainable profit growth

- Net profit before royalty increased 16.5% in the first nine months of 2013, positively impacted by a strong growth in EBITDA
- Net profit before royalty continued to grow to a healthy margin of 29.1% for the first nine months of 2013 compared to 27.4% for the same period in 2012

Free cash flow impacted by royalty charge

- Free cash flow remained almost flat in the first nine months of 2013 as compared to the same period in 2012 due to a change in the schedule of royalty payments
- 2011 Royalty was paid monthly over a nine month period compared to 2012 Royalty which was paid in one installment

Net mobile customer additions

- Net mobile customer additions decreased from 745K in the first nine months of 2012 to 438K in the first nine months of 2013
- The decrease is predominantly due to cyclical churning of customers acquired in Q4 2012

Notes:

* Like for like revenues based on the change in accounting treatment reported at full year 2012. There is no effect on EBITDA due to the change in accounting treatment



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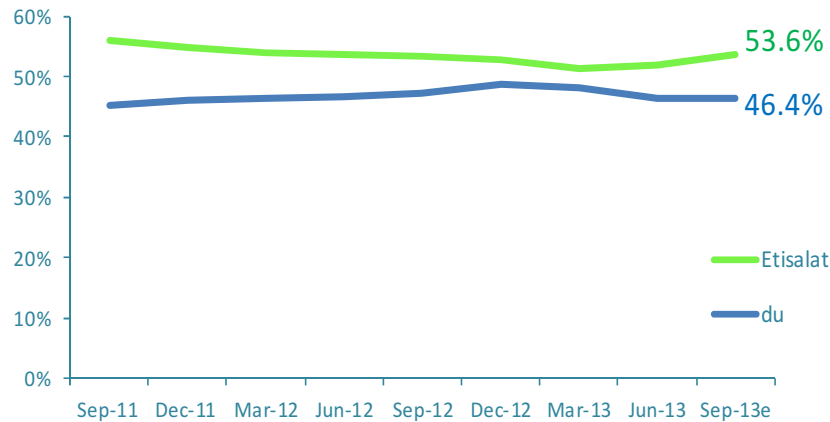
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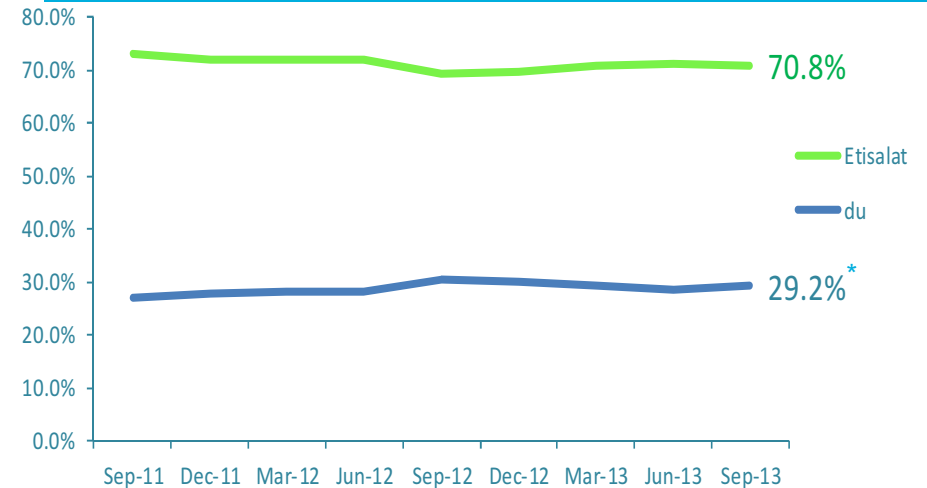
Market overview

Market share consolidation – increasing emphasis on growing revenue share

UAE Mobile Subscribers - Market share quarterly evolution



UAE Telecom Market - Revenue share quarterly evolution



* du revenue share for the last 12 months is 29.3%

Source: TRA Market Statistics July 2013, Internal estimates, Etisalat Quarterly/ annual financial reports

UAE

- Population: (July 2013 ^e) 8.3 million
- Population growth: (2012 ^e) 3%
- GDP: (2012 ^e) US\$ 377 bn
- GDP per capita: (2012 ^e) US\$ 45,422

(Source: TRA – July 2013, UAE's National Bureau of Statistics (NBS), IMF: UAE Country Report No. 13/239 July 2013, Internal estimates)



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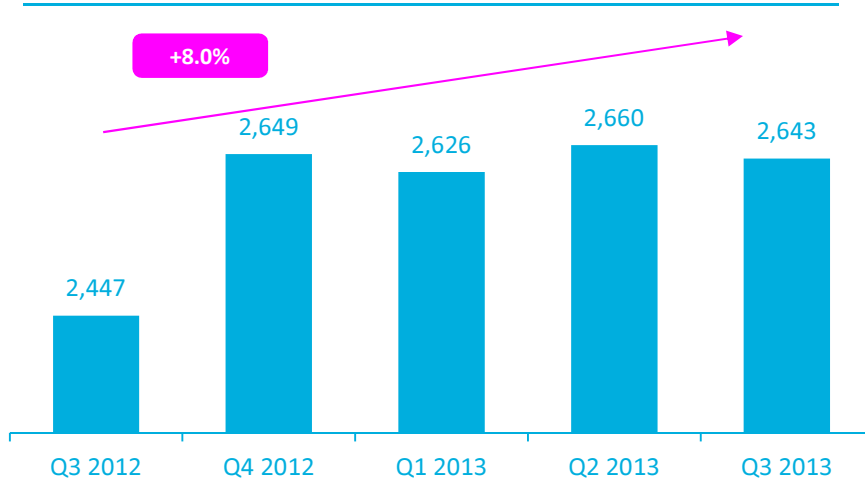
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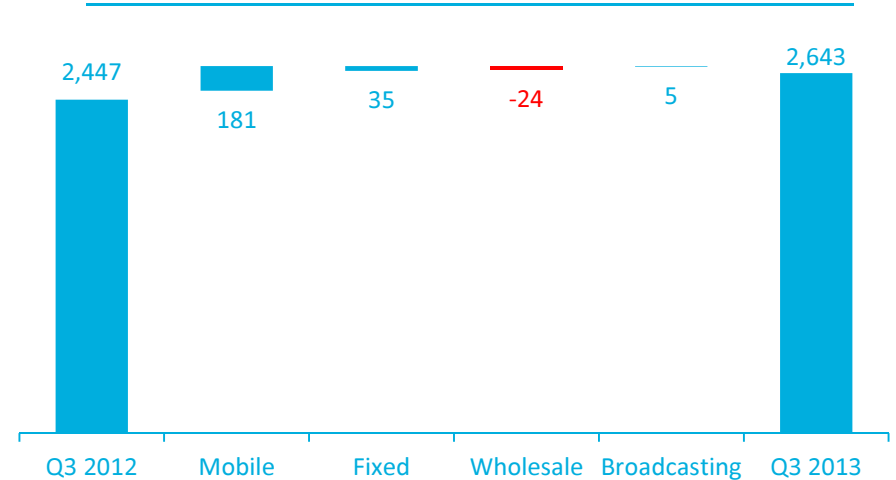
Revenues

