



## Telecom Egypt Announces First Half 2006 Results

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### Presenters

- Mr. Akil Beshir, Chairman & CEO
- Mr. Tarek Tantawy, Director of Investment, Treasury & Investor Relations
- Ms. Eman Anis, Investor Relations Manager

**Coordinator:** Ladies and gentlemen, I would like to welcome you to Telecom Egypt's Half-Year Results Conference Call.

To begin today's call; I would like to hand over to our host Mr. Karim Khadr of HSBC who will begin by introducing today's speakers.

**Karim Khadr:** Thank you.

Good morning and good afternoon everyone. This is Karim Khadr of HSBC and I would like to welcome you all to Telecom Egypt's First Half-Year Results Conference Call which we are pleased to be hosting today.

From Telecom Egypt we have with us Mr. Akil Beshir, the company's Chairman and CEO, Mr. Tarek Tantawy, Director of Investment, Treasury & Investor Relations, and Ms. Eman Anis, Investor Relations Manager.

I will hand the call over now to Eman Anis for the safe harbor statements, to be followed by management's presentation on the first half results before we move to the Q&A session.

**Eman Anis:** Thank you, Karim, for the introduction and for hosting the conference call.

Good morning and good afternoon everyone.

As a standard rule of corporate governance at Telecom Egypt, I will first start by reading the safe harbor statement.

We may make some forward-looking statements in the course of this conference call. These will be based on information available to us as of today and you should therefore not assume in the future that we continue to hold these views then. We do not commit to notify you if our views change. We refer to our public filings for some factors that may cause forward-looking statements to differ from actual future events or results.

So that was the statement, let me now hand over to Mr. Akil Beshir, Chairman and CEO of Telecom Egypt.

**Akil Beshir:** Thank you, Eman.

Good morning and good afternoon everyone.

As usual, thank you all for taking the time to be with us on this call today. Before I take you through the highlights of today's results, I would like to make sure that all of you have noticed that as with the first quarter report, to assist investors and analysts following our progress and comparing performance, we have changed the way -- we now report the revenue breakdown in the notes to the financial

statements which is now aligned in terms of grouping under both Egyptian Accounting Standards and IFRS.

Let me now take you through the headlines of our results for the first half of 2006. As disclosed in our statement this morning, we continue to experience steady operating conditions in the domestic markets during the first six months of 2006.

Revenue growth of 9% has been sustained during the first half-year '06 and we are on target for the rest of the year. Profitability is important to us and our EBITDA margins remains very healthy at 56%. And I'm proud to say that it's still one of the highest in our sector. Similarly, net profit after tax grew 7%, in line with management expectations ending the period at 1.1 billion Egyptian Pounds.

As anticipated, our subscriber base is now growing at a more moderate pace, reaching 10.63 million fixed-line subscribers in the first six months of '06. Net subscriber additions during the first six months were 30% down on those achieved during the same period in '05. It's important to note, however, that when one looks at the second quarter in isolation, net subscriber addition totaled approximately 143,000 subscribers which is actually 60% up on the first quarter of '06, largely because of reduction in connection fees by 50% we applied starting from the second quarter of this year.

It's worth mentioning that during this year we have focused on adding profitable subscribers, and we manage it to relieve the company substantially from achieving preset penetration targets, and we also manage it to renegotiate with our suppliers to spread the existing supply contacts over a longer period. This effectively means that we

started applying the strategy we intended to start in '07 by focusing on profitable subscribers one year ahead of schedule, and we are pleased to be able to do this. This essentially means two things. First, we expect that we will be adding 500,000 to 600,000 new subscribers during the course of this year instead of the 1 million subscribers we guided at the start of the year. And those subscribers are what we believe to be profitable subscribers. Secondly, this also entails that our CAPEX spending this year will be lower than our initial guidance, which leaves the company with more cash on hand that will be available either for other investments or distribution to our shareholders.

One area we are investing in is broadband Internet. We continue to capitalize on the rapid growth and demand for Internet access through our retail Internet business, TE Data, which has again performed exceptionally well. TE Data's broadband market share has already increased to 38.5% through organic growth alone, with subscriber numbers growing by almost a quarter since my last report on the first quarter of '07 - of '06. This growth is pleasing and we fully expect a similar rate of organic growth to continue during the remainder of '06. While we continue to evaluate the markets for potential consolidation target, again, because of our commitment to justifying every investment carefully, fair price is a factor which today has precluded any acquisition.

