UAE Telecommunications Sector Developments & Indicators, 2007 – 2009

May 2010

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Introduction

This report is the first ***TRA Annual Sector Review***. It summaries the state of the Fixed, Mobile, and Data telecommunication markets in the United Arab Emirates (UAE) in terms of subscribers, penetration, revenues and usages (traffic) for the years 2007, 2008 and 2009. The Report also outlines the contribution of the telecommunication sector to the UAE economy.

The data contained in this Report is published in aggregate form only and statistics for individual Licensees is not listed. The TRA has taken this step to protect the confidentiality of each Licensee while recognizing that for the purpose of transparency, regulatory good practices and to aid in the development of competition a publication of this nature is warranted.

The TRA wishes to thank the contribution of each Licensee to this Report through the supply of their monthly and quarterly telecommunication statistics to the TRA.

Disclaimer

The TRA has compiled this report based on information received from industry, as well as from publicly reported information from other sources.

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If a reader wishes to use any of the information contained in this Report as the basis for any decision, whether or not related to investment, the reader is obliged to determine the accuracy of the same.

Furthermore, the information is provided for educational purposes only and is not intended to be a recommendation to take any particular course of action.

Economic Summary

The table below provides some high level metrics for the UAE economy:

Indicator	2007	2008	2009
Population	4,488,000	4,765,000	5,066,000
Number of Households	663,263	707,150	747,817
Population Growth	6%	6%	6%
GDP (billions)	AED 758	AED 934	AED 839 [1]
GDP Per Capita	AED 169,280	AED 196,512	AED 171,107 [1]

Source: Ministry of Economy

[1] Estimated by IMF

Summary of Main Telecommunications Indicators

The table below sets out a range of main indicators specific to the UAE telecommunications sector for 2009:

	Fixed Telephony Service	Mobile Service	Internet Service
Subscribers	1,561,196	10,671,878	1,404,405
Revenues(Millions, AED)	3,827	17,787	2,532
Voice Minutes (Millions)	5,142	20,426	N.A
ARPU [2] (monthly, AED)	204	150	150
AMPU [3] (Monthly)	257	172	N.A

Source: Industry Data

Note :

ARPU : Calculated by dividing the total revenues for a given period by the average number of subscribers during such period
AMPU :: Calculated by dividing the total minutes for a given period by the average number of subscribers during such period

Industry Background

The UAE telecommunications sector is currently served by two integrated telecommunications operators, Etisalat and du. Competition in the UAE telecommunications sector started de facto in early 2007 when du, the second licensee, launched its mobile network services ending nearly 30 years of telecommunications monopoly by Etisalat.

Today, the sector continues to be served by both Etisalat and du across multiple services as illustrated in the table below:

	National Fixed	International calls	Mobile	Internet	Leased Lines	Other data services
Etisalat	✓	✓	✓	✓	✓	✓
du	✓	✓	✓	✓[2]	✓	✓

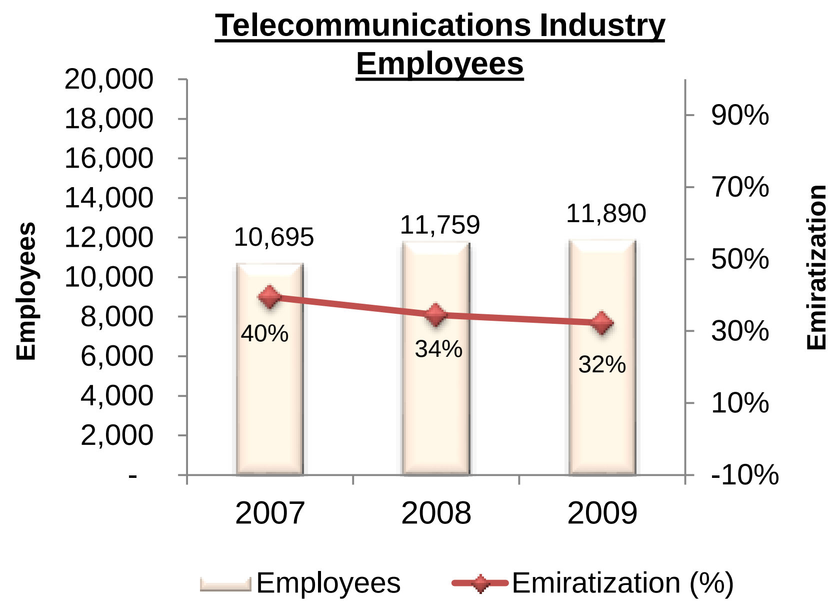
In 2010, the TRA issued a satellite services license to Al Yah Satellite Services Company PJSC to provide telecommunications services by satellite technology. This licensee is yet not providing services and all the data given in this report relate only to Etisalat and du. Therefore, the term “Licensee” in this report refers to either Etisalat or du.

[2] Internet services provided only in certain geographic locations

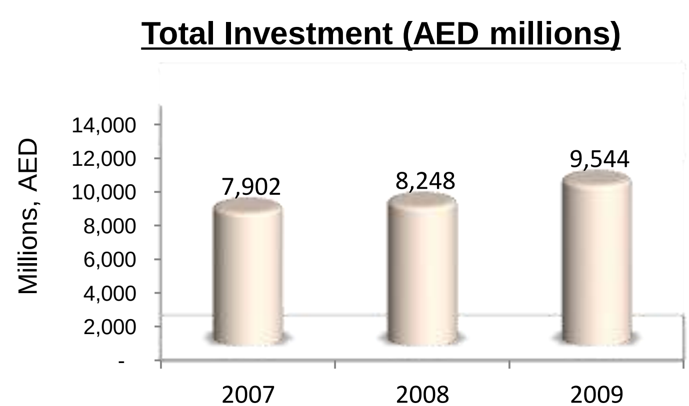
Industry Background

The UAE Telecommunications sector plays an extremely important role in the economy. It contributed nearly 4.9% to GDP and employed almost 12,000 persons in 2009.

The total industry investment increased by 16% between 2008 and 2009 from AED 8,248 million to AED 9,544 million .



Contribution of UAE Telecommunications Sector to UAE GDP	
2007	4.1%
2008	4.4%
2009	4.9%



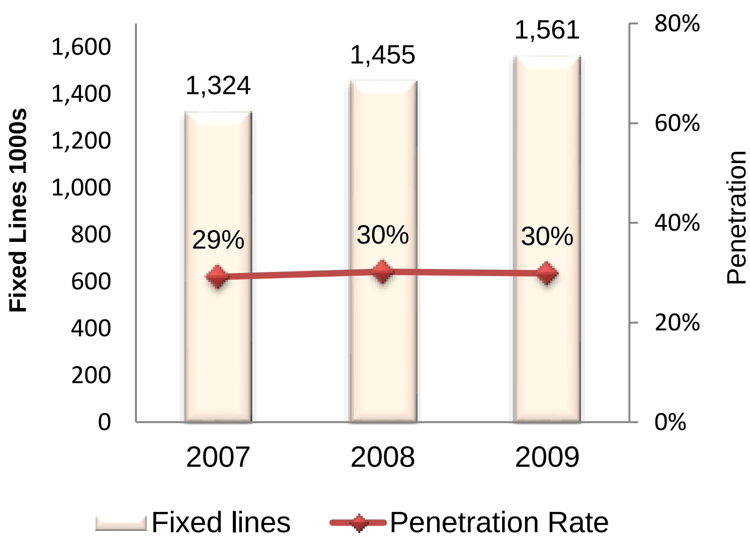
Note:

Total investment represents Licensees' cash flows from investing activities

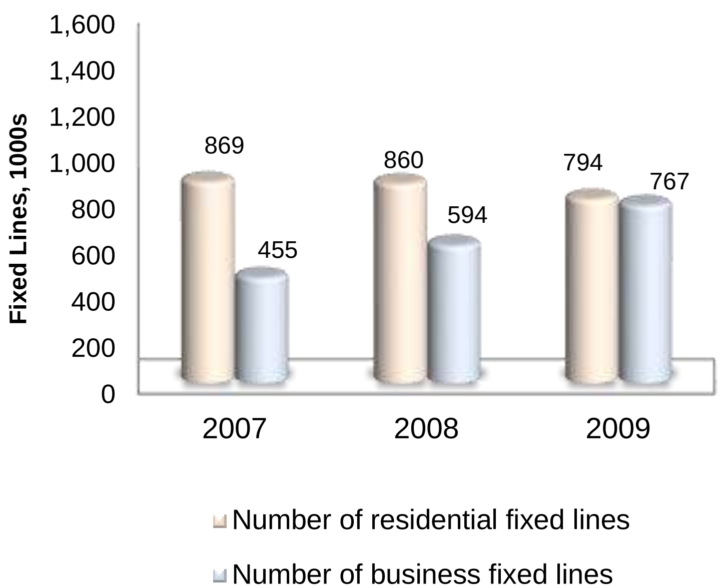
Fixed Telephony – Number of Fixed Lines

- At the end of 2009, there were 1.6 million fixed telephony lines in the UAE. This represents 18% increase from 2007.
- The growth in fixed line penetration was driven by a significant increase in business lines; the number of residential lines between 2008 – 2009 fell by 8% .
- Fixed line penetration rates reached 30% at the end of 2009.