Strong revenue performance

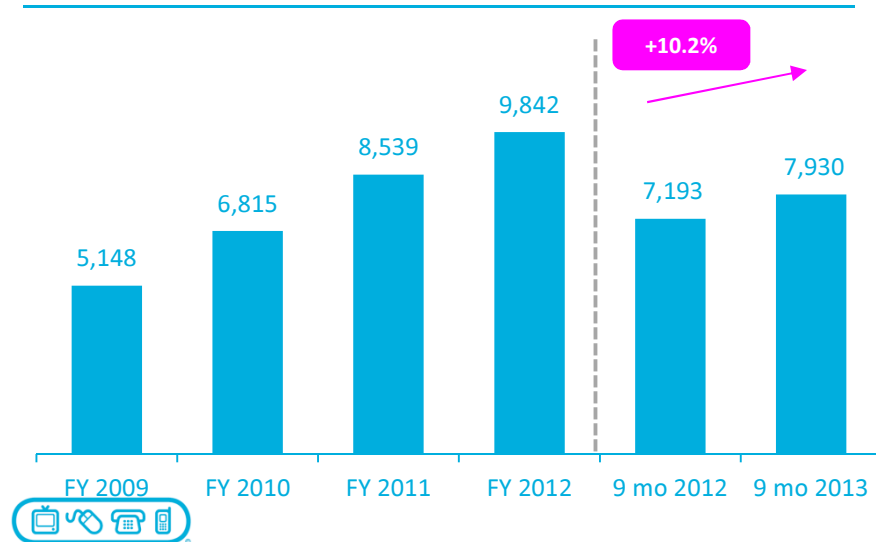
Quarterly Total Revenue (AEDm)



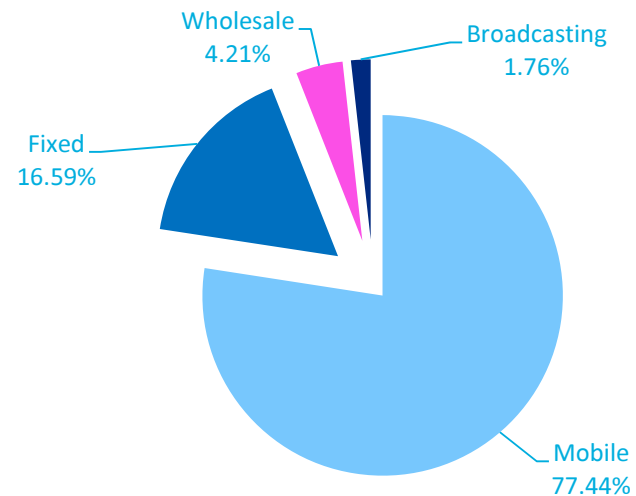
Revenue Breakdown Quarter Change (AEDm)



Year To Date Total Revenue (AEDm)



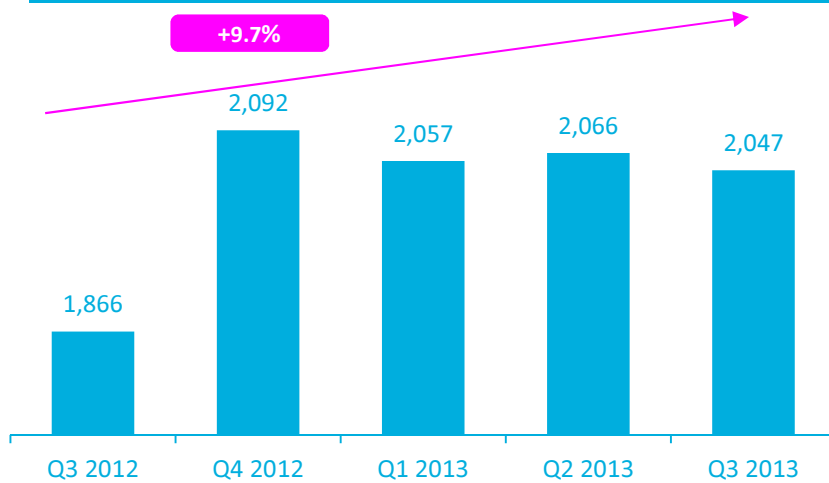
Revenue Split Q3 2013



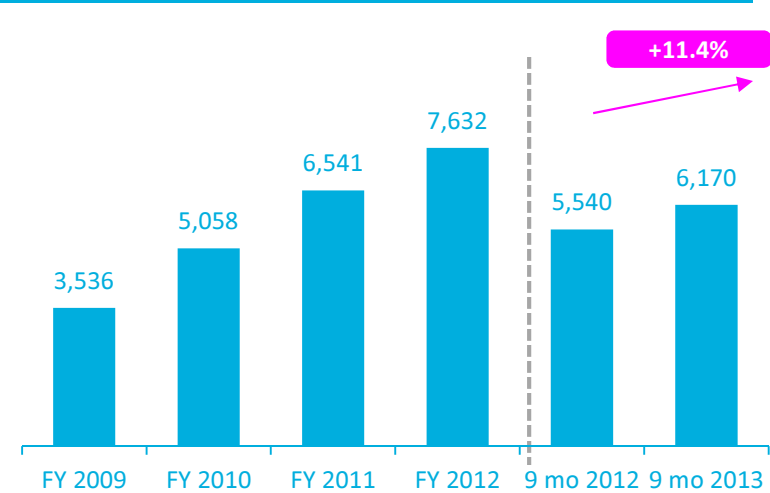
Revenue Drivers - Mobile

Growth supported by the continued increase of data revenues

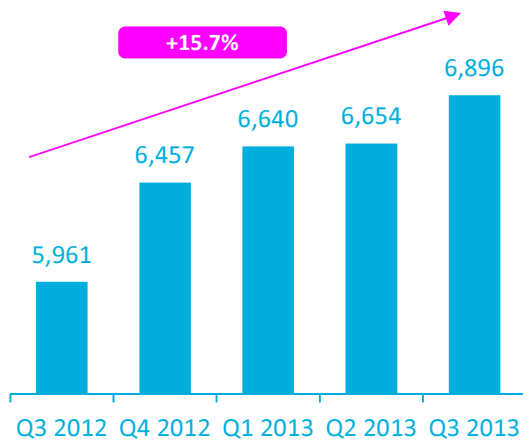
Quarterly Mobile Revenues (AEDm)



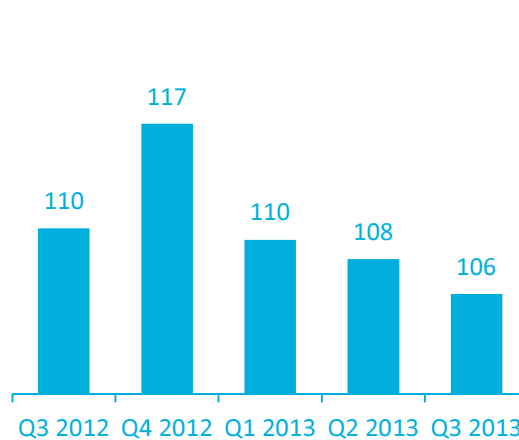
Year to Date Mobile Revenue (AEDm)



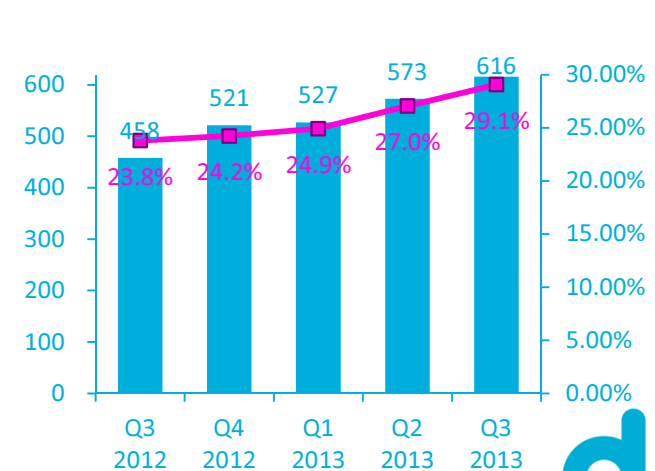
Mobile Subscribers Active 90 Days ('000s)



