

Broadband Internet users in UAE will grow by 53 percent in 2003, to form 11 percent of total users

The United Arab Emirates is on the verge of making inroads – relative to the region – in the business and home use of broadband Internet access, as its young and educated community of Internet users begin to shift towards faster and higher-quality connections. Madar Research has surveyed Internet access modes and subscriptions in the UAE, and incorporated in this report major findings from a new user-profile survey by Emirates Internet and Multimedia

Broadband Internet users in the United Arab Emirates (UAE) will grow by 53 percent in 2003, dwarfing growth in the number of narrowband (dial-up) users, which will shrink to five percent during the same period, according to a Madar Research study. Meanwhile, a user-profile survey by Emirates Internet and Multimedia (EIM) – the country’s sole Internet service provider – has reported that 45 percent of all registered companies and 32 percent of all households in the UAE now have Internet access.

Demand for Digital Subscriber Line (DSL) subscription will drive broadband adoption, as this type of access will be the most popular among high-speed Internet connections in the UAE during 2003. DSL is forecast to grow 62 percent throughout the year, from 17,175 at end 2002 to 27,884 by end 2003. Home use (through EIM’s Al Shamil package) is forecast to lead DSL/ADSL growth, by 65 percent during 2003. EIM’s Business One subscription, meanwhile, is expected to witness a substantial 48 percent growth.

DSL offers broadband Internet access through an ordinary telephone line, which is converted to carry both voice and data signals with the data part of the line continuously connected. EIM’s DSL services offer upstream speeds of 128Kbps and 256Kbps, and downstream speeds of up to 2Mbps.

DSL subscribers, however, comprise only 6.6 percent, or

21,200, of EIM’s overall subscriber base of 321,500 (as of May 2003). Dial-up subscribers still make up the bulk of EIM’s customers at 93 percent, with the remaining 0.4 percent accounted for by Internet leased line and ISDN-LAN subscribers.

It is noteworthy that ISDN-LAN subscribers dipped 12 percent in the period between January 1 and May 31, 2003. This trend is attributable to users who are either upgrading to Internet leased lines or crossing over to DSL. EIM’s ISDN-LAN service offers speeds from 64 to 128Kbps, whereas its Internet Leased Line speeds range from 128Kbps to 2Mbps. The ISDN-LAN segment is expected to atrophy by 30 percent from 455 to 318 subscribers by end 2003.

Furthermore, EIM’s dial-up subscribers grew at an average 0.48 percent per month in the same period (Jan 1-May 31, 2003), from 292,000 to 299,000; hence, a total growth of only five percent is expected for the whole 2003.

Growth in the dial-up segment is being slowed by the same factors that stunt ISDN-LAN growth. Compared to the past two or three years, this slump is due to existing subscribers upgrading to DSL, new subscribers opting for a DSL service, or sheer market forces exerting pressure on the rate of Internet adoption.

Such forces, for instance, show that once early adopters are

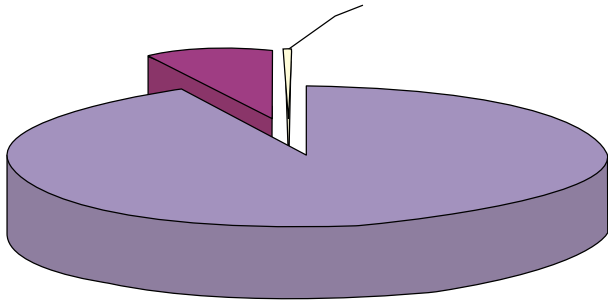
UAE Internet Subscriptions, Broken Down by Connection Speed, plus User Numbers and Growth (2002-2003)