Number of Fixed Lines (1000s)



Business Vs Residential Fixed Lines(1000s)



Note:

Fixed Lines includes ISDN fixed lines.

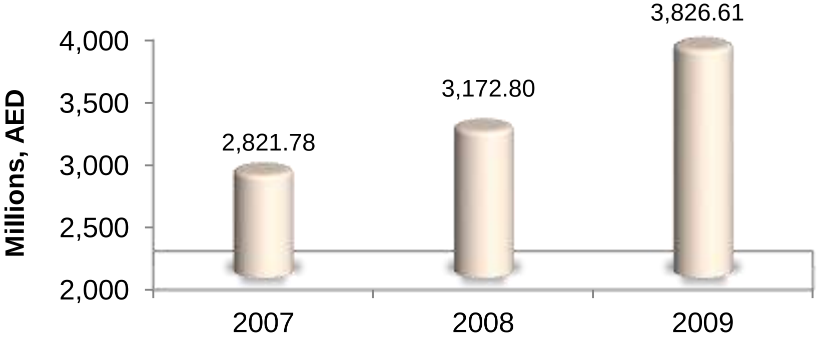
Fixed Telephony – Revenues

- Fixed telephony revenues increased by 21% between 2008 and 2009, from AED 3,173 to AED 3,827 million.

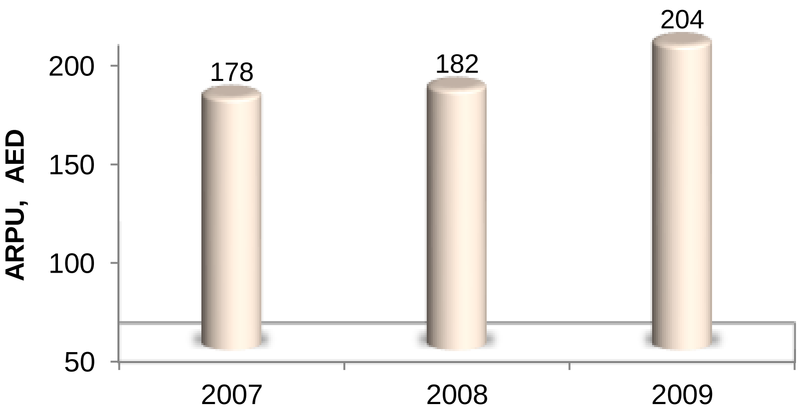
- This growth was driven primarily by line rental and International call revenue.

Revenue source for all operators	% growth 2007 - 2008	% growth 2008 - 2009
Line Rental	12%	6%
National Calls	43%	-35%
Fixed to Mobile Calls	8%	-5%
International calls	4%	7%
Others [5]	-9%	25%

Total Fixed Telephony Revenues (AED millions)



Monthly Fixed Line ARPU, AED



Note:

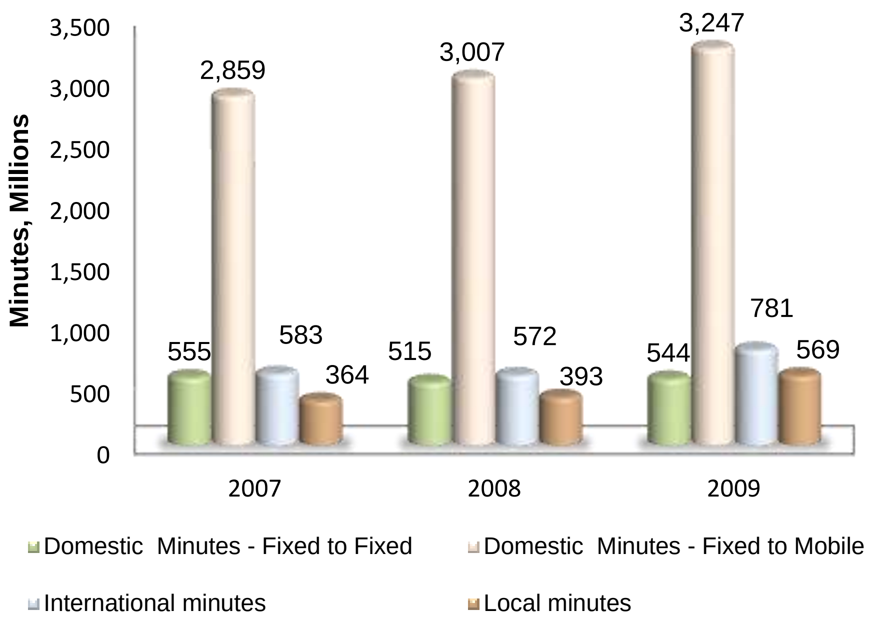
- Total Fixed Revenues include Fixed Telephony, Payphone and directory inquiry
- [5] Others represents revenues from connection and directory inquiry

Fixed Telephony – Usage

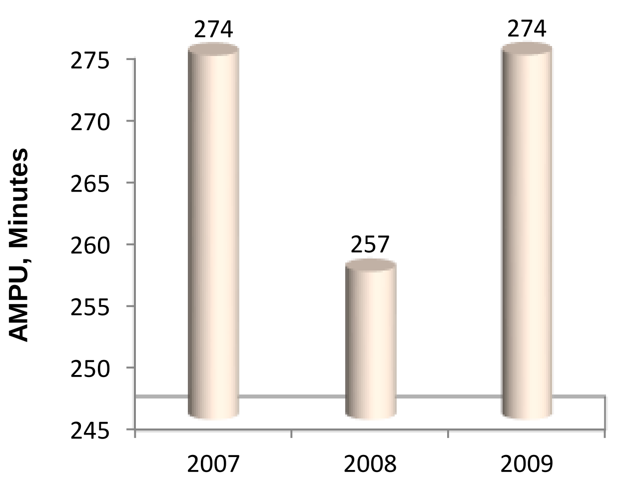
- Total fixed telephony minutes increased 15% between 2008 and 2009
- The overall growth was driven predominantly by local calls and International calls.

Call Type (Minutes)	% Growth 2008 - 2009
Fixed to Fixed	6%
Fixed to Mobile	8%
Fixed to international	37%
Local Calls	45%

Breakdown of Total Annual Voice Minutes (millions)

