

# Full Year 2011 Results

Emirates Integrated Telecommunications Company PJSC

March 2012



# Disclaimer

- 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](mailto:investor.relations@du.ae) or by telephone on +971 4 434 5101.



# Contents



	Slide
Highlights of the Full Year & Fourth Quarter	4
Market Information	8
Financial Summary	10
Strategy & Outlook	23

# 2011 Year In Review

## Fifth year of sustained performance, further strengthened market position

- **Revenue**
  - 25.2% overall revenue growth achieved in 2011
  - Mobile revenues remain key driver of growth (29% increase year on year)
- **Growth in net profit**
  - Significant net profit before royalty growth at 48%
  - Net profit after royalty grew despite the increase in royalty year on year (AED 184m to AED 715m)
- **Continued acquisition of mobile market share** – reaching 46% (5.2 million active mobile customers)
- **Growing contribution from high-value post-paid customers and data usage**
  - Post-paid customers contributed 39% of mobile revenue growth as a result of innovation packages such as the Emirati Plan and Her Business Super Plan in 2011
  - Data usage increased more than 10% as a percentage of total recurring mobile revenue

## Continued financial optimisation

- **Free Cash Flow reached AED 1.4 billion** up from AED 36 million in 2010
- **Fully repaid AED 3 billion loan** with an efficient mix of cash and debt
- **Vendor financing agreements** continued to be utilised, optimising capex spend

## Proposed first dividend payment

- AED 0.15 per share

## Improved customer experience and continued investment in talent

- **Emiratisation reached 28% of our total workforce** compared to 23% in 2010, with 39% in higher management
- **Extensive talent development programmes** put in place – more than 5,000 training days in 2011
- **Comprehensive and proactive focus** continued addressing end to end customer experience

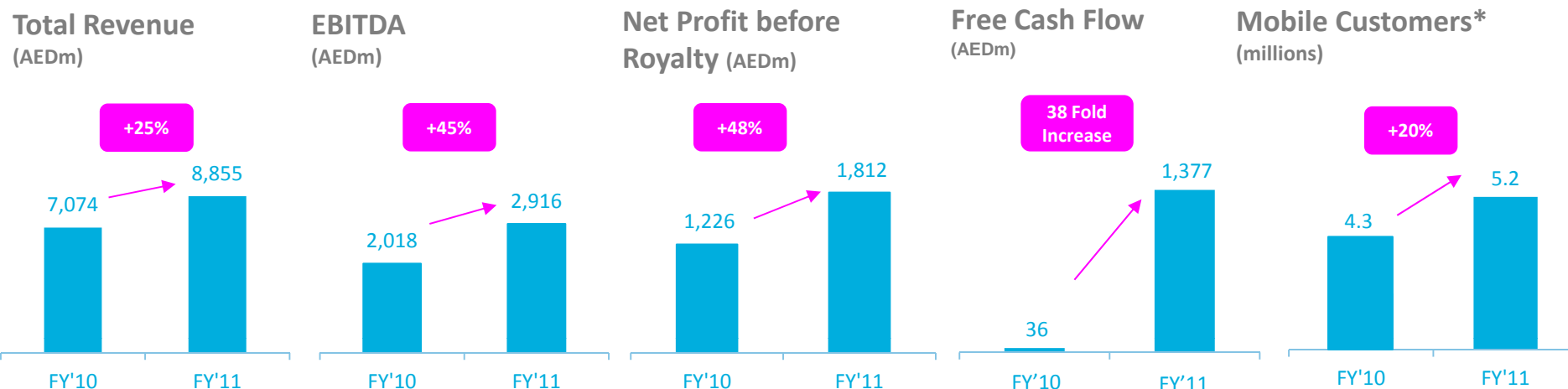
## Corporate governance

- **Ranked No. 1** in the S&P Hawkamah ESG (Environment, Social & Corporate Governance) Pan Arab Index



# Full Year Financial Highlights

48% increase in Net Profit before Royalty



## Record revenues

- Revenues of AED 8.9 billion for 2011 shows continued year on year growth up 25% from 2010
- 86% of growth from mobile segment
- 17% of growth from fixed line segment

## EBITDA improved

- EBITDA for 2011 stood at AED 2.9 billion, up 45% compared to 2010
- EBITDA percentage up from 28.5% to 32.9%

## Increasing profitability

- 48% increase in net profit before royalty compared to the same period in 2010
- Net profit after royalty grew from AED 1.0 billion to AED 1.1 billion, despite increased royalty payment
- Royalty for 2011 at 15% of net profit plus 5% of total company revenue, equated to AED 715 million compared to AED 184 million charged in 2010 (15% Net Profit)

## Increasing free cash flow

- Free Cash Flow reached AED 1.4 billion up from AED 36 million in 2010
- Four quarters of Free Cash Flow generation
- Strong balance sheet with minimum leverage

## Customer growth

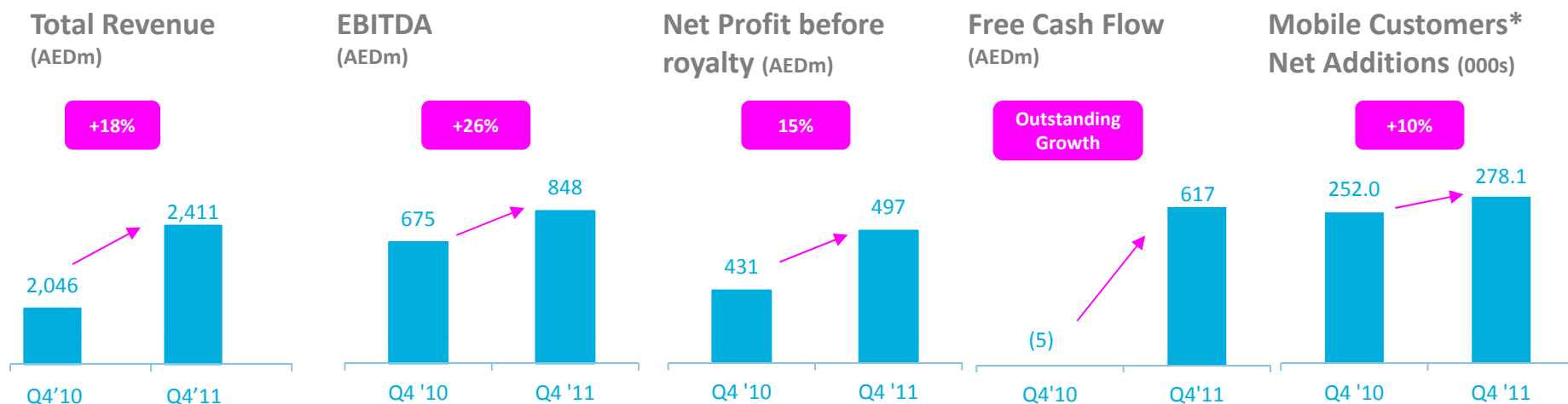
- Continued to expand customer base
- 46% mobile market share
- 29% telecom value share



\* 90 Days Active

# Q4 Financial Highlights

Revenue up 18% to AED 2.4 billion



## Record revenues

- Total revenues for the fourth quarter reached AED 2.4 billion, an 18% increase compared to Q4'10

## EBITDA improved

- EBITDA grew 26% to AED 848.3 million in Q4'11
- EBITDA percentage at 35.2% up from 32.9%

## Increasing profitability

- Net profit before royalty increased by 15% to AED 497.4 million in Q4'11

## Very strong free cash flow generation

- Record Quarter; continuation of trend

## Customer growth

- Net customer additions in Q4'11 remained strong at 278,100, bringing total mobile customer base to 5.2 million
- Mobile market share improved from 45.2% to 46%



