



## Telecom Egypt Announces Half Year 2009 Results

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### Presenters

- Mr. Akil Beshir, Chairman.
- Mr. Tarek Tantawy, CEO & Managing Director.
- Mr. Ahmed Fathallah, Director of Investment & Investor Relations.
- Mr. Mohamed Kamal, Investor Relations Manager

**Sergey Fedoseev** Good morning, good afternoon everybody this is Sergey Fedoseev from HSBC. I would like to welcome you all to Telecom Egypt's Second Quarter 2009 Results Conference Call.

From Telecom Egypt we have with us Mr. Akil Beshir, the Company's Chairman, Mr. Tarek Tantawy, TE's newly appointed Chief Executive Officer, Mr. Ahmed Fathallah, Director of Investment and Investor Relations, and Mr. Mohamed Kamel, TE's IR Manager.

As usual, the conference call will start with a discussion of the highlights of the quarter followed by a Q&A Session. I will now hand the call back to Mohamed Kamal for a Safe Harbor Statement. Thank you very much.

**Mohamed Kamal** Thank you, Sergey, 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 a 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 and I will now pass you over to Mr. Chairman.

**Akil Beshir** Thank you, Mohamed, and as usual welcome to you all.

Before we get started on the financial and operational performance for the quarter, I would like to take a moment to talk about the changes to our Board of Directors and Executive Management team confirmed since the most recent OGM – not least the appointment of Tarek Tantawy as CEO. Having worked alongside Tarek since he joined TE in 2002, I can honestly say that I am personally delighted by this news.

Tarek's appointment by the Board of Directors as Chief Executive Officer is made with immediate effect. My experience of Tarek, forged over the last

seven years, is that he has consistently demonstrated strong leadership and a keen knowledge of the telecommunications landscape. Both of these attributes instil me with enormous confidence in his ability to drive TE forward.

While I will step down as CEO, I am afraid that you will still be hearing from me. Going forward, I will retain a Board position and act as TE's Non-Executive Chairman. In this role, I intend to continue to contribute to the formation of TE's long term strategy and assist Tarek and the rest of the management team in navigating these changing times to the best of my ability. I will also be involved in the company's government relations and regulatory affairs activities, a role were I still see work that needs to be done.

Several candidates for the role of Vice President & Chief Financial Officer are currently being reviewed and the announcement of Tarek's replacement will be made as soon as possible.

Tarek has been a driving force in the formation of TE's corporate culture of transparency and openness and I thank him for his support and hard work as CFO. The challenge that awaits him as CEO is not insignificant, but I feel confident that we have the right man for the job.

**Tarek Tantawy**

Thank you, Mr Beshir.

Your words are very kind and I am greatly inspired by the opportunity you pass on to me. Your stewardship of TE from government entity to publicly listed company has been diligent and your commitment to the company unwavering.

I take over the role of the CEO today in a company which, as today's results show, has a solid track record and has become synonymous with consistently delivering shareholder value to its growing investor base.

**Akil Beshir**

Thank you, Tarek.

Before I hand back to Tarek to run you through the numbers, one final point to update you on is the new composition of TE's Board. The election of the members of the Board of Directors for a new term of the upcoming three years commencing from 12 August, 2009, was confirmed at our recent OGM. TE's Board now consists of eleven members: seven members of which are appointed by a decree of the Prime Minister upon the recommendations of the Minister of Communication and Information Technology; one member which represents the Company's employees and has been nominated by the Employees' Union; and three Independent Directors.

These changes combined and the composition of the new board is designed to equip us with the insight and experience to continue to execute upon our strategy and to deliver superior performance to our investors for years to come. With that I will pass you to our new CEO to cover the quarter's performance.

**Tarek Tantawy**

Thank you, Mr Beshir.

In spite of the challenging environment nowadays I am greatly confident that our diversified business model is delivering stable revenue and bottom line growth. Eight percent growth on the top line and a 41 percent increase in net profit is a significant achievement in the current operating context and reflects the continued hard work of TE's workforce and management.