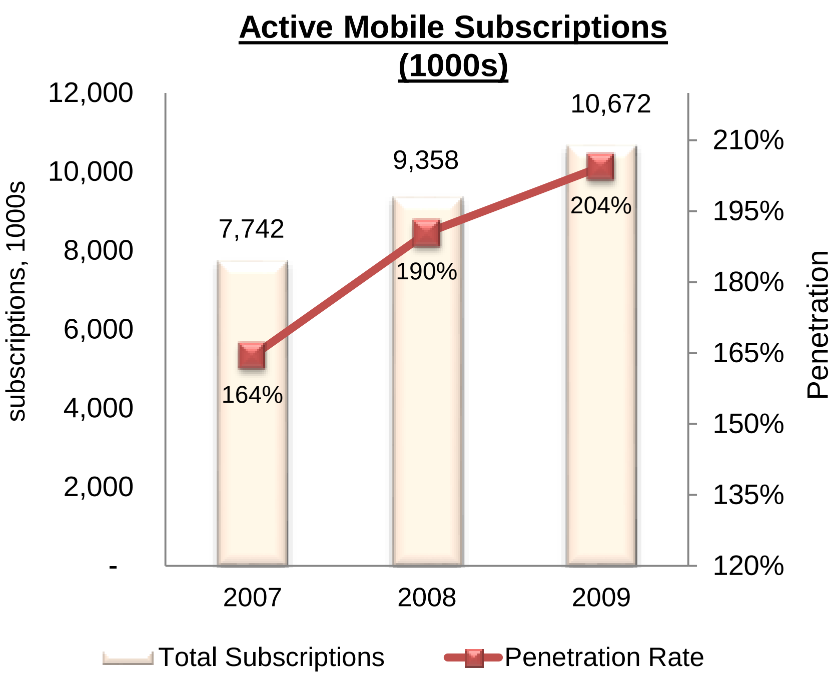


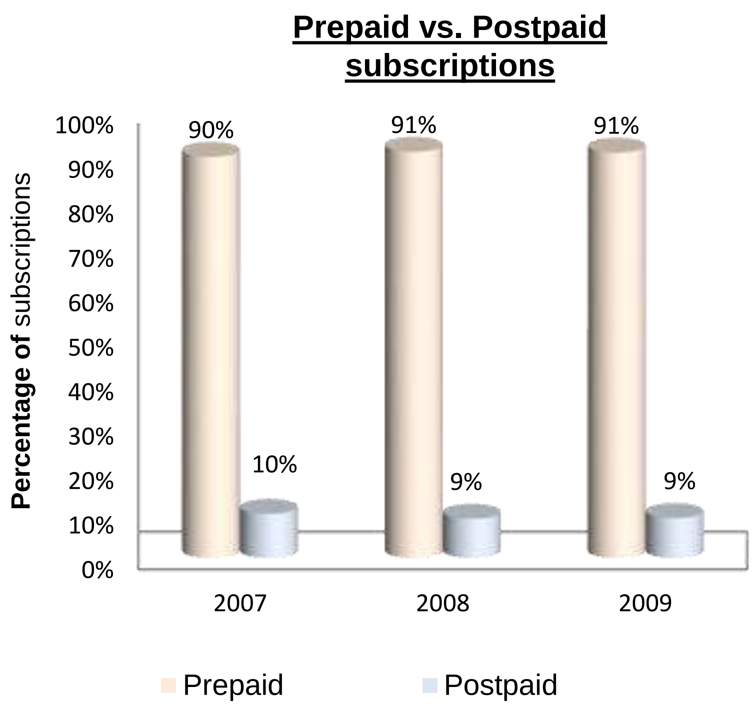
Monthly Fixed Line AMPU, Minutes



Mobile Services – Active Subscriptions

- The number of active mobile subscriptions increased 14% between December 2008 and December 2009.
- 91% of mobile subscriptions in 2009 were prepaid .
- The number of active mobile subscriptions per 100 inhabitants reached more than 204 by December 2009.



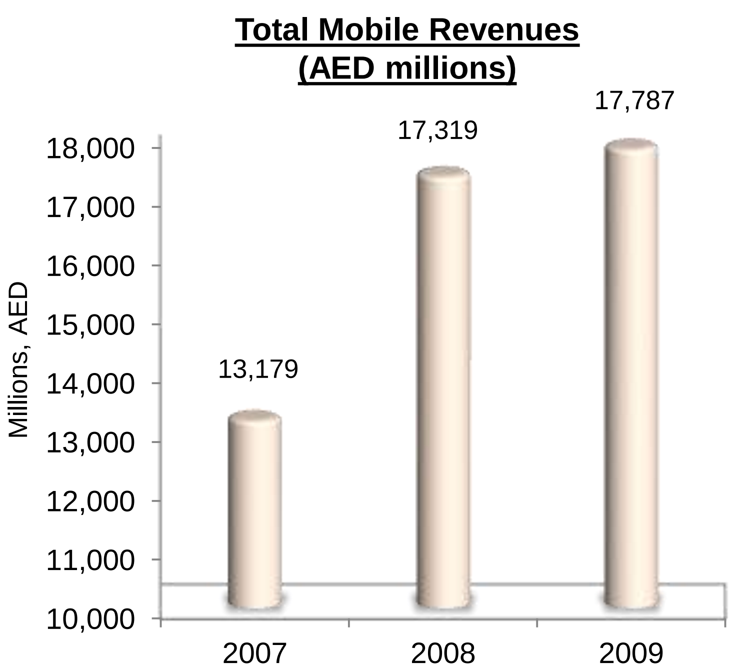


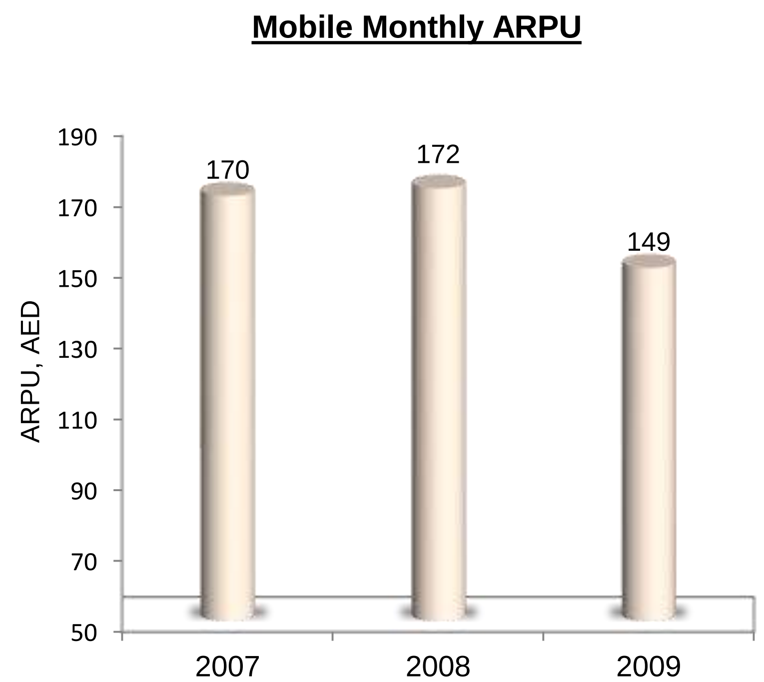
Note:

- "Active" is defined as any subscriber who has made or received a voice or video call in the preceding 90 days, or has sent an SMS or MMS during that period.
- Prepaid figures include mobile visitors.

Mobile Services – Revenue

Revenues generated from mobile services increased by 3% in 2009, from AED 17,319 million to AED 17,787 million.





Note:

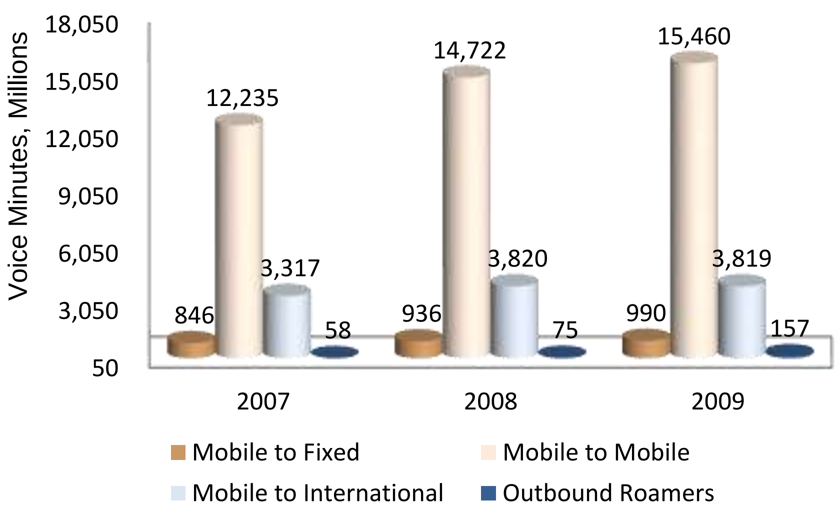
Mobile Revenues include voice, SMS, MMS, subscription, SIM renewal, outbound roaming, directory inquiry, mobile data installation/ connection and mobile data usage.

