

# FY 2010 Results

Emirates Integrated Telecommunications Company PJSC

March 2011



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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
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- 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.



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# 2010 Year In Review

Evolving and growing through value creation

## Record results & strengthened market position

- **Market share grew significantly** to 40.2% of the market – 4.3 million active mobile subscribers
- **Expanded product portfolio** - More than one new product and service offering introduced every week in 2010
- **Expanded network coverage** - 2G now at 99% of UAE population, 3G now at 86% of UAE population (+6% YoY)
- **89% growth in post-paid** customers to 6% of subscriber base

## Robust financial health

- **Underlying earnings per share grew by 85% to AED 0.24** from AED 0.13 in 2009 –(Published EPS AED 0.31 in 2010 against AED 0.06 in 2009
  - Positive crystallization of royalty liability; AED 268 m provision released as no longer required; charge for 2010 at 15%
- **Free cash flow positive** status achieved
- **Optimisation of capital structure progressing well**
  - **US\$1 billion raised**
    - AED 1 billion rights issue – oversubscribed
    - Vendor financing deals with Nokia Siemens Networks and Huawei

## A strong year for talent

- **New management training programme** ‘Great Managers’ to recognise and cultivate managers with potential
- **Gallup - employee engagement increased significantly** over past two years, top quartile of companies worldwide

## Established long term diversified strategy

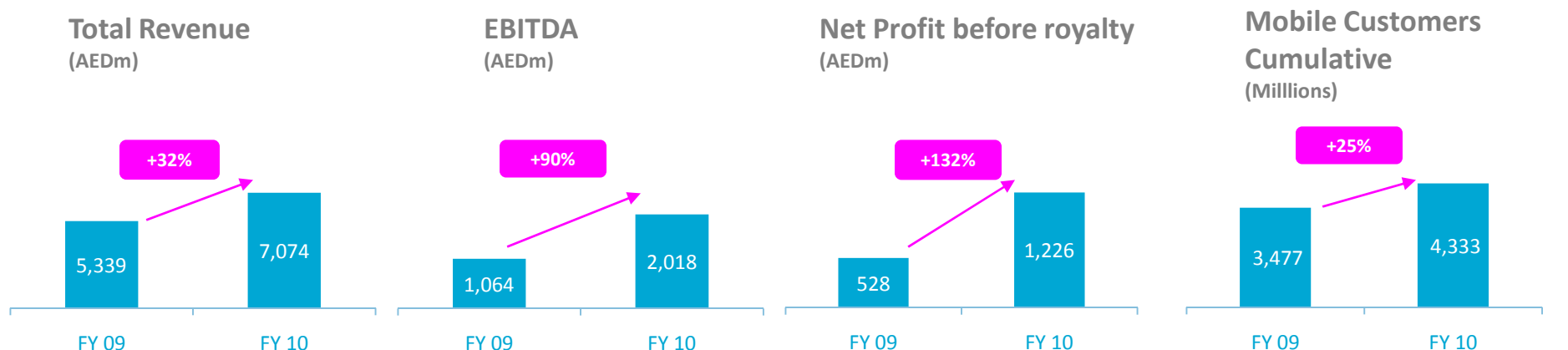
- **Diversified into new growth areas** through establishment of Established EITC Holdings Company



- Launched Anayou

# Full Year Financial Highlights

Strong full year EBITDA and Net Profit growth



## Record revenues

- Continued strong growth of 32% for the full year to reach AED 7,074 million, versus AED 5,339 million in 2009.

## Margins improved

- EBITDA increased 90%.
- EBITDA margins for the full year increased to 29% (up from 20% in 2009) as a result of effective cost control and operational improvements

## Increasing profitability

- Net profit before royalty for 2010 has grown 132%, compared to 2009.
- Net profit after royalty was AED 1,310 million, following the announcement by the UAE Federal Govt that the royalty rate for the Company for 2010 is 15%.
- Write-back of AED 268 million relating to royalty provisions prior to 1st January 2010, the payment start date announced
- The royalty for subsequent years will be advised to the Company in due course.

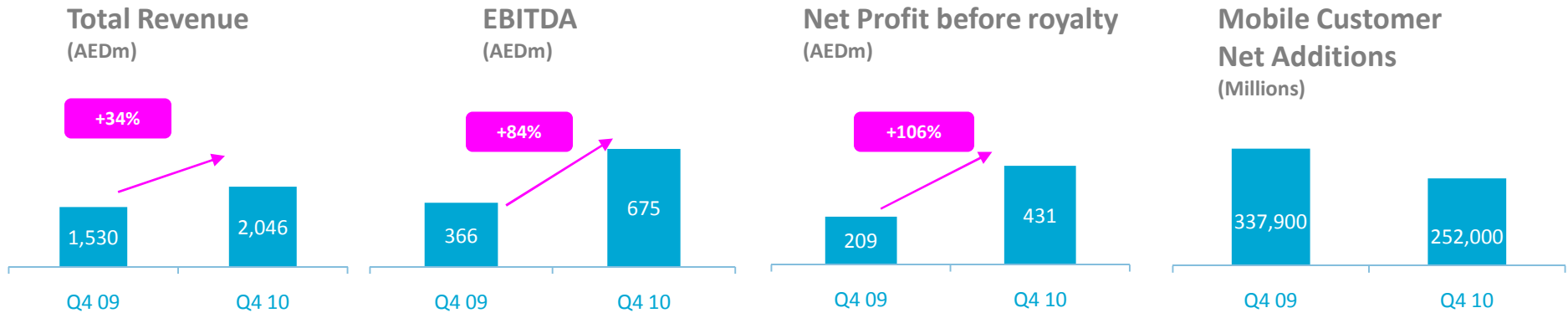
## Customer growth

- 856,000 net active mobile customers added during the year



# Q4 Financial Highlights

Customer acquisition sustained - 252,000 mobile customers added



## Record revenues

- Quarterly revenue continues to reach new highs
- Total revenues up 34% driven by further subscriber growth and increased ARPU