Although it's a recent event and falls outside the reporting period, I would like to also touch on the option for the third mobile license in Egypt. As I have said frequently during the past periods, entry into the mobile market had to make good financial sense, and the price became unrealistic. As today's results demonstrate, Vodafone Egypt continues to deliver a strong financial result for us. This provides

further support for our decision to be firm on price in respect of the third mobile license in Egypt.

Vodafone Egypt has certainly been making leaps forward in the race for the Egyptian mobile subscribers and we are already collaborating with the Egyptian team of Vodafone and their parent company to ensure maximum benefit is derived from our collective experience of highly compatible and increasingly convergent technologies.

Another important thing is to stress that the entry - to stress on the entry of a new mobile operator, and this actually will aim to rapidly increase mobile penetration and thereby substantially increase mobile traffic which is also a positive outcome for Telecom Egypt. We continue to derive substantial financial benefits from the mobile interconnection fees and from the fees for the use of our network.

Ali Salama, our CFO, cannot be with us on today's call, and instead, Tarek Tantawy, our Director of Investment, Treasury & Investor Relations, will now give a little more detail on the financial performance.

Before I hand over to Tarek, I would like to mention just a recent development at Telecom Egypt. Earlier this week, we have held our general assembly and a new Board were elected. As the (status) of the company says, seven Board members representing the government who are appointed by the Prime Ministers on recommendation from the Minister of Communication, one member is representing the employees -- and three independent members were elected. And by independent, I mean independent as defined by London Stock

Exchange. Those three people that were added to our Board are -- I'll give you the names and their background.

Neveen El Tahri who is an investment banker. She represents ABN AMRO in Egypt and she has a long investment banking experience.

Tarek Moharram, he's a lawyer for the last 32 years. He's got his own law office which is a very reputable one in Egypt.

And the third one is Hesham Mekkawy who is the President of British Petroleum in Egypt.

I believe that those three people will be a great addition to our Board and will add significant value to it.

With that said, I would like to hand over to Tarek.

And by the way, our Web site will have a new Board representation for those of you who would like to go to it. Thank you.

**Tarek Tantawy:** Thank you, Mr. Beshir.

As Mr. Beshir mentioned on today, replacing Mr. Ali Salama which we all hope for him for a speedy recovery. I would like to point out that we are trying as much as possible to issue our IFRS statements as early as possible and we are working very hard on decreasing the time difference between issuing both sets of financials.

Let me now take you through our financial performance.

Revenue for the second quarter amounted to 2.24 billion Egyptian Pounds compared to 2.13 billion Egyptian Pounds in the first quarter of 2006, representing a growth of 5% quarter-on-quarter and 9% when compared on the first half of 2005. This growth in revenue is mainly attributed to the tariff rebalancing applied beginning of the second quarter of 2006 which resulted in higher subscription revenues in addition to the noticeable increase in local core revenues when compared to the first six months of 2005.

We are also very happy with the results of the international calls related revenue stream which as of the results achieved in the first quarter were very positive.

The strategic decision of focusing on adding profitable subscribers Mr. Beshir touched on earlier coupled with the tariff rebalancing applied in the beginning of the second quarter had a positive impact on the reported ARPU of 56.8 Egyptian Pounds per month in the second quarter versus 64.8 during the first quarter of 2006.

Reported EBITDA of 2.46 billion Egyptian Pounds for the first half of 2006 is 6% higher than the comparative period of 2005; and the 56.3% EBITDA margin for the first half of '06 was, however, lower than the 57.3% margin reported in the comparative period of '05, mainly because of the annual license fee of 100 million Egyptian Pounds we started paying this year which was not the case for the last year when we were exempted from paying license fees. On a quarterly basis, EBITDA was actually flat at 1.2 billion.

Net profit after tax for the first six months was 1.1 billion Egyptian Pounds representing a growth of 7% when compared to the first six

months of 2005, despite of the large FX gains of 300 million Egyptian Pounds in '05 compared to an FX loss of 83 million Pounds for the first six months of 2006. On a quarterly basis, net profit rose 6% compared with the first quarter of '06 reaching Egyptian Pounds 568 million. This represents earnings per share of 0.33 Pounds for the second quarter versus 0.31 Pounds in the first quarter.