The operating environment we find ourselves in, made further challenging by the intensity of competition in the Egyptian telecommunications market, means that we must constantly adapt TE's position. Over the course of the last five years, management has acted to mitigate the impact of external effects on our top line and have worked hard to protect our margins.

The effects of the economic conditions on our customer base cannot be ignored. As we indicated last quarter the global recession has increased the level of customer default in paying their bills on time. Accordingly, we have had to tighten our credit policy to reduce the risk this poses to our company. This is why you see a decline in our total fixed line subscribers to 9.8 million.

The terms of the previous credit policy were generous, with disconnections only made after a 12 month period. This has meant that TE was bearing an increasing and unacceptable level of default risk for these customers. Our new credit policy allows for disconnections in just 90 days.

Tightening the credit policy has meant that we had to disconnect defaulting customers from four different quarterly bill cycles in one day, resulting in a disproportionately high number of disconnections this quarter. While this action has resulted in a short term reduction in total subscribers, we believe this is a prudent and decisive step that will benefit our business in the long-term.

The new policy also allows the customer to keep his telephone number reserved for 6 months after disconnection in the event that settlement is forthcoming. In the past weeks we have seen a good percentage of those customers coming back and re-activating their lines.

Let me be clear and reassure you. Moving forward, we should not see such large number of disconnections and I expect normal patterns to re-emerge.

As you can see, our total revenues line has not been impacted by this action. Disconnections made during the quarter were for subscribers whose ARPU is lower than our improved monthly average of EGP 56.8. Typically those disconnected spend less than EGP 23 per month, which is why we have not seen this impact revenue growth in the quarter.

In fact, retail revenues exceeded EGP 3 billion for the first six months of the year, up 4 percent on the same period last year. It is worth highlighting that the largest constituent of TE's voice revenues, derived from local calls, played a large part in this increase.

Meanwhile, the wholesale segment continues to go from strength-to-strength as a result of our superior infrastructure, reporting year-on-year growth of 15 percent, driven primarily by an increase in international wholesale traffic. International wholesale revenue is the largest single contributor to TE's total revenues.

So as you can see, TE's business is now much more diversified, offering a more stable exposure to a dynamic and ever-changing market.

Internet and Data revenues, comprising mainly of TE Data, yet again grew during the period under review – increasing by 24 percent year-on-year. During the first six months of the year, in spite of tough economic conditions, TE Data has added 78 thousand new subscribers, placing its market share at 60 percent.

The uplift in total revenues combined with our prudent cost management translated to an EBITDA before provisions of EGP 2.8 billion, representing a margin of 53.9 percent. As I indicated last quarter annual increases to salaries are not yet in effect and will come in the third quarter of the year.

Our investment in Vodafone Egypt continues to offer TE significant value as a means of accessing the mobile market. Vodafone Egypt itself contributed EGP 632 million directly to TE's bottom line, reflecting a strong performance.

Across TE, we remain committed to delivering consistently strong profits from our business and our investments. This is translated into a consolidated net profit of EGP 1.75 billion for the first six months of the year – an enviable 41 percent higher than one year ago, and with a Net Profit Margin of 34 percent.

We have discussed on previous occasions the benefits of our TE North project in opening up an additional revenue stream; lowering the cost point for TE's existing customers; and capitalizing on TE's transit corridor. Many of you have asked me when we expect to recognize revenue from this project and I maintain that we must be prudent in our assumptions. With the project progressing towards commercial launch later in the fourth quarter of this year, it will not be until early in 2010 that revenues from TE North are recognized.

Capex for the quarter, as a result of the TE North build out and ongoing maintenance of our critical infrastructure did see some increase, reaching EGP 259 million. We will continue to deploy funds to maintain our position as a provider of choice and invest in value accretive projects, such as TE North.

With significant cash reserves, no immediate refinancing requirements and tighter controls on collections from our subscriber base, I take great comfort in our ability as a company to succeed in the prevailing economic conditions. With the actions taken to reduce our net debt position, we anticipate by the end of 2009 TE will be in a net cash position, leaving us securely positioned to optimise growth opportunities as they present themselves – and to continue providing excellent shareholder value.