## Margins improved

- EBITDA margins improved to 33% up from 30% in Q3 10 and 24% in Q4 09

## Increasing profitability

- Net profit before royalty increased 32% vs Q3 2010
- 106% increase in net profit before royalty over Q4 09 (AED 209 million)
- Net Profit after royalty was AED 913 million for the quarter, based on the 15% royalty rate recently announced by the TRA.
- The recent announcement on royalties has resulted in a credit of AED 482 million, comprised the release of AED 268 million in provisions held against royalties no longer payable for the prior period and AED 278 million relating to 2010 provision release

## Customer growth

- Sustained momentum in post-paid mobile customers, 50,600 added in Q4 10, total 260,000, equal to 6% of mobile customer base



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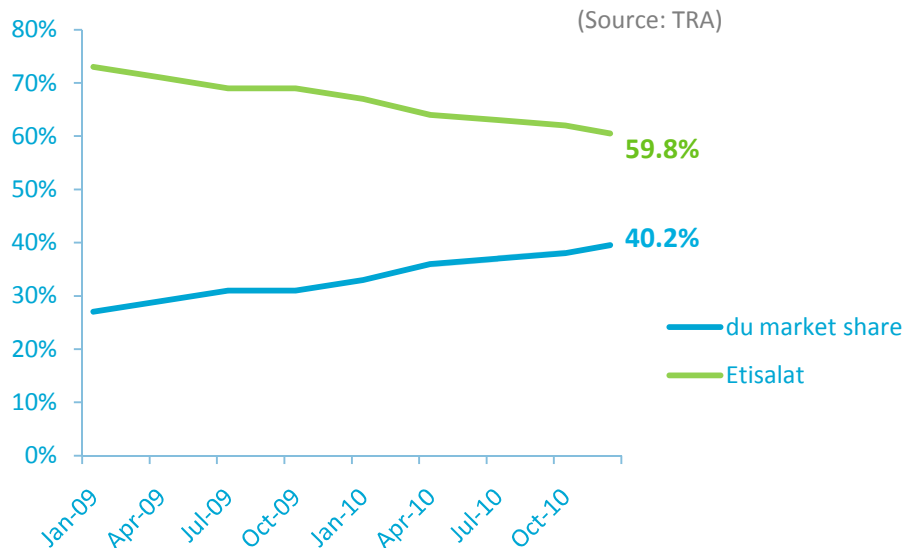


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# Market overview

Strengthened market position

## UAE Mobile Subscribers Market share evolution



- Fair competition in a two-player market
- Characterised by high penetration rate and attractive ARPU levels
- **Regulatory development**
  - Mobile number portability
  - Infrastructure sharing agreement

UAE

- Population: (2010 <sup>e</sup>) 5.43 million
- Population growth: (2010 <sup>e</sup>) 4%
- GDP: (2010 <sup>e</sup>) US\$ 239.7 bn
- GDP per capita: (2010 <sup>e</sup>) US\$ 47,406

(Source: TRA, IMF)





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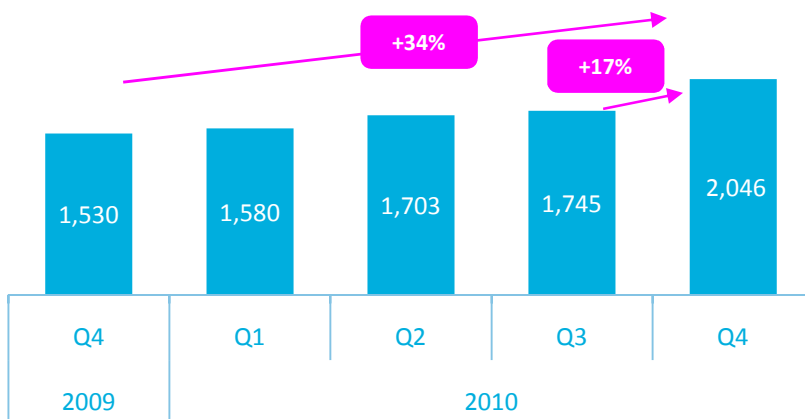


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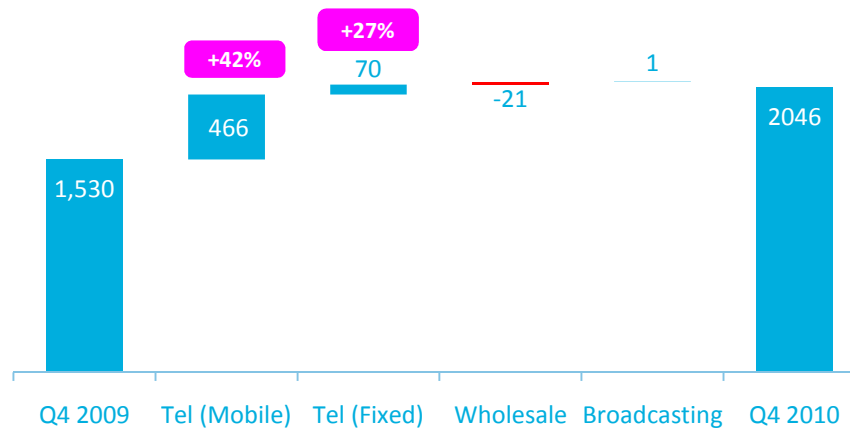
# Revenues

Record full year revenues driven by mobile

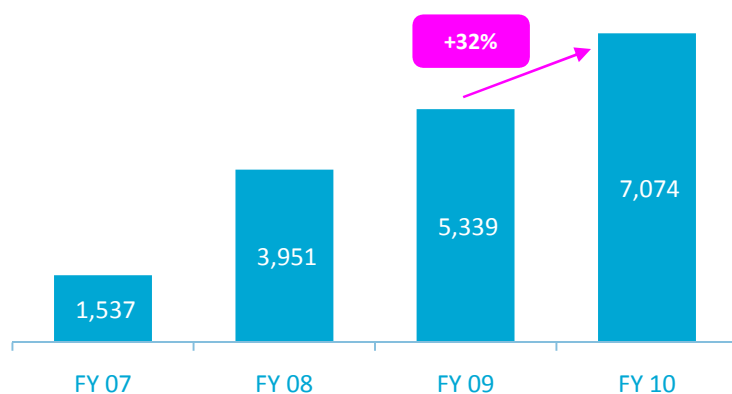
## Quarterly Revenue (AEDm)