Mobile Average Revenue per User (AED)



Mobile Data (AEDm)

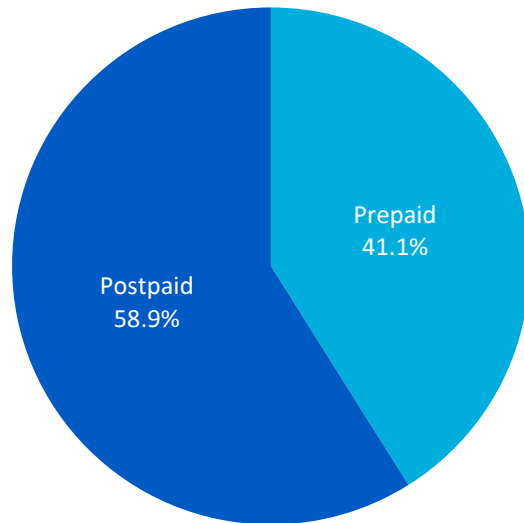


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Revenue Drivers – Mobile

Strong performance attributed to mobile data and the high-value postpaid customer base

YoY Contribution to Mobile Revenue Growth

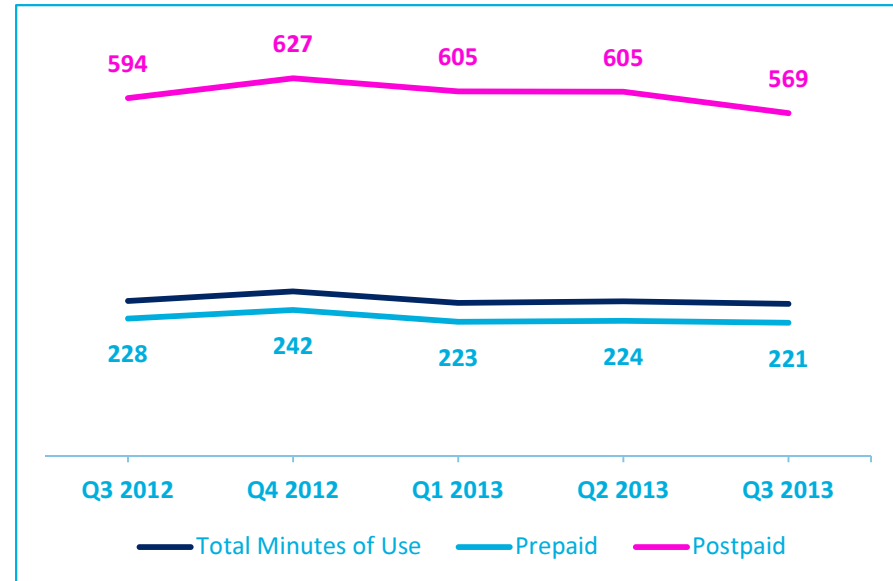


Continued focus on postpaid segment in line with the company's strategic objectives

- Mobile revenue growth was mainly driven by the postpaid customer base, which contributed to 58.9% of the growth.
- Mobile data revenue continued to grow at a strong rate of 34.4% year on year.
- Quarterly, mobile data accounted for 95% of the growth in service revenue.



Mobile Minutes of Use per Customer



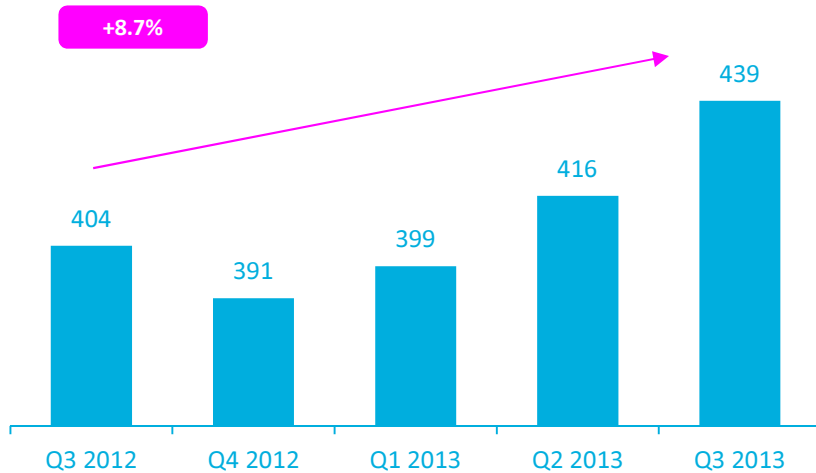
Impact of data revenue on voice usage

- In line with the growth in mobile data usage due to the rapid adoption of smartphones and tablets, total minutes of use per customer for the mobile segment decreased from Q3 2012 to Q3 2013.

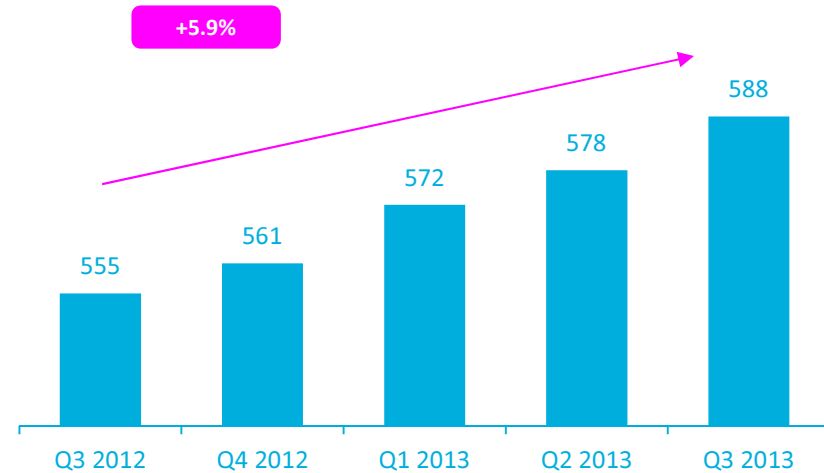
Revenue Drivers – Fixed

Continued fixed line revenue growth

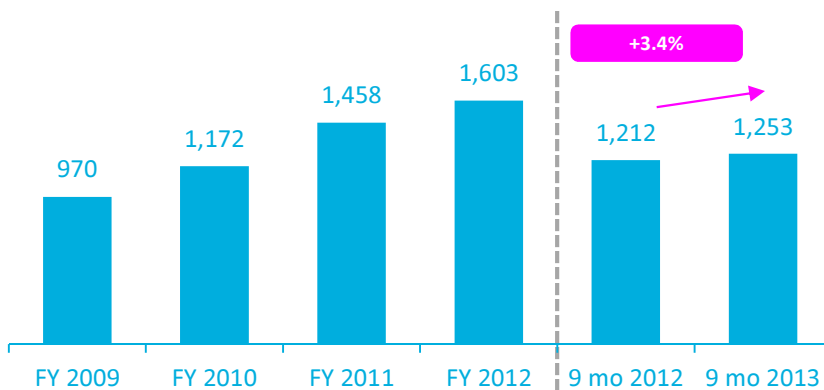
Quarterly Fixed Revenue (AEDm)



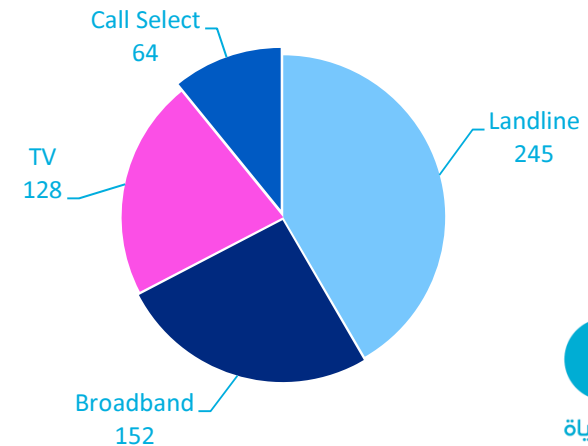
Quarterly Fixed Subscribers ('000s)



