



Telecom Egypt Announces Full Year 2009 Results

Presenters

- Mr. Tarek Tantawy, CEO & Managing Director
- Mr. Hassan Helmy, Vice President & CFO
- Mr. Ahmed Fathallah, Director of Investment & Investor Relations
- Mr. Mohamed Kamal, Investor Relations General Manager

Zoltan Palfi

Good morning and good afternoon everyone, this is Zoltan Palfi from UBS, I would like to welcome you all to Telecom Egypt's full year 2009 results conference call. From Telecom Egypt we have with us Mr Tarek Tantawy, Chief Executive Officer and Managing Director, Hassan Helmy, Chief Financial Officer and Vice President, Ahmed Fathallah, director of investments and investor relations, and Mohamed Kamal, investor relations general manager, on the line. As usual, the conference call starts with a discussion of the highlights of the fourth quarter, followed by a Q&A session. With this I hand over the call to Mohamed Kamal for a safe harbour statement.

Mohamed Kamal

Thank you, Zoltan, for the introduction and for hosting the conference call – good morning and good afternoon everyone. As a standard rule of corporate governance of Telecom Egypt I will first start by reading a safe harbour 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. We do not commit to notify you if our views change. We refer to our public filings for some factors that may cause forward statements to differ from actual future events or results. So that was the statement, I will now pass you over to Tarek Tantawy, the Chief Executive Office and Managing Director of Telecom Egypt.

Tarek Tantawy

Thank you, Mohamed, for that introduction and welcome all to our full year results conference call. We have applauded an accompanying presentation to our website which can be found under the investor relations section. We will be using this presentation during these briefing calls so you may find it useful to refer to. We are reporting to

you today profit growth of nearly 10% year on year, following the toughest and most aggressive year of competition in our market. I'm immensely proud of our achievement over the past year, not least in our short term tactical responses to the market, but also in terms of the headway we have made in defining our long term vision and strategy. I will come to discuss the second point shortly. Slide five gives you a snapshot about our performance for the year under review. We will unpick this in detail throughout the remainder of the presentation, but also look forward to answering your questions on it at the end.

2009 has been a challenging year – Egypt has not been immune to the global financial crisis and its aftershocks, posting 4.7% GDP growth versus historical averages of 7.1% pre-crisis. The combination of an economic slow down and aspirations of the Egyptian mobile operators has resulted in very aggressive pricing environment. Our retail business has been swift to respond offering compelling counter promotions to defend both revenues alongside attractive packages offered to retain high ARPU customer segments – this action has placed some short term pressure on retailing revenues. During the year we did see some impact of the wider macro economic situation on the payment behaviour of our subscriber base, and having identified this early we took steps to tighten our credit policy. Such steps has resulted in disconnecting 2.1 million customers, most of such disconnections happened during the second quarter of the year, and were from customers that have been on receive only for a long period of time. The net result has been an uplift in ARPU of 6% year on year, now averaging EGP54.1 per month.

We have continued to benefit from the growth of the broadband market via TE Data and expect to see continued and marked growth in this revenue line over the coming year. With the young population and relatively low growth band penetration to date, only 6% of households have broadband access. We believe that TE Data's growth will continue to significant. The government shares our vision and continues to work hard to support increased broadband penetration through several initiatives.

As the Egyptian telecommunications and data market is becoming more competitive we are working closely with TE Data to leverage the benefits of such a strong broadband capability to the benefit of all of our customers. This has already resulted in bundled offers such as double pay packages, the creation of innovative content solutions and collaborative service offerings with multinational vendors like Microsoft.

Our wholesale division has provided TE with access to the growth in the mobile and data markets. We have seen a particular uplift in international wholesale revenues, and wholesale revenues are derived from domestic and international services to third parties who seek to utilise our extensive digital infrastructure principally. Wholesale

revenues now account for 42% of our total revenues and have recorded a five year CAGR of 14%.

2009 was a year in which we maintained our commitment to identifying and investing in projects which have the potential to provide both additional revenues and considerable benefits to our existing customers. We made significant progress in the build of our first project so extend the TE transit corridor via the development of a new cable system. TE North is a submarine cable system which extends from North Egypt to Europe, thereby expanding the service footprint of the existing TE transit corridor by offering additional transit services in the Mediterranean. This build will also lower the cost point of TE Data.