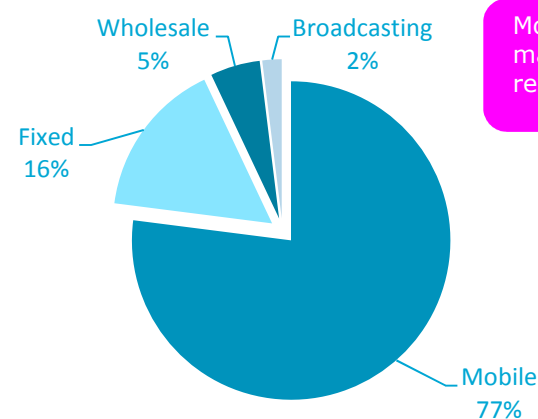
## Revenue Year on Year Change (AEDm)



## Yearly Revenue (AEDm)



## Q4 2010 Revenue split



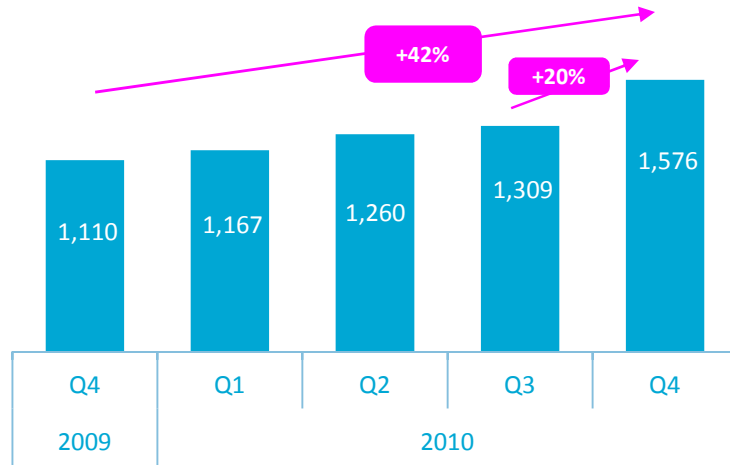
Mobile remains a major driver of revenues



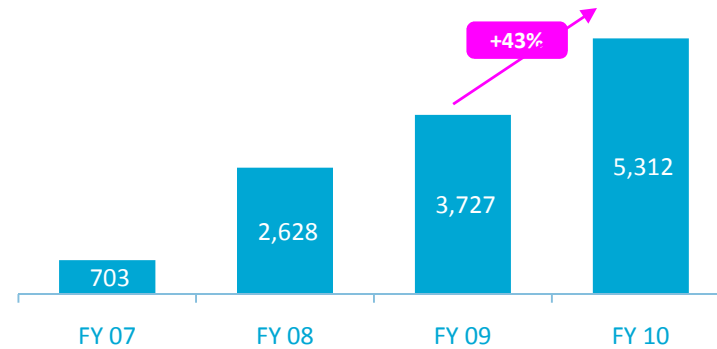
# Revenue Drivers - Mobile

Full year revenues reach AED 5.3 billion

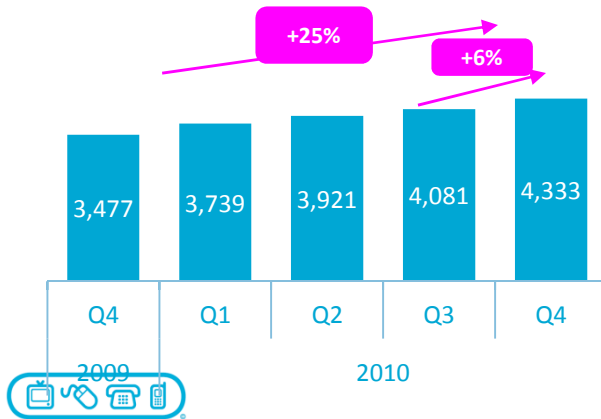
## Quarterly Mobile Revenues (AEDm)



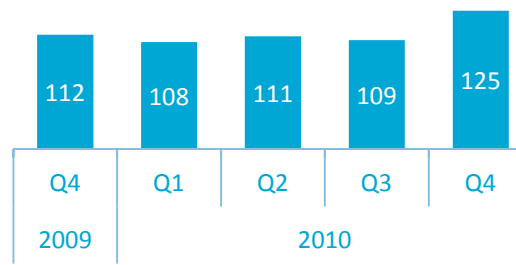
## Yearly Mobile Revenues (AEDm)



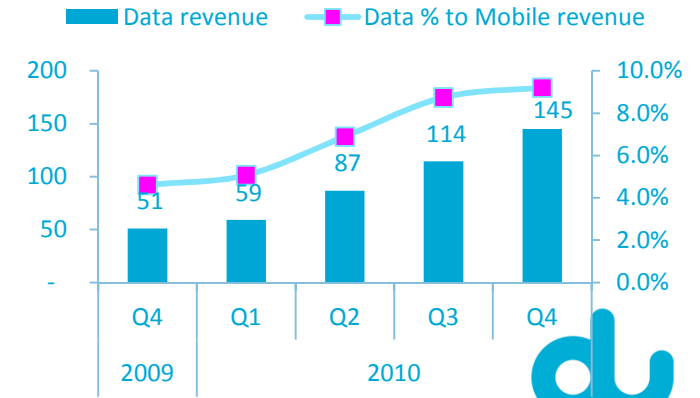
## Mobile Subscribers Active 90 days ('000)