I would like to also pick up on the CAPEX previously reported as well as to update you on our guidance for the full-year CAPEX in light of bringing the strategy of focusing on adding profitable subscribers ahead for a year as Mr. Beshir mentioned earlier. First, CAPEX for the first six months of 2006 was 920 million Egyptian Pounds versus 1.5 billion for the first six months of 2005, representing a drop of close to 38%. On a quarterly basis, CAPEX for the second quarter amounted to 421 Egyptian Pounds million versus 499 million in first quarter. Secondly, our estimates of CAPEX for the full year in light of focusing on profitable subscriber additions has been brought down to 2.1 to 2.2 billion Egyptian Pounds versus the 2.8 to 2.9 billion we have initially guided at the beginning of the year, representing a deduction of close to 25%.

Finally, it's important point on that we still have a very conservative capital structure in which debt-to-equity stood at 19.1% at the end of the first six months of 2006.

Now, let me hand back over to Mr. Chairman for his closing remarks.

**Akil Beshir:** Thank you, Tarek.

To wrap up, I would like to point out that just as demand for telecommunication service is changing, so will our underlying business. In this sense, subscriber additions will continue to slow but we still expect to grow the top line as our focus shifts to newer technologies and opportunities that convergence represents. What will remain as we work to capitalize on the existing fixed-line base is our commitment to cost control and careful capital expenditures. This conservative view is built in our desire to see maximum value return for every investment we make or opportunity explored, and as we look to the future and examine other overseas opportunities for growth, I can assure you that our commitment to not overpay for assets remains firm.

Thank you. If we can open the floor for questions, we'll be glad to answer any questions that you have.

**Coordinator:** Thank you.

If you would like to ask a question on the phone lines, please press star followed by 1 on your touchtone phone. You will be prompted to record your name. To cancel your question, press star and 2. Once again, that's star and then 1 to ask a question.

We have a question from the line of Istvan Mate-Toth. Please go ahead.

**Istvan Mate-Toth:** Good evening, Mr. Beshir, Tarek.

**Akil Beshir:** Good evening.

**Istvan Mate-Toth:** Could you please repeat the new subscriber forecast? I didn't catch it, I'm sorry. And could you also please tell us what the scope for CAPEX savings would be under this new forecast, i.e. what would your CAPEX guidance be for this year and '07 and whether this would have any revenue implications or you think you will have to give some guidance for revenues this year and next, or do you think you will be able to meet the same revenue growth with lower CAPEX (and lower) capital?

**Tarek Tantawy:** Sure. Just to take them one by one, the subscriber forecast this year is to add between 500,000 to 600,000 versus the initial 1 million subscribers we guided.

**Istvan Mate-Toth:** Ok.

**Tarek Tantawy:** For the CAPEX guidance, as you have probably figured out, I mean the new subscriber addition target is almost half what was initially guided and this is what we believe are profitable subscribers. However, this does not warrant a 50% reduction in CAPEX because not all the CAPEX is related to subscriber additions. We're updating our network and increasing the capacity to accommodate for the third mobile entrant, and this is why the reduction in CAPEX is only 25% for this year, and we estimate that at the end of the year, the CAPEX figure will be 2.1 to 2.2 billion versus the 2.8 to 2.9 we've initially guided. And that, by the way, includes close to 500 million in repayment of existing facilities related to acquisition of fixed assets. So we're talking about, I mean, the fresh CAPEX of anywhere between 1.6 to 1.7 billion Egyptian Pounds.

For the revenue guidance, I think we're still on track. We believe that even with the low subscriber additions, the tariff rebalancing coupled with the strong performance of the international part of the business, we still hold our initial guidance for this year and the coming year.

And lastly, your question related to CAPEX for 2007, the figure we've guided was between 1.3 to 1.4 billion Egyptian Pounds, and that stands the same because this fact has been the strategy of focusing on profitable subscribers only.

**Istvan Mate-Toth:** Ok. Thank you very much.

**Tarek Tantawy:** I'm sorry, Istvan, it's 1.4 to 1.5

**Istvan Mate-Toth:** No, no, that's fine.

**Tarek Tantawy:** Yes.

**Istvan Mate-Toth:** Ok. Thanks very much.

**Coordinator:** Thank you. Our next question comes from the line of Walaa Hazem. Please go ahead.

**Walaa Hazem:** Yes, hello. I would like just to ask about Algeria. As I - as far as I recall, in the last conference call you stated that the operations in Algeria was not as promising as you expected in the third year of operation. So I would like to ask about their current status and I would like to ask about when do you intend to consolidate them into your financials. Thank you.

