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STRATEGIC RESEARCH SERVICE

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UAE's Internet market grows by leaps and bounds in the first nine months of 2006.

By end of September 2006, UAE's Etisalat reported impressive growth in its Internet accounts base. While the dialup Internet service continues its growth, the ADSL accounts are gradually grabbing a higher share of the total, standing at 31.0% by end of Q3 of this year.

Etisalat's subscriber figures are still underlining its strength in its home market prior to competition. Within the first nine months of this year, Etisalat's Internet subscriber base grew by 19% to stand at nearly 630,000 accounts (adding more than 100,000 accounts over the 2005 figure). This growth was mainly due to an increasing broadband adoption. With almost 67,000 added accounts, the ADSL contributed 66.7% of the total Internet additions by end of Q3 2006. Meanwhile, the dialup service grew at a more modest pace of 8.3%, to reach a total of 431,599 accounts. The exhibit below shows the details.

Exhibit 1: UAE Internet accounts, 2004 – End of September 2006

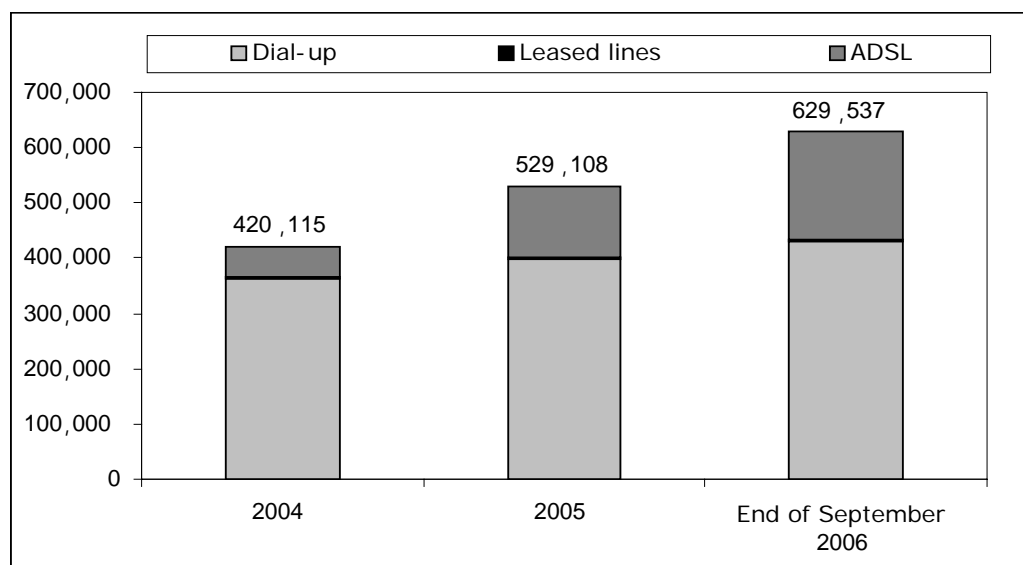
	2004	2005	End of September 2006
Total Internet Accounts	420,115	529,108	629,537
<i>Added</i>	-	108,993	100,429
<i>Growth%</i>	-	25.9%	19.0%
Dial-up	362,930	398,485	431,599
<i>Added</i>	-	35,555	33,114
<i>% Out of total additions</i>	-	32.6%	33.0%
<i>Growth%</i>	-	9.8%	8.3%
<i>% Out of total Internet accounts</i>	86.4%	75.3%	68.6%
Leased lines	1,644	2,130	2,495
<i>Added</i>	-	486	365
<i>% Out of total additions</i>	-	0.4%	0.4%
<i>Growth%</i>	-	29.6%	17.1%
<i>% Out of total Internet accounts</i>	0.4%	0.4%	0.4%
ADSL	55,541	128,493	195,443
<i>Added</i>	-	72,952	66,950
<i>% Out of total additions</i>	-	66.9%	66.7%
<i>Growth%</i>	-	131.3%	52.1%
<i>% Out of total Internet accounts</i>	13.2%	24.3%	31.0%