Finally, I would like to take the opportunity to update some of the guidance we gave at the start of the year. We are operating in uncertain times and while I am immensely proud of our achievements in the quarter, it is necessary to apply our usual prudence in the assumptions we have given to you in terms of annual net subscriber additions and top line growth in particular. Management actions to reduce the risks on our business posed by increased levels of payment default mean that reaching 100k to 200k in net additions this year is now unlikely. The extent of disconnections this quarter should be viewed as an isolated extreme – as we effectively 'cleansed' the backlog of defaults in one go. We are now seeing customers returning having settled outstanding bills and continue to activate new connections, but we will likely be in negative territory on net adds by year end.

With that said, because we are effectively improving the quality of our customer base and collections from this base I am confident that this will not impact our top line and our guidance for some top line growth this year still stands. You should expect EBITDA margins before provisions to remain within expectations and total Capex at the lower end of our guidance.

With that, I will now hand back to Mr. Beshir for his closing remark.

## **Akil Beshir**

Our performance in the first half of the year, viewed against the extent of turbulence in the global economy, demonstrates the robustness of TE's business. I believe that we have in place the best possible commercial, operational and financial structures to deliver on our strategy.

We have demonstrated TE's ability to embrace new opportunities and ensure our business model is sustainable into the future. Our vision is built on the desire to see maximum value returned on each asset we have or for every investment we make. The steps we have taken over the last six months to reduce our exposure to customer default are testament to this long-term commitment.

As we progress through the remainder of 2009, market dynamics will continue to challenge us and we are working hard to ensure that Telecom Egypt remains competitive and yet profitable.

With that, operator, please open the line for questions.

## **Q&A SESSION BEGINS**

**Denise Molina:** Oh hi, I just wanted to touch base on the guidance on the revenue growth side. I mean, given that the wholesale growth is still double digits, around 15%, and that's 40% of the base, I know that the tariff increase that you had last year will come out in the second half.

I'm just wondering what else you expect to negatively affect the second half revenue growth because right now it seems unlikely that you're going to come in as flat to 1% if you continue with current trends on the wholesale side. And then the second question was just on the wage increase, if you could just let us know how much the wage increase will be in the third quarter thanks.

**Tarek Tantawy:** Okay so first on revenue guidance, I guess you've covered the parts about the tariff rebalancing not being in effect when you compare on a year-on-year basis in the second half of the year so that's one thing obviously.

The second thing I guess you would have to appreciate that we are at the end, operating in very turbulent economic environment and a very aggressive mobile operator's landscape. So we have seen constant reductions in mobile on net and cross net rates and this might put some pressure on our retail voice revenue as well. So in the mean time we'd be retaining our revenue guidance if the situation develops towards the end of Q3 then we'll definitely be updating it then.

On the second question related to the employee salaries, the increase effective from July and the Board has decided an increase of 8%.

**Stephen Pettyfer:** Three questions please, first if you could amplify a little bit on the wholesale revenue growth, specifically on the international side -- I was interested in that - what was driving that. Secondly, I wonder if you could just, looking at your Capex spend in the first half of - I appreciate that TE North will add - or add a lot to the Capex side of things but I wondered given that you've been running the business at sort of 8 to 9% of sales for the last few years I wondered if you could give us some thoughts as to where you think the Capex levels will be in 2010.

And finally, returning to your balance sheet and I think the last few weeks there's been some comments about a holding company being set up to act as an investment subsidiary and given that your very comfortable net debt position, I wondered if you could give us an

update as to your thinking about possible dividend policy changes and/or investment plans, thanks.

**Tarek Tantawy:** Okay well, first on wholesale now, I'm actually glad that someone asked this question because what has been happening on the international wholesale front is I would say a very solid achievement by the wholesale team which we all have to commend them on. And there has been a reform process in international settlement rates in general and that started maybe one year ago and it is now paying off.

And that essentially means in some cases, we try and cut the middle min., between us and other international operators in order to make more out of the incoming international traffic. In other cases we try to be competitive in our rates to eliminate the illegal incoming international traffic.