## Mobile ARPU (AED)



## Mobile Data (AED '000)



\* Data includes MMS, SMS, GPRS

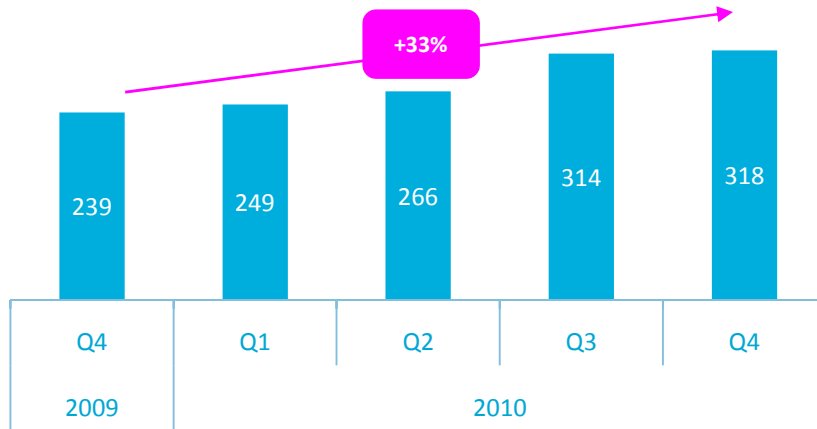


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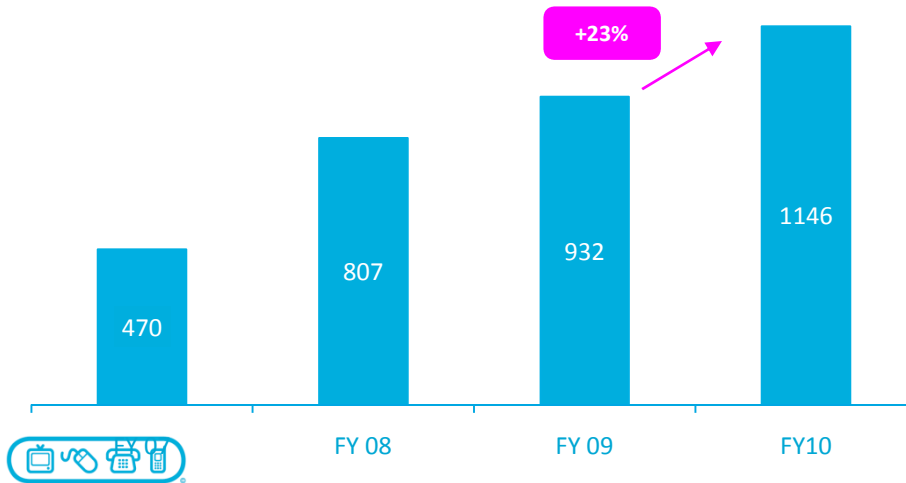
# Revenue Drivers – Fixed

40% growth in fixed line subscriber base

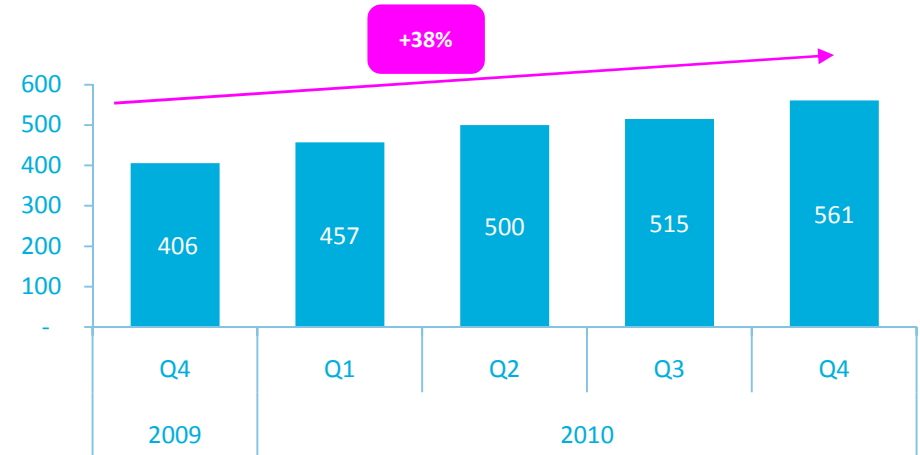
Quarterly Net Fixed Revenue (AEDm)



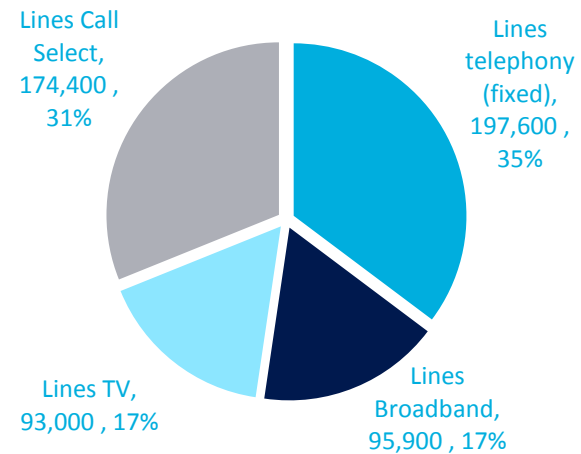
Yearly Net Fixed Revenue (AEDm)



Fixed Line Subscribers (,000)



Fixed line breakdown (Q4)

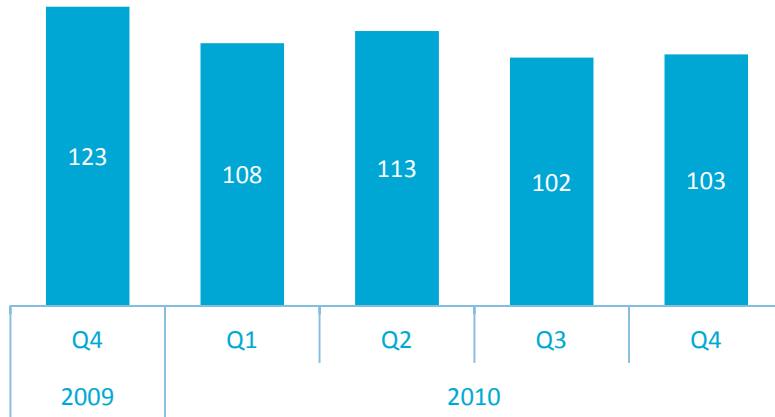


Total fixed lines increased 38% year on year closing with 561,000 lines; 45,500 lines added during the quarter

