16 March 2009

Telecom Egypt Announces 2008 Full Year Results

Presenters

- Mr. Akil Beshir, Chairman & CEO
- Mr. Tarek Tantawy, Vice President & CFO
- Mr. Mohamed Elnawawy, Vice President for Int'l, Wholesale & Regulatory Affairs
- Mr. Mohamed Kamal, Investor Relations Manager

Richard Barker Good morning, good afternoon everybody this is Richard Barker from Credit Suisse. I would like to welcome you all to Telecom Egypt's Full Year 2008 Results Conference Call that we are very happy to be hosting today.

From Telecom Egypt we have with us Mr. Akil Beshir, the Company's Chairman and Chief Executive Officer, Mr. Tarek Tantawy, TE's Chief Financial Officer, Mr. Mohamed Elnawawy, Vice President for International, Wholesale & Regulatory Affairs, and Mr. Ahmed Fathallah, Director of Investment and Investor Relations.

The conference call will start with a Presentation on the Operational and Financial highlights of the year followed by a Q&A Session. I will now hand the call back to Telecom Egypt's IR Manager Mr. Mohamed Kamal for a Safe Harbour Statement. Have a good call, thank you very much.

Mohamed Kamal Thank you, Richard, 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 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 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 would like also to draw your attention that we have uploaded a presentation on our website to accompany this call. So with that I will now pass you over to Mr. Chairman.

Akil Beshir Thank you Mohamed.

Good morning and good afternoon everyone. As usual I welcome you to today's full year results call and look forward to reflecting on the past 12 twelve months, while also looking ahead into 2009. We will of course leave time at the end for any questions you might have.

2008 has been an unprecedented year globally and, while I report to you today a consolidated revenue figure which exceeds EGP 10 billion for the first time and annual growth in net profit of 10%, market dynamics continue to present our business with challenges.

I would like to take a moment to set our achievements in some context. The global economic crisis has impacted our domestic market, but not as severely as elsewhere in the world. The Egyptian economy continues to enjoy strong fundamentals combined with the Government's commitment to economic reform and infrastructure spending. Having experienced inflationary pressures during the start of 2008, we now have a declining inflation rate.

During our long history as a trading company, we have witnessed several periods of economic uncertainty and have demonstrated again in 2008 that our service offering, while not recession proof, holds up through periods of market volatility. While there is no doubt that the global economy will continue to be affected for some time, our experience shows that consumer spending on telecoms in our market, while not essential, is not considered discretionary spend and does not decline as sharply as other consumer goods.

As we head into a prolonged period of uncertainty in global financial markets, I am confident we have the right customer offering and one of the best teams to work through the challenges the coming period may present.

TE continues to sit in an enviable position at the heart of the Egyptian telecommunications market.

As Egypt's only fixed line network, TE provides connectivity to mobile operators and controls all of the wholesale internet business. A well functioning telecommunications sector is a critical component of any national economy and will continue to underpin the development of Egypt as a knowledge economy in the global market.

The challenges to our business do not only arise from global markets, but also from domestic market dynamics. As the market has liberalised, the intensity of competition has grown. Currently, we see this most in the quest for mobile subscribers. Such new developments raise, regulatory questions for our market.

While our wholesale business has benefited from the increase in mobile traffic, our retail revenue base has seen some negative impact from fixed-to-mobile-substitution. As some of you may know the

Egyptian mobile operators have dramatically cut call tariffs in the land grab for new subscribers.

We have taken two steps to address pricing inconsistencies during the course of 2008. Firstly, from first of July 2008, we implemented another round of tariff rebalancing which has worked to mitigate some of the effects of fixed-to-mobile substitution visible earlier in the year. Secondly, to ensure that we are able to compete with the mobile operators on price, we have sought to reduce the termination rates on the mobile operators' networks. The main driver for our request was that the mobile operators have negotiated lower termination rates with one another and started offering a retail price which is lower than the termination fee that we pay them; meaning TE has been unable to offer its customers a rate which is competitive to that offered by the mobile operators.

Following lengthy discussions between Telecom Egypt and the mobile operators throughout the year, the National Telecommunication Regulatory Authority (NTRA) announced an administrative decision in early September 2008 which included amongst other things, a reduction in the mobile termination rates to 11.3 piasters and 6.5 piasters per minute for fixed termination.

MobiNil objected to the issued administrative decision and has filed a lawsuit against the Regulator to the State Administrative Council Judiciary Court on 1 November 2008 to demand a halt to the execution of the administrative decision and the cancellation of all its implications. Vodafone Egypt has also submitted a legal request to invalidate the implementation of the administrative decision.