Year to Date Fixed Revenue (AEDm)



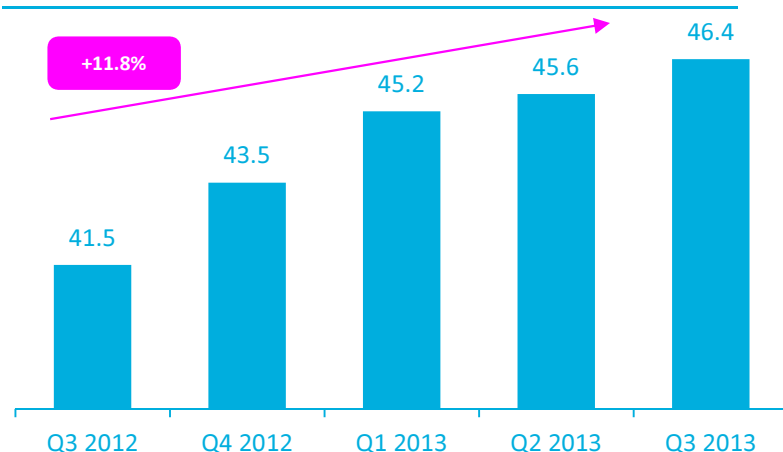
Fixed Breakdown Q3 2013 ('000s)



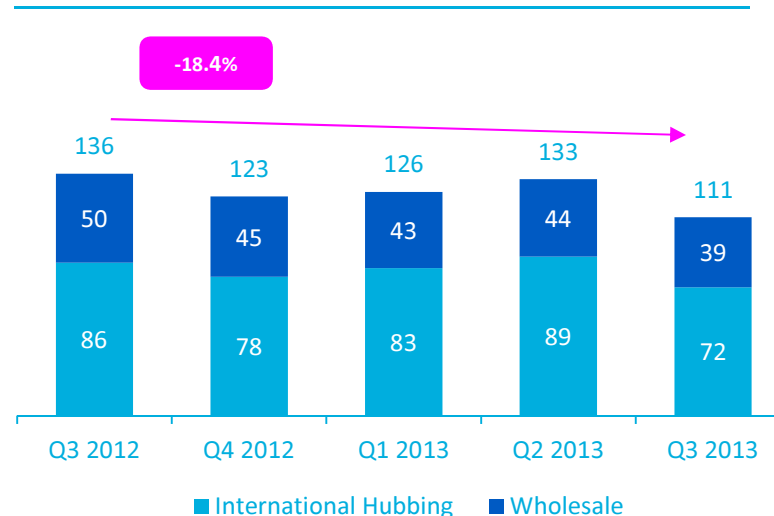
Revenue Drivers – Wholesale & Broadcasting

Stable growth of broadcasting revenue

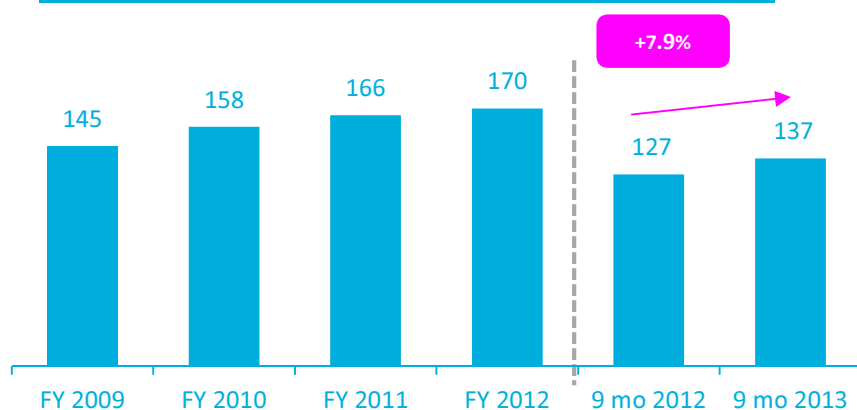
Quarterly Broadcasting Revenue (AEDm)



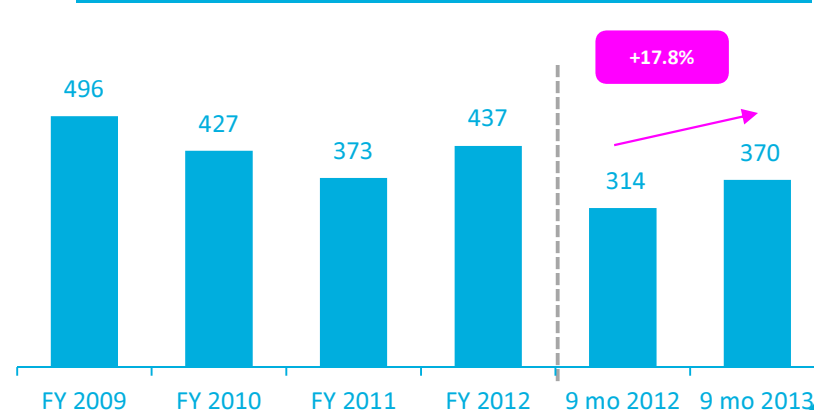
Quarterly Wholesale Revenue (AEDm)



Year to Date Broadcasting Revenue (AEDm)



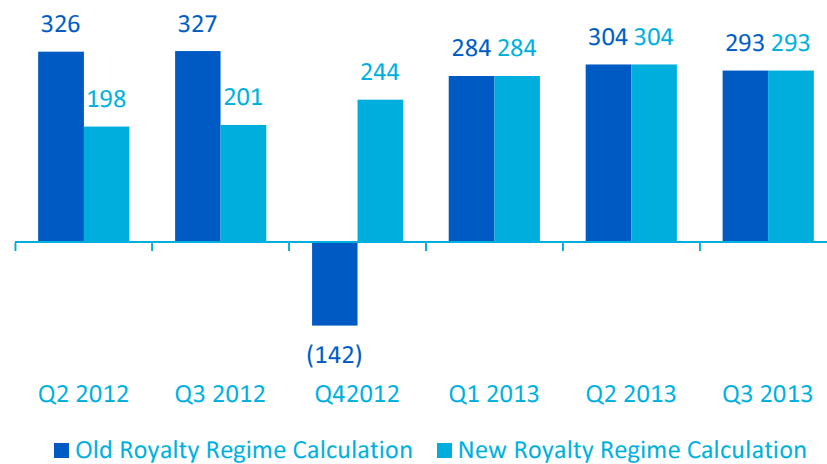
Year to Date Wholesale Revenue (AEDm)



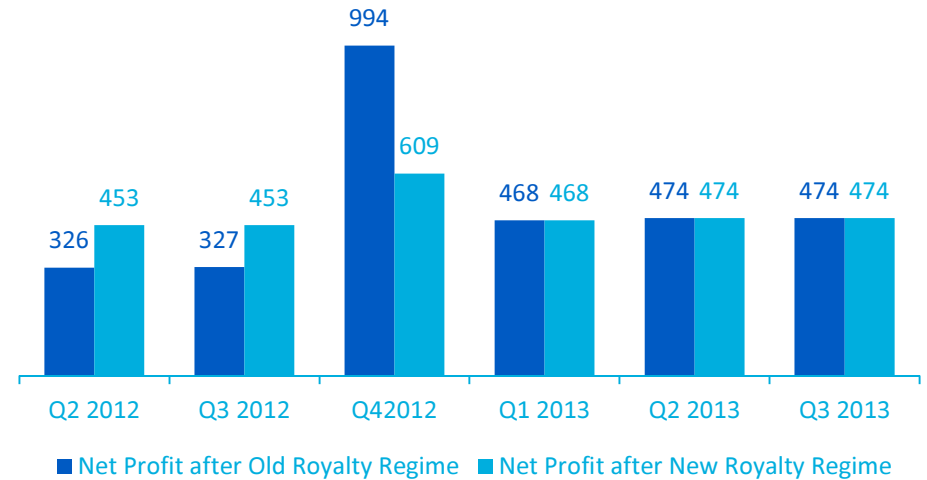
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Royalty Overview