Construction of TE North is 85% completed, there are just a few hundred kilometres of cable laying remaining off Egypt's shores before it is connected to the landing station in Marseilles in France, which has already been prepared. We expect the cable to be operational by the second quarter of 2010 when revenues will start to be recognised accordingly.

The growing Egyptian mobile market has been a major contributor to the growth in TEs wholesale revenues from just 23% of total revenues in 2003 to 42% for 2009. As most of you know, TE benefits from the Egyptian mobile sector in two ways – the strength of our wholesale segment is primarily driven by the increase in mobile traffic using TEs extensive network – the results of this are plain to see. Secondly, our investment in Vodafone Egypt continues to yield excellent results – in 2009 Vodafone Egypt has contributed EGP1.4 billion pounds to our bottom line.

To summarise, despite intense competition from mobile operators, Vodafone Egypt added more subscribers in the nine month period ending December, 2009 than any other operator. Vodafone Egypt increased its customer base by 32% in comparison to the same period in 2008, to 23 million subscriber, total voice minutes increased by 25% to more than 28 billion minutes, and Vodafone Egypt generated revenues of EGP9.1 billion in the nine month period ending December 31st, 2009 – a 3% increase on the previous period in 2008. Net profit for the period increased to EGP2.4 billion, a rise of 6% year on year.

It is worth noting here that in September, 2009 TE signed an agreement for the provision of wholesale telecommunication services with Vodafone Egypt. The agreement comprises two distinct elements – utilising TE as an international gateway service to transit all Vodafone Egypt customers' incoming and outgoing international traffic, plus relying on TEs extensive domestic network for all Vodafone Egypt's infrastructure leasing needs. The agreement which builds on a pre-existing relationship is expected to represent a total value for TE of approximately EGP4 billion over the next three years.

I will now pass you over to Hassan Helmy, Telecom Egypt's Chief Financial Office, for a discussion of the company's financial performance during the period. Hassan, over to you.

Hassan Helmy

Thank you, Tarek, and good afternoon everyone. I will now take you through the financial highlights for the full year. TE is known for the solid performance it has delivered year on year. What you can see from slide 12 is that our revenue progression has been marginally impacted in 2009 by our response to pressure on retail voice revenues, but remains robust. Critically, profitability whether taken at EBITDA level or net profit, has continued to strengthen as our diversification strategy has given our business the resilience needed to build a sustainable future.

On net profit – our net profit has a five year CAGR of almost 10%. Crucially, in the year under review net profit after tax has also grown above 9% year on year – this is a significant achievement given the challenges the world has faced during 2009. I would like to spend a moment working through the income statements as it highlights this point in detail. If you may turn to slide 13 you will find that EBITDA, before provision, was EGP5 billion representing a margin of 50.7%, comfortably within management's expectation.

EBITDA after provision was EGP4.7 billion, translating to a margin of 47.1%. Our investment in Vodafone has continued to serve us well during 2009, contributing a total of EGP1.4 billion to the bottom line. Combined, this resulted in a net profit for TE of EGP3 billion, a margin of 30.6% and earning per share of EGP1.7, a 14% rise from 1.49 last year.

We will now go into two areas in more detail in the next two slides – firstly, revenue and then EBITDA. As the telecommunication market has become more competitive you have seen some impact on our retail revenues, which declined 6.8% year on year. This is particularly noticeable during the fourth quarter of 2009 when TE reduced domestic long distance to match local minutes free between October and November. In addition, TE reduced its fixed to mobile tariffs by more than 50% in response to aggressive price cuts by the mobile operators during December.

Our promotion had the desired effect with usage significantly increasing, and reduction in the active subscriber base slowing. The total voice revenue includes those drives from Internet and data, which increased year on year as we capitalised on the growth of the broadband market via TE Data. During 2009 TE Data reported net subscriber additions of 201,000 taking its total customer base to 625,000. Overall, broad market share has increased from 59% at the end of 2008 to 61% at the close of 2009. As Tarek mentioned, we had

to state that as the market grows this would constitute a larger part of our revenues.

Our wholesale business now comprises 42% of total revues. While international wholesale revenue continues to grow during 2009 we have experienced a decline in domestic wholesale revenue, particularly incoming mobile to fixed calls. This can be attributed a number of factors – firstly, the new pricing structure agreed with Vodafone Egypt in September, 2009 in return for a three year commitment. This agreement came into force in the middle of the third quarter, but its accounting effect was recognised in the fourth quarter. Locking Vodafone Egypt's business in this way secures wholesale revenue of approximately EGP4 billion over the life of the contract.