# Contents

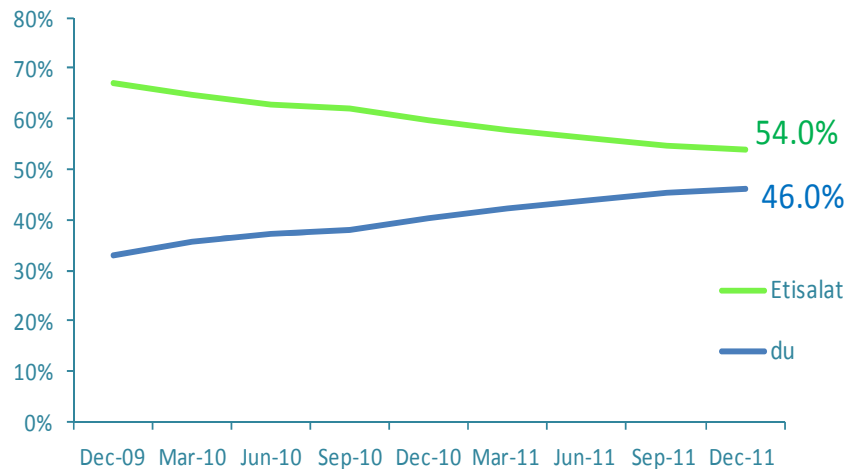


	Slide
Highlights for the Full Year & Fourth Quarter	4
Market Information	8
Financial Summary	10
Strategy & Outlook	23

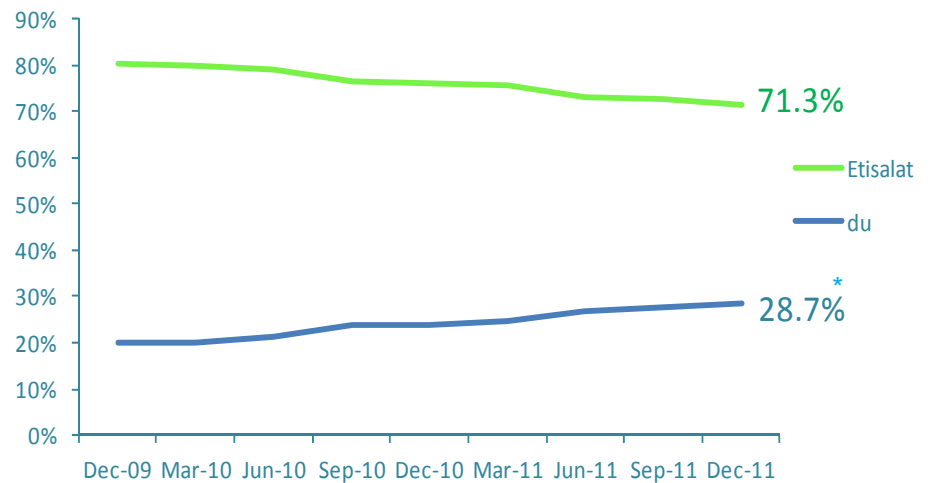
# Market overview

Strengthened market position – focus on gaining revenue share

## UAE Mobile Subscribers - Market share quarterly evolution



## UAE Telecom Market - Revenue share quarterly evolution



\* Full year 2011 du revenue share is 27%

Source: TRA Market statistics, Etisalat Quarterly/ Annual financial reports, February 2012

UAE

- Population: (December 2011 <sup>e</sup>) 5.88 million
- Population growth: (2011 <sup>e</sup>) 6%
- GDP: (2010 <sup>e</sup>) US\$ 302.04 bn
- GDP per capita: (2010 <sup>e</sup>) US\$ 57,884

(Source: TRA – February 2012, IMF – September 2011)





# Contents

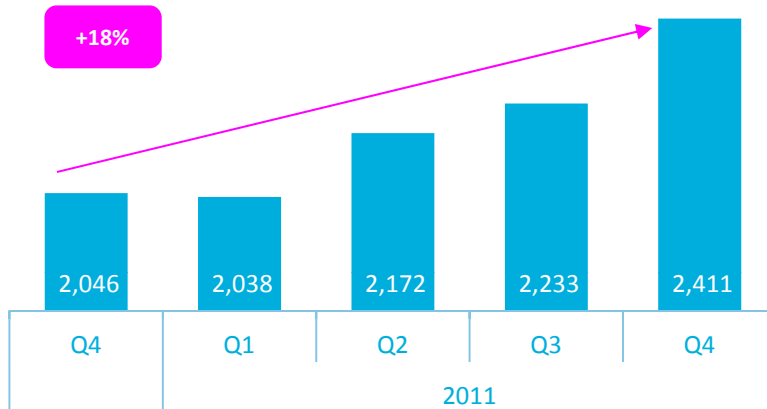


	Slide
Highlights for the Full Year & Fourth Quarter	4
Market Information	8
Financial Summary	10
Strategy & Outlook	23

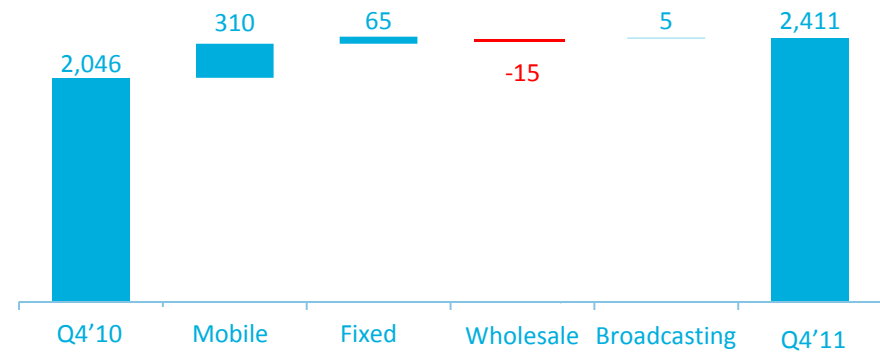
# Revenues

Mobile business remains core driver of growth

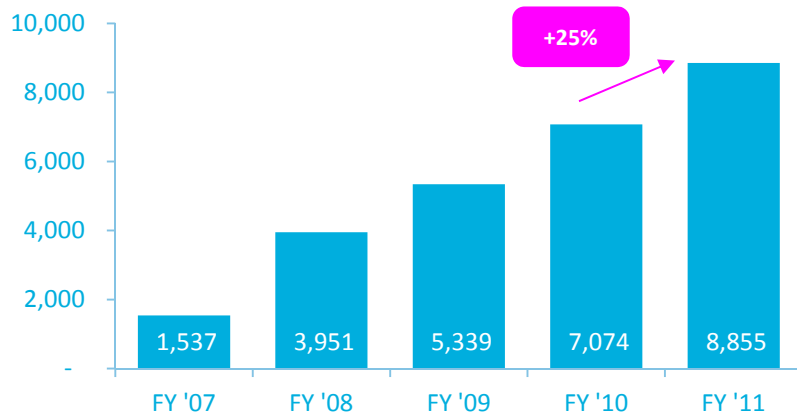
## Quarterly Revenue (AEDm)



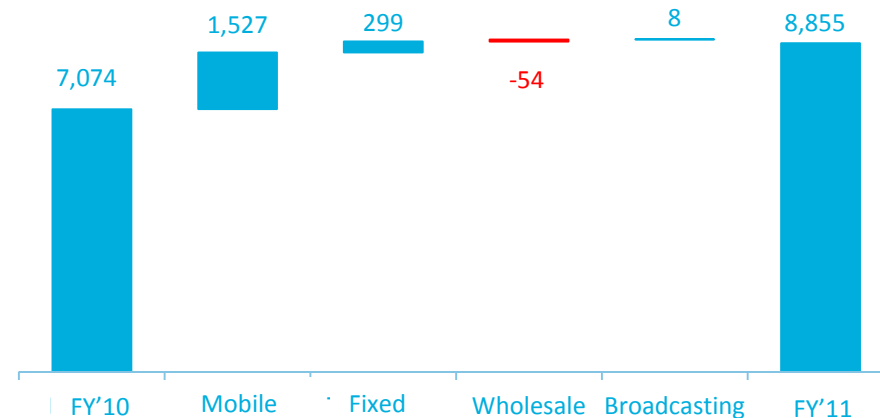
## Revenue Quarter Change (AEDm)