And the third thing that we do is that we now closely monitor the volumes of illegal international traffic and we try to stop it as quickly as possible. And I'll say that those three factors combined are the main driver for the international wholesale revenue growth. Despite of the expectations of anyone, that the economic conditions would affect the total volume of traffic incoming.

On the second question, the Capex guidance I guess we have now been running at low levels in the past couple of years at 8 to 9% of sales, we're also now in the process of assessing whether the level of disconnections that has happened in the second quarter should positively affect our capital expense. But I mean, at the end of the day that means we have more available lines, which would mean that we need not invest more if we're to connect new subscribers.

I would kindly ask you to just consider on the Capex guidance for 2010 to be later because we will give the guidance for 2010 early on in the coming year.

**Akil Beshir:** As far as the holding Company is concerned well, the reason for us to establish a holding company is to abide the law. According to the Egyptian law if you have shareholding in several companies with different percentages and if we have more than four companies where we have majority, more than 50%, then we must be a holding company.

So rather than transforming Telecom Egypt into a holding company we decided to establish a holding company owned 100% by Telecom Egypt and where we're actually going to put our shares in the different companies there -- so that's the only reason for doing it.

**Tarek Tantawy:** Just to add to what is said on the holding company, I mean this is more of reorganization than it is, a change in the company's strategy or to give any significance to the mark. I mean, the strategy remains as is, if

we were to find the right investment opportunity at the right price then we will pursue it and that has nothing to do with any of the reorganization that has been happening.

On the dividend policy, yes you're right. I mean we do now have a very solid balance sheet, in fact we always had, but now it's even stronger and we have been progressively increasing dividend payments. I wouldn't say now that we would consider an interim dividend payment but if things continue as is then we should be able to distribute higher dividends toward the end of the year.

**Stephen Pettyfer:** Could I just go back to your comments on Capex? I mean, given - I believe your guidance is \$1.5 to \$2.5 billion originally for this year and given where you've been running the business and as you say, your comments about the capacity side, is it an 8 to 9% level sort of a good level to go forward from?

**Tarek Tantawy:** You mean 2009 or 2010?

**Stephen Pettyfer:** Sorry, if we strip out the TE North side of things and just look at your core business. Is that sort of a maintenance level of Capex that we should think about?

**Tarek Tantawy:** Yes.

**Richard Barker:** Thank you very much gentlemen. I've got a few questions unsurprisingly. The first one is about Vodafone Egypt, which I appreciate you don't control, but I wonder if you could shed a little bit of light about what - on the face of it was quite a shock dropping profitability sequentially in Q2 compared to Q1, particularly given the results that we have seen elsewhere in the sector already in Q2, that ultimately was a little bit of surprise to me.

I just wanted to know if there was anything particularly behind that, whether that was an underlying margin trend or whether there was a sort of some kind of lumpy charge maybe that affects the numbers there.

Secondly, going back to Stephen's question about wholesale, I'll take the path and just question about the domestic wholesale revenues. Given the increase in volumes in the market on the mobile side in the second quarter, I was a little bit surprised to see the domestic wholesale revenues actually falling sequentially. I just wondered whether there were any changes in pricing there. Whether there any of the mobile operators started to build up at their facilities or something? I wonder whether you could maybe comment on that and I'll leave it at that, thank you.

**Tarek Tantawy:** Well first of all on Vodafone Egypt I have to say, I mean the second quarter wasn't their best quarter in quite a while. And you should bear in mind that there has been some management changes taking place there as well and they now have a new CEO. And we're optimistic that the third quarter should be much better for them and for us, obviously as well versus the second quarter.

So essentially I wouldn't say that something massively went wrong but I mean it wasn't a good quarter overall. Your second question was on domestic wholesale and bear in mind that domestic wholesale includes several things probably you were mainly referring to the infrastructure leasing part to the mobile operators and that has not been affected and has been growing as usual.

The hit mainly came in mobile-to-fixed traffic where we've seen some reduction here because of first; the reduction in fixed termination rates which took place effective from September last year. And the second thing is the lower volume of traffic because of the reduction in mobile on net rates.

We've seen some other wholesale customers other than the mobile operators like pay phones for example and prepaid calling cards they did not have a good quarter as well. So the negative effects came from those items combined.