Secondly, 2009 is the first full year reflecting the new interconnection rate implemented by the regulator in September, 2008. In 2008 termination rates for fixed networks averaged 15.5 piastres, compared to 6.5 piastres in 2009, a reduction of almost 60% and naturally had some impact on our revenues. On the other hand, mobile termination rates went down from an average of 25 piastres in 2008 to 11.3 piastres in 2009, which clearly benefits TE in terms of its ability to become competitive with the mobile operators. Despite this dramatically lower rate, domestic wholesale revenue only decreased 3% due to 13%, a double digit increase in transmission services to mobile and ISP operators.

However, it's worth noting that this increase in transmission reflects a significant growth in the market, in the mobile market this year. This is not an increase we expect to be repeated in 2010, given the current forecast from the mobile operator for their growth. International wholesale revenue increased 10% year on year, and inbound international traffic increased as a result of retail promotion by international telecom operators, generating more inbound calls to Egypt via TE gateway. It should also be noted that none of the revenues from our cable business have been recognised in the 2009, although certain capacity has been contracted. We expect to start recognising revenues in 2010.

Now for the EBITDA, turning to slide 15 – you can see the major EBITDA before provision cost items – personnel, interconnection costs and other operation expenditures. These are comparable with 2008 with some reduction in the percentage attributable to interconnection rates as a result of the national ruling. An EBITDA margin before provision on 51%, it was 2008, remains at the top end of the management expectations.

Turning to slide 16 you can see here that we have continued to rationalise our CAPEX programme over the past five years, carefully planned investments in our modern infrastructure has continued to serve us well, enabling us to offer our customer a high quality of

telephony service. Total CAPEX in 2009 was 981 million or 10% of our total revenues. The pre cash flow generated from our business has been prudently deployed to our debt repayment programme, enabling us to reach net cash positions ahead of the schedule in 2009. This places TE in an excellent position as we move into 2010. I will now hand you back to Tarek who will take you through our guidance for 2010.

Tarek Tantawy Thank you, Hassan. In the past year we have performed during what has been a turbulent year. Setting our guidance for 2010 we expect total revenues to remain flat or come under slight pressure, which we feel reflects the realities of a more competitive market in the short term. We expect our EBITDA margin to settle in the mid 40, a very respectable margin among our peers.

CAPEX will be between EGP1.5 billion to EGP2 billion, which is markedly higher than 2009. This is due to our anticipated completion of the TE North projects and other commitments. We do expect significant growth in the broadband market and that TEs share of broadband subscribers should marginally increase to between 62% and 63% market share, delivering a broadband subscriber base of between 850 to 900,000 customers. There is no doubt that 2009 has been a challenging year for TE, but I believe this is a year in which we have proven our ability to remain a significant operator in a competitive and dynamic telecommunications market.

A competitive market brings both challenges and opportunities – it is our ambition to become a total telecommunications provider in Egypt. Having worked extensively to identify the trends and issues that will characterise the next era of the Egyptian market, we have now defined our offering and started to equip our business with the structure, assets and people to harness future commercial opportunities. We will increasingly organise our business around our customers, enabling us to anticipate and nimbly adapt to an ever changing landscape. Our customers have very quickly become more decisive and demanding in their telephony and data needs. We need to be able to identify and sell them the services they desire.

In 2009 we delivered strong margins, profit growth and achieved a cash positive position. Equipped with our state of the art infrastructure the growth in the new business segments, combined with our diversified business model, I firmly believe that TE is fully equipped for the future.

Finally, the board has proposed a dividend of EGP0.75 per share for the full year 2009. The main reason for this cut in dividend, despite of our solid financial position and cash flow generation profile, is that we are currently exploring an opportunity to become a total telecommunications provider. It is still at its early stages but we prefer to retain financial flexibility to seize this opportunity if it materialises. Securing TEs future is foremost in our minds and over the coming

months and years you will see us continue to make headway in this. I look forward to updating you on our successes here throughout 2010. Operator, please go ahead and open the line for questions.

Delilah Heakal, Pharos Security; Cairo

Hi, thank you for the call. I was wondering if you could just comment more about the decline in revenue and EBITDA growth during the fourth quarter of the year. Was this mainly due to the promotions that you discussed earlier? And also if you can comment a bit on the slowed revenue growth during the fourth quarter on the wholesale side, as well?