Quarterly Royalty (AEDm)



Quarterly Net Profit after Royalty (AEDm)



Royalty fee methodology

- Old royalty provisioned from Q1 2012 to Q3 2012 was at 50% of the net profit before royalty.
- New royalty was provisioned at a rate of 5% of the total licensed revenue excluding broadcasting revenue and other allowable deductions plus 17.5% of the net profit for the year before distribution, after deducting 5% of the total adjusted licensed revenue. The new royalty was provisioned for the full year 2012 in Q4 2012, upon receiving confirmation from the UAE Ministry of Finance.
- Provision for royalty from Q1 2013 *onwards was made at a rate of 7.5% of the total licensed revenue excluding broadcasting revenue and other allowable deductions plus 20.0% of the net profit for the year before distribution after deducting 7.5% of the total adjusted licensed revenue.
- The Company remains in discussions with the Ministry of Finance to receive clarification on royalties payable

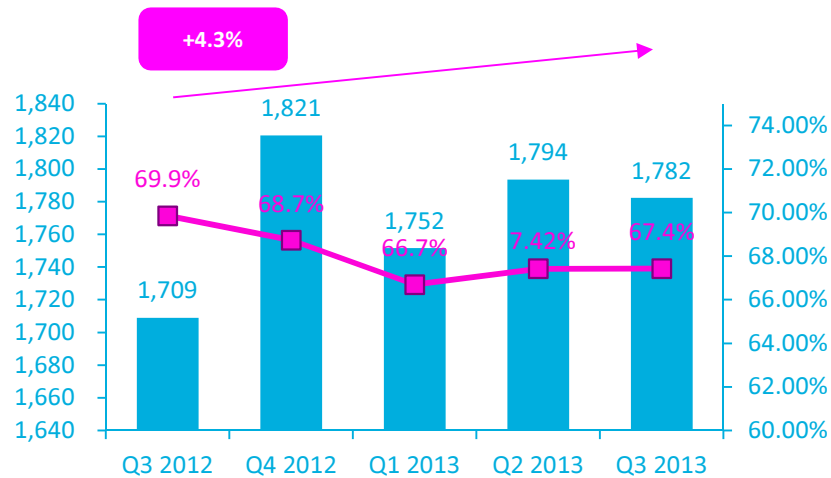
*Royalty declared in 2013 is in line with the company's current understanding of the structure and calculation of its royalty payment obligations.



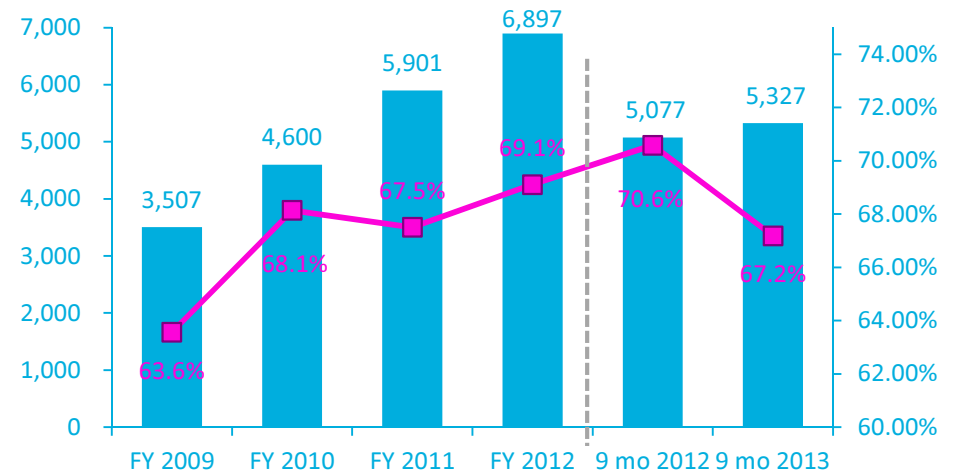
Gross Margin

Gross margin increase year on year

Quarterly Gross Margin (AEDm)



Year to Date Gross Margin (AEDm)



Stable gross margin performance

- Increases in data revenue positively impact the gross margin percentage in Q3 2013.
- Higher interconnect costs to Pakistan, introduced as of Q3 2012 and the reduction of international voice price per minute* continue to impact the gross margin percentage.

Notes:

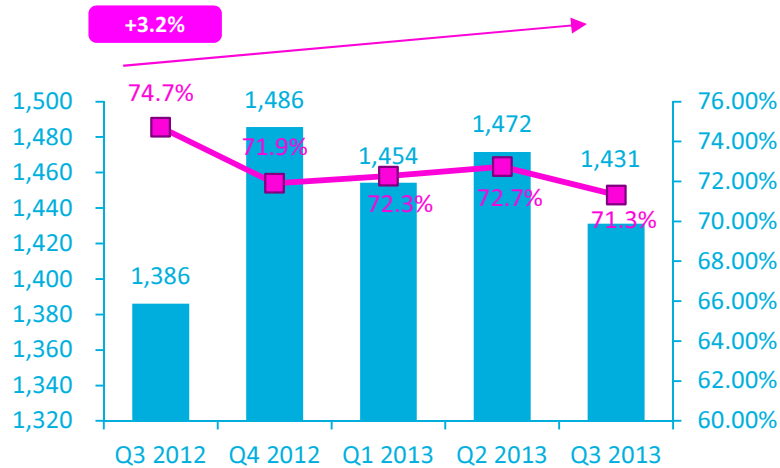
*In line with global trends, increasing pressure on the international voice calling tariffs negatively impact the gross margin percentage.



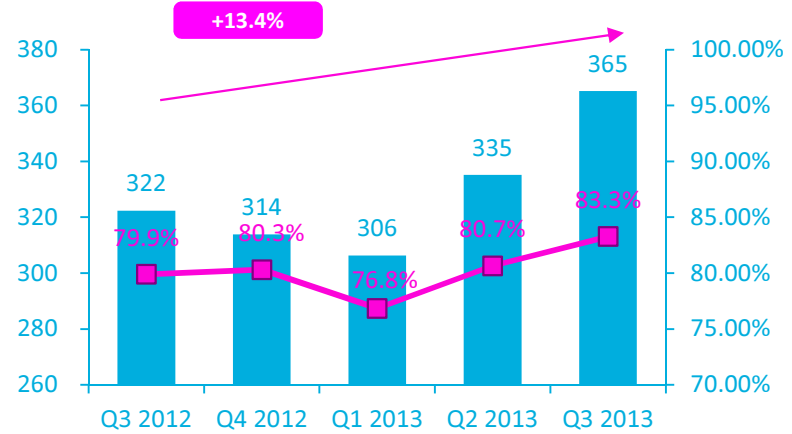
Gross Margin

By Segment (Quarterly)