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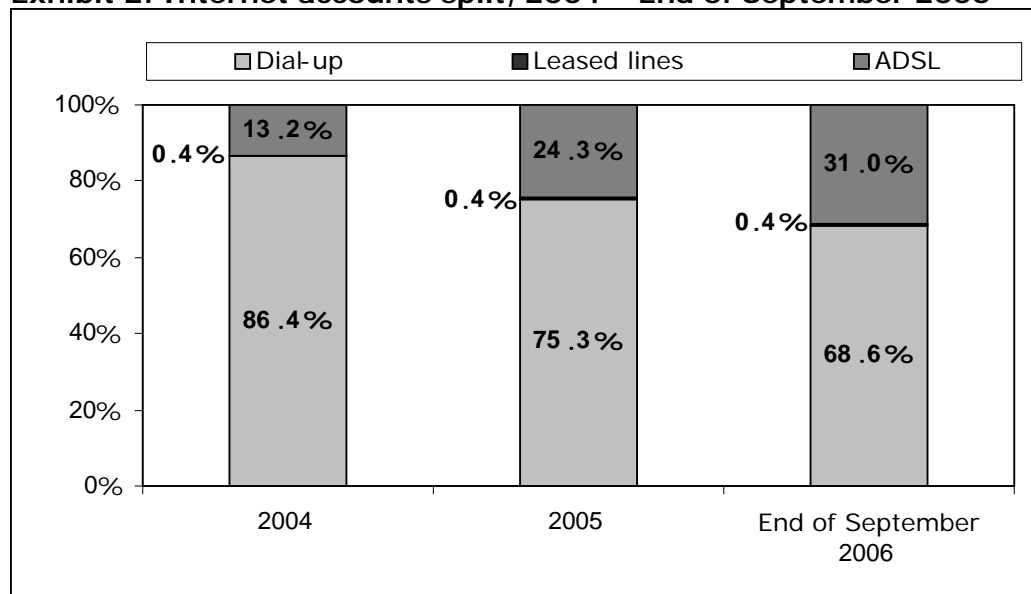


Note: Leased lines are not visible due to their small share of total Internet accounts over the period indicated.

Source: Etisalat

Clearly, broadband ADSL accounts are gradually taking a higher share of the total. By end of September of this year, the ADSL accounts share of total leaped to 31.0% (up from 24.3% in 2005 and 13.2% in 2004) while the dialup share dropped to 68.6%. The leased lines, meanwhile, mirrored their constant share of 0.4% of total.