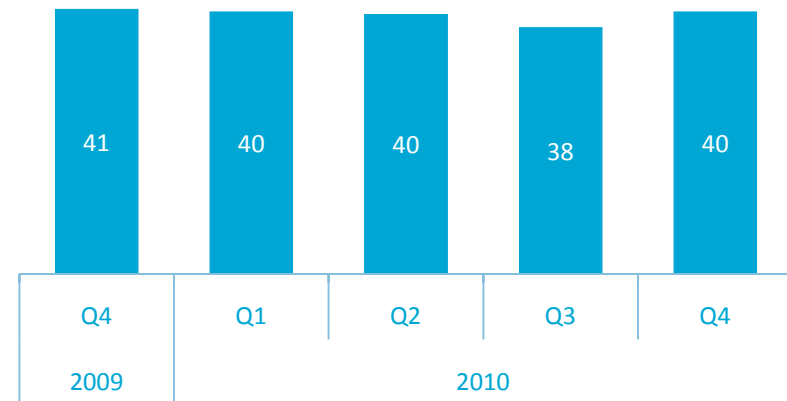
# Revenue Drivers

## Wholesale & Broadcasting

### Quarterly Wholesale Revenues (AEDm)

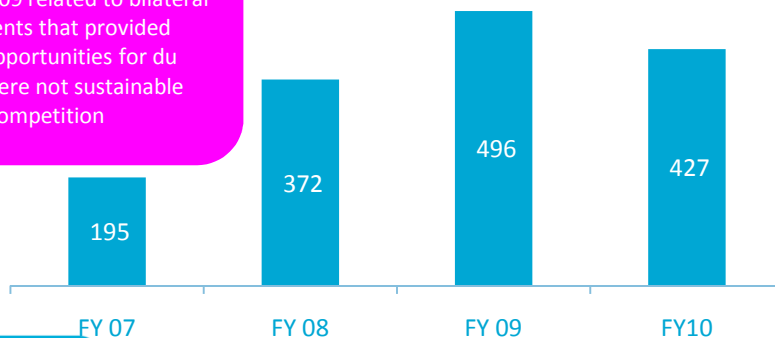


### Quarterly Broadcast Revenues (AEDm)

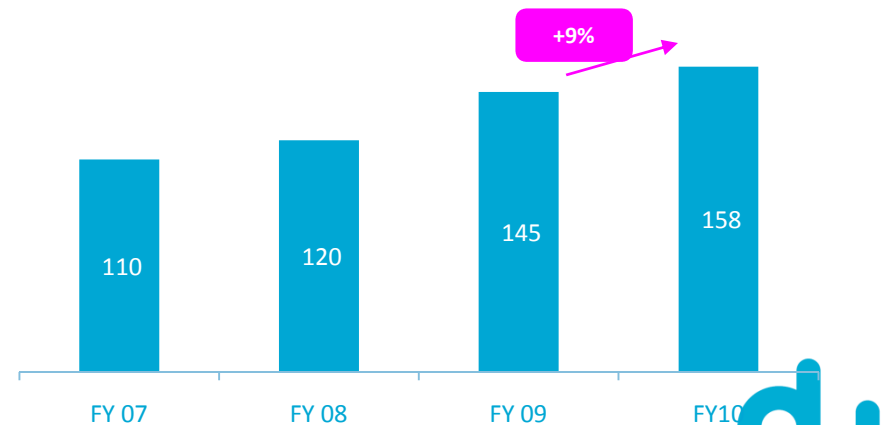


### Yearly Wholesale Revenues (AEDm)

Decrease partially due to a one-off increase in revenues in Q2 2009 related to bilateral agreements that provided traffic opportunities for du which were not sustainable due to competition



### Yearly Broadcast Revenues (AEDm)

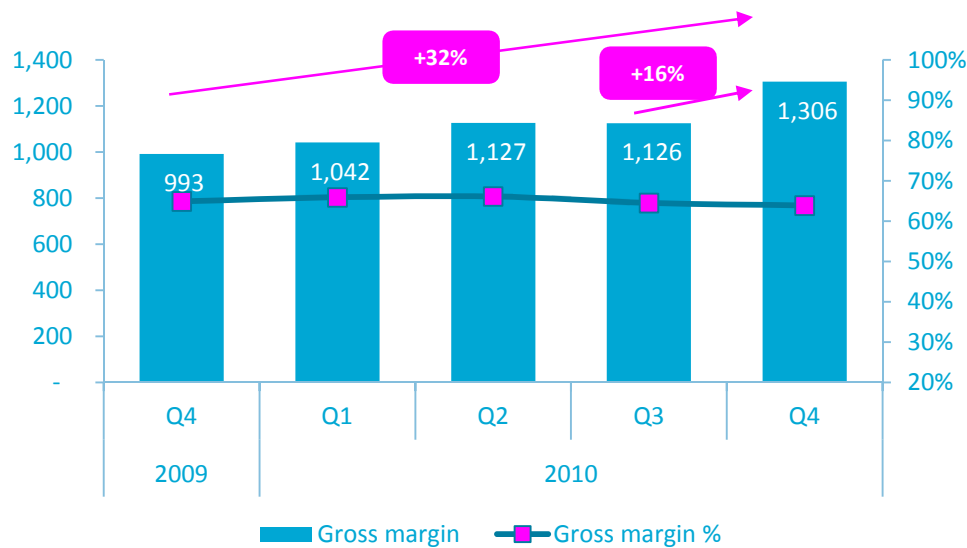


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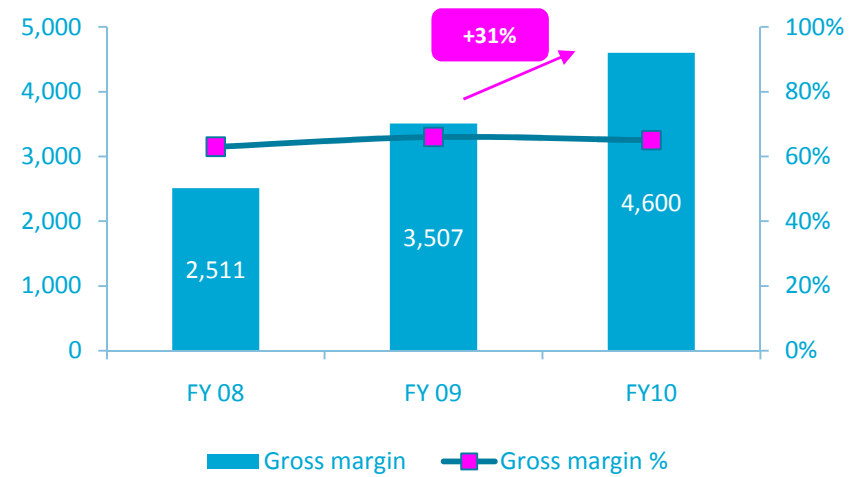
# Gross Margin