Hassan Helmy Okay, we'll break that down into two parts – first on the revenue side, the retail revenue. The access and voice revenue were impacted by the decline in the subscriber base as a result of tightening our credit policy. We disconnected 2.1 million subscribers. This is in addition to an adjustment to our local revenue relating to Q3 that was booked in Q4. With respect to the revenue from domestic long distance and fixed to mobile revenue, these were largely impacted by promotions that took place in November and December.

On the cost side there are one-off items of approximately 55 million. There is an increase also in interconnection costs which is attributable to the double I agreement concluded with Vodafone Egypt as I stated earlier. The agreement was signed in September 2009 with an effective date of the middle of August. The effects of the month and a half of the third quarter were booked in the fourth quarter.

Also during 2009 TE carried out some infrastructure projects on behalf of its customers. These projects were completed during Q4 and the costs and revenues relating to these projects were recorded in Q4.

Delilah Heakal **Okay, I'm sorry, related to the adjustments in local revenues during Q3 that was booked in Q4, could you just explain that a bit, please.**

Hassan Helmy It's an accounting estimate adjustment.

Delilah Heakal **Okay. And then also during Q4 there was an impairment of around 125 million – what is that related to?**

Hassan Helmy Impairments generally are related to accounts receivable both from mobile operators as well as residential customers.

Delilah Heakal **Thank you very much.**

Sergey Sfedoseev – HSBC

Hello, just a couple of questions really. The first is on the guidance for Q1 – how do you expect Q1 to be... to look like in terms of revenue in the EBITDA margins? Secondly, you mentioned that you're planning to become a complete operator – if I understand you correctly you want to become an integrated operator. Does it mean you are going to apply for the mobile licence? And if, yes, hypothetically if you win that does it mean you will have to dispose of your Vodafone Egypt stake? Thank you.

Tarek Tantawy Thank you, Sergey, for the questions. Maybe on the first question I've indicated in the first part of the call our guidance for the full year of 2010. We obviously do not give guidance in our quarterly, but generally I would expect revenue in the first quarter of 2010 to return, close to their normal levels, similar to Q3 of 2009, and our margins should be somewhere in the mid 40s. As far as our aspirations to become a total telecommunications provider I think, yes, you have interpreted it correctly – so we think today that the market lacks an integrated player with the full breadth of service offering, and we see an edge for us to enter into that space. So as far as things are concerned currently, yes, we do have the exposure to the mobile sector through the financial investments we have in Vodafone Egypt, but we are interested now in offering our customers a complete telecommunications solution, which would include a mobile flavour to the offering.

Now, we obviously have the intention and ambition to apply for a licence if it's tendered at some point in time, and there have been talks about this, and yet it's too early to start talking on timeframe or a possible licensee, although licensees would never be nowhere paid for the third licence a couple of years back.

As far as the Vodafone Egypt stake is concerned, in case we get a fourth licence there is nothing in the law which basically would force us to divest out of our investment in Vodafone Egypt. So keeping or divesting the investment is more of a financial decision that we have to make, and as things stand currently there are no intentions to divest out of our investment in the Vodafone Egypt stake even if we get a fourth mobile licence.

Sergey Sfedoseev Thank you.

Sean Gardiner – Morgan Stanley, Dubai

Thank you, I've got a few questions. Firstly, just to clarify – for your EBITDA guidance, the mid 40s, is that pre or... is that including or excluding provisions, just so we know?

Tarek Tantawy No, the EBITDA, it's before provisions.

Sean Gardiner Sorry, it's before provisions?

Tarek Tantawy Before, yes.

Sean Gardiner What's driving the before then? What should we be looking at on the income statement?

Tarek Tantawy Mainly this is in the light of just being pragmatic about what will happen in the market in 2010. We've seen tough competition in 2009. I expect to see similar competition levels in 2010. This would basically put pressure on the revenues of all of the operators whether fixed or mobile, and we've already seen some of the guidance which has been given by one of the mobile operators for the numbers for 2010, which is substantially lower than the growth that happened in 2009. So this would effectively be translated, and it applies again for everyone in the market, that costs will be growing at a faster rate than revenues, which puts pressure on margins and hence, the expectation on the decline in EBITDA margins for 2010. I do not expect that this would be a long term trend – I believe that at the end of the day sanity will return to the market some time in 2010, maybe late 2010 or early 2011, and this is when I can give guidance over longer terms expectations for margins. So, for 2010 I expect pressure on margins like most of the other operators operating in the market.