## Full Year Revenue (AEDm)



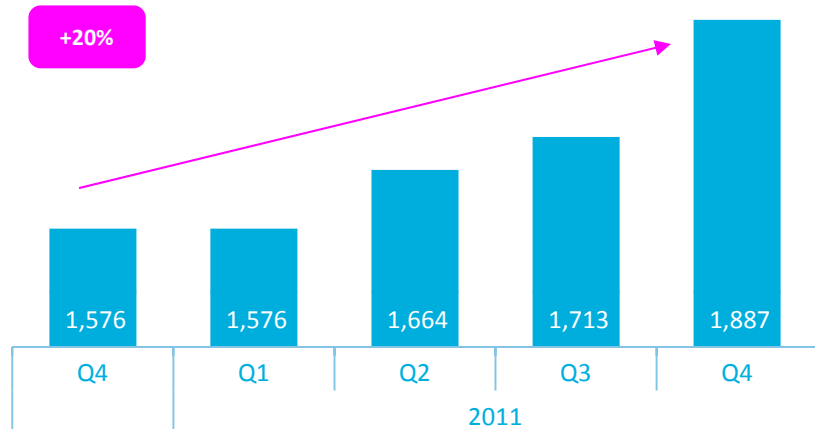
## Revenue Year on Year Change (AEDm)



# Revenue Drivers - Mobile

Significant increase in data as a proportion of mobile revenues

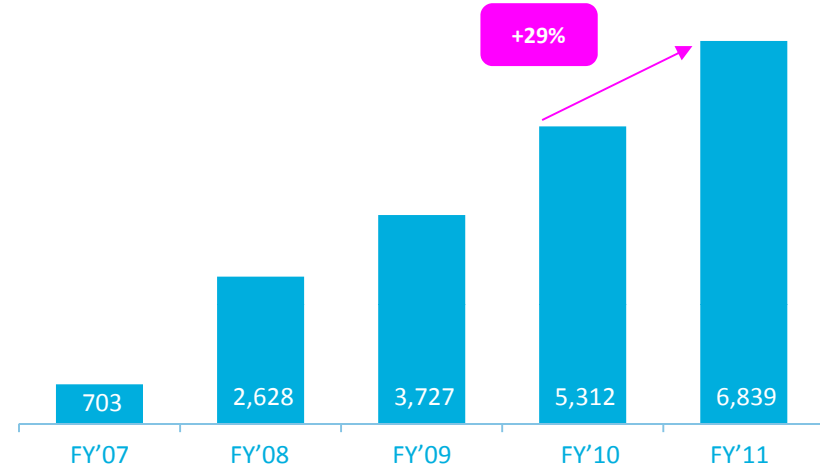
## Quarterly Mobile Revenues (AEDm)



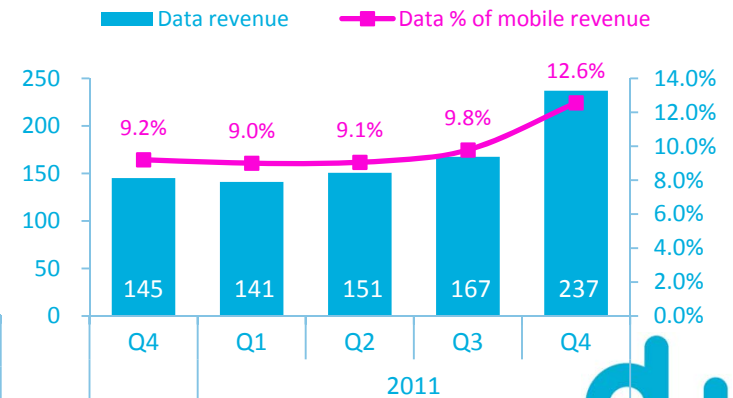
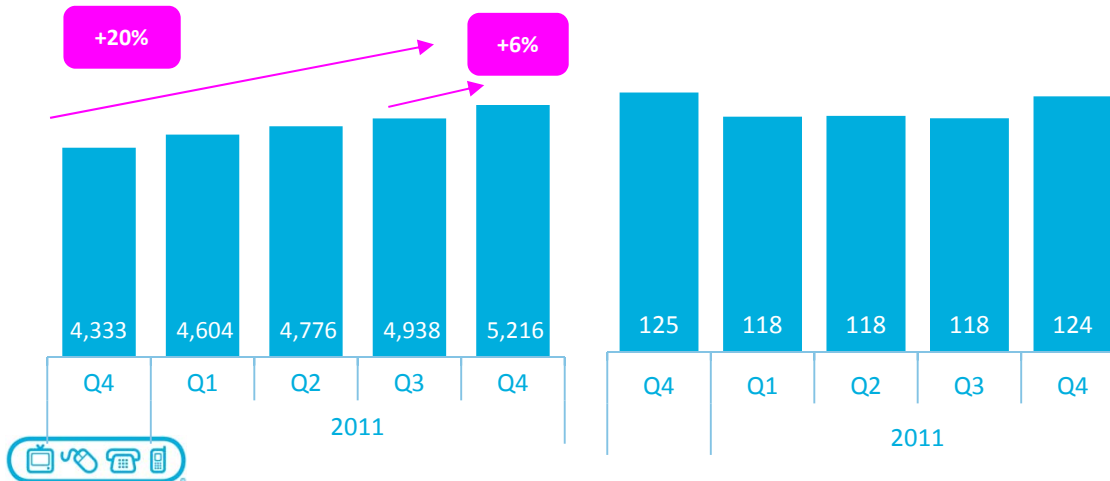
Mobile Subscribers  
Active 90 days ('000)

Mobile ARPU (AED)

## Year on Year Mobile Revenues (AEDm)



Mobile Data (AEDm)



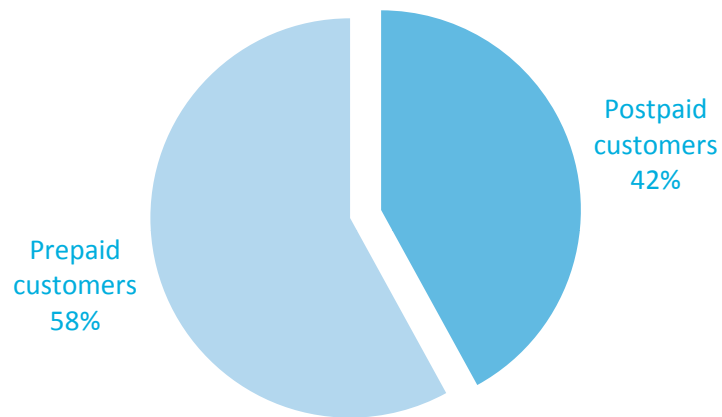
\* Data includes MMS, SMS, GPRS,  
net of discounts

# Revenue Drivers – Mobile

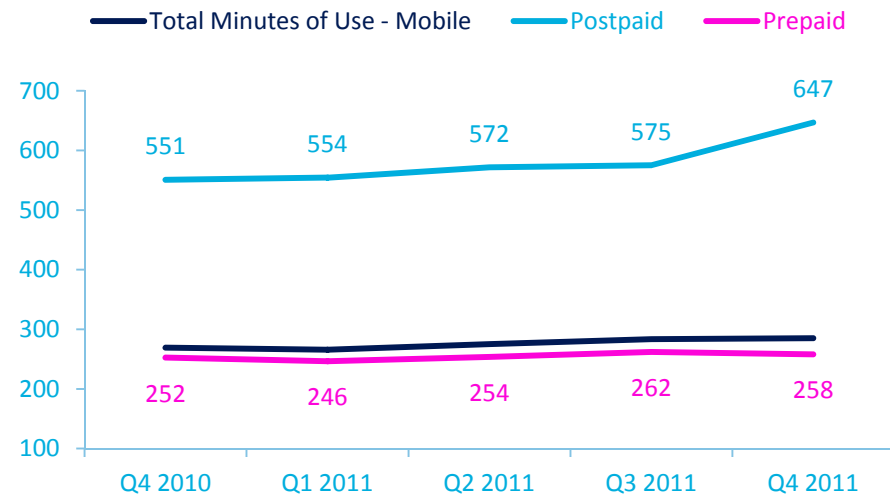
Growing strength in post-paid customer base

## Contribution to growth in mobile revenues

(excluding inbound roaming and handset revenue)



## Minutes of use by customer segment



### Healthy contribution from high-value post-paid customers

- Full year contribution stood at 39% of growth in mobile revenues

### Segment continues to grow thanks to ongoing product and service development and innovation through initiatives such as:

- New 'Emirati Plan' – a plan targeted at Emirati customers and their specific requirements
- Growth of 'Her Business Super Plan' – a plan designed to empower female entrepreneurs and SME owners