We are yet to see the final outcome of these challenges and are currently considering the appropriate legal procedures. In the meantime, Telecom Egypt has accounted its income and the costs of interconnection services between TE and mobile operators based on the existing administrative decision by the regulator.

Ultimately, the intention on our side is that the financial benefit of this decision is to be handed over directly to Telecom Egypt's customers which allow us to compete more evenly with mobile operators to mitigate some of the effects of mobile substitution.

Most of you know us very well, but I would like to give you a few updates on the key business items. Our retail customer base now exceeds 11.7 million subscribers, delivering a monthly ARPU of EGP 51 over 2008. During the year, we added over 474 thousand subscribers net, an increase of 12.5 per cent on the net subscriber additions we reached in 2007. A key driver to this growth was the promotional activities we launched in the final quarter.

Despite the increases in telecommunications activity, we still have excess capacity in our network and this gives us significant opportunity to service the growing market. Our fully digitalized network consists of more than 27,000 km of fiber optic cables with switching capacity of 14.3 million lines.

While our retail voice revenues have come under some pressure from fixed to mobile substitution, our position as the network of choice for other operators means that any decline we have seen during the period under review has been partially offset by an increase in wholesale revenues.

Our business today is much more diversified than ever before. In 2008, we recorded total revenues of EGP 10.1 billion, EGP 3.9 billion of which were attributable to wholesale. Over the last five years we have seen a compound annual growth rate of 19 per cent in wholesale revenues. Wholesale revenues comprise almost 39% of TE's total revenues in 2008. Five years ago, this was just 23%.

Such strong performance on the revenue front was coupled with maintaining a very healthy EBITDA before provisions margin above 51%.

Consolidated Net Profit for the full year period was EGP 2.8 billion. I am immensely proud to be able to deliver a 10 per cent increase in consolidated net profit during such an uncertain year.

As you can see from our numbers, we continue to behave with caution and with the interests of our shareholders at the forefront of our minds. Having reduced our debt position during the last two years and with significant cash reserves, we have no immediate refinancing requirements.

Based on our solid performance and conservative capital structure, subject to approval by the general assembly meeting at the end of March 2009, I am pleased to announce that the board of directors has approved a proposed dividend distribution of EGP 1.3 per share. This is 30 per cent higher than last year and is the highest ever dividend payment in the history of Telecom Egypt.

I feel confident that we have started 2009 in good shape, with projects such as TE North on track and generating significant commercial interest; an increasing portion of growth businesses in the form of TE Data and Vodafone Egypt; a more diversified revenue base than ever before and robust margins which continue to produce significant shareholder returns.

So with that I would like now to hand over to Tarek.

Tarek Tantawy Thank you, Mr. Beshir.

Allow me first to walk you through the financial highlights for the full year ending December 2008.

Total revenues have been pressured as a result of what we view as aggressive pricing practices from the mobile operators. We are seeking to address these issues through the appropriate regulatory channels, but the pressure on retail voice revenues masked growth elsewhere in our business, growth - which has been delivered against the context of extreme market uncertainty and unprecedented volatility.

1.2 per cent revenue growth is slightly below our guidance of two per cent, but I should point out that we have not recognised any revenues in 2008 for the TE North project as we have taken the view that it is more prudent to wait until the project is completed later this year.

Total retail revenues for the 2008 full year were EGP 6.2 billion, marginally up on those generated in 2007. Driven mainly by the increase in access revenue and growth in revenues from internet and data, retail revenues in the final quarter increased 8 per cent in comparison with the fourth quarter of 2007. Total voice revenues, still the largest contributor to retail revenues, just above EGP 3 billion for the full year 2008, a decline of 5% on 2007. The positive effects of 2008 tariff rebalancing on local call revenues, our largest voice revenue segment, were mitigated to some extent during the year by pressure on other call segments resulting from the intensification of competition from mobile operators.

Revenues from internet and data were EGP 575 million, up 26% year-on-year. Within this, the performance of TE Data has been characteristically strong. We are now a clear market leader and have grown our market share significantly. In 2005, TE Data held just 30 per cent of the market. As at year end 2008, just three years later, this has almost doubled to 59 per cent market share, equivalent to 424 thousand ADSL subscribers having seen an increase of 56 per cent in net additions on that achieved in 2007.

On the wholesale revenues front, domestic wholesale revenues continued to excel recording a growth of 8% year on year. The increase in mobile traffic generated by mobile operators had undoubtedly given us an uplift in the wholesale segment and we continue to see this as a future growth driver. International wholesale was almost flat year on year.