**Akil Beshir:** Ok. Concerning Algeria, yes, as we mentioned in the last conference call, the start of the operation was not as we hoped to be. We experienced two kinds of problems.

First one we experienced was after, you know, in the very early stage of the operation, was - it was actually a problem with regulators concerning the spectrum available. We were not given the spectrum that we -according to our license, we're entitled to. It was delayed by the regulator. And then they tried to change the spectrum which of course we refused because obviously after, you know, designing and installing the network, you cannot change the spectrum. So this took quite sometime, but it was solved at the end by the regulator and we were given the spectrum that we need.

The second problem was actually with the incumbent operator there. They started some or a lot of uncompetitive practices like dumping some of the services in order to undercut our prices. We complained several times to the regulators and to the ministers to the extent that, at one point in time, we threatened that if those problems were not solved in the right way, we would reconsider our investment there. This has - after leaving this incumbent for quite some time actually doing these practices; the regulator finally had stopped them from that.

So those are the two kinds of problems. So the situation is still that it's much better this month than the last month, but it's still not as we hope to be.

And one thing concerning Algeria, we've changed the management there. We have a new CEO that has started 1st of August. He's a French national with many years with France Telecom and he's got

substantial experience in North Africa before. So we thought that this profile of a CEO would be beneficial in getting the operation to pick up.

**Walaa Hazem:** Ok, thanks.

And when do you expect to consolidate the results into your financials?

**Akil Beshir:** Until now, they did not issue audited financials, but once they do, by the end of this year, the results will be reflected in our statements.

**Walaa Hazem:** Ok. Thank you very much.

**Coordinator:** Thank you. We have a question from the line of Hashim Omran. Please go ahead.

**Hashim Omran:** Good afternoon, gentlemen. I just have two quick questions.

You stated that ARPU rose from 54.8 to 56.8 between Q1 and Q2. How much of this increase is attributable to the tariff increases that were effective April 1st I believe?

My second question is two-fold. One is how much does the Internet operation constitutes of - as a percentage of your revenues? And can we expect or is it in the horizon that a possible acquisition can be executed in this segment? I mean, can we see TE Data acquiring other ISPs in the local market?

Thank you very much.

**Tarek Tantawy:** First, with the ARPU question, the main increase was in the subscription fees, and that's the main driver for the increase in ARPU. Until now, the results of the change in local call tariffs and the reduction in free minutes has not been that drastic in the change in ARPU now, it's only driven by subscription. Towards the end of the Q3, we expect that the local call revenues would also contribute to that.

**Hashim Omran:**Ok.

**Tarek Tantawy:** And the percentage of Internet with the total group revenues is close to 3%.

**Akil Beshir:** And concerning the possible acquisitions of - in the Internet field by TE Data, of course, yes, this is possible. And we may see some acquisition in the coming quarters.

**Hashim Omran:**Ok. Thank you very much.

**Akil Beshir:** You're welcome.

**Coordinator:** Thank you. We have a question from the line of Ben Joseph. Please go ahead.

**Ben Joseph:** Good afternoon. Thanks for the call.

I just wanted to clarify my understanding of Note 29 in the accounts regarding the NTRA payments and the third license. By bidding for the recent third license, will you now receive reduced payments relating to the original third license that you forfeited?

The reason I'm a bit confused is just that the third paragraph, they shall not - that you committed not to apply for the third license until the end of '07 or November 2007 which you obviously did, but then the final paragraph implies that the NTRA receipts are unaffected. So, the confusion is here, but if you can help me on that out, that would be helpful.

And then finally, Tarek, I know you mentioned the new license fees already, can you just confirm which expense line they're being included in and if it's going to be the same expense line on the IFRS.

Thank you.

**Akil Beshir:** Thank you, Ben.

Concerning the third license, yes, the agreement with the two mobile operators stated that we could not bid or build a second-generation mobile network, fully mobile network, so limited voice is not counted, second-generation mobile - fully mobile network before November 2007. However, to bid for the third license because, you know, it was a combination of 2G and 3G, we got a waiver from the two mobile operators to relieve us from this commitment in order to allow us to bid. And this whole operation doesn't affect at all the proceeds that we received from the NTRA for reworking our license back in 2003.