### Continued upward trend in minutes of use

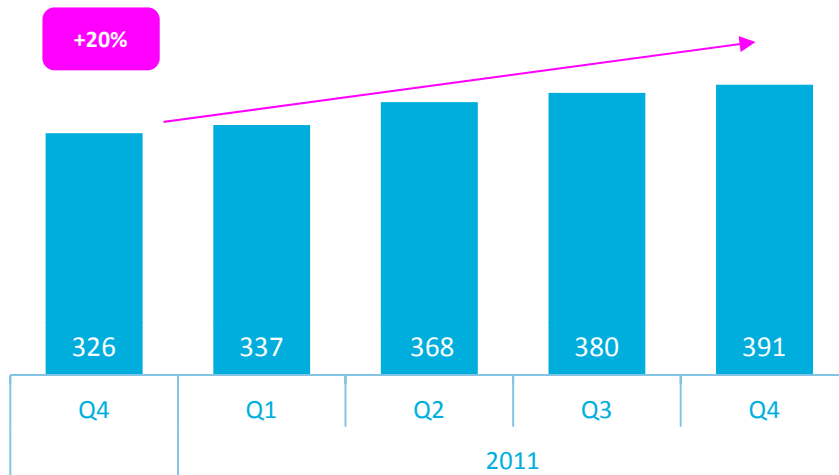
- Particular improvement in the post-paid segment in Q4



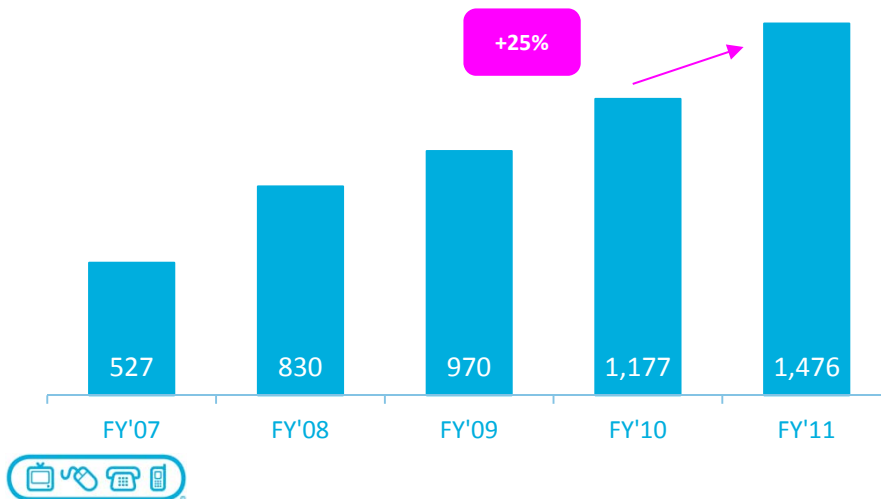
# Revenue Drivers – Fixed

Healthy growth in full year fixed revenues

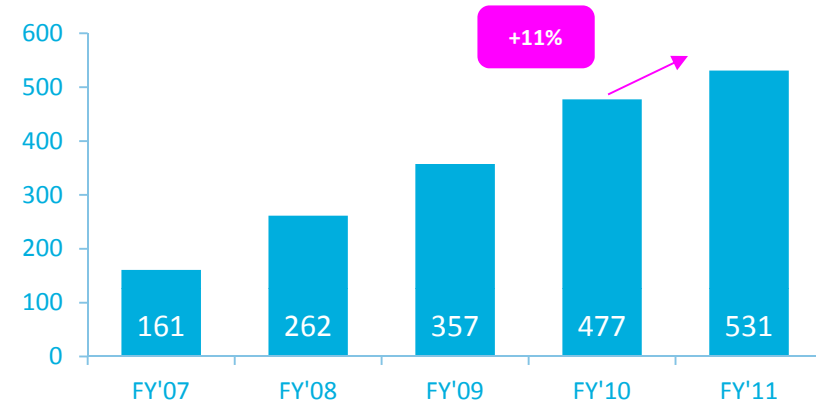
## Quarterly Fixed Revenue (AEDm)



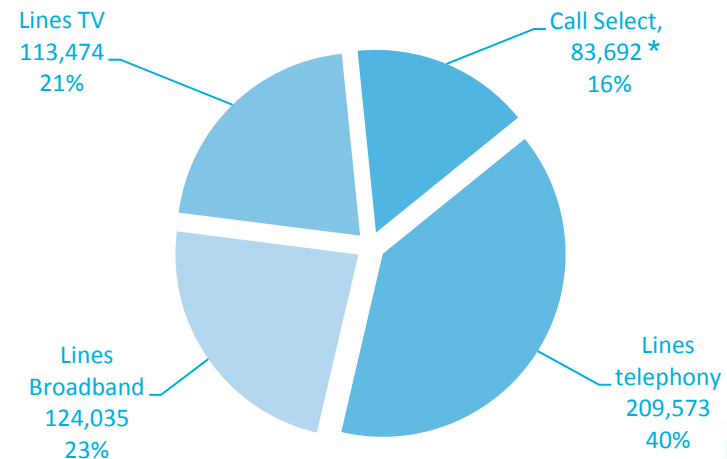
## Year on Year Fixed Revenue (AEDm)



## Year on Year Fixed Line Subscribers ('000)



## Fixed line breakdown (Q4'11)



\* 30 Days Active

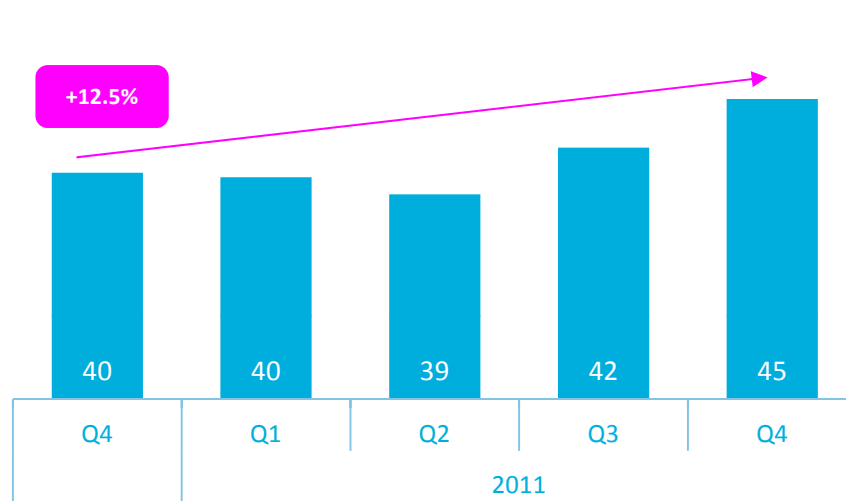


وتحيا بها الحياة  
add life to life

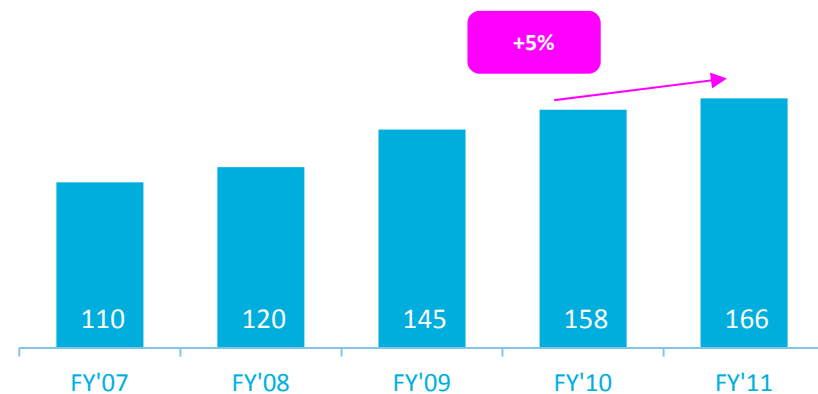
# Revenue Drivers

Wholesale & Broadcasting businesses remain steady

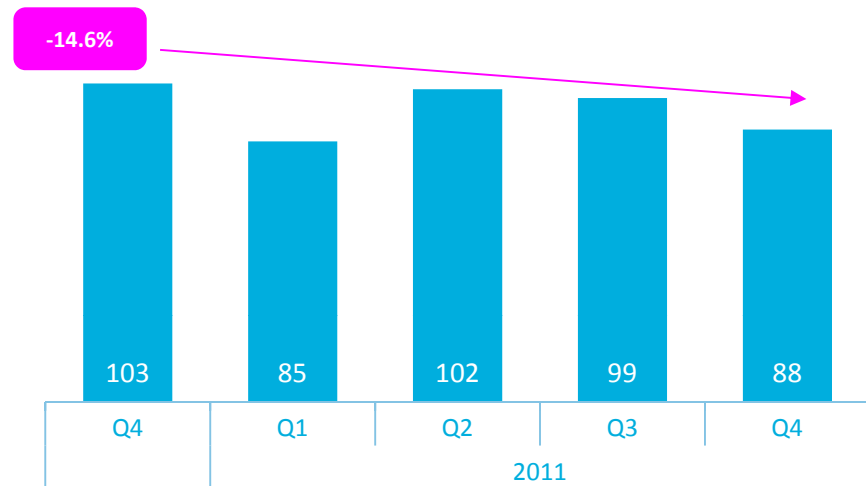
## Quarterly Broadcast Revenues (AEDm)