Mobile Services – Usage

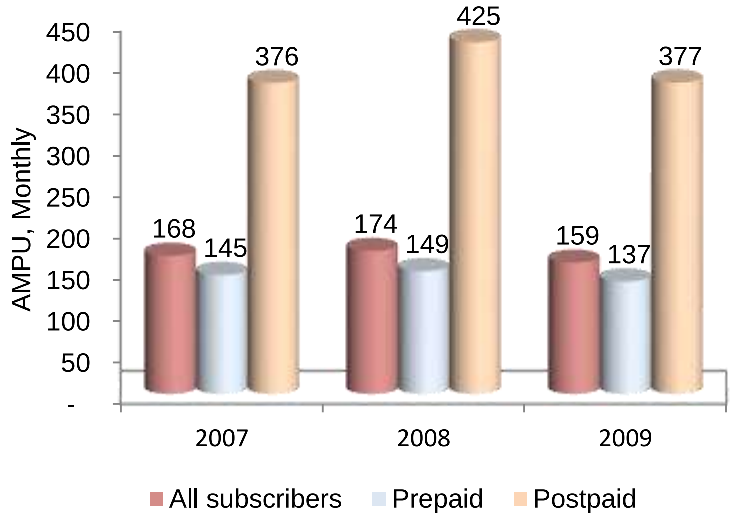
- Total annual mobile originated call minutes increased by 4% between 2008 and 2009.
- International call minutes fell by 0.03% between 2008 - 2009.
- The average monthly minutes of usage of postpaid subscribers is significantly higher than that of prepaid subscribers.

Call type (minutes)	% Growth 2007-2008	% Growth 2008-2009
Domestic Minutes	20%	5%
International Minutes	15%	-0.03%

Breakdown of Total Annual Voice Minutes (millions)



Mobile Average Minutes Per User/Subscription (AMPU)

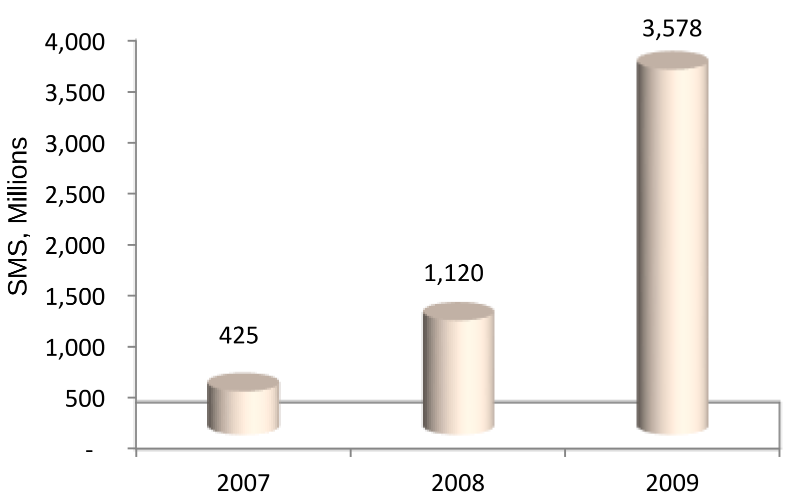


Mobile Services – Usage

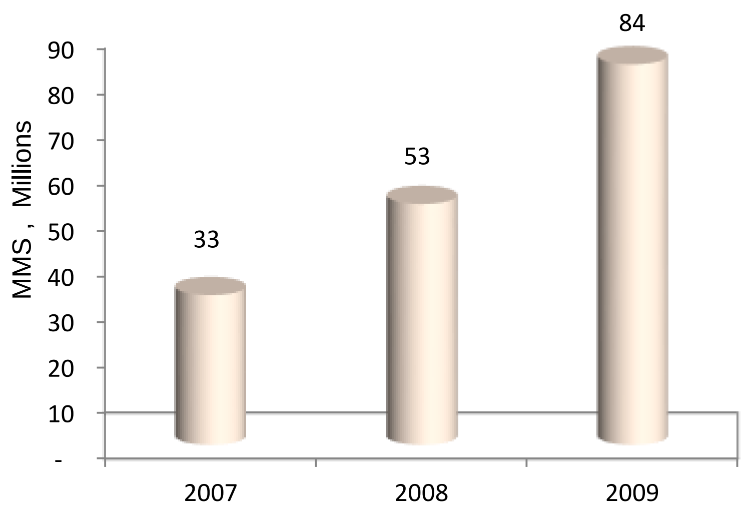
- The growth of SMS was more rapid than that of MMS.

	% Growth 2007-2008	% Growth 2008-2009
SMS	163%	219%
MMS	61%	58%

SMS (Millions)



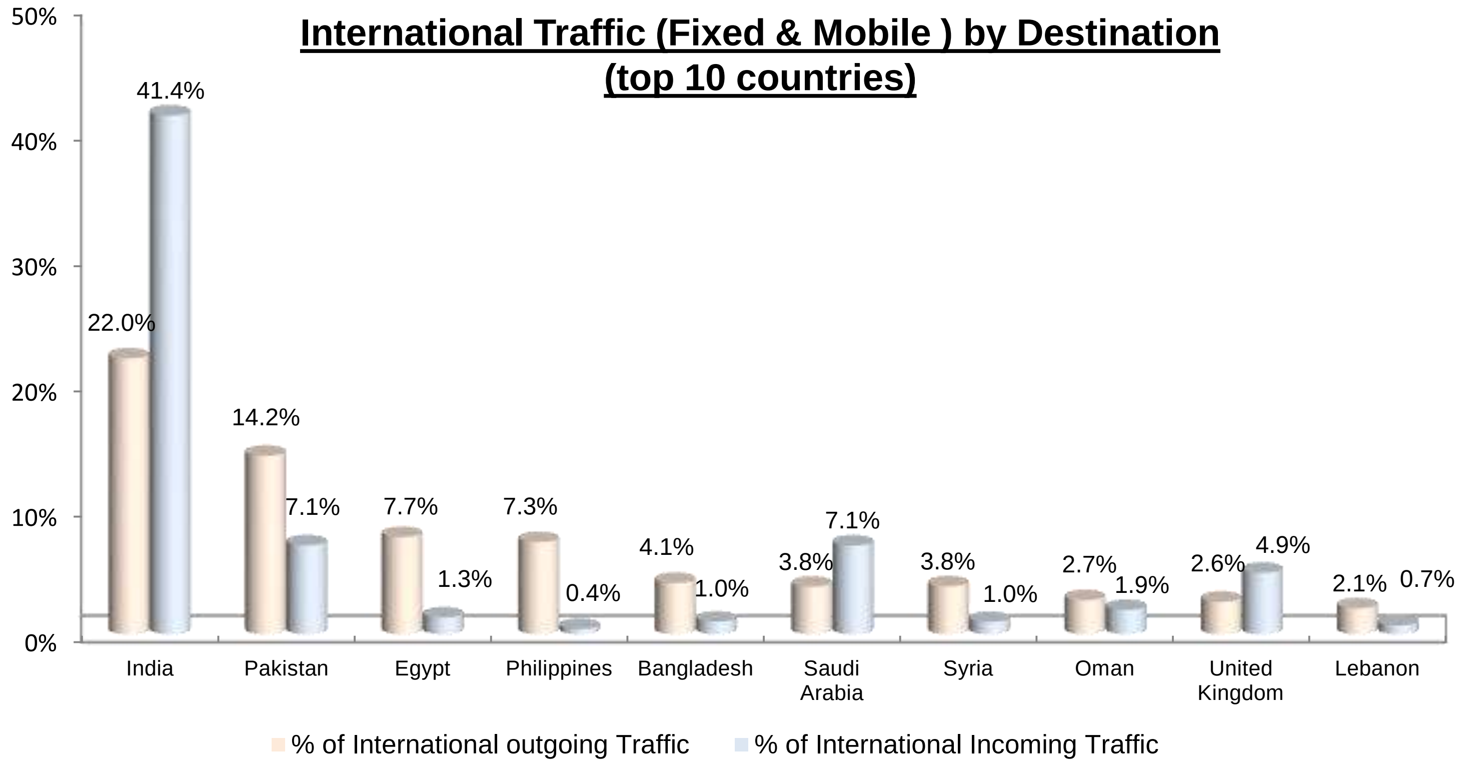
MMS (Millions)



Note:

SMS includes domestic SMS, International SMS and SMS sent by outbound Roamers.