As far as profitability is concerned, I believe that we have worked hard to maintain healthy margins against the backdrop of a new and constantly evolving telecommunications landscape in Egypt, which has placed pressure on the margins of the mobile operators.

As at December 2008, our EBITDA margin before provisions was 51 percent - within management expectations. Our track record in terms of the stability of our EBITDA margin is something we are immensely proud of. However, as you can see our cost base is increasing and we are experiencing some pressure on revenue, particularly in the current market environment, so this is unlikely to be sustained going into 2009. When viewed over the most recent three months EBITDA margin is approaching where I see it sitting in 2009 – in the high forties. This is still a very decent EBITDA margin for the industry.

Our investment in Vodafone Egypt has again made a substantial financial contribution to the results we are sharing with you today, delivering EGP 1.3 billion in investment income for the twelve month period.

Please note that Vodafone Egypt reports a financial year ending on 31 March, so the numbers we are presenting to you today are from 1 April to 31 December 2008 – i.e. nine month numbers.

During this period, Vodafone Egypt recorded net additions of 3.5 million. The company has a total subscriber base of more than 17.6 million customers up 32 per cent on 2007. This base generated a total of 22.9 billion minutes in 9 months in 2008 - a year-on-year increase in voice minutes of 41 per cent.

Financial performance was also strong during the period to the year ended December 2008. Vodafone Egypt reached service revenue of EGP 8.9 billion, up 15 per cent year-on-year. Vodafone Egypt's net profit for the nine month period came in at EGP 2.3 billion, representing a year-on-year increase of 10.5 per cent when compared with the same period of 2007.

TE's consolidated net profit increased 10 percent year-on-year to EGP 2.8 billion for the year. The 200 basis point improvement in our net profit margin, standing at 27.6 per cent at the end of December, has been derived from increased investment income, primarily from Vodafone Egypt, a reduction in interest expense as a result of our debt reduction program; and an increase in interest income as a result of our increased cash position. In addition to a Foreign currency gain of EGP 3.6 million in 2008 versus a loss of EGP 94 million in 2007.

Capex has decreased year-on-year in line with our rationalisation programme, reaching EGP 919 million for the year.

Our market continues to change, but I would like to emphasise one of the points that Mr Beshir touched on - we are in great financial shape. Careful management of Telecom Egypt's significant free cash flow to fund our debt repayment program, something that we have implemented since 2007, means we are in a very secure position. We do not have any short term refinancing requirements and as I look out to 2009 we take confidence in our ability to fund debt maturity, to fulfil Capex commitments and in the absence of new acquisition opportunities maintain a healthy dividend payment from our free cash flow. In the event of acquisition opportunities arising due to the recent market downturn, we also have a conservative capital structure in terms of net debt to EBITDA which relatively facilitates raising financing from our domestic market.

Our cash position as at the end of 2008 was EGP 2.7 billion. Consequently, TE's net debt position has been reduced by 89% during the year to EGP 411 million as of 31 December 2008 representing a net debt to EBITDA ratio of less than 0.1 times. Total debt stands at EGP 3.1 billion, approximately EGP 2 billion of which are payable before February 2010 and can be financed from our operational cash flows. All of this hard work has enabled us to have the confidence to propose the highest ever dividend payment in the history of Telecom Egypt of EGP 1.30 per share totalling a payment to shareholders of EGP 2.2 billion.

Many of you have asked for an outlook for 2009 and I would like to provide you with our view of the coming year. But I obviously should qualify my statement here with the fact that in such turbulent markets actual results may differ from our guidance

We expect to add 100 thousand to 200 thousand fixed line subscribers in 2009 and we expect the total market for broadband subscribers to be between 900 thousand and 1 million ADSL subscribers. We also expect that TE Data will be able to grow its market share to reach 60% - 62%. Management expects revenues for 2009 to be flat or show similar growth to that experienced in 2008 and we expect our EBITDA margin to be in the high forties.

And far as Capex is concerned our estimate is to increase our Capex for the year to EGP 1.5 – 2 billion mainly as a result of TE North project, further broadband subscribers take up and upgrading our transmission network to cater for the increasing need of the mobile operators and ISPs.

With that, I would now like to hand back to Mr. Beshir for his closing remarks.

Akil Beshir Thank you, Tarek.

I would like to leave you with some final thoughts, before we open the lines for your questions.

There is no doubt that 2008 was an unprecedented year – both in terms of the intensification of competition in the Egyptian telecommunications market, plus the wider economic environment. Exceeding EGP 10 billion in revenues for the first time is a significant achievement in this context – and is testament to the incredible hard work of our management team and workforce.