**Ben Joseph:** Ok. Thanks very much.

**Akil Beshir:** You're welcome.

**Tarek Tantawy:** For the license fees, Ben, it appears, in the Egyptian Accounting Standards, it appears on the other operating cost which is Note 24.

**Ben Joseph:** Yes.

**Tarek Tantawy:** And that line item is 83.6 million pounds approximately, of which 50 million is the first six months license fee and the rest is sequential payments to the NTRA. Under IFRS, it will be the first time that it appears in the common set of financial and this will also appear under direct cost.

**Ben Joseph:** Ok. So, sir, we do not have any in Q1 then on the IFRS?

**Tarek Tantawy:** No. Actually the actual payment for the 100 million was made to the regulator in May 2006

**Ben Joseph:** Right.

**Tarek Tantawy:** ...and since this was the first time that we'll start paying license fees, the auditors did not notice this in the first quarter.

**Ben Joseph:** Ok.

**Tarek Tantawy:** Yeah. So our first quarter results do not include any license fees. Going forward, each quarter until the end of this year, you should see an incremental 25 million Pounds in license fees paid to the NTRA.

**Ben Joseph:** Ok. And then in Q2 - the Q2 is also, say, a full 50, but obviously that's affecting Q1 and Q2.

**Tarek Tantawy:** Yes, it's 25 to quarter.

**Ben Joseph:** Ok, excellent. Thanks very much.

**Coordinator:** Thank you. Our next question comes from the line of Osman Zaki. Please go ahead.

**Osman Zaki:** Yes, good morning and good afternoon everyone. I have three questions if I may.

Easy one I guess is, when do you expect the IFRS, you know, timeframe, just not - the specific date?

And then the second is are you seeking any pickup in DSL subscriber numbers following the tariff reduction that occurred in June?

And the third is, regarding your international expansion prospects, are you considering bidding for the third license in Saudi Arabia on the mobile side or even a fixed-line license also in the same process?

Thank you.

**Akil Beshir:** Concerning the second and third question, I'll answer that.

We do expect, as I mentioned, the second quarter new adds was about 60% above the first quarter as a result of the reduction of the connection fee. So, yes, we do expect that the - this will continue with this reduction.

The second - the third one, yeah, concerning the -- of course our international acquisition. We're not considering the third mobile license in Saudi Arabia but we are considering the second fixed-line license in Saudi Arabia.

**Tarek Tantawy:** Concerning the IFRS financials, I hope that you realize that the main reason for delay is that we have to wait for Vodafone Egypt to issue their IFRS financials. Usually it took us a month after the Egyptian reporting to issue the IFRS, this time we hope that we can do it within the coming two weeks.

**Osman Zaki:** Ok, thanks.

Actually my second question, the one on the subscribers, it relates specifically to the DSL subscribers, not the ordinary fixed-lines subscribers.

**Akil Beshir:** Ok.

**Osman Zaki:** Following the reduction in subscription fees in June which took it down to 95 Pounds a month, are you seeing any pick in DSL subscribers?

**Akil Beshir:** Yes. Yes, we are. Sorry I misunderstood the question.

**Osman Zaki:** That's ok, great. Thank you.

**Coordinator:** Thank you. We have a question from Wael Ziada. Please go ahead.

**Wael Ziada:** Good morning and good afternoon everyone. Thank you very much for the call. I just have a quick question here, actually two questions.

The first one, Tarek, it would be very good if you can at least go over your CAPEX - new CAPEX estimates. You mentioned that you're looking at 1.6, 1.7 billion in terms of CAPEX, and that excludes any financial CAPEX, related financial payments. Is that a correct figure?

**Tarek Tantawy:** Yes, it is.

**Wael Ziada:** Okay. And for 2007, what would be your estimate for the same sort of CAPEX?

**Tarek Tantawy:** It's between 1.4 to 1.5 billion.

**Wael Ziada:** 1.4 to 1.5, ok.

Second question would be with regard to the local core revenues. For this quarter, if my estimates are correct, there would be around 440 million for the second quarter, is that correct?

**Tarek Tantawy:** Yes, it is.

**Wael Ziada:** And this is not any substantial growth from the first quarter which was roughly around 440 million despite the tariff rebalancing being effective in the second quarter?