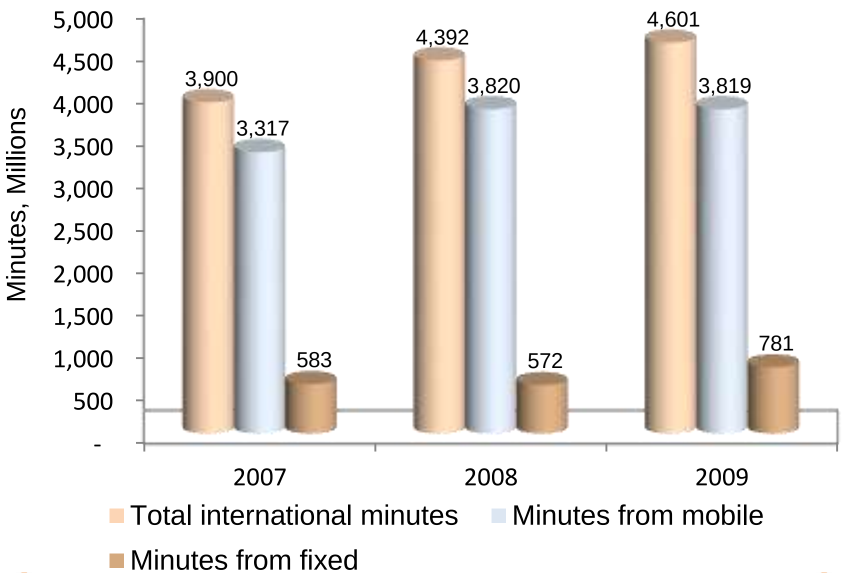
International Voice Services



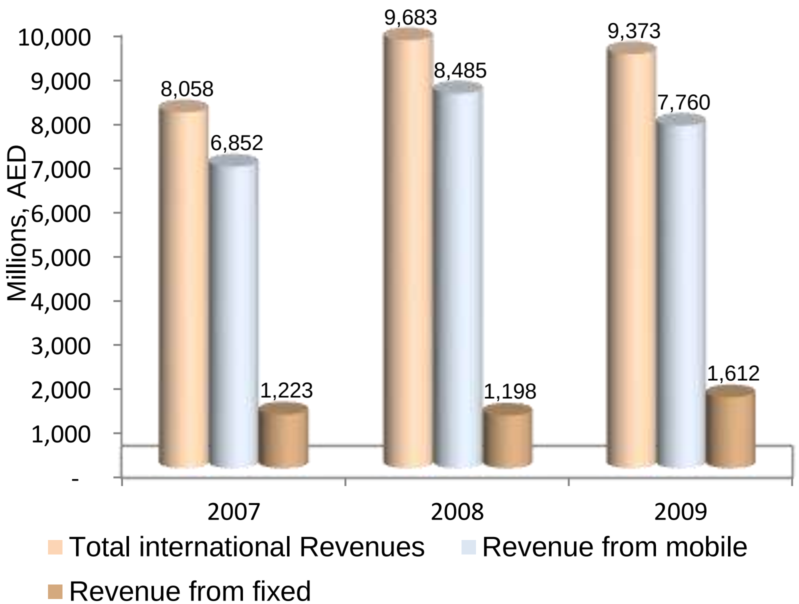
- India, Pakistan, Egypt and Philippines represent 51% of the total outgoing international traffic.
- India and Pakistan represent 48% of the total incoming international traffic.

International Voice Services

Breakdown of International Outgoing Traffic (Millions, Minutes)



Breakdown of International Revenues (AED Millions)



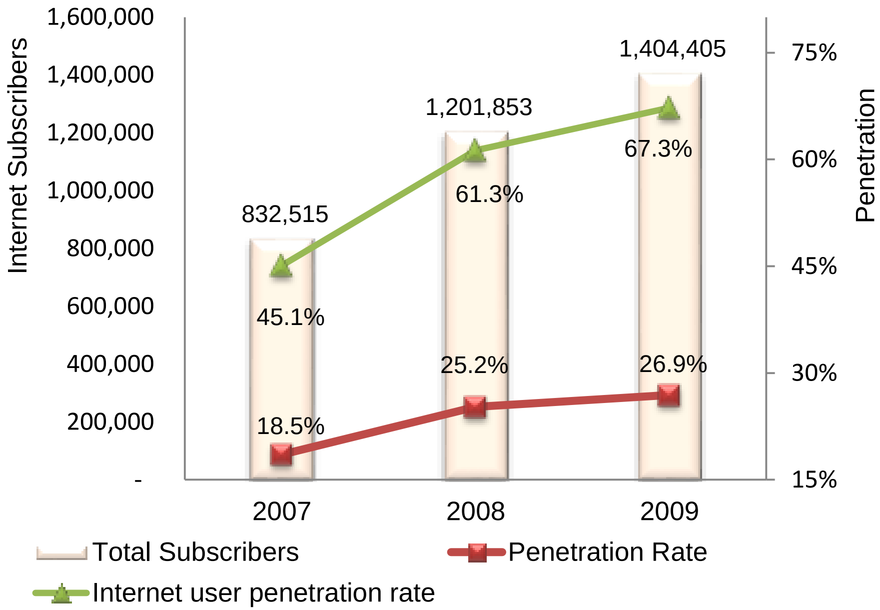
International outgoing Minutes	% growth 2007-2008	% growth 2008-2009
From Fixed	- 2%	37%
From Mobile	15%	- 0.03%

International Revenues	% growth 2007-2008	% growth 2008- 2009
From Fixed	- 2%	35%
From Mobile	24%	- 9%

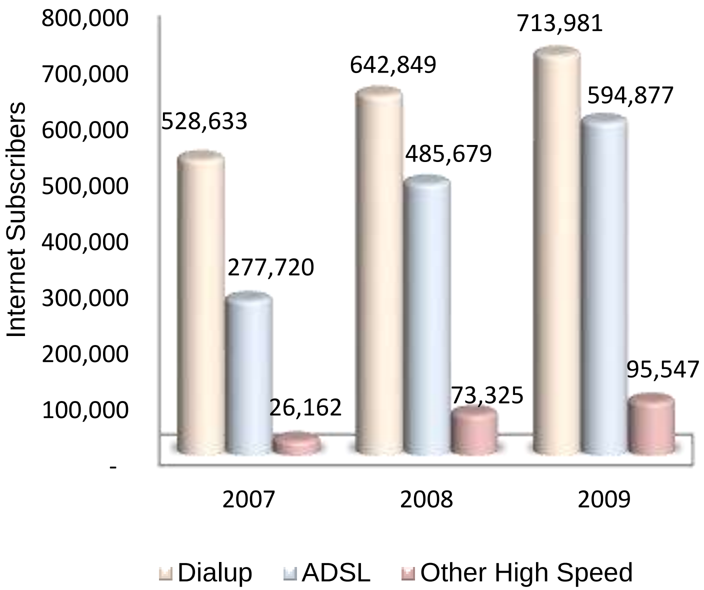
Internet - All Subscribers

- As at December 2009, there were over 1.4 million Internet subscribers in the UAE.
- As at December 2009, 51% of total Internet subscribers in the UAE were Dial-up.
- ADSL broadband was the most popular form of broadband Internet access in 2007-2009.
- The penetration of Internet users increased by 10% in 2009, up from 61.3% in the year 2008.

Total Internet Subscribers



Internet Subscription by Access Type

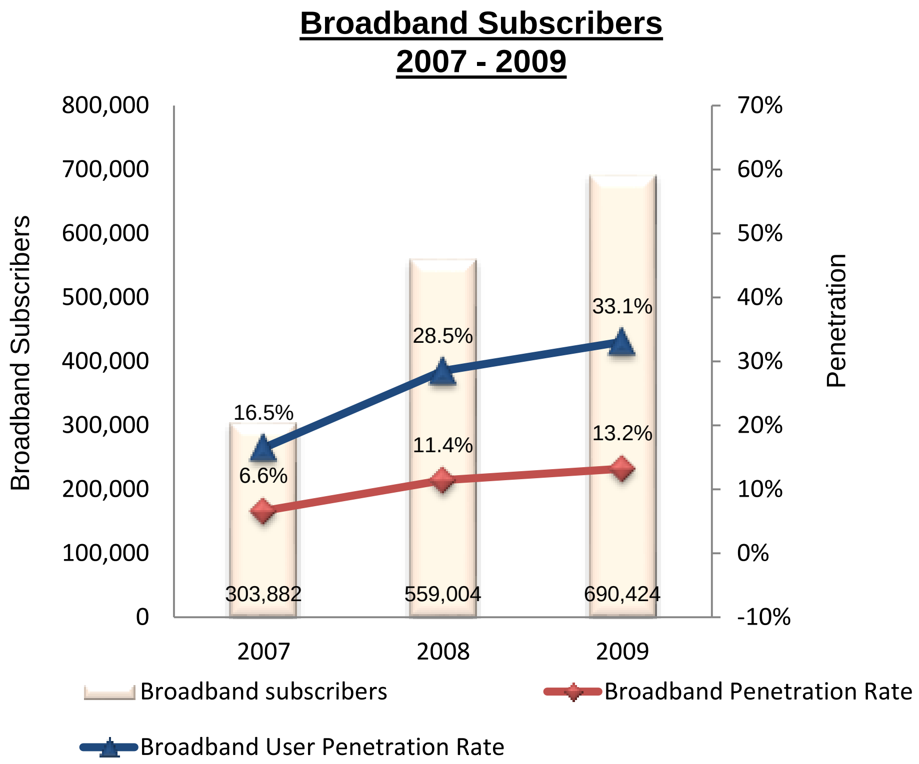


Note:

•Internet User Penetration rate calculated by using the ITU methodology which assumes there are 2.5 Internet users per Internet subscription.
•Other High speed refers to FTTH, Cable Broadband, Wi-Max

Internet - Broadband Subscribers

- Total number of broadband subscribers increased by 24% between 2008 – 2009.
- Penetration of broadband subscribers increased from 11.4% in 2008 to13.2% in 2009.