Solid year-on-year margin growth

Quarterly Gross Margin (AEDm)



Yearly Gross Margin (AEDm)



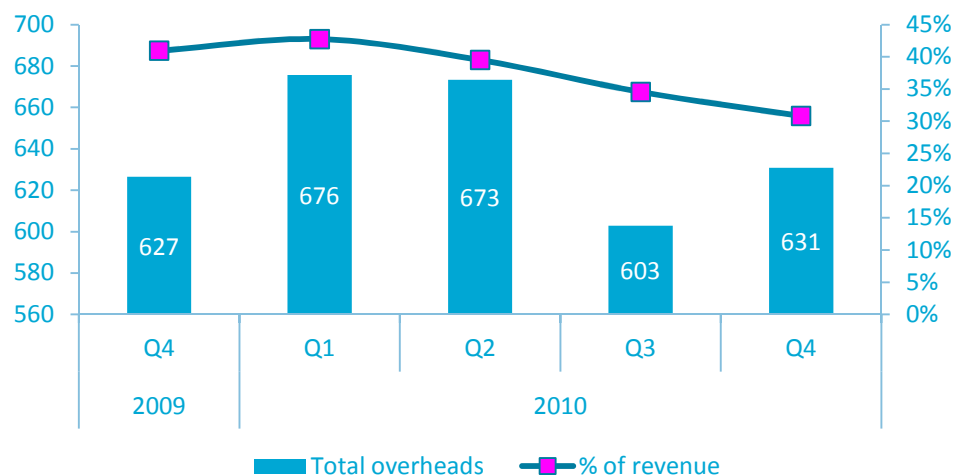
- Gross margin for 2010 increased 31% year on year to 4.6 billion
- Gross margin as a percentage of revenue was 65% for 2010



# Overheads

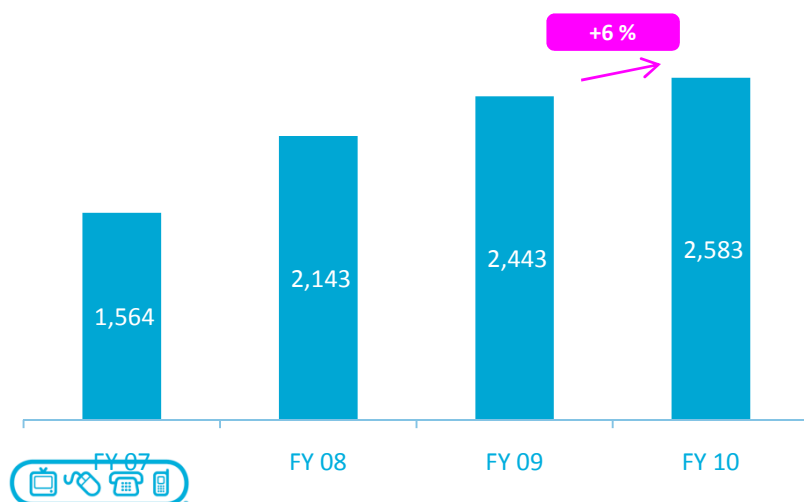
Contained despite significant growth in subscribers and revenues

## Overheads (AEDm)



Overheads as a percentage of revenue				
	Q4 09	Q410	FY 09	FY 10
Payroll & Employee related expenses	13%	10%	30%	31%
Consulting, contracting & outsourcing costs	4%	4%	10%	15%
Telecommunications licence & related fees	1%	2%	5%	7%
Sales & Marketing expenses	5%	3%	13%	12%
Bad debts	1%	3%	2%	5%
Network operation & maintenance	11%	6%	26%	22%
Rent & utilities	5%	2%	11%	5%
Impairment of property, plant & equipment	1%	1%	3%	3%
<b>Total Overheads as % of revenue</b>	<b>41%</b>	<b>31%</b>	<b>46%</b>	<b>37%</b>

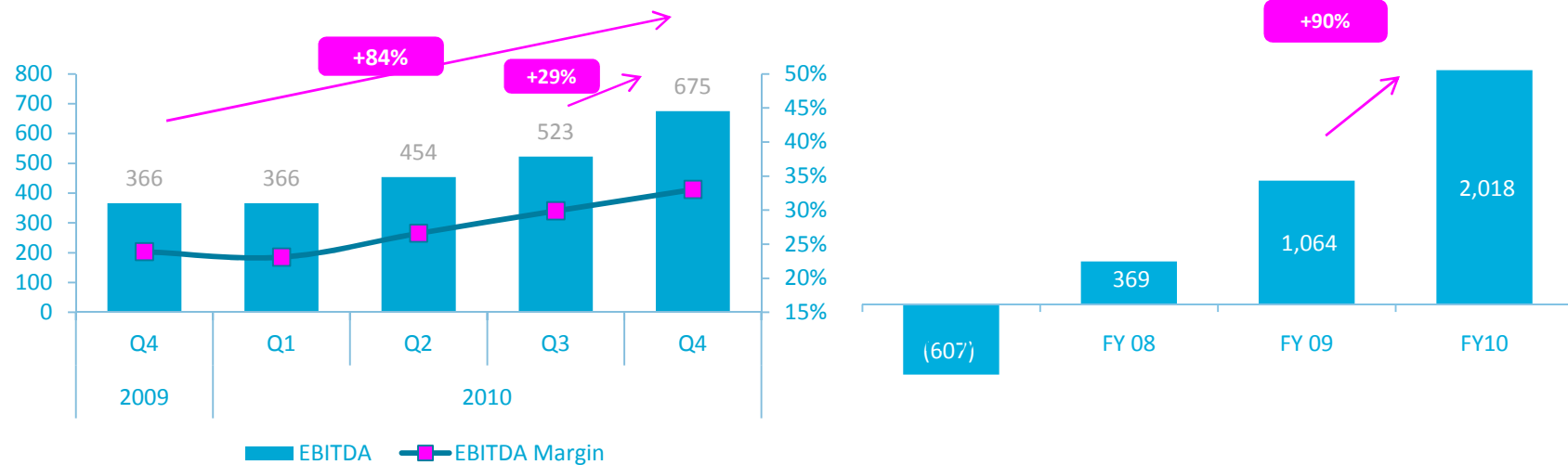
- Overheads as a percentage of revenue have decreased by 24% year on year from 41% to 31% as a result of effective cost control
- Increase from Q3 to Q4 can be attributed to a one time favourable adjustment of AED 104 million as a result of a regulatory decision in favour of du, of which AED 75 million relates to 2009 and prior years.