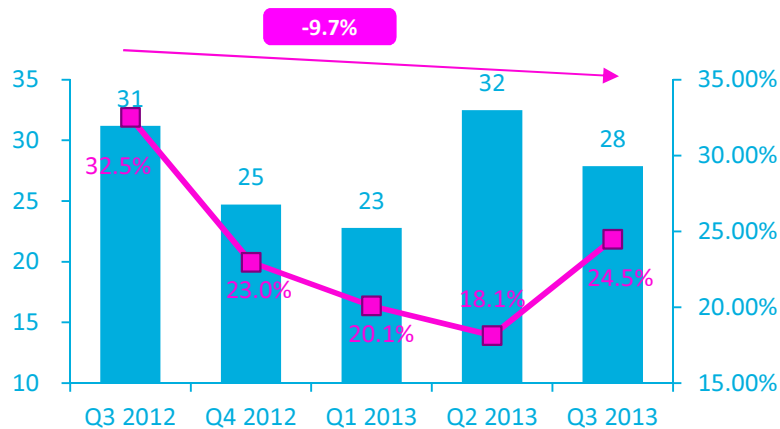
Quarterly Mobile Gross Margin before Handset Subsidy (AEDm)



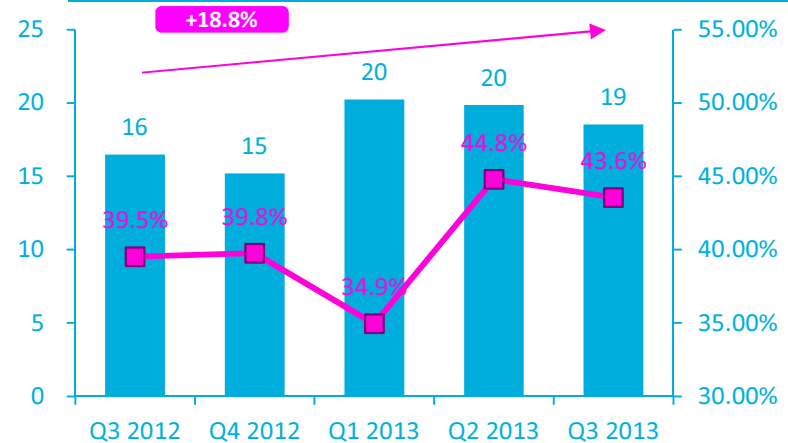
Quarterly Fixed Gross Margin (AEDm)



Quarterly Wholesale Gross Margin (AEDm)



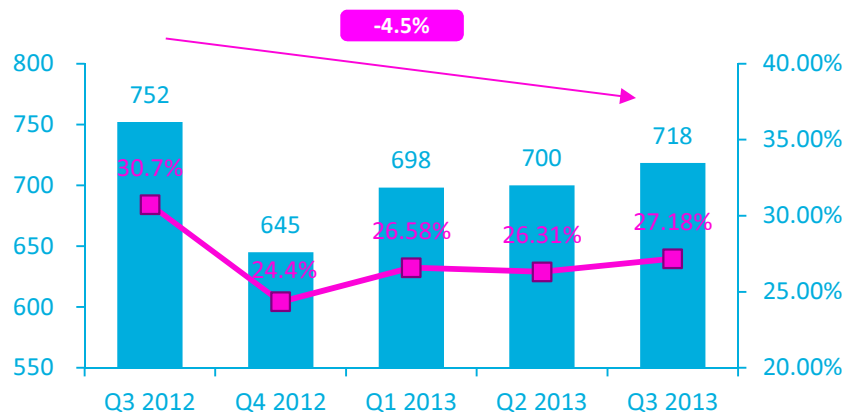
Quarterly Broadcasting Gross Margin (AEDm)



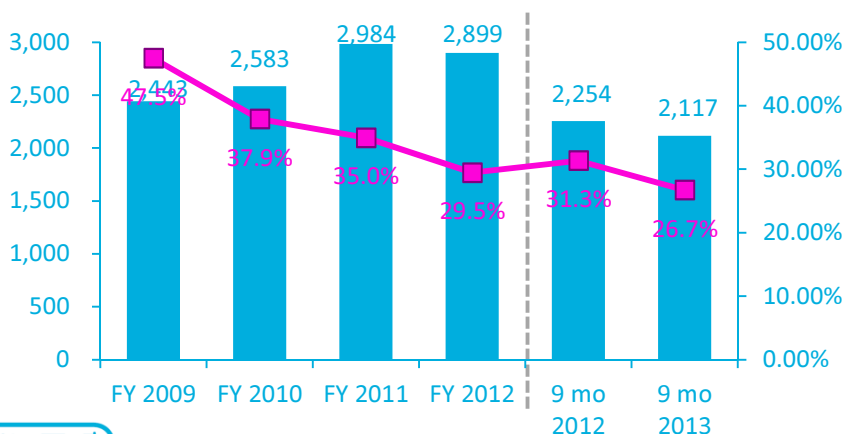
Overheads

Continued focus on efficiency

Quarterly Overheads (AEDm)



Year to Date Overheads (AEDm)



Overheads as a % of Revenue	Q3 2012	Q3 2013
Manpower	14.0%	12.0%
Teleco license & related fees	2.6%	2.5%
Sales & marketing	3.3%	2.3%
Bad debts	1.0%	1.0%
Network operations & maintenance	7.8%	7.7%
Rent & utilities	1.4%	1.0%
Miscellaneous	0.7%	0.7%
Total Overheads as % of Revenue	30.7%	27.2%

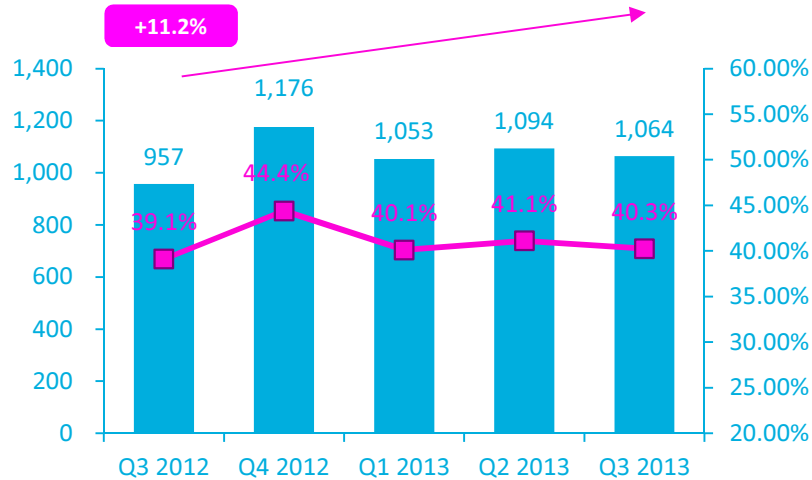
Reducing overheads

- Implementation of efficiency initiatives across various departments contributed to a 6% decrease in overheads in the first nine months of the year compared to the first nine months of 2012.
- Operating expenses as a percentage of revenue decreased to 28.7% in the first nine months of 2013, down from 31.3% in the first nine months of 2012.
- The company will continue to focus on efficiency as a part of its commitment to deliver shareholder value.