	Internet Leased Line	ISDN LAN	Total Leased Line	Al-Shamil	Business One	Total ADSL	Total Broad-band	Internet Dial-Up	Total Subscribers	Broad-band Users	Internet Users
End 2002	760	455	1,215	14,500	2,675	17,175	18,390	292,000	310,390	86,925	1,070,000
End May 2003	900	400	1,300	18,000	3,200	21,200	22,500	299,000	321,500	109,500	1,120,000
Growth forecast for 2003	40%	-30%	14%	65%	48%	62%	59%	5%	8%	53%	10%
End 2003	1,064	318	1,382	23,925	3,959	27,884	29,266	306,600	335,866	133,000	1,175,000

Source: Madar Research Group (based on EIM figures)



Broadband versus Narrowband Subscribers in UAE, May 2003



Source: Madar Research Group (based on EIM figures)

onboard, late adopters usually take their time – with economic considerations assuming a high priority in their budgets (more on demographics in the latter part of this report).

The most recent introduction of cable Internet in the UAE is also likely to further drive the growth of broadband subscribers and users in the second half of the year, and indirectly to ease the growth in dial-up subscribers.

There are an estimated 1,120,000 Internet users in the UAE as of May 2003, representing a penetration rate of 30

percent – the highest in the GCC region. Global standards define an Internet user as an individual who has used the Internet at least once within the previous 30 days, whether through paid individual subscription, an Internet café or via a corporate account.

Madar Research applies a specific formula that estimates total Internet user numbers based on the standard definition, as well as on the numbers who have paid an Internet subscription.

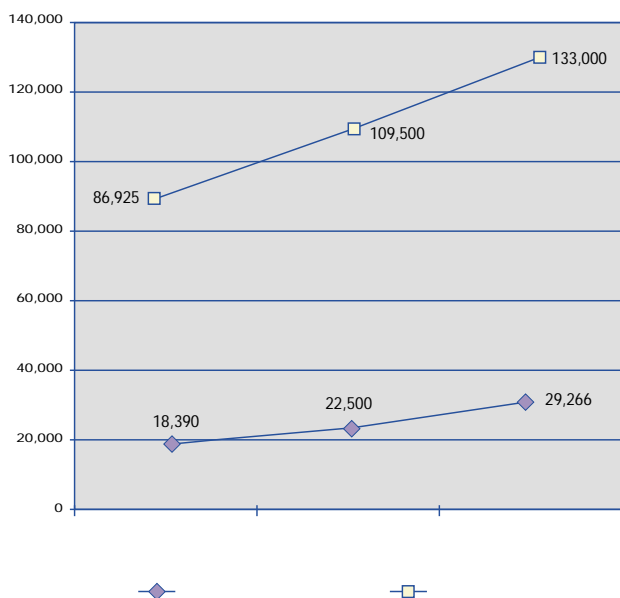
Consequently, Madar Research forecasts Internet users in the UAE to grow 10 percent, reaching 1,175,000 by end 2003. Internet penetration will reach nearly 31 percent by then, taking into consideration the growth in population.

Meanwhile, aggregate broadband (DSL, leased and ISDN line) users are estimated at 109,500 or almost 10 percent of total Internet users as of May 2003. Madar Research predicts that the share of broadband users will reach 11.3 percent by end 2003.

Shifting or upgrading to broadband Internet has been a question of both user requirement and individual economics. For heavy Internet users, particularly those who download audio and video files from the Internet, a standard 56Kbps dial up connection is not good enough.

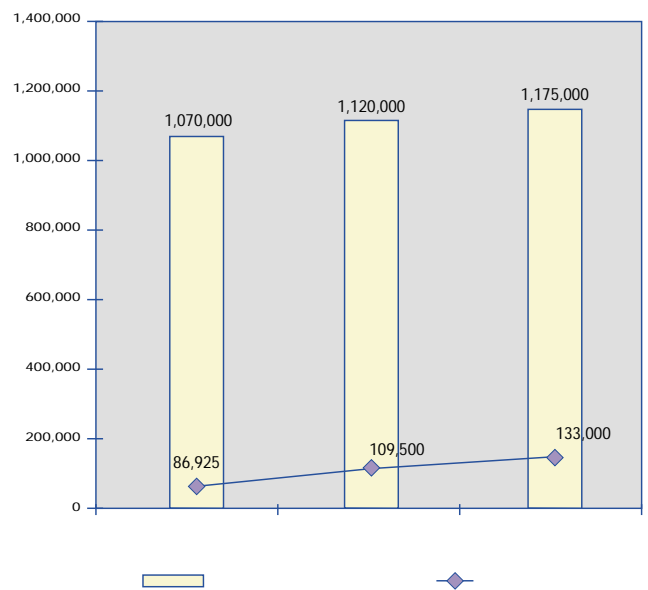
However, more cost conscious individual users are still hesitant to pay the US\$40 to US\$50 difference between a dial