Sean Gardiner Okay, thanks. And then the second question was on TE North. In your guidance for flat revenues have you changed any assumptions for revenues on TE North? Have your customers started to negotiate down, given what's happening in the market there?

Tarek Tantawy No, the same assumptions for TE North still apply.

Sean Gardiner Okay. The final question which goes back to the first question that was asked earlier – I just don't understand all these moving parts in your revenues you're talking about in the fourth quarter. From what I could pick up you've dropped the fixed to mobile rate early in the fourth quarter, and then late in the quarter you dropped the... sorry, you dropped the fixed to mobile late in the quarter, and then early in the quarter you dropped the long distance line. So I'm trying to understand what the carryover risk is between fourth quarter and first quarter? Is there another revenue line at risk coming from changes made late in the quarter, or am I being a bit too worried about that?

Tarek Tantawy No. The domestic long distance rates returned to their previous level, but as far as the fixed to mobile rates are concerned we're still offering a relatively low rate, which is the 15 piasters for fixed to mobile. And we believe, again, in the light of the prices being offered by competition it's very difficult that we would increase this price – so that might put some pressure on fixed to mobile revenues as well. But generally what we have been seeing and other operators have been seeing as well, is that

price reductions generally result in higher traffic levels, but at the same time it does not offset the prices reductions. So, this is why I was telling you earlier that I expect that sanity will have to prevail at some point, and it should be clear for everyone that there is no point for the continuous price cutting either by the fixed lines or by the mobile operators.

Sean Gardiner Then maybe just a final question – on your dividend policy, the new payout rate that you have today, is that something that we should think about going forward? And also how long are you prepared to wait for a mobile licence? Could this be a multi year wait? That we just don't get a dividend for three years whilst you wait for a mobile licence to come your way, or do you think we can get more clarity on that?

Tarek Tantawy Absolutely not. The dividend proposal has raised lots of anxiety in the market, which I have seen today, and the intention here is to first... let me iterate the fact that we are in a very solid financial position. As a matter of fact, the total cash balance is reported at year end, 2009, was EGP2.5 billion, and obviously today we're even in a much better position than back in December of 2009. The decision to just cut the dividend is more of a temporary action which we have taken to retain flexibility, and in order to pursue our aspirations when it comes to more mobile exposure in the coming couple of months. Should those aspiration not materialise until the coming summer then this is when we would consider an interim dividend, basically to distribute a similar level to what has happened in 2009.

Sean Gardiner Thank you, very clear.

Dearbhla Mchenry – Pyramid Research, Boston

Hi, thanks for a very interesting call. I have three questions I hope you don't mind addressing quickly. First of all there was a promotion a few months ago about the launch of fibre to the home and triple play, but those services are still not advertised on the website. I was wondering if you could give us any guidance about current adoptions, current subscriptions, or at least what area you're planning in the future to cover in terms of the number of households?

Tarek Tantawy Sorry, could you repeat your first question again.

Dearbhla Mchenry

In terms of the fibres to the home service and the triple play which you announced a couple of months ago having been launched – it still doesn't seem to be up on the website advertised as a product for sale so I was wondering if you could give us some guidance on current adoption and how fast you're planning to expand that product?

Tarek Tantawy Well, you know, I'll just give you some general thoughts and perhaps you can catch up with our investor relations after the call to get more detailed numbers, if you want. So generally, we said that in certain high end areas we are interested in rolling out fibre to the home, which we did in one of the suburbs of Cairo in Q4 of last year, and we've seen, I would say very respectable uptake of customers who have a demand for very high speed Internet access. We've actually delivered speeds of up to 100 megabits per second, which I would say is very fast speeds by any standard. That kind of ambition and intention will continue in 2010. So, today we're in discussions with more than a dozen of new residential communities on the outskirts of Cairo and Alexandria, and we will be doing similar rollouts there.

Dearbhla Mchenry

And could you give me an idea of about how many households there are in those communities?

Tarek Tantawy I think it's better if we address this offline after the call with the investor relations team.

Dearbhla Mchenry

Okay, great. My next question is about the two new licences which are still in the process – can you give any idea of how many licences it does cover? I know they cover the new residential compounds, but how many actual households does that include?