**Tarek Tantawy:** Yes. That's correct, Wael. But mind you, we have said that at the very beginning when we started implementing the tariff rebalancing scheme, lots of resistance was faced from the consumers and

consumer groups. So this is why we've expected that over the longer term we will start to see the impact of the increase in local call tariffs.

The thing we saw immediately was the increase in subscription fees, and as I mentioned earlier, that's the reason for the increase in ARPU for the second quarter. So we expect by Q3 that this line item should witness a noticeable increase.

**Wael Ziada:** Right. So you expect that line item actually to see some strong growth and that this sluggish sort of growth is not a reflection of - I mean basically have some indications from July and from August that can tell you what sort of growth we can anticipate especially from tariff rebalancing. And basically, we could look at more robust growth from the local revenues, is that correct?

**Tarek Tantawy:** Yes, absolutely, it's correct.

Again, I think we - it's not pure mathematics, I mean lots of consumer behavior is involved in this. And I think we'll be better positioned to give you a clearer picture in our Q3 results announcement. But I mean our expectations right now is to see an increase in local core revenues by 7% to 9%, and that's not very scientific until we see the actual results on the ground.

**Wael Ziada:** Right. And let me just ask you - comment on your - on the income in international, it seems to be witnessing I mean healthy numbers, and do you expect any substantial reduction in this once - in this line revenue- the sector is more liberalized? And that mentioned, I'd also like to have highlights on the status of the international gateways and other international related license.

**Akil Beshir:** Well, the status of this, nothing happened yet. I mean that the regulator hasn't yet issued the terms of reference for people to bid for the international licenses. So we do not expect to see active competition before '07.

Concerning the expectations, as I've mentioned before in previous calls, you know, one of the main criteria in selecting the successful bidder for international, as the regulator puts it clearly, is to demonstrate how they will contribute to increasing the traffic. So expect the traffic itself to increase. We expect to maintain very high market share. And of course, we'll be charging for interconnection to our customers and for submarine cables landing because we still have exclusive landing rights for submarine cables. So with these charges and the increase in - keeping the quite high market share and increase in the traffic, we do not expect significant in international revenues.

**Wael Ziada:** Great.

**Tarek Tantawy:** Maybe, Wael, to add on this, what we've witnessed in the first six months is the large increase in traffic. And what should also be mentioned is that we have started reducing our termination rates to the international carriers for incoming calls. And despite of this increase in termination rates, we were still able to generate more revenues. We thought it's more adequate to start reducing the rates and retaining our large international customer base and not to wait when the third - I'm sorry, when the two new licenses are tendered. So again, despite of the reduction, still revenue streams are increasing and traffic is increasing significantly.

**Wael Ziada:** It's indeed looking very healthy.

What - just another question with regards - you mentioned something about managing to acquire high-end subscribers. Is that, you mean business versus residential or you're referring here to some sort of geographical selection, i.e., Greater Cairo versus more rural areas?

**Akil Beshir:** Sorry, I didn't get the question can you repeat the question, Wael?

**Wael Ziada:** Ok. You mentioned that you're managing to add more high value subscribers. And by that, are you referring to adding more business subscribers as a percentage of your total subscriber mix or is it adding more from Greater Cairo as opposed to - from the rural areas?

**Akil Beshir:** Both actually.

**Wael Ziada:** All right.

**Akil Beshir:** We're adding more business subscribers; we're marketing to our business subscribers, existing ones and new ones, by designing several packages for them, and also by adding more lines to the urban highly-profitable subscribers.

**Wael Ziada:** Ok, great.

And my last question will be with regard to the FX losses, could you just give me a quick highlight on the FX loss. Thanks for that.

**Tarek Tantawy:** The FX losses mainly come from the appreciation in Euro versus the Egyptian Pound, like I mean 75% to 80% of the 80 million - 83 million

figured in the income statement comes from this. And that's mainly related to our long-term liabilities, our long-term debts I mean.

**Wael Ziada:** Great. Ok. Nice conversation because of the results, and thank you very much for that.

**Tarek Tantawy:** Thank you.

**Coordinator:** Thank you. Once again, to ask a question, please press star and then 1 on your touchtone phone.

We have a question from Istvan Mate-Toth. Please go ahead.