**Broadband Growth in UAE, 2002-2003
Users versus Subscribers**



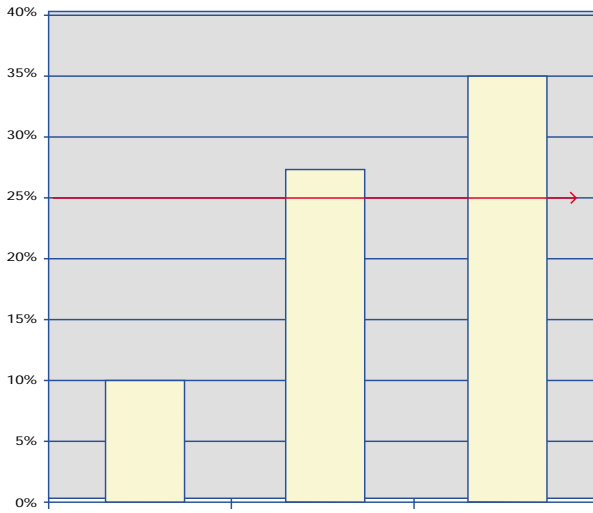
Source: Madar Research Group (based on EIM figures)

**Broadband versus Total Internet Users in UAE
2002 - 2003**



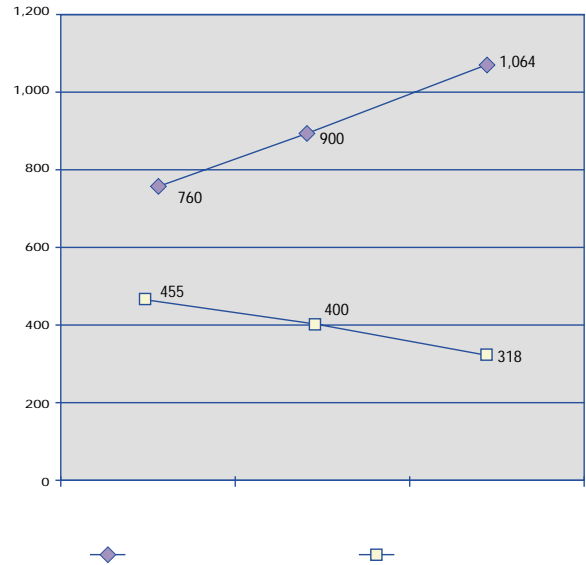
Source: Madar Research Group (based on EIM figures)

**Broadband as Percentage of Total Internet Users
May 2003**



Data Source: Nielsen/NetRatings and Madar Research

**Growth in Leased Line versus ISDN-LAN Subscribers
2002-2003**



Source: Madar Research Group (based on EIM figures)

up and a DSL monthly fee.

EIM's home user DSL package, Al Shamil, costs \$68 per month and a basic dial up package costs only \$5 per month, above which users are charged \$0.50 (peak) or \$0.27 (off-peak) for every hour of Internet use.

Meanwhile, EIM's DSL business package – Business One – costs anywhere from \$95 (single user package) to \$542 (multiple user package) per month. Single users are further charged \$23 per month for every additional 250MB download exceeding the standard volume, while multiple users are charged a slightly higher fee, \$41, for every 500MB of additional download.