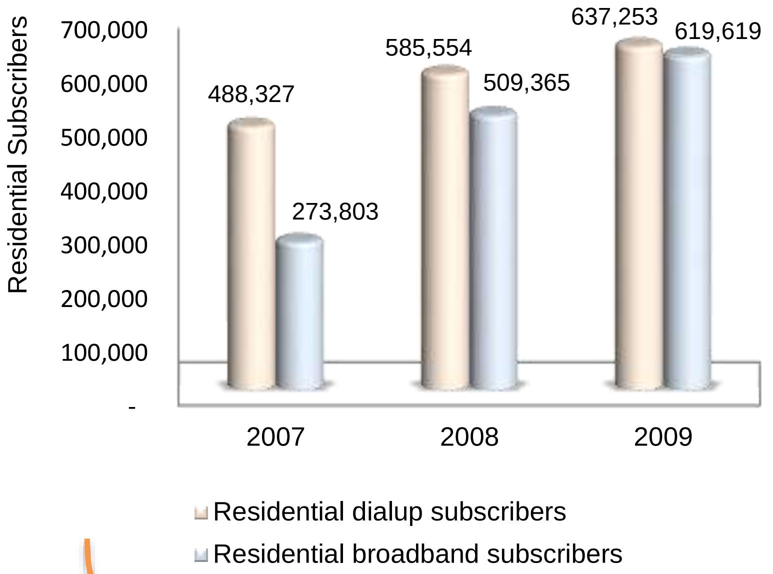


Note:

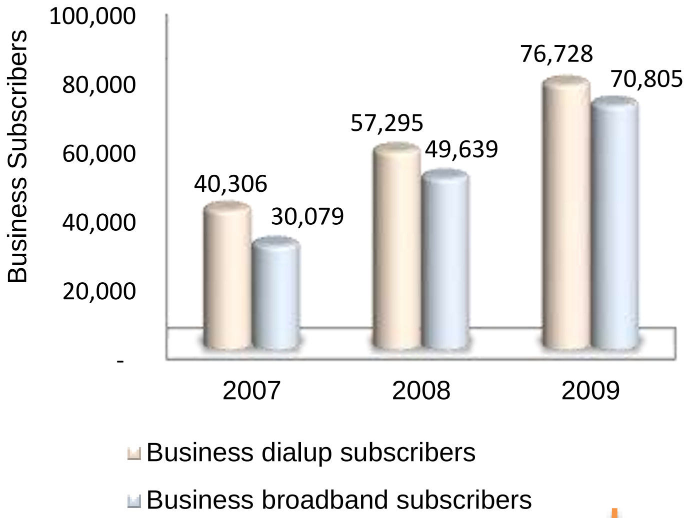
- Broadband User Penetration rate calculated by using the ITU methodology which assumes there are 2.5 Internet users per Internet subscription.

Residential and Business Subscribers

Residential Internet Subscribers



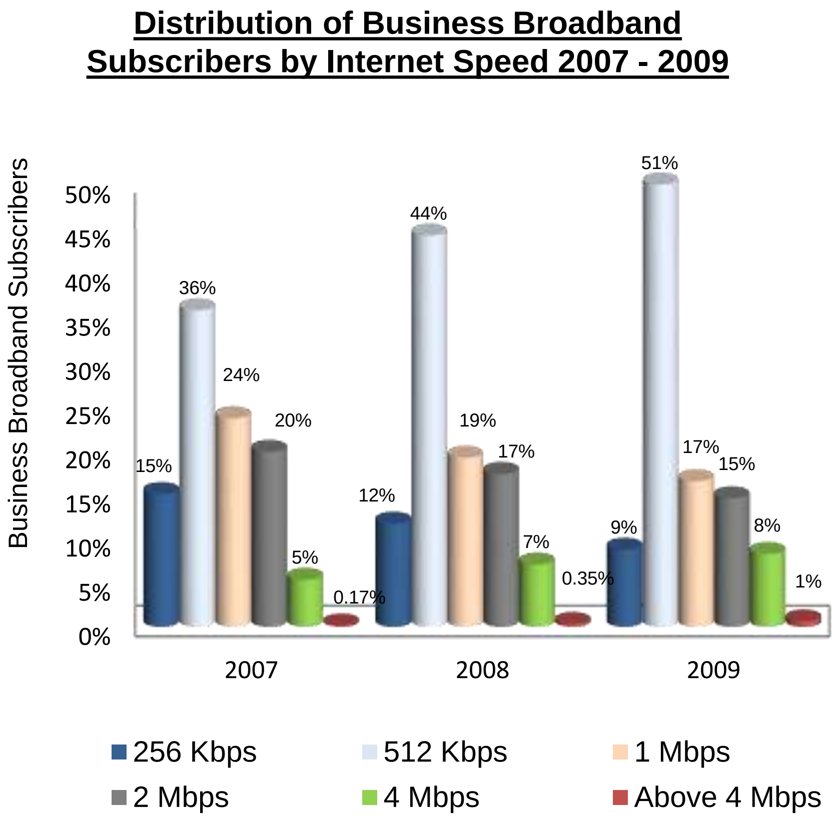
Business Internet Subscribers

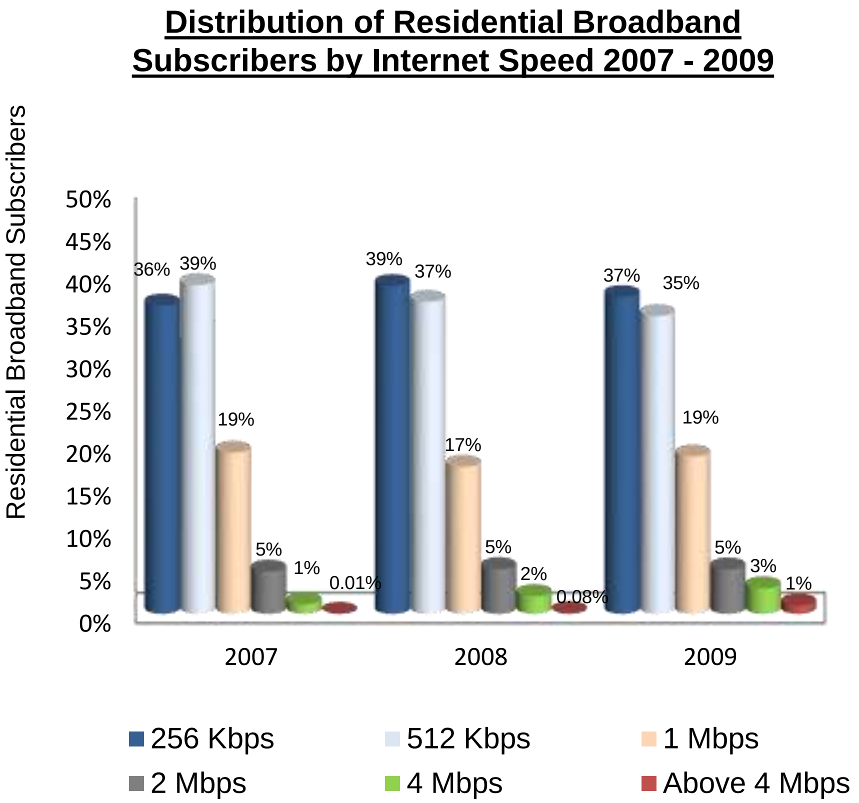


Service	Subscribers growth 2007 - 2008	Subscribers growth 2008 - 2009
Residential dial-up	20%	9%
Business dial-up	42%	34%
Residential broadband	86%	22%
Business broadband	65%	43%

The Distribution of Residential and Business Subscribers

The distribution of broadband subscribers in the UAE is heavily skewed towards the lower speed packages.