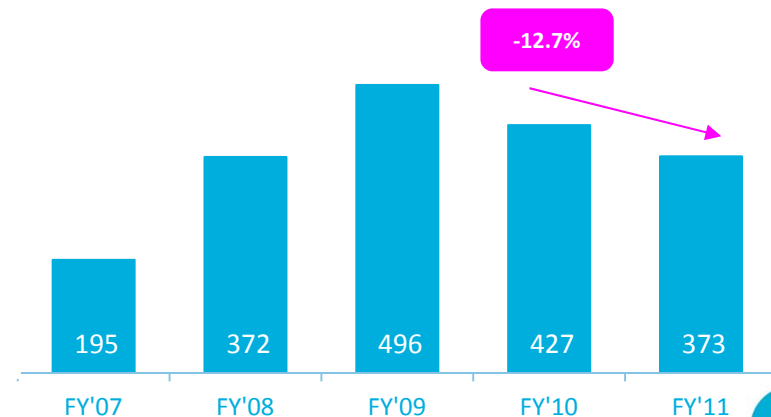
## Year on Year Broadcast Revenues (AEDm)



## Quarterly Wholesale Revenues (AEDm)



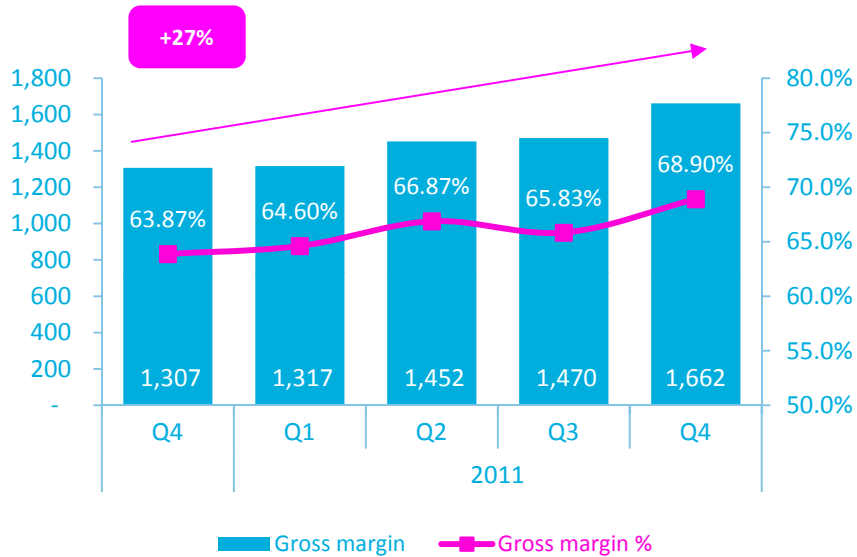
## Year on Year Wholesale Revenues (AEDm)



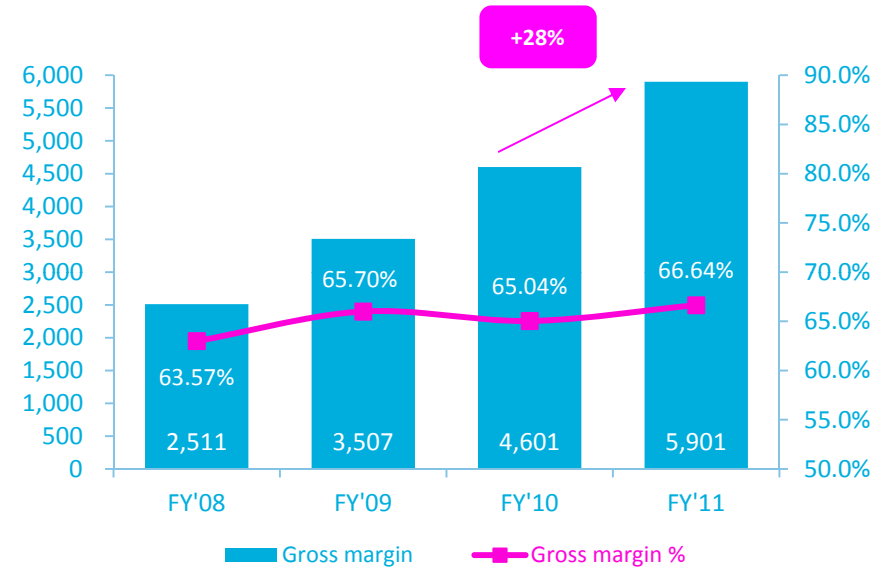
# Gross Margin

Healthy growth in gross margin both for the quarter and the full year

## Quarterly Gross Margin (AEDm)



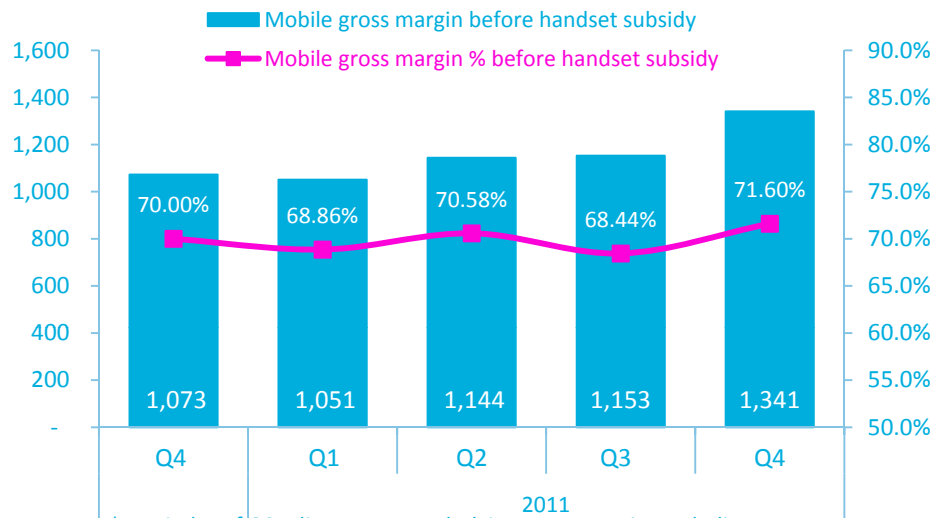
## Year on Year Gross Margin (AEDm)