However, we are not complacent. As we move further into 2009, the dynamics of our market will continue to challenge us. While I fundamentally do not believe that the current land grab for mobile subscribers is sustainable in the long term, we are working hard to ensure that Telecom Egypt remains competitive and yet profitable. In the meantime, we will continue to benefit from increased mobile traffic over our modern network, greater uptake of broadband, and via our Vodafone Egypt investment.

While we maintain our focus on profitability in our domestic market, I also look forward to updating you further on our TE North project as it launches later this year. We firmly believe that this project offers significant opportunities for TE as we further expand our role at the heart of the Egyptian telecommunications market.

With that I would like to open up to your questions. Operator, please go ahead.

Q&A SESSION BEGINS

Delilah Heakal I just wanted to begin by congratulating you on your results. I have a few questions the first is related to revenue growth. You've clarified that there is some pressure from the mobile market on voice traffic especially, however your subscriber growth exceeded guidance and revenue growth came below guidance? Is that because your additions mostly came during the last quarter of the year and therefore their impact on traffic is not evident?

My second question is about EBITDA margins after provisions; there was a noticeable increase in impairment loss on trade receivables during the last quarter of the year so if you could just elaborate a bit on that.

My last question was on the Interconnect, if you could just tell us once again what rates you are applying for fixed to mobile termination and vice versa? Thank you.

Akil Beshir Thank you. Well considering your first question, yes you're right. The revenue growth didn't go in line with the subscriber growth because; big part of the subscribers growth came out of last quarter so we're yet to see this in 2009. 2008 interconnection rates that we're applying are since the 3rd of September, which is the date of the certain decision by the regulator. We apply the 11.3 Piasters terminating on mobile and 6.5 terminating on fixed as the decision says. Tarek will answer the EBITDA margin

Tarek Tantawy First as far as the impairment is concerned, we wouldn't be going through the details of the impairment charge but generally speaking there have been a number of customers who have overdue payments. We are pursing all actions to recoup these payments, both commercially and legally but in order to prudent in the current economic climate we have decided to make such provisions. So we should expect that a similar level of provisions would be there in 2009 as well.

Sean Gardner Thank you, just a few questions. I thought in the remarks Tarek you mentioned something about revenue recognition on some of the TE Data stuff not coming through, I mean the cable not coming through, can you just quantify that?

Then secondly back to acquisitions, we keep hearing stories in the press about a potential acquisition from Telecom Egypt. Maybe you can just clarify the sort of size of acquisition you would be considering, whether this is a multi billion pound acquisition and also whether this is in market within Egypt or are you looking abroad? And if you are looking abroad, what type of assets are you looking for, whether it will be integrated or whether it's fixed mobile or a standalone fixed business?

Sorry, just a final question on promotional activity that took place in the Fourth Quarter, can you just run us through what the promotion was and when it started, and when it finished? Thank you.

Akil Beshir Thank you, concerning the acquisitions, yes we continue looking for acquisitions however, we are very conservative in that and we always say that we never over pay for any asset. Typically the asset that would be attractive for us would be an integrated operation and an existing operation rather than Greenfield in the MENA region. This is our typical target. Obviously it should be, considering the size, it shouldn't be a small acquisition, we'd rather have one reasonably large acquisition but of course it depends on the available targets. At the moment we don't have anything in the pipeline.

And concerning the promotion in the Fourth Quarter, that was in the month of November when we tested before the sensitivity of demand with the one-time connection fee.

As we mentioned before, we used to have a relatively high connection fee that was EGP 500 for residential and EGP 1,000 for business. As part of our tariff re-balancing on the 1st July '08 we reduced this by 50%, to EGP 250 for residential and EGP 500 for business. It's still, compared to mobile, it's still relatively high for many people so what we did…as I said we tested before reducing the connection fee increases demand. What we did in November for one month, we abolished the connection fee completely - actually people had to pay only EGP50 rather than EGP250 or EGP500 and the result of that is that we got 740,000 new applications and that was the month of November. Some of them went into service before the end of the year. And concerning the revenue of TE North the first question about the revenue of TE North...

Tarek Tantawy Yes sure, just to remind you we have announced that we have signed three contracts in the history to TE North totally $176 million. Of that amount we have collected already in cash north of $30 million. We had two options; we could have recognised revenues based on the percentage of completion or alternatively you can recognise the revenues once the system is up running. The management decision was, in that case that we will start recognising revenues towards the end of 2009 when the system's up and running.

Sean Gardner I'm sorry, how do you recognise it from the end of 2009? Is that based on the useful life of the contract?