**Richard Barker:** Just one other question that I've just remembered if you wouldn't mind. Can you just tell us how much sort of international capacity revenue from the various systems you booked in the second quarter?

**Tarek Tantawy:** Well unfortunately we do not report this line item separately, it appears under international wholesale. The thing to mention is that there is no revenue relating to TE North whatsoever. But I'm sorry we cannot disclose the number for international capacity sales alone.

**Delilah Heakal:** I have a question about your voice revenues for the quarter. If we compare year-on-year of course I know the tariff rebalancing wasn't factored into Q2 2008 but there also seems to be growth in voice revenues quarter on quarter if we compare Q2 to Q1.

Does that indicate that there's been a pickup in traffic or something? And then second, if you could just comment on whether or not your provision levels will remain at the same rate this year or not, the levels we've seen during the first half? Thank you.

**Tarek Tantawy:** Well first on voice traffic we've seen definitely an excellent performance by local call traffic. And if you are following the media in the past couple of months we have been stressing the fact that we are the cheapest, when it comes to local call that is when you compare us

to the mobile operators, and that had some positive impact on local traffic and that was the main driver for voice revenue growth.

On provisions, yes you should expect that for the second half provision levels should be more or less the same as the first half. There might be a slight increase but not something which is significantly higher.

**Delilah Heakal:** Okay and the pickup you've seen in traffic, I know you don't disclose details but can you give us any guidance or color on - from which segment -- is it national, is it the local or you won't disclose that?

**Tarek Tantawy:** Mainly local calls.

**Delilah Heakal:** Mainly local calls, okay. Thank you.

**Tarek Tantawy:** Which is by the way, you know, the largest constituent of voice revenues.

**Madvend Singh:** First of all, I would like to congratulate Mr. Tarek for the new role as CEO and my question is related to that. What would be your priorities now moving ahead? And the second question is related to the competition, specifically more on Vodafone Egypt side, is it facing stiff competition from - Etisalat or you losing share to Etisalat?

**Tarek Tantawy:** Well first of all thank you for the kind words and it's a very unfair question to ask on my first day on the job. I'll be very happy to share more thoughts maybe later on during the year as far as future direction would be concerned. Although generally it's more of building on what has been happening in the past years to take the company to the next level. So there's no need for a massive reform all over the organization.

As far as competition effects on Vodafone Egypt are concerned yes, I mean the market is - the mobile sector at least is becoming tough and tougher. And the mobile operators keep on reducing their on-net rates and this is definitely causing pressure not just on Vodafone, I would say on everyone. And that would obviously in the long-term mean less margins available for the three players and it also puts pressure on the fixed line in terms of fixed-to-mobile substitution.

**Madvend Singh:** Okay and just a follow up question on interconnection expense. The ongoing dispute with mobile operators, do you see any resolution in the near future?

**Tarek Tantawy:** Well we're working on it and we're seeking the appropriate channels to try and solve this problem. And I hope that we should be able to

come up with a solution soon. I cannot commit on a particular day because if we pursue legal action at any point that can take quite a long period of time although for the time being we respect the resolution issued by the regulator and we are of the view that all operators, Fixed or Mobile, should stick to the ruling until further notice.

**Stephen Pettyfer:** Just a couple of follow up please. Just on the international wholesale revenue, should we think of Q2 as sort of a new base for that revenue stream or indeed as an ongoing sort of work in progress in terms of taking or getting more market share and more traffic there.

And secondly, I think Tarek you've been quoted on the news wires today talking about LinkdotNet and I just wondered if you could, perhaps, run us through your thoughts as to the benefits of such an acquisition and indeed if that doesn't happen, whether you'd be looking for a similar sort of acquisitions, thanks.

**Tarek Tantawy:** Well first on the international definitely but both Mr. Beshir and myself. I mean we would be setting this as a target - internally for the wholesale team and that's the new benchmark that we'd like to see more and more increases above it. I'm very optimistic that we should be able to maintain that level of revenue if not increase it further in the future but obviously, it depends on how the economic conditions improve.