# Gross Margin

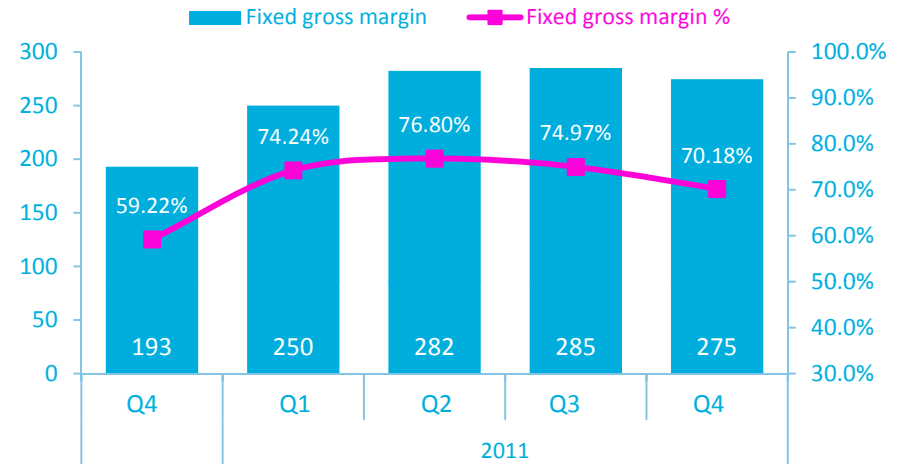
By Segment

## Mobile Gross Margin (AEDm) before handset subsidy

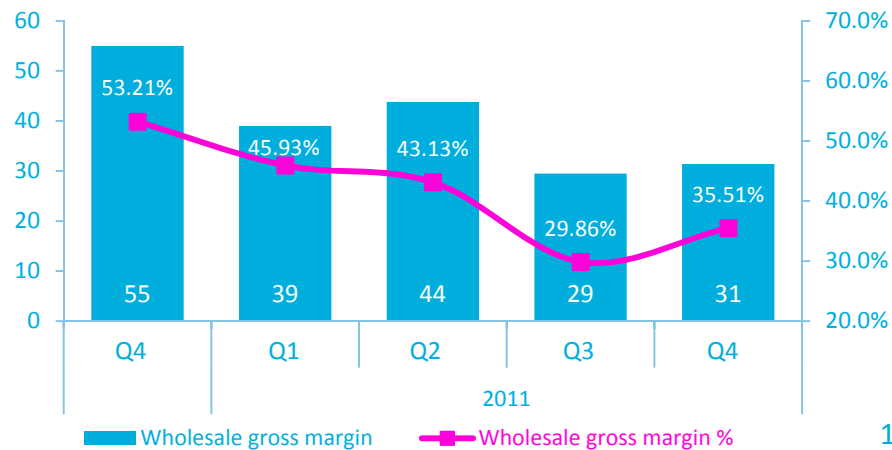


\*Reminder of Q2 adjustment - Underlying gross margin, excluding one off benefit of AED 41 million relating to a dispute settlement

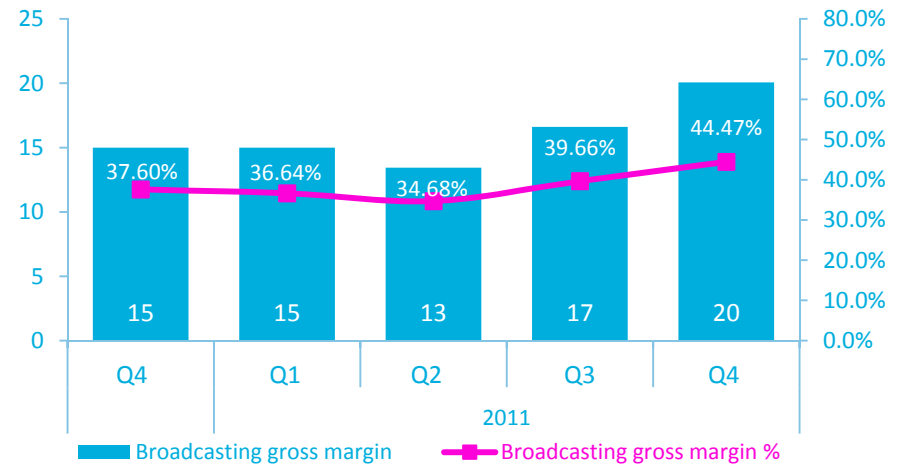
## Fixed Gross Margin (AEDm)



## Wholesale Gross Margin (AEDm)



## Broadcasting Gross Margin (AEDm)

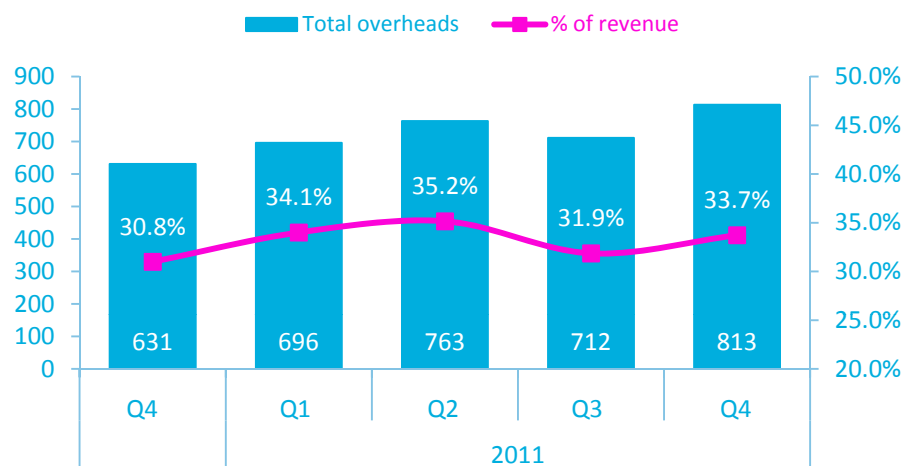




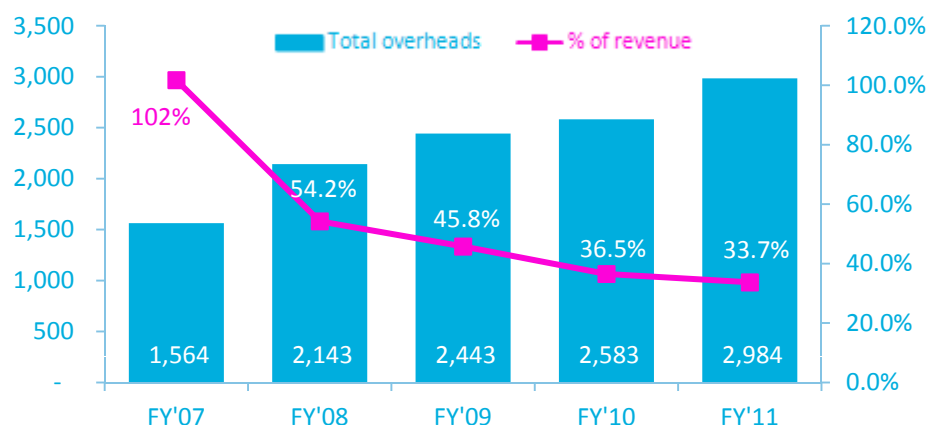
# Overheads

Control maintained

## Quarterly Overheads (AEDm)



## Year on Year Overheads (AEDm)



Overheads as a Percentage of Revenue	Q4 '10	Q4 '11	FY'10	FY'11
Manpower	14%	16%	17%	16%
Telecommunications license & related fees	2%	2%	2%	2%
Sales & Marketing expenses	3%	4%	5%	4%
Bad debts	3%	1%	2%	1%
Network operation & maintenance	6%	8%	8%	8%
Rent & utilities	2%	2%	2%	2%
Miscellaneous	1%	1%	1%	1%
<b>Total Overheads as % of Revenue</b>	<b>31%</b>	<b>34%</b>	<b>37%</b>	<b>34%</b>

### Control on overheads maintained

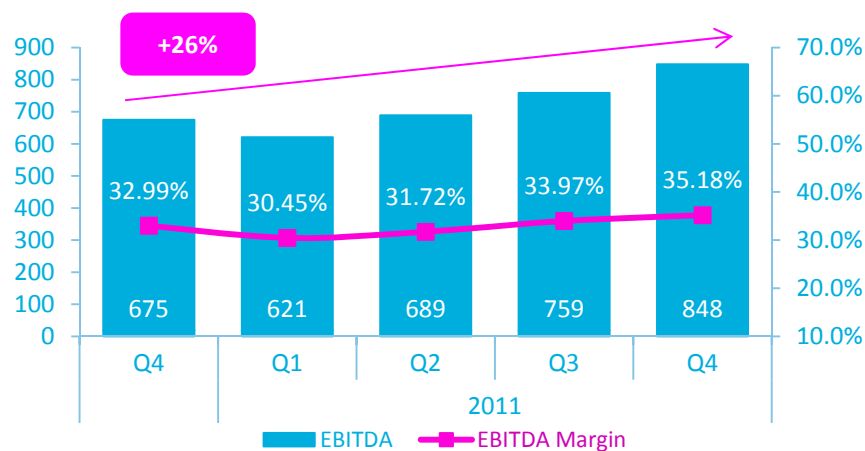
- While overheads increased slightly as a percentage of revenue in Q4 2011 compared to Q4 2010, full year overheads decreased 280 basis points