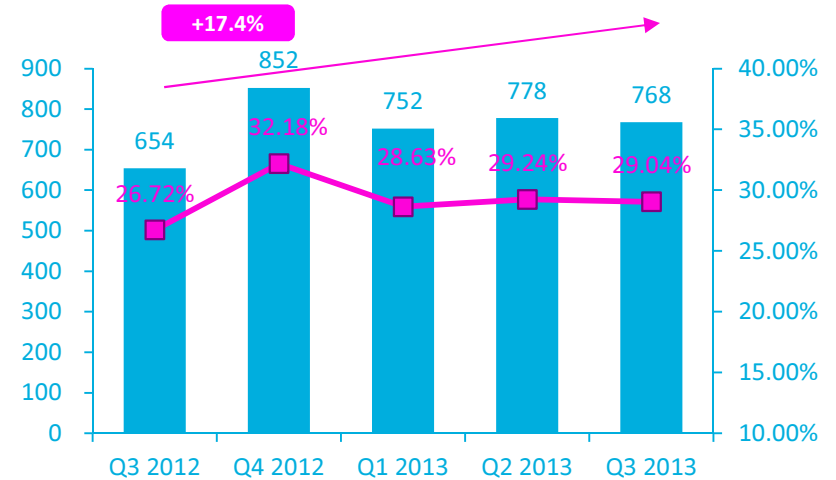
Profitability

Strong EBITDA and Net Profit before Royalty

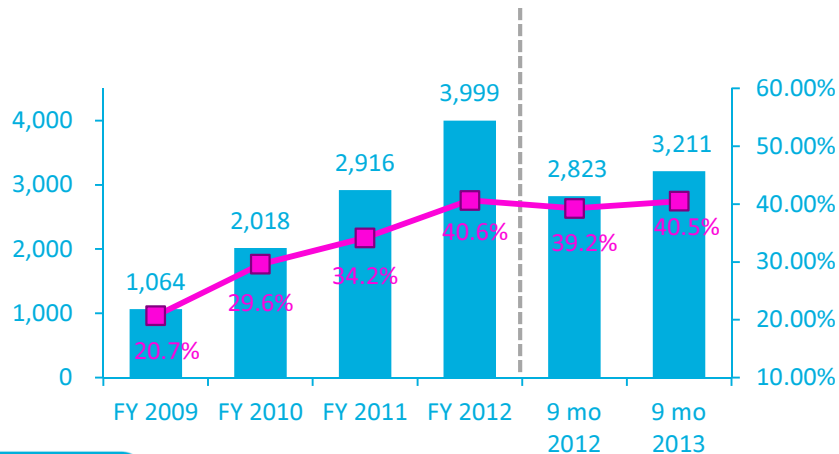
Quarterly EBITDA (AEDm)



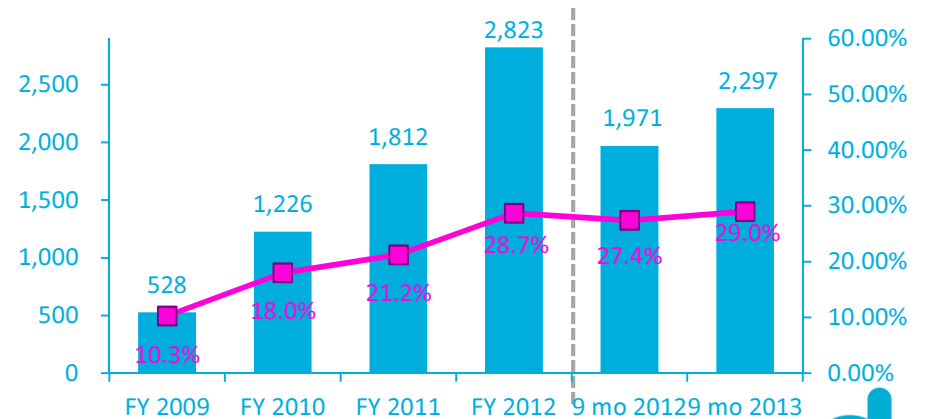
Quarterly Net Profit before Royalty (AEDm)



Year to Date EBITDA (AEDm)

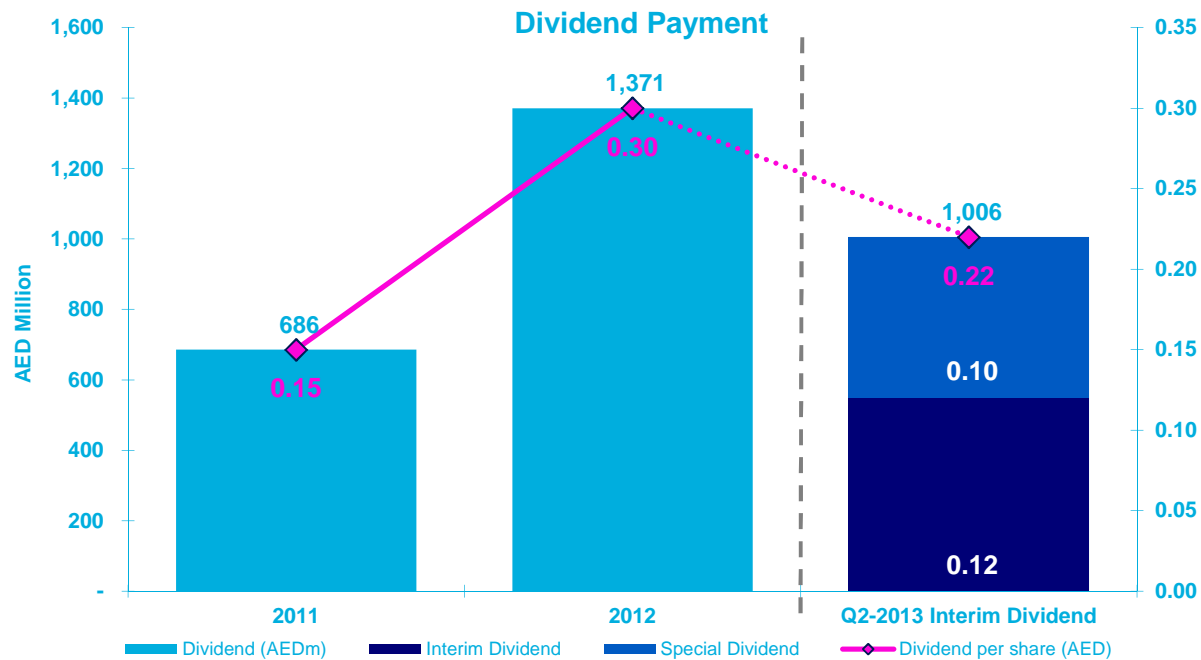


Year to Date Net Profit before Royalty (AEDm)



Progressive dividend payment history

Strong Capital Position



Delivering shareholder value

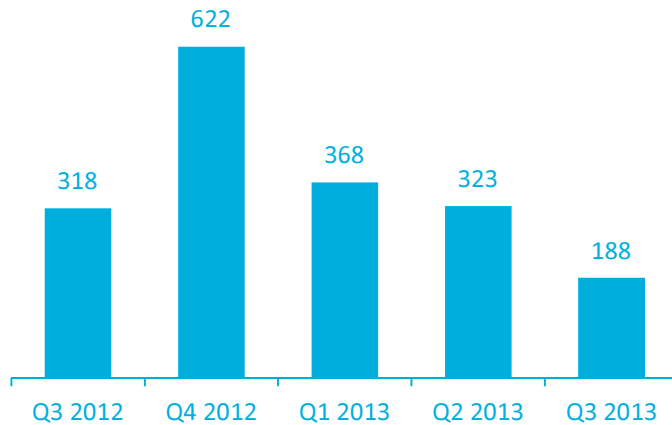
- In line with the Company's commitment to maximise shareholder value, du commenced an interim dividend programme from Q2 2013.
- In Q2 2013, du returned AED 1.0 billion to shareholders by way of a special dividend of AED 0.10 per ordinary share and an interim dividend of AED 0.12 per ordinary share.
- Dividends paid up to date reflect a progressive payment policy increasing from AED 0.15 per ordinary share in 2011 to AED 0.30 per ordinary share in 2012.