Exhibit 2: Internet accounts split, 2004 – End of September 2006

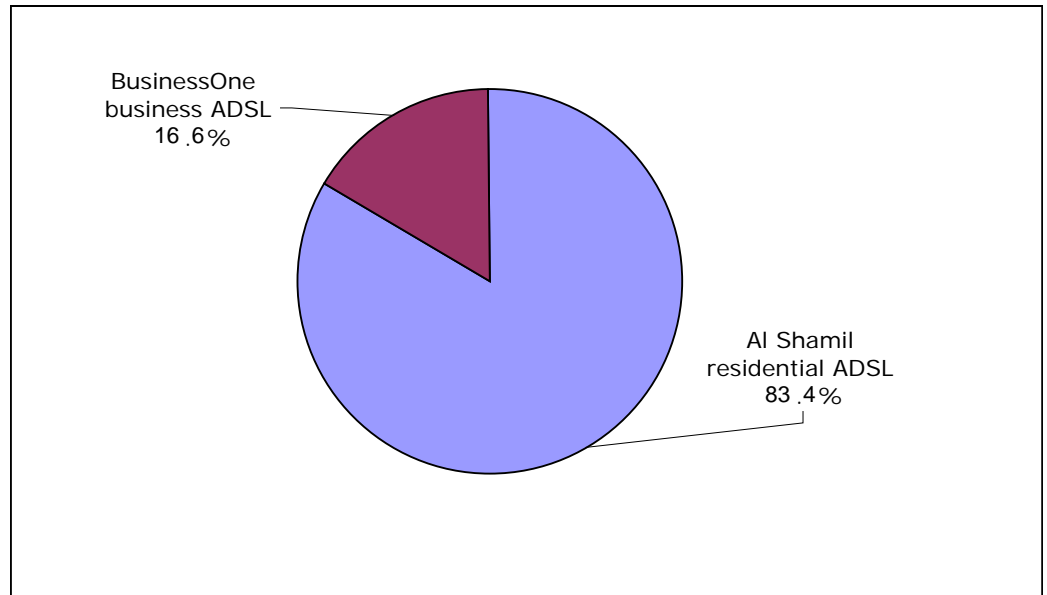


Source: Etisalat

Residential demand is the main driver of ADSL growth. Within the first nine months of this year, residential ADSL, Al Shamil, made 82.2% of total ADSL additions. Consequently, Al Shamil, constituted 83.4% (standing at 162,971 accounts) of the total ADSL subscriber base versus 16.6% (32,472 accounts) for Business One (The business ADSL service) by end of the period indicated. The exhibit below shows a detailed look at the ADSL figures.

Exhibit 3: ADSL accounts, 2004 – End of September 2006

	2004	2005	End of September 2006
Total ADSL accounts	55,541	128,493	195,443
<i>Added</i>	-	72,952	66,950
<i>% Out of total additions</i>	-	66.9%	66.7%
<i>Growth%</i>	-	131.3%	52.1%
<i>% Out of total Internet accounts</i>	13.2%	24.3%	31.0%
AI Shamil residential ADSL	44,900	107,951	162,971
<i>Added</i>	-	63,051	55,020
<i>% Out of total ADSL additions</i>	-	86.4%	82.2%
<i>Growth%</i>	-	140.4%	51.0%
<i>% Out of total ADSL accounts</i>	80.8%	84.0%	83.4%
BusinessOne business ADSL	10,641	20,542	32,472
<i>Added</i>	-	9,901	11,930
<i>% Out of total ADSL additions</i>	-	13.6%	17.8%
<i>Growth%</i>	-	93.0%	58.1%
<i>% Out of total ADSL accounts</i>	19.2%	16.0%	16.6%



Note: The pie chart illustrates the ADSL split by end of September 2006

Source: Etisalat

In such a highly developed Internet market like that of the UAE, The Arab Advisors Group foresees further acceleration in the broadband adoption within the coming period, triggered by the launch of the second operator's services in the country.

Related Arab Advisors Group research

"UAE's telecom market update by end of 2006: Economic growth result in continued fixed lines growth." July 24, 2006

"UAE's Internet market update by mid 2006: Broadband accounts grow by close to 40%.", July 18, 2006

"As part of its global expansion strategy, Etisalat secures Afghanistan's fourth GSM license and eyes Egypt's third cellular license." June 14, 2006

"UAE's Second Telecom Operator prepares to enter the market in the second half of 2006", February 22, 2006

"Etisalat crowns its excellent performance in 2005 with its new Push-to-Talk service" February 15, 2006

"UAE Internet Market Update: A Sub-national Analysis by Emirate.", December 29, 2006
"UAE's telecom market Q3 2005 update", November 22, 2005
"UAE's 3G Cellular Service: Growing at a slow pace." October 12, 2005
"UAE's telecom market by mid 2005: Etisalat further cements its dominance." August 15, 2005
"An update on the Internet Market in the UAE by mid 2005: Growth unabated." August 9, 2005
"UAE's 2004 telecom market update: Etisalat's performance marks it as one of the best performing operators in the region." April 19, 2005
"UAE Internet and Datacomm Landscape 2005" April, 2005
"UAE Communication Projection Report 2004" July, 2004
"An update on Etisalat's Performance: First-Rate Results!" November 23, 2003
"Etisalat becomes the first Arab operator to set up a 3G blueprint" February 6, 2003
"UAE Etisalat: It's road ahead" November 12, 2002

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