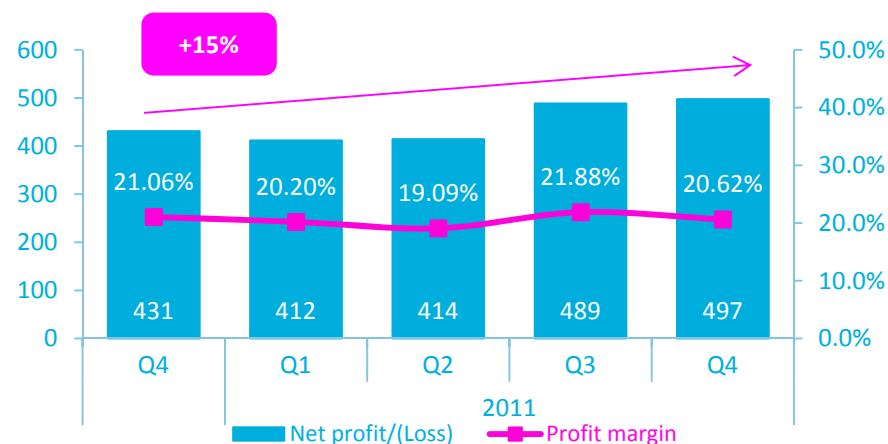
# Profitability

Strong performance in both EBITDA and Net profit before Royalty

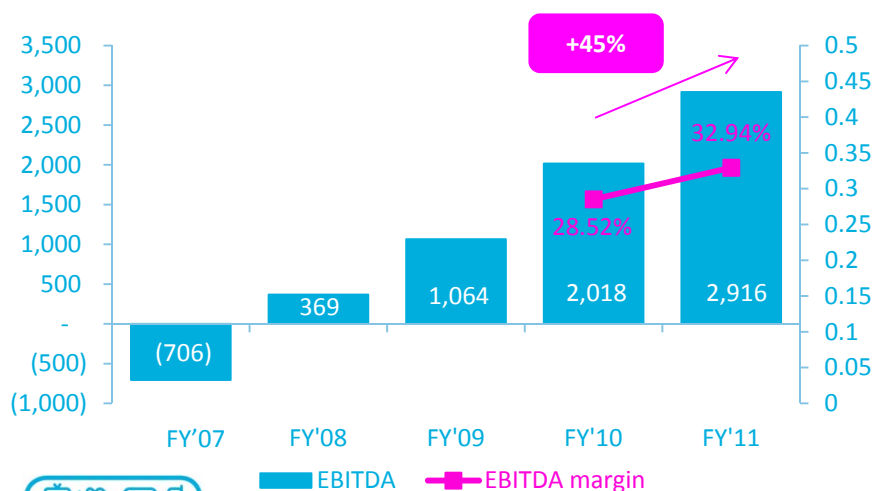
## Quarterly EBITDA (AEDm)



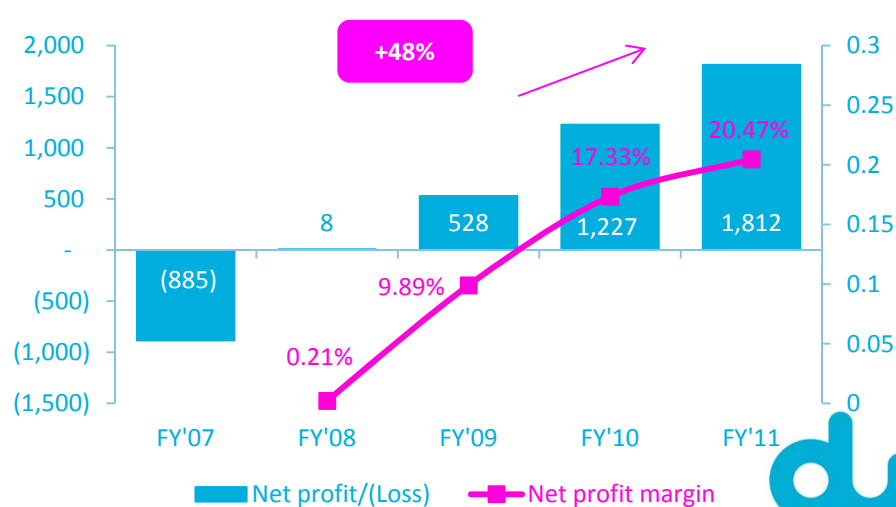
## Quarterly Net Profit before Royalty (AEDm)



## Year on Year EBITDA (AEDm)



## Year on Year Net Profit before Royalty (AEDm)

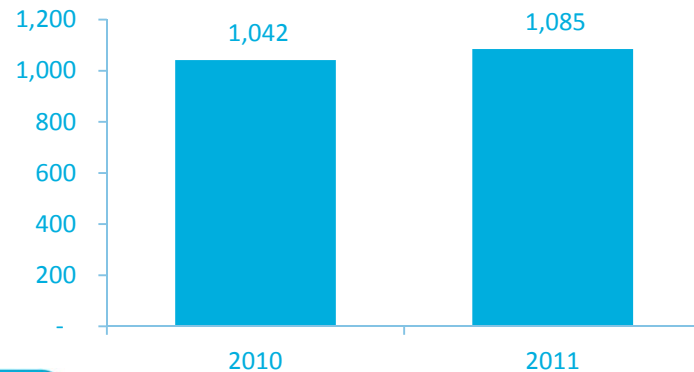


# Profitability

Excluding one-off, Net Profit after Royalty increased year-on-year

## Net Profit after Royalty (AEDm)

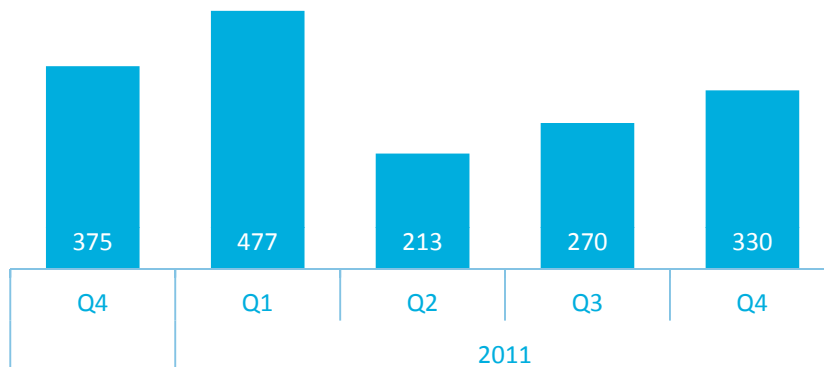
	2009 (AED)	2010 (AED)	2011 (AED)
Net Profit before Royalty	528 million	1,226 million	1,812 million
Provisioning for Net Profit at 50%	268 million		
Royalty rate	--	15% of net profit	15% of net profit + 5% of total revenue
Royalty payment	--	184 million	715 million
<b>Net Profit after Royalty</b>		<b>1,042 million</b>	<b>1,085 million</b>
Write back		268 million write back relating to 2009 provision	
Net Profit after Royalty (including write backs)		1,310 million	1,085 million