Tarek Tantawy Those licences are intended for residential communities, gated communities that have units in-between 5,000 to 10,000 units each, and this is a big number of the compounds that are being developed as we speak. But for the mega compounds, which exceed 10,000 units, the scope of those licences wouldn't allow the licensees to offer the service in. Until now there has been several delays in the tender announced by the regulators as far as those licences are concerned, and the recent delay was announced by the regulator actually stipulated the 19th April as the deadline for receiving offers. So we expect two new licences to be awarded some time maybe later in this year, but we do not expect competition up and running except before 2010, probably by mid 2010... sorry, mid 2011.

Dearbhla Mchenry

Okay. How many of these compounds are there of the 5,000 to 10,000 unit compounds?

Tarek Tantawy Actually again, I do not have a number off the top of my head, but you can address this with our investor relations team.

Dearbhla Mchenry

Okay and the last question? Do you have a forecast for the number of PSCN lines for the end of 2010?

Tarek Tantawy Sorry, the estimate for what?

Dearbhla Mchenry

Regular phone lines, PSCN lines?

Tarek Tantawy Yes. We closed the year at 9.6 million customers and we expect that in 2010 we will either report a flat customer base or slightly declining again – a couple of 100,000.

Dearbhla Mchenry

Okay, thank you so much

Martin Mabbutt – Nomura, London

Thank you very much; it's Martin Mabbutt in Nomura. Just a question back on revenue guidance – obviously, what we saw in Q3 and Q4 suggests that zero to a slight decline looks pretty optimistic. Can I just check – does that guidance include revenues from TE North, and if so what sort of expectation do you have for TE North in 2010?

Tarek Tantawy Well, the answer to the first part of the questions is yes, it includes TE North, but until now we did not report a separate revenue figure for TE North – we've only reported \$500 million in sales over the lifetime of the submarine cabling system.

Martin Mabbutt **But presumably, there is an element of one-off IRU sales, which would be taken in 2010, within that sort of 500 million long term overall expectation?**

Tarek Tantawy No, as a matter of fact the IRU sales would be recurring because by definition, IRUs would be over a certain period of time – so we usually recognise the revenues depending on the lifetime of the sales. The one-off element that you are referring to, mainly deals with asset transfers and yes, this would be a one-off item that would appear in 2010.

Martin Mabbutt **But your revenue guidance excludes that one-off item or includes it?**

Tarek Tantawy It includes the one-off items as well.

Martin Mabbutt **Thank you.**

Stephen Pettyfer – Merrill Lynch, Dubai

Thank you. Could I just ask, in terms of your relationship with Vodafone Egypt following the wholesale agreement, what's happening on Vodafone's dividend payment front? Are they indicating to you that they're going to start paying again?

Tarek Tantawy Well, until now that issue has not been put back to the general assembly voting, but it should happen maybe later on in the year. The main reason Vodafone has decided to retain the dividends is because of the arbitration cases related to the interconnection, one of the cases we've filed against Vodafone, which includes a substantial claim for damages, for breach of contract. And again, you know, they said, they need more time to assess the merits of such a legal claim before making a decision on the dividends – so this should happen sometime in 2010. But there is no point, or I would expect that there would be no point in withholding the dividends forever – at the end of the day Vodafone Egypt today is in a net debt position of EGP1 billion, which is a very low leverage, so I do not expect that dividends would be withheld forever.

Stephen Pettyfer **How big is that claim?**

Tarek Tantawy Sorry?

Stephen Pettyfer **How big is the claim you said they're making?**

Tarek Tantawy No, the claim we are making, as a matter of fact – it's in the billions of pounds, Stephen, but it's not reported separately.

Stephen Pettyfer Okay. And the second question if I may – I know a year or so ago there was talk with the government about a further sell down and there's been some headlines about that recently – can you update us, please about what's happening there?

Tarek Tantawy There are no concrete plans. That was basically the Minister of Telecommunications responding to a question by one of the journalists maybe asking, would you consider selling another stake, and the minister basically responded that it's not on the agenda currently, but why not, it's something to be explored in the future. So I do not expect any offering of shares to happen in the coming months – it's more of a long term intention if the government decides, at some point, to pursue that route.

Stephen Pettyfer **Okay, thank you very much.**

Omar Maher – EFG Hermes, Cairo

My question has been answered, thank you very much.