# Profitability

Robust financial health

## EBITDA (AEDm)



- Strong EBITDA growth of 84% year-on-year to reach AED 675 million for the quarter and 90% increase for the full year compared to 2010, reaching AED 2 billion

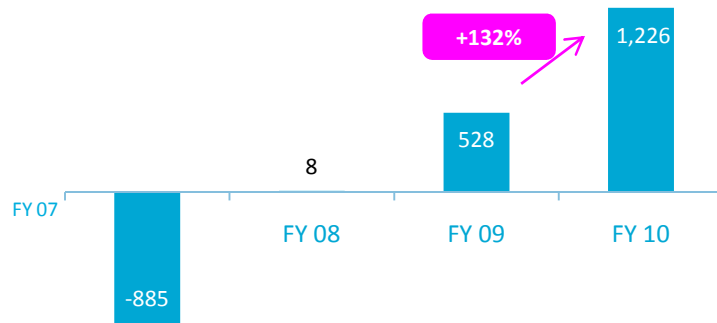
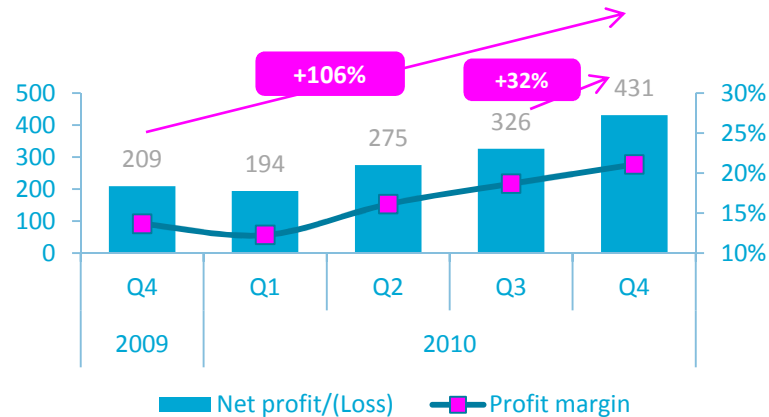




# Profitability

Robust financial health - 132% increase in full year net profit before royalty

## Net Profit before royalty (AEDm)



## Royalty update

- 15% for 2010
- 2011 onwards to be confirmed at a later date
- Net profit after royalty was AED 912 million for the quarter and AED1,310 million for the full year

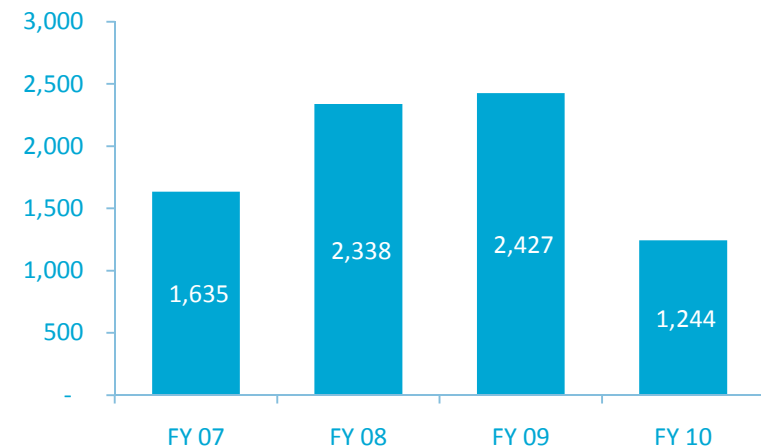
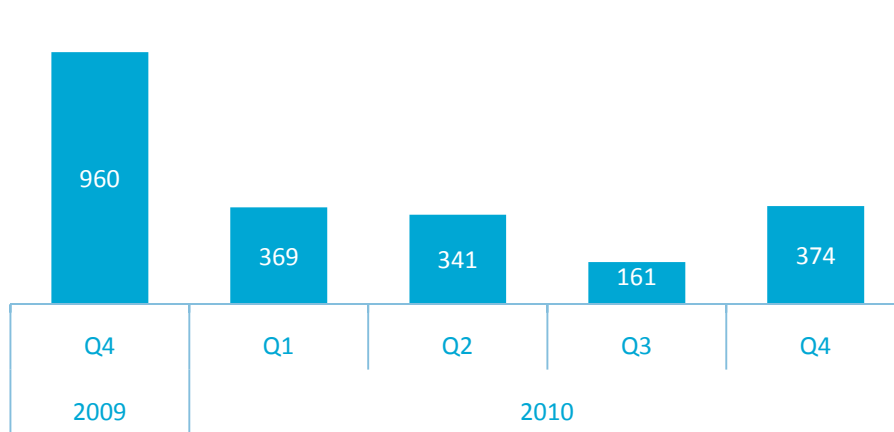
## Breakdown of royalty for Q4 (AED million)

Release of pre-2010 royalty		268
Release of 2010 royalty for first 9 months of 2010	397.6	
Profit before royalty for first 9 months of 2010	795.2	
15% royalty for first 9 months of 2010	119.3	
Release of royalty for first 9 months of 2010		278.3
<b>Total release</b>		<b>546.3</b>
15% royalty for Q4 (on AED 431 million)		(64.6)
<b>Net credit in Q4 in royalty</b>		<b>481.7</b>