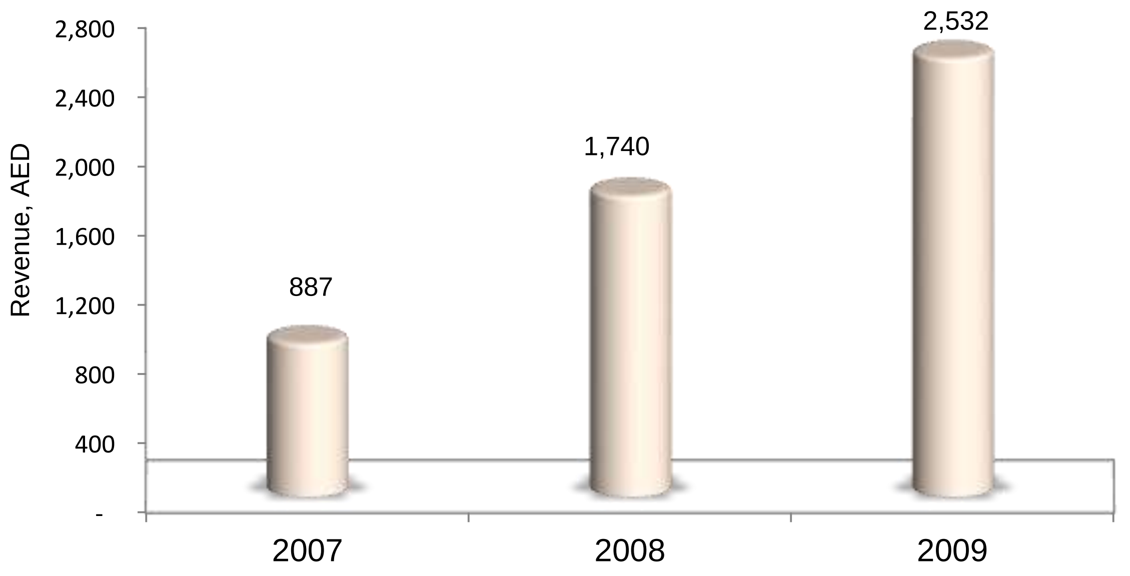




Internet Services – Revenue

- While Internet subscribers grew by 17% between 2008 and 2009, Internet revenues increased by 46%.
- This revenue growth can be attributed in part to the increasing proportion of subscribers on broadband rather than dial-up packages.

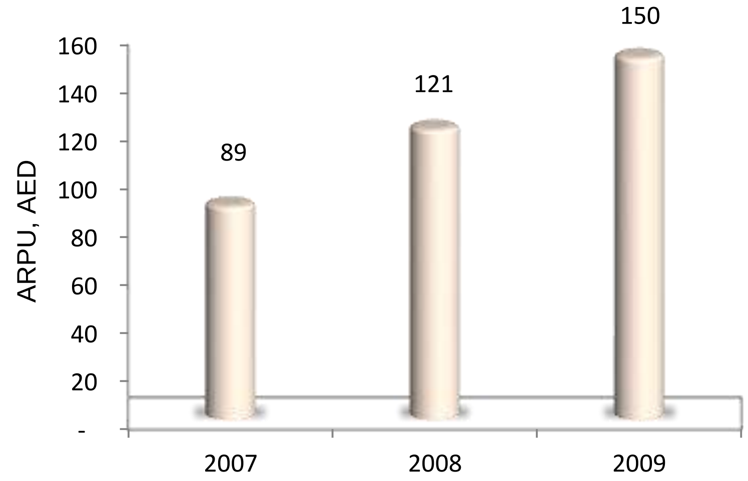
Total Internet Revenue (AED millions)



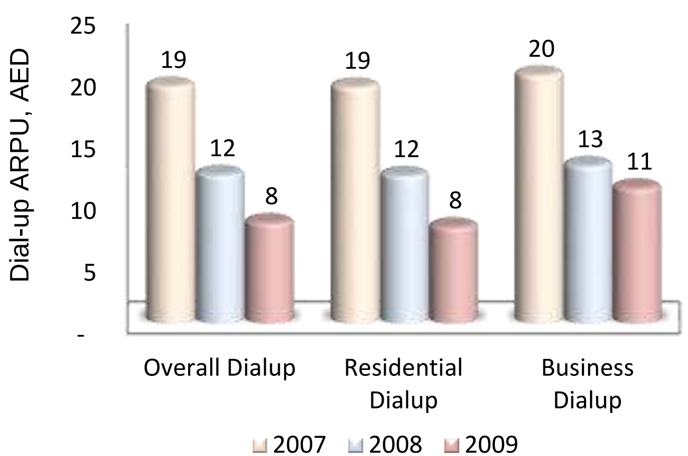
Internet Services – ARPU

- Internet ARPUs have increased as the proportion of subscribers taking broadband packages has increased.
- Business broadband monthly ARPU is significantly higher than that for other types of Internet subscriptions.

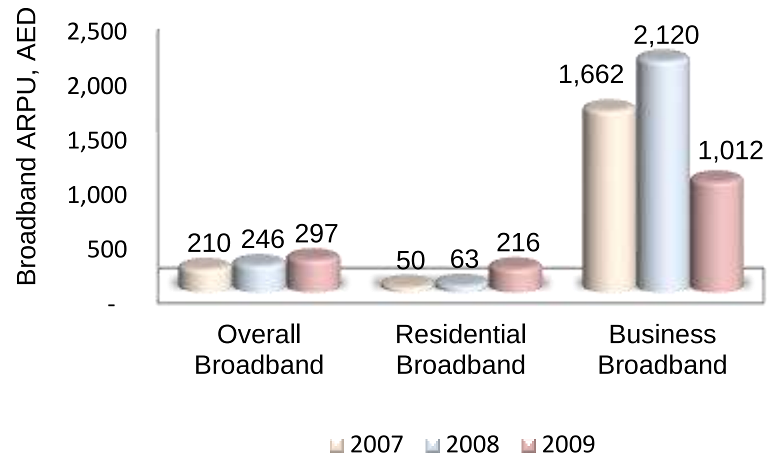
Internet Total Monthly ARPU, AED



Dial-up Monthly ARPU, AED



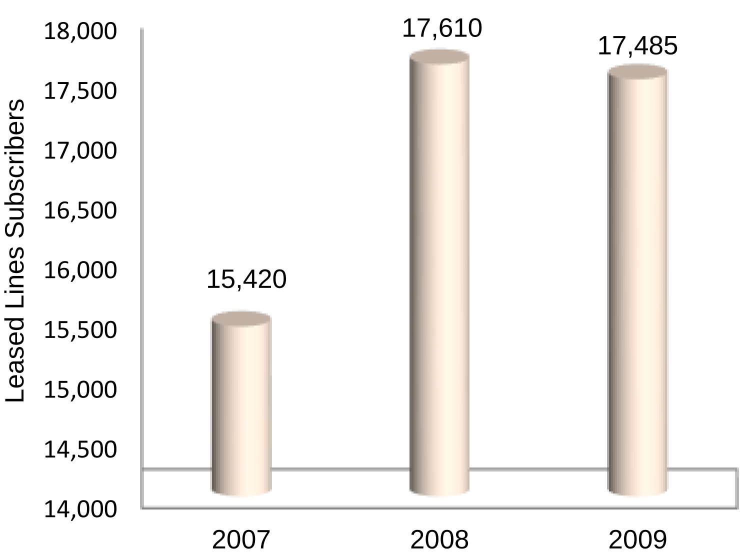
Broadband Monthly ARPU, AED



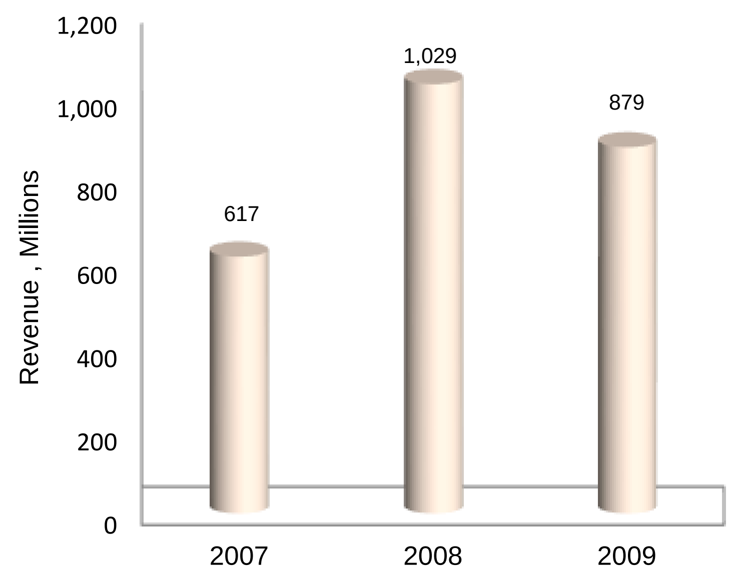
Data Services – Leased Lines

- The number of leased lines subscribers fell by 1% between December 2008 and December 2009.
- leased line revenue fell by 15% to AED 879 million in 2009.