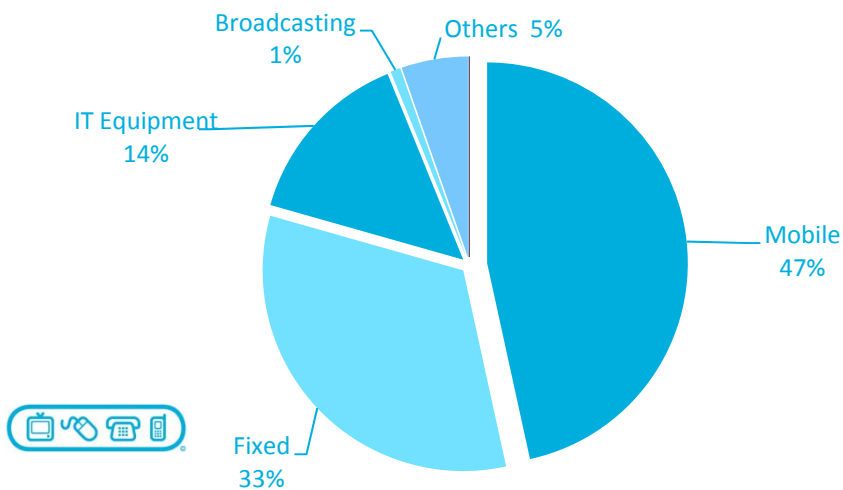
# Capital Investments

Maintained spend

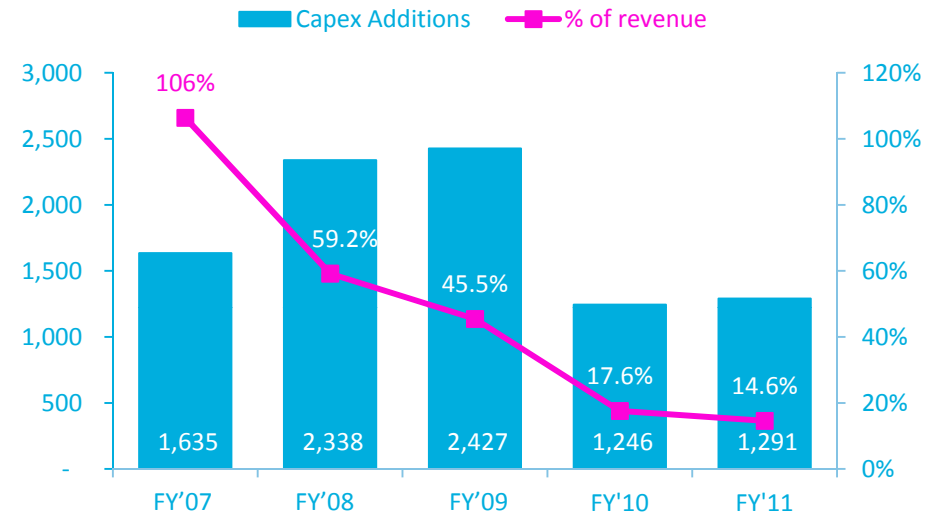
## Quarterly Capex additions (AEDm)



## Full Year Capex additions breakdown



## Year on Year Capex additions (AEDm)



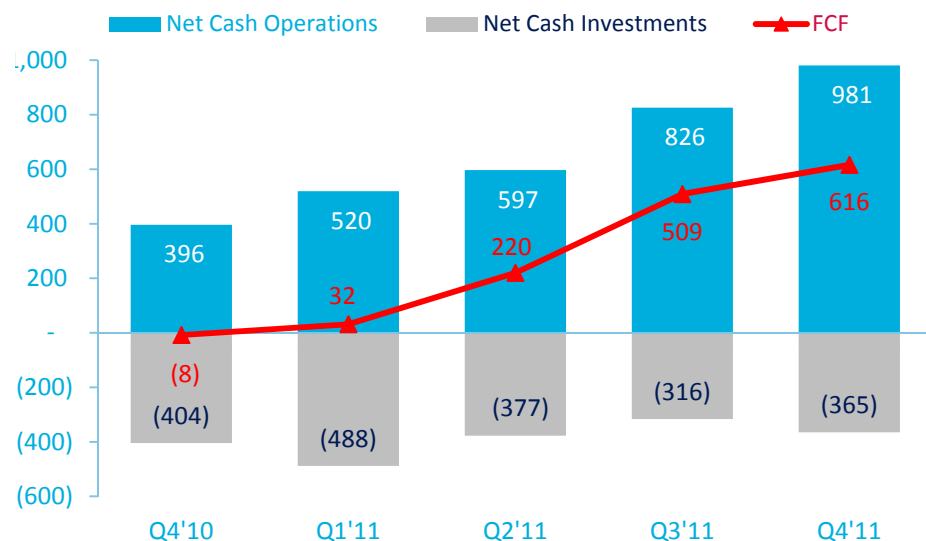
## Continued investment in mobile and fixed networks

- Efficiencies have led to capex spend remaining flat compared to 2010

# Cash & Debt overview

Strong free cash flow in 2011

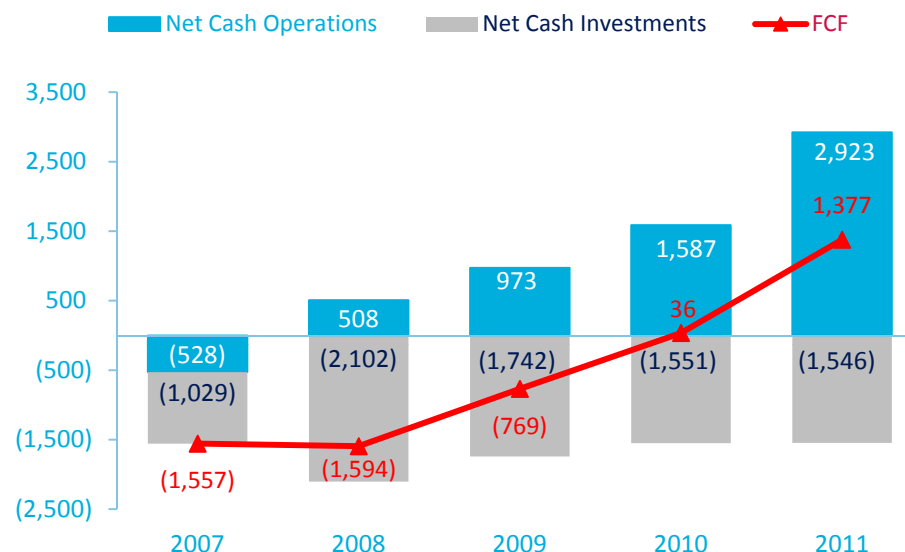
## Quarterly Free cash flow (AEDm)



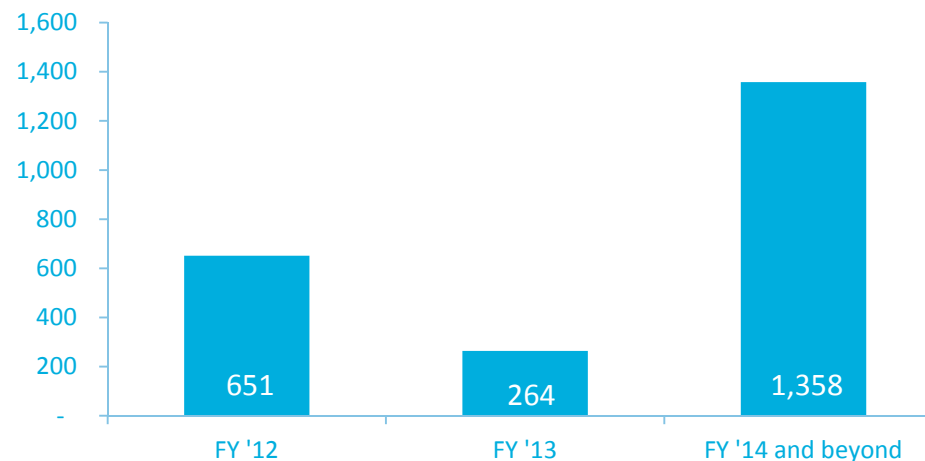
## Bank facilities

Loan Sources (AED Millions)	Available	Drawn
ECA - NSN/Nordea	988	808
ECA - NSN/KfW	761	162
Vendor - Huawei Bridge	625	418
Vendor - CISCO Capital	76	76
Club Facility- Long Term Loan	809	808
<b>TOTAL DEBT FACILITIES</b>	<b>3,258</b>	<b>2,272</b>
<b>TOTAL CASH IN HAND</b>		<b>2,376</b>

## Year on Year Free cash flow (AEDm)



## Debt maturity profile



# Contents



	Slide
Highlights for the Full Year & Fourth Quarter	4
Market Information	8
Financial Summary	10
Strategy & Outlook	23

# Strategy & Outlook

## Growth through efficiency

- Focus on profitable growth and increase of value share
- Deliver superior segmented customer experience
- Increased focus on mobile data and bundled offerings
- Introducing nation-wide competition in fixed-line services
- Continued emphasis on operational efficiencies
- Maximize returns of network investments and cash flow generation



# Q&A