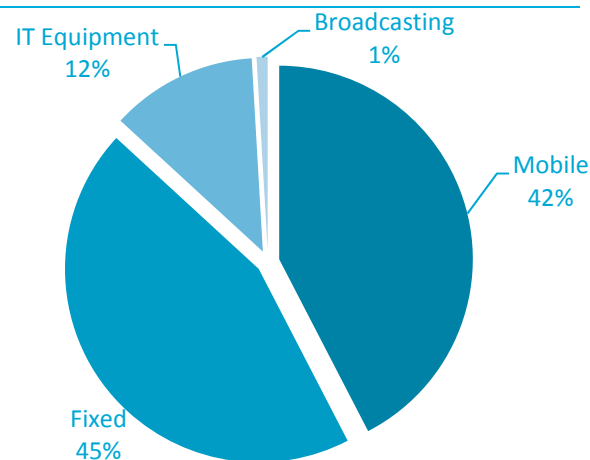
# Capital Investments & Cash Flow

Capex remains focused on infrastructure build-out of fixed line and mobile

## Capex additions (AEDm)



## FY capex breakdown



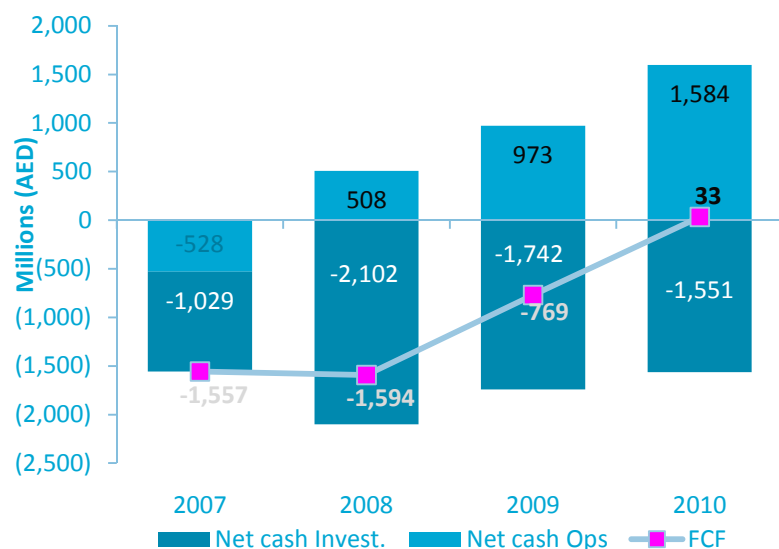
- AED 374 million invested network and infrastructure in the fourth quarter
- Investment to continue to enhance coverage and quality to provide a solid base for future growth, and to capitalise on the liberalisation of the fixed line market.



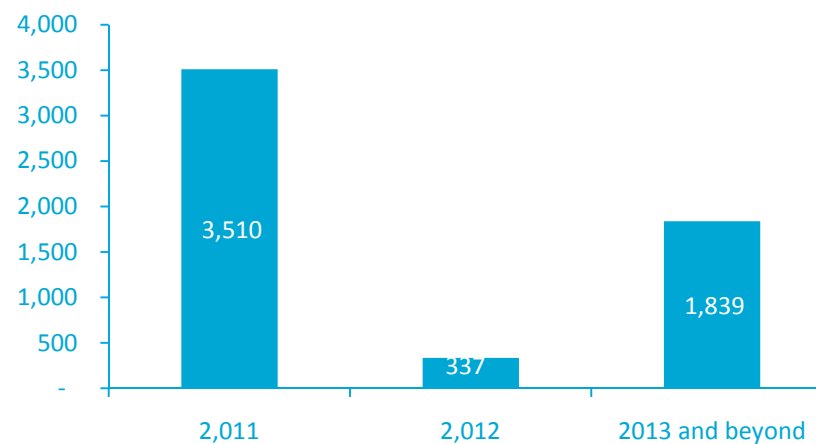
# Cash & Debt overview

Achieved free cash flow positive status

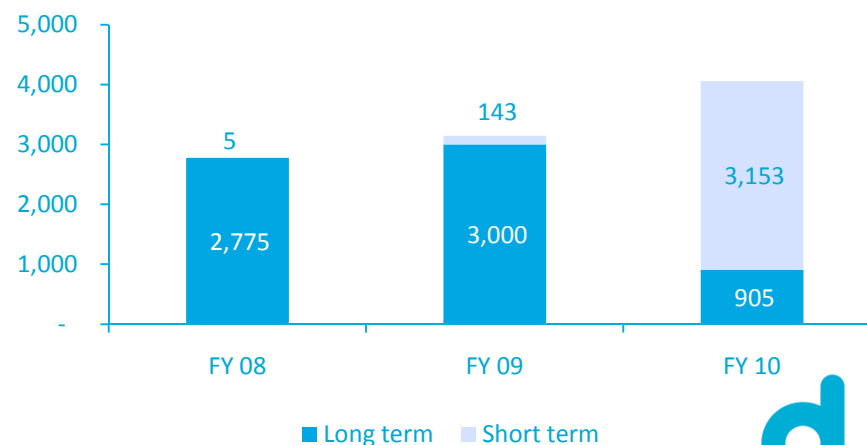
## Free cash flow (AEDm)



## Debt maturity profile



## Long term / short term debt



## Bank facilities

Loan Sources (AED Millions)	Available	Drawn
Syndicated Loan	3,000	3,000
NSN Nordea	988	768
NSN KFW	761	25
Huawei Bridge	312	266
Huawei EXIM (Net of Bridge Loan)	625	0
<b>TOTAL DEBT FACILITIES</b>	<b>5,686</b>	<b>4,059</b>
<b>TOTAL CASH IN HAND</b>	<b>2,785</b>	<b>-</b>



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# Strategy & Outlook

Growth through efficiency

- Increase penetration of high-value consumer and enterprise accounts
- Focus on profitable growth and increase of value share
- Excel in customer experience and increase brand engagement
- Revenue diversification through mobile data and broadband
- Continued emphasis on operational efficiencies and profit margin increase
- Maximize returns of existing network investments and cash flow generation





# Q&A