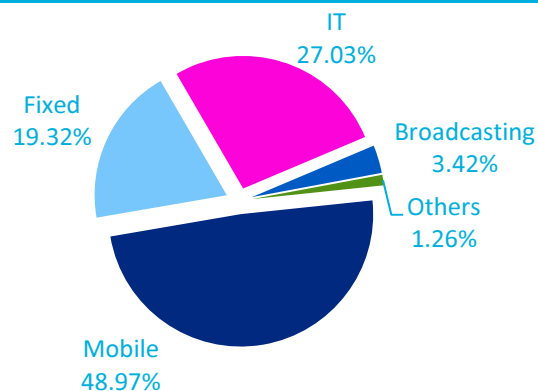
Capital Investments

Continued investment in operations

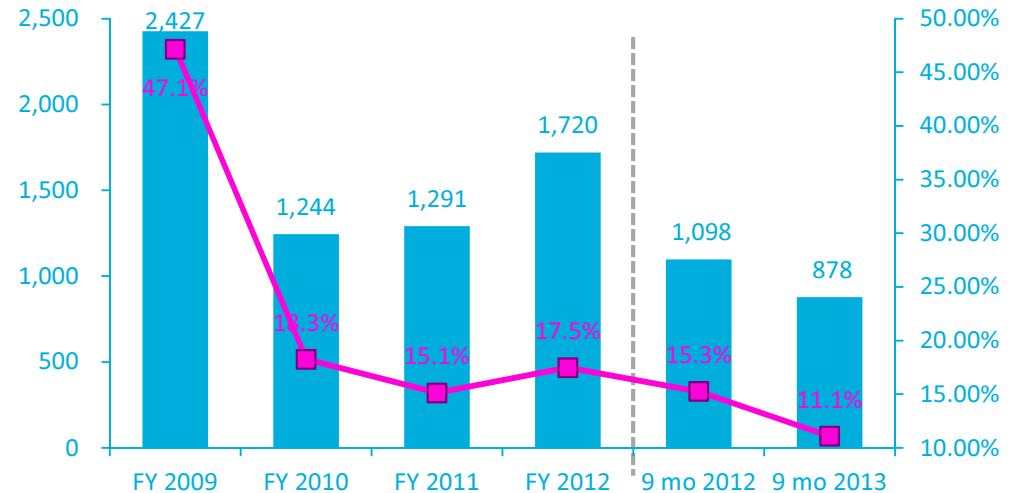
Quarterly CapEx Additions (AEDm)



CapEx Additions Breakdown Q3 2013



Year to Date CapEx Additions (AEDm)



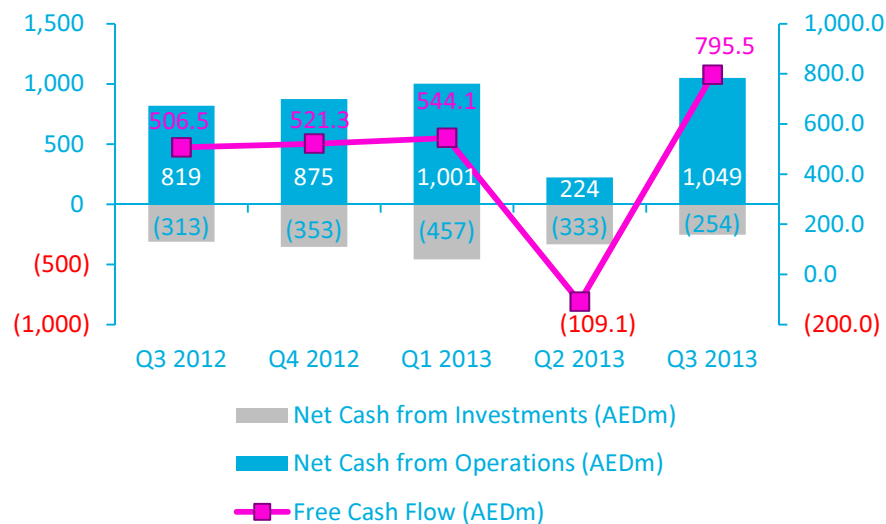
CapEx drives services and performance

- CapEx decreased 20% to reach AED 878 million in the first nine months of 2013, as the company focuses more on efficient and strategic growth.
- CapEx spending expected to increase in Q4 2013 due to upcoming LTE, 2G and 3G related projects.
- Investment strategy in line with evolving customer requirements and technology advances.

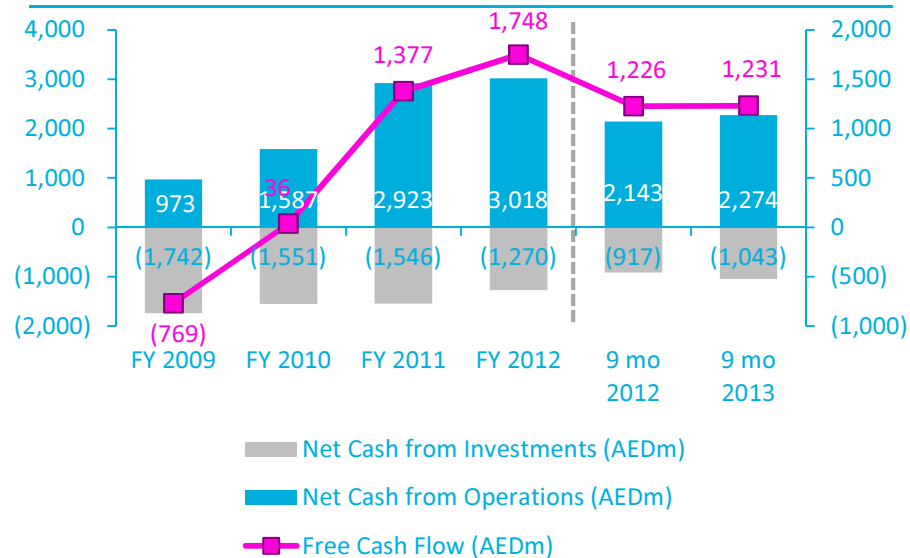
Cash & Debt overview

AED 838 million payment in royalty charges

Quarterly Free Cash Flow (AEDm)



Year to Date Free Cashflow (AEDm)

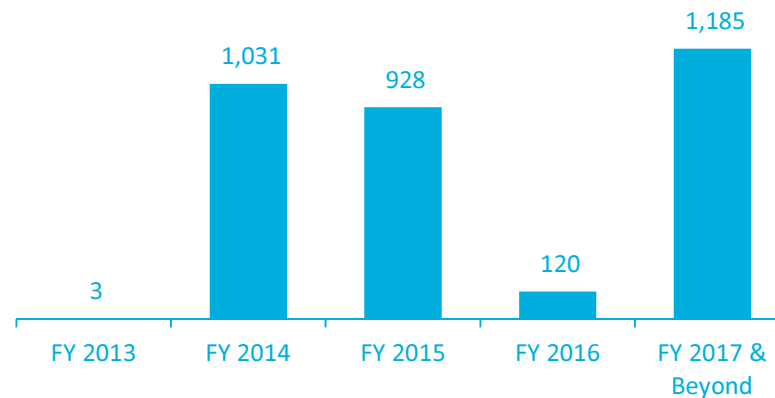


Bank Facilities

Loan Sources (AED Millions)	Available	Drawn
ECA - NSN Nordea	147	147
ECA - NSN KFW	761	419
Vendor - CISCO Capital	33	33
Club Facility - Long Term Loan	808	808
DBS - Bilateral Loan	367	367
SCB-Bilateral Loan	367	367
Club Facility - Long Term Loan	1837	1126
TOTAL DEBT FACILITIES	4,320	3,267
TOTAL CASH IN HAND		3,086



Debt Maturity Profile (AEDm)



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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
- Maximize return on investments and cash flow generation for our shareholders
- Sustained investment in our capabilities to maintain a strong performance and position the company for future growth
- Grow the mobile postpaid base by further pushing into the high-end segments of the market whilst protecting our position in the low-end segments
- Continue extracting value from international voice market
- Increase focus on mobile data and bundled offerings supported by continued emphasis on data network investments
- Provide seamless, superior and segmented customer experience



Q&A