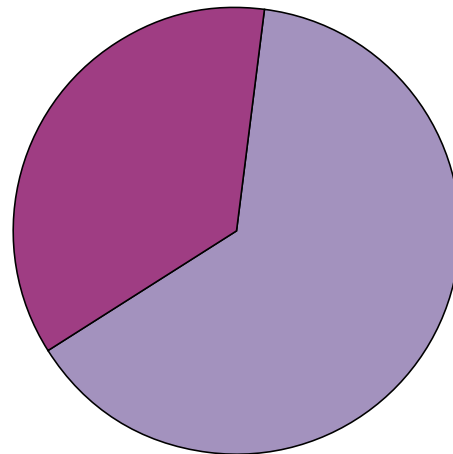
On the other hand, a 128Kbps dedicated Internet connection costs \$788 per month, whereas a top speed of 2Mbps costs \$6,400 per month.

A one-time installation fee of \$544 for either package is also charged. EIM further provides the government educational sector with a 15 percent discount on the standard leased line charges.

While broadband users are growing exponentially in the UAE, the rate of adoption is yet to equal the growth in European countries such as the UK, where broadband users grew 235 percent from April 2002 to April 2003.

UAE broadband usage is dwarfed by the European Union (EU) and the US, who both score above the world average of 25 percent. Hong Kong holds the world record, however, with 82 percent of its Internet population connected via broadband.

Gender Distribution of UAE Internet Users

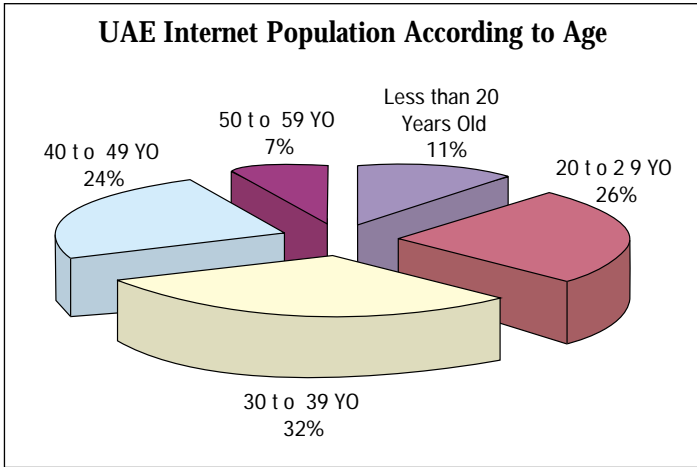


Source: EIM

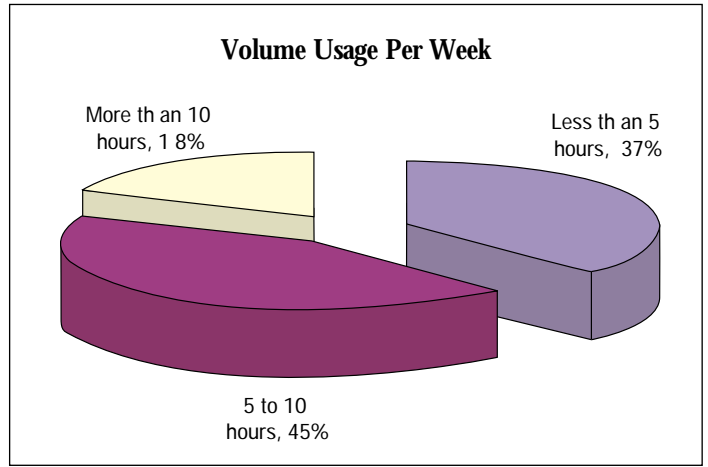
Demographics

A recent user-profile survey by EIM reports a gender gap in terms of Internet usage in the UAE, which is entirely consistent with European countries such as Germany and France. A good 64 percent of Internet users in the UAE are male, which is almost similar to that of Germany (63.34 percent) and not far from that of France (61.8 percent).