Saeb Elzein – Spinnaker Capital, Dubai

Good afternoon, gentlemen, and thank you very much for the call. I think you discussed very briefly a very important topic, ie, why you cut the dividends which have caused your stock price to drop by more than 10% over the past two days, that has been rumours flying

around in the market. And you did mention that, potentially, you would be pursuing a fourth mobile licence – can you just please MR. Tantawy confirm that you expect... you're pursuing a fourth mobile licence on a standalone, ie, not at an auction? And potentially, if this situation might unfold over the next six months, otherwise like you mentioned and again I think it's very important, you will be repaying an interim dividend to go back to historical dividend levels?

Tarek Tantawy Maybe first on your comment, you know, in terms of the share price going down by 10% in the past two days because of the dividend decision – well, obviously it's not the venue to comment on the stock market, but generally the stock market was not performing well in the past couple of days – plus, the dividend proposal in fact, became public this morning, so it wasn't there two days ago. On the mobile related question – again, it's very early to say whether this will be an auction, a beauty contest or otherwise. All that I can reassure you is that the interest to get into mobile is there, we will pay what we only see as fair, so we would not be dragged into an auction process whereby we would end up paying a huge fee for the licence. And the other thing I want to confirm on is that this situation should unfold in the coming few months, and if it does not seem that we would be getting the licence then we will go ahead and distribute an interim dividend.

Saeb Elzein Okay, excellent; I appreciate it; thanks a lot.

Sean Gardiner – Morgan Stanley, Dubai

Thanks, just some follow up questions – on the CAPEX, the 1.5 to 2 billion, can you help us better understand how big the TE North component is of that versus your fixed CAPEX? And then the second question I had was just on the mobile licence – my understanding is that the cost of the 3G licence was set for Vodafone and Mobinil post the Etisalat bidding process which was at \$500 million. So is that still in place? What you're looking for is a 2G licence or are you also looking at that 3G spectrum and licence? Thanks.

Tarek Tantawy On the mobile licence again, I would rather delay the discussion on the details of such a licence until we have more information available. Obviously, if there are things to update the market on we'll be having a separate call for this. As far as your CAPEX questions is concerned, we said before that the maintenance CAPEX is in the range of EGP700 to EGP800 million per annum. In the coming year I would expect between EGP300 to EGP400 million of CAPEX related to the TE North project, and the balance would mainly be towards broadband spend.

Sean Gardiner Okay, thank you.

Nemat Choutri – HC Brokerage, Cairo

Hi everyone, thank you for the call. I really have two questions – the first one is on the interconnection costs. Mr Hassan mentioned some change in interconnection costs that happened, and I know that for the mobile operators now it's a function of their on-net rate. So if you can elaborate a bit about this it would be very helpful. And my second question is on regarding... if you can revisit the assumptions of TE North it would also be very helpful.

Tarek Tantawy Sorry, Nemat, could you repeat the questions, please?

Nemat Choutri Sure. The first one is on the change in the interconnection costs- Mr Hassan mentioned some new numbers, so if we can elaborate on them a bit, and I know that it's now, for the mobile sales, it's a function of the on net rate. And the second question is on TE North – if we can revisit the assumptions because I'm a bit confused with how to account for it and what sort of EBITDA margins should we assume on the revenue from TE North?

Tarek Tantawy Well, first on TE North – the guidance, again, for the revenues during the lifetime of the system is \$500 million. We've said before, that there are two ways for accounting for it depending on the type of the sale. If it's an IRU there is a certain way to account for it, and if it's an asset transfer there is another way to deal with it. But it's more of an accounting issue. Again, I would recommend that we take this offline with the investor relations team. As far as the interconnection rates are concerned, I don't think Hassan was mentioning any new information; Hassan was basically talking about the change in the interconnection which happened in September of 2008, and the reduction and termination rates of both the mobile and fixed operators. You said it correctly that the new termination rates today, as the regulator decided, are based on the on net rates of the mobile operators – so it's set at 65% of the on net rates, which the regulator reviews every quarter. So the regulator, in fact, has already reviewed the rates once more and has brought down the termination rate for Vodafone to ten piastres and to Mobinil to 8.5 piastres.

Nemat Choutri Okay, that's very useful; thank you.

Closing Comments

Tarek Tantawy Thank you operator, and ladies and gentlemen, that concludes today's call. Should you have any further questions following today's results I encourage you to contact our investor relation's team who will be happy to assist you. Thank you very much.