**Istvan Mate-Toth:** I have a follow-up question on the reduction of the subscriber. It may sound strange, but do you consider this as good news? And obviously the profitability with new subscribers has been limited. At the same time, that would indicate some strong demand constraints for your wireline expansion or maybe you see increased competition from mobile?

And on the back of what has the subscriber reduction happened, is it simply there is suddenly less demand you realized or maybe you undertook some price actions, do you think that the - some of the increases in demand has driven out some subscribers also of the market and therefore there will be probably some more limits for over a wireline revenue growth. And so if you could elaborate on the strategic implications of this quite sudden slower compared to the expectation.

And secondly, I think there has been again, some press reports on your increasing your stake in Vodafone Egypt. I mean is this just a just

a usual press thing or have there been any new development on that front?

**Akil Beshir:** Well, concerning the profitable subscribers, if you remember, Istvan, we mentioned earlier this year that in '06 we expected to add 1 million subscribers because we were supposed to achieve some penetration targets preset by the government. And as of '07, we expected to focus only on profitable subscribers and we estimated those to be about 500,000 per year. What happened this year is we were not under pressure by the regulators to increase penetration rate. So we started focusing on the profitable subscribers as of this year. So I consider this as good news.

The Vodafone - what was your question about Vodafone?

**Istvan Mate-Toth:** I think - I came across some press stories again I think today that you may increase your stake and...

**Akil Beshir:** Yes.

**Istvan Mate-Toth:** We know this is an option, but I was just wondering if - has there been any new developments on that front or if things as it has been?

**Akil Beshir:** No development in that, except, as we always said buying more shares in Vodafone for us is an investment decision meaning, if the price is right. Of course, it's a profitable company, and we would like to increase our shares there. It will not give us any more control, or maybe more vote seats as we go higher, but - if the price is not right- we are not willing to buy Vodafone shares at any price, because as I've said, with the model that we have with forming Wataneya 50-50 with

Vodafone and owning 51% of Vodafone Egypt, that's what we needed to have joint control of Vodafone Egypt. But any more shares will be just adding more profits, and we look at it as investment.

**Istvan Mate-Toth:** I understand. Thank you very much.

Mr. Beshir, just so that I understand. There's going to be less new connections this year. At the same time you still feel confident that there will be around 400,000, 500,000 new subscribers that you would consider profitable. You're not concerned about the demand from those profitable subscribers, but that you're going to beat that over the next few years.

**Akil Beshir:** Yes, yes. No, we're not concerned about the demand.

**Istvan Mate-Toth:** Ok, that's very helpful. Thank you very much indeed.

**Akil Beshir:** Thank you.

**Coordinator:** Thank you. Once again, to ask a question, please press star and then 1.

We have a question from Said Irfan. Please go ahead.

**Said Irfan:** Hi, good afternoon, gentlemen. I'd like to ask a - just a few clarification questions on - to gain more understanding of your financial profile here.

First of all, the - from your voice revenue, what percentage of it is from the fixed-to-mobile call?

The second question is on the dial calls, the Internet dial calls as a percentage of the local call revenue.

And the third question is that I understand that IP telephony in Egypt right now is a private one, IP telephony, so it's a private telephony connection. And when do you think that public IP telephony will be available?

Those are all of my questions. Thank you.

**Tarek Tantawy:** First of all, for the fixed-to-mobile percentage of our revenue stream, it's close to 12% of our total revenues. And for the free Internet, it represents close to 10% of our local call revenues.

Let me hand back over to Mr. Chairman for the IP telephony.

**Akil Beshir:** If you mean voice over IP traffic, is that what you mean?

**Said Irfan:** No. What I was asking is, when do you think the public IP telephony will be available in Egypt?

**Akil Beshir:** I am not sure- but definitely not this year, and the regulator actually is holding some, meetings for that with different people, but there's no plan to have it in the very near future.

**Said Irfan:** All right. Thank you.

**Coordinator:** Thank you. Once again, to ask a question, please press star followed by 1.

At this time, we're showing no further questions. I'll hand back to the speakers for any closing remarks.

**Akil Beshir:** Thank you.

Well, I'd like to take this opportunity to thank you again for being with us on this call today. And we hope that you're pleased with the results we have so far over the performance of the company. I look forward to meet all of you in the near future. And if we don't meet, then we'll talk to you when we have our third quarter results in mid November.

Ok, thank you very much.

**Coordinator:** Thank you. That concludes today's conference call. You may now disconnect.

END