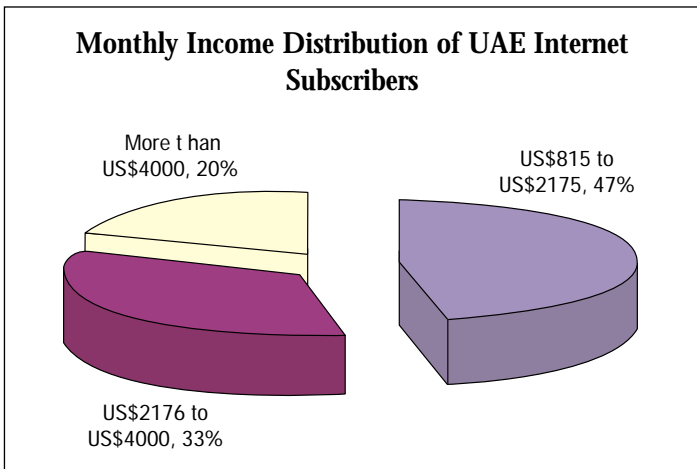
Female Internet users are known to outnumber males in



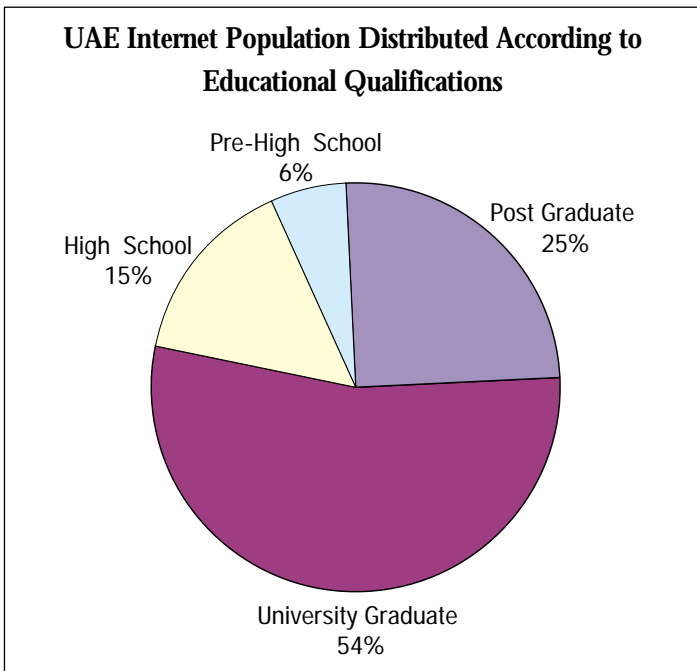
Source: EIM



Data Source: EIM



Source: EIM



Source: EIM

only two countries in the world: United States and Canada.

As far as age grouping is concerned, the largest number of UAE Internet users, at 32 percent, are those aged 30 to 39, followed by those aged 20 to 29 (26 percent). Middle aged users (40 to 49) ranked third at 24 percent; those below 20 years of age comprise 11 percent; and those between 50 and 59 are ranked last at seven percent.

Young professionals, or those aged 20 to 39, dominate the UAE Internet population with a combined percentage of 58 percent.

The EIM survey also reveals that those with monthly earnings of between \$815 and \$2,175 account for nearly half (47 percent) of total Internet subscribers; those earning between \$2,176 and \$4,000 make up 33 percent, while those earning more than \$4000 make up 20 percent of Internet subscribers in the UAE.

Another remarkable demographic element is the users' level of education. Those possessing a bachelor's degree account for more than half (54 percent) of UAE's Internet users, while exactly a quarter (25 percent) have either attended post-graduate education or possess a post-graduate degree.

Fifteen percent have only a high school education or are still in high school, while other users (six percent) have only pre-high school education.

As for hourly access, 45 percent spend anywhere from five to 10 hours per week on the Internet; those spending less time comprise 37 percent; while those spending more than 10 hours per week make up 18 percent of total users.

Finally, EIM states that 45 percent of all registered companies and 32 percent of all households in the UAE already have Internet access. Forty-five percent of its subscribers are business users, with households accounting for the remaining 55 percent.