On link, again the general theme here which we said several times before is that we believe that broadband is a key part for the future of our company. And we will continue to seek capturing more market share out of this market and growing the whole pie.

Acquiring a player like LinkdotNet would definitely help us do this quicker. However, if we do not go through with the acquisition, then nothing changed. I mean, we would continue through the organic growth model that we have been doing over the past couple of years. And we think we have the tools and means to continue to grow our market share in the coming years.

**Richard Barker:** So just to follow up on the LinkdotNet, I mean, I don't want to sound like a completely naive European which I probably will be. If I'm right in thinking if you were to acquire LinkdotNet it will take you to something like 80%+ market share in the broadband market domestically. Are there not any kind of competition concerns that might get in the way of that kind of deal?

**Akil Beshir:** Well no, you're right we'll actually be more than 80% of the market - more than 85% if we get LinkdotNet. So if you look at it just from the fixed broadband point of view, yes there will be some questions raised by the regulator. However, if you look at the broadband market at large, including fixed and mobile broadband then I don't think we'd

have any problems. So we got the preliminary green light from the regulator to bid for LinkdotNet. And so, if we win we don't expect any problems in that respect.

**Richard Barker:** Have you heard any sort of - anything new on two issues, firstly the government's inclination to sell down its stake any further and secondly, the dormant issue about a second fixed line license and a new international gateway. So has anything happened on either of those two issues?

**Akil Beshir:** No, nothing on both, as far as the government selling another stake as we mentioned earlier in previous calls. There was a plan early '08 - I wouldn't say a plan but there was a serious talk about selling another stake, 10 to 15% which was put on hold because of the current market conditions. I don't think the government now is keen to sell another stake.

Obviously this is a decision for the government to take. I mean what I can see from the government is that I don't think there's any intention to sell another stake in the near future.

Concerning the second fixed operator again, there was a tender a year ago and it was put on hold - while they didn't use the word cancel, but they said put on hold for a year initially and then reconsider. The reason was the lack of interest.

So if there was lack of interest last year I don't think there will be any interest this year. So although the issue is still open and probably will be reconsidered by the regulator, we don't expect this to happen.

**Akil Beshir:** At least not as a fully fledged fixed line operator. Maybe there will be some licenses, I say maybe, I mean there's nothing actually happening now but they may think of having something like a WiMax license or something - I mean some specific technology licenses on certain areas or whatever. But I don't see, my personal assessment, is that I don't see any possibility in the near future to have a second operator.

**Denise Molina:** Just couple of follow ups on the acquisition front. On the LinkdotNet potential price, I know you can't tell us what you would be willing to offer but there was, I think, a report earlier in the year that was going to take about \$100 million loan when it was looking at the same asset.

So I'm just wondering if we're talking about something that's \$500 million or half that.

Then second, you've mentioned that you would be willing to spend some of the cash that you're saving up on organic growth, I'm just wondering what you think you can invest in to grow in the market? Is

it more sub-sea cable? Do you think that there's a way for you to push either the business market or the broadband market in Egypt?

**Tarek Tantawy:** Okay well, I think you wouldn't expect us to answer the first question, I mean it's very difficult to discuss those sort of things in the middle of an ongoing process. And maybe for the second question, Mohamed would you like to comment on it?

**Mohamed Elnaway:** Already we have a numerous sub-sea investment in addition to TE North. Historically, Telecom Egypt had played the central role with all the Asia/European infrastructures. And as early back as SEAMEWE 2 we have been shareholders and equity owners in these systems. Today we are looking ahead to the next 12 months where we expect perhaps as many as five new systems come into service -- including TE North which is our primary system which is owned 100% by Telecom Egypt.

But in addition to that other systems like SEACOM which extends from the East Coast of Africa and EIG and IMEWE which start out from India as well as of course HAWK which extends the reliance system which is Falcon onward to Europe. So, the next phase will not include more investment depth, it would probably include more clarity on the business model and more clarity on the kind of revenue that can be generated by these systems.