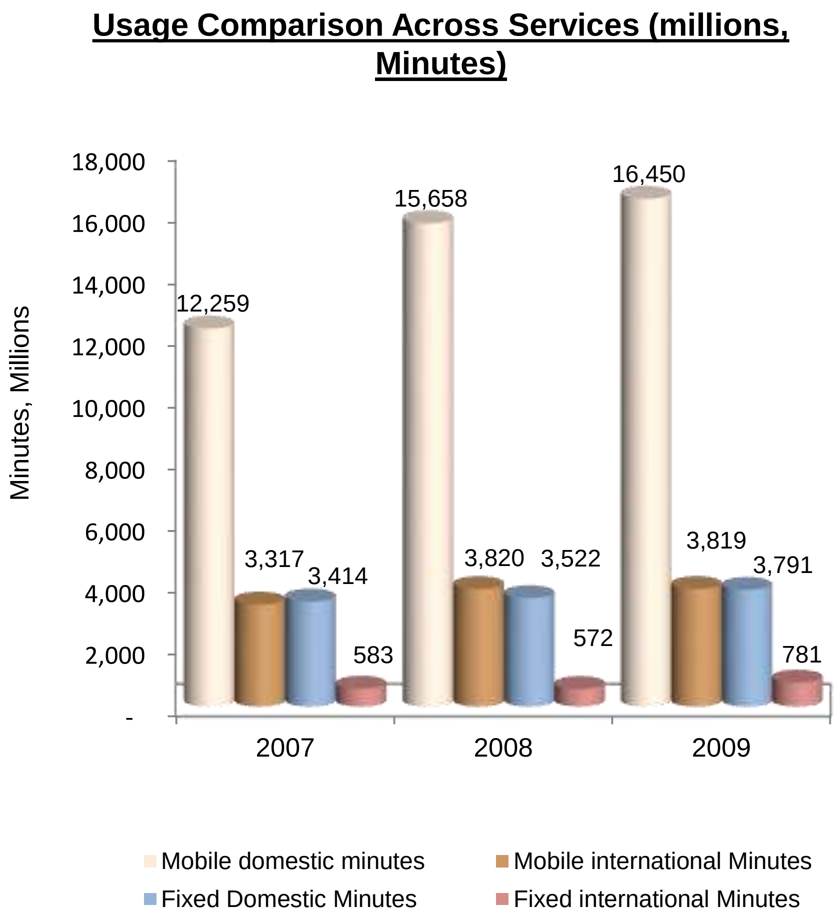
Total Leased Lines Subscribers

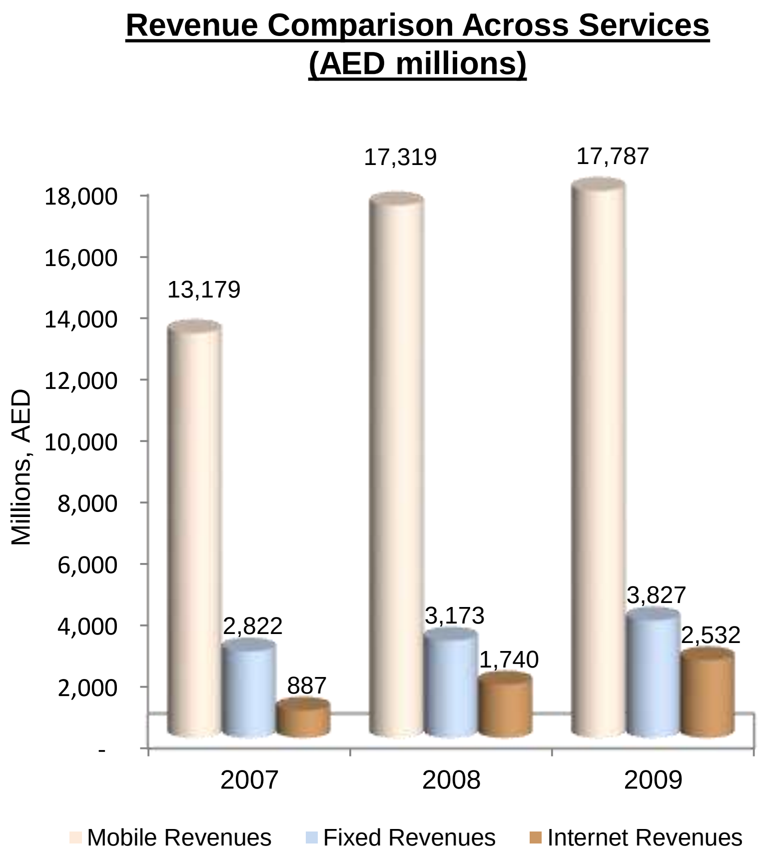


Total Revenue (AED millions)



Revenue & Usage Comparison Across Services





Annex 1

Abbreviations & Acronyms

UAE	United Arab Emirates
TRA	Telecommunications Regulatory Authority
ITU	International Telecommunication Union
IMF	International Monetary Fund
AED	Arab Emirates Dirham
GDP	Gross Domestic Product
ARPU	Average Revenue Per User
AMPU	Average Minutes Per User
SMS	Short Message Service
MMS	Multimedia Message Service
FTTH	Fiber To The Home
ISDN	Integrated Services Digital Network
ADSL	Asymmetric Digital Subscriber Line
Kbps	Kilobits Per Second
Mbps	Megabit s Per Second

Annex 2

Definitions of Some Telecommunication/ICT Indicators (ITU, 2007)

ITU Code	Indicator	Definition
112	**(fixed) telephone lines in operation**	A main line is a (fixed) telephone line connecting the subscriber's terminal equipment to the public switched network and which has a dedicated port in the telephone exchange equipment. This term is synonymous with the term main station or Direct Exchange Line (DEL) that are commonly used in telecommunication documents. It may not be the same as an access line or a subscriber. The number of ISDN channels should be included. Fixed wireless subscribers should also be included. If not included, specify in a note.
1112	**Public payphones**	Total number of all types of public telephones, including coin- and card-operated and public telephones in call offices. Publicly available phones installed in private places should also be included, as should mobile public telephones. All public telephones regardless of capability (e.g., local calls or national only) should be counted. If the national definition of "payphone" differs from that above (e.g., by excluding pay phones in private places), then respondents should indicate their own definition.
271	**Mobile cellular telephone subscribers (post-paid + prepaid)**	Refers to the use of portable telephones subscribing to a public mobile telephone service and provides access to Public Switched Telephone Network (PSTN) using cellular technology. This can include analogue and digital cellular systems. This should also include subscribers to IMT-2000 (Third Generation, 3G). Subscribers to public mobile data services or radio paging services should not be included. If this service has a name, please indicate in a note, as well as the year the service commenced operation.
4213d	**Dial-up Internet subscribers**	Number of Dial-up Internet subscribers. Dial-up is a connection to the Internet via a modem and telephone line, which requires that the modem dial a phone number when Internet access is needed. Only active subscribers that have used the system within a reasonable period of time should be included. This period (e.g., 3 months) should be indicated in a note.
4213dsl	**DSL Internet subscribers**	Internet subscribers using Digital Subscriber Line (DSL) technology. DSL is a technology for bringing high-bandwidth information to homes and small businesses over ordinary copper telephone lines. Speed should be equal to, or greater than, 256 kbit/s, in one or both directions.
81	**Total annual investment in telecom**	Also referred to as annual capital expenditure, this is the gross annual investment in telecom (including fixed, mobile and other services) for acquiring property and network. The term investment means the expenditure associated with acquiring the ownership of property (including intellectual and non-tangible property such as computer software) and plant. This includes expenditure on initial installations and on additions to existing installations where the usage is expected to be over an extended period of time. Note that this applies to telecom services that are available to the public, and excludes investment in telecom software or equipment for private use.