**Denise Molina:** Okay so does that mean - I mean in terms of organic investments it doesn't sound like there's really much that you see as it would demand. You said the cash that you're now building up on the balance sheet. I'm just trying to figure out what opportunities you have if you continue not to have any success in finding an acquisition target within the region that you've outline before which I think was MENA and kind of an integrated carrier.

It seems like Algeria Telecom is off the table, so was just wondering what the use of cash will be in the future if it's not going to be domestic and if there's really not a lot for you to buy within your target area.

**Tarek Tantawy:** Well I think - I mean this we've mentioned this a couple of times before, so if we did not find the right investment opportunity then definitely the use of cash in that case would be more returned to our shareholders in the form of dividends or buybacks as well.

**Denise Molina:** And do you have an internal deadline when you say "Okay we're at the end the year with a cash balance I mean. Do you have within the company, sort of deadline where you say all right if next year we don't find anything then we're going to revisit the dividend." Is there any target date that you have for making that decision?

**Tarek Tantawy:** No - well let me be clear about this, I mean first of all its not cash balance which is existing there. I assume you mean available or untapped borrowing capacity - so we're not just sitting on the cash.

**Denise Molina:** Well I mean the net cash...

**Tarek Tantawy:** We wouldn't impose a deadline on ourselves. And it's not as simple as it might sound for someone that is not in a corporate - I mean what we can do is to progressively increase dividend payments which we have been doing. And if we find the right opportunity then we'll go for it. But just saying that, let's say by the end of 2009 that's the end of it and we just payout everything and limit our chances, you know, that will not simply happen.

**Delilah Heakal:** Yes, I'm sorry just a follow up again on your revenues for the quarter and the first half of the year. It is unlikely for us to expect any kind of trend in voice revenues and voice traffic during the coming quarters?

Or do you expect again, voice revenues to continue to come under pressure because of competition from the mobile market. And then on the other hand following up on the domestic wholesale question, do you again, expect to see domestic wholesale revenues come under pressure?

**Tarek Tantawy:** Well first on voice revenues, we think that the recent reductions in mobile rates which happened in fact, maybe one week ago, would definitely put some pressure on fixed voice revenues in the third quarter. When it comes to domestic wholesale on the other hand we think that it should continue to perform in a reasonable manner until the end of the year. And you should expect increases in that respect mainly from the more demand coming from the mobile operations.

**Delilah Heakal:** Okay and you recently launched a promotion or a tariff 20 piasters to any mobile line, is that a promotion or is it a new tariff? Is it a time-limited promotion?

**Tarek Tantawy:** Yes for the time being it is a time- limited promotion for business subscribers and that wouldn't be the end of it. If the mobile operators continue to reduce their prices then we'll definitely - we will be making our moves as well.

**Delilah Heakal:** Okay and just one last thing. You said you're maintaining your EBITDA guidance - the lower end of your guidance. Your guidance at the beginning of the year was high 40's, is that correct?

**Tarek Tantawy:** Yes that's correct.

**Zoltan Palfi:** Yes, good afternoon gentlemen and congratulations on the very strong numbers. I have just one follow up question. If you can share with me what sort of EBITDA margin you generate in your international wholesale business compared to your retail domestic businesses. I was wondering, in other words, whether we should expect your EBITDA margin to increase as the share of the wholesale business in the total company revenue stream increases going forward.

**Tarek Tantawy:** Well unfortunately we do not report EBITDA margins for each line of business separately. Going forward, we said that we would be expecting some pressure on EBITDA margins and that's not for 2009, I'm talking mainly beyond 2009. And that is mainly coming from some cost elements growing at a faster rate than the revenue growth.

**Akil Beshir:** Thank you operator. Well I have the pleasure to thank you again, for being with us on this call for this quarter, which I'm very pleased that as we've been able to post encouraging figures. And I'm sure that the company going forward will be - will continue providing you with equally strong results. So I look forward to be with you in the next call, for the next quarter.

Thank you everybody.

**(Coordinator)** Thank you sir. Again, a replay of the call will be available from Thursday 13 August, 5 pm UK time and will be available until the 28 August 2009. To access this replay the number is +44-207-192-0827, the pass code is 5335. Thank you very much.

**END**