Tarek Tantawy It depends on the type of the sale, so the sale was almost 50/50 split. Part of it could be looked at as an asset sale and 100% of this amount would be recognised one-time in 2009, and for the right of usage which can extent to 15 years in some cases, those are accrued throughout the lifetime of the right of use.

Sean Gardner I'm sorry Tarek the line went dead when you mentioned sales. Just …I heard the right of use in 15 years but I missed the earlier one.

Tarek Tantawy Sure, let me say it again. The $176 million in sales are almost 50/50 split in terms of what we can classify as an asset sale and right of use. So in the case of the right of usage we'll just recognise the revenues over the life time of the right of use which can extend for 15 years in some cases and for the asset sale we recognise the revenues once we deliver to our customers.

Sean Gardner And delivery will start at the end of 2009?

Tarek Tantawy Yes, correct.

Sean Gardner Okay, then sorry just to go back on the applications that came in from new lines of 740,000. How many of those have been installed and are there any still waiting to come through for that month of November?

Akil Beshir More than 500,000 were installed and the rest are being installed. This offer was across the board all over the country so in some areas some of the applications came in areas where we don't have excess capacities, we had to increase the capacity of the outside network, the outside plan, but the ones that are in areas where we do have excess capacity were installed.

Sean Gardner But does that mean that your guidance for 100-200,000 lines is really just your backlog?

Tarek Tantawy No, not really because the guidance we're giving is net addition so you should bear in mind that there are some disconnections which happen every quarter mainly because of non-payment of outstanding bills.

Dearbhla McHenry First of all I was just wondering if you could give us a split on your PSDN subscriptions and your DSL subscriptions between business and residential.

Secondly, I was wondering if you could talk a bit about trends in dial-up usage and revenues. It looks like the NTRA's quarterly figure shows that usage is declining pretty fast for a dial-up, so I was wondering if you could talk about the revenue impact of that.

Lastly, I was wondering you were mentioning about the fixed mobile substitution having an impact on the voice side. I was wondering in terms of Vodafone Egypt mobile broadband offer, at what point should we start expecting to see some impact on broadband adoption on the fixed side due to broadband adoption on the mobile side?

Akil Beshir Okay, on the recent subscription the current subscription after the tariff rebalancing is EGP12 for residential – monthly of course –and EGP24 for business

Dearbhla McHenry I'm sorry, that isn't quite what I meant. I meant in terms of telecom media subscribers of DSL lines. What percentage of the DSL lines are business subscribers and what percentage are residential subscribers.

Akil Beshir The Telecom Egypt customer base is about 91% residential and9% business.

Akil Beshir You're welcome. In terms of dial-up, obviously dial-up is going down. People are moving towards broadband and that's an increase in the revenues.

Concerning the fixed to mobile substitution, as far as the broadband is concerned we of course the vast majority of broadband users are fixed. Mind you the mobile operators, whatever they offer in broadband, they are not looking for a large number of subscribers because obviously it eats from the spectrum which is the most valuable asset we have. We do not expect major broadband subscriber base for mobile operators.

Dearbhla McHenry Is there any possibility that Vodafone Egypt users could share its current mobile broadband subscriber numbers?

Akil Beshir No, I don't think so. No.

Denise Molina Hi, just two questions. First on the dividend payout, now that you're coming into almost a net cash position with your net debt EBITDA being 0.1 times and you're at the same time lowering CAPEX. It looks like the top line growth that you're expecting is maximum through 1%. Are we to take away that you don't think there's anymore growth left and need for you to invest in. At what point will you then use the cash to increase the dividend - I understand that you have a 30% increase in dividend but it seems like you could do a lot more given how low your leverage is at this point.

Tarek Tantawy Well, first of all let's acknowledge the fact that we're paying out 30% more than we did in last year and in light of the current economic turmoil I think that's the maximum we can do. I would beg to differ though on what you said in terms of us not having any growth possibilities. It's not just a matter of reporting top line growth. We have a portfolio of services and some of which are growth services and others are more of a stable or cash cows. We still need to invest in broadband heavily. We still need to invest in our network to cater for the wholesale customers. This is why we're actually increasing our CAPEX guidance for 2009 to be in the range of EGP1.5- EGP 2 billion.

Having said that, we obviously do not intend to be in a net cash position, so the idea is to gradually increase the dividends so if come the end of 2009 and we did not find the right investment opportunity then definitely we can look for a higher dividend payout then. The dividend pay out we're proposing today is almost 87%, if you compare it to the earnings per share which I believe is on the high side.

Denise Molina Okay, thanks. Can I just follow up with one question on that? In terms of the outlook for growth, do you expect that growth with return to the single digits in terms of revenue in the longer term and do you think that you're going see it through a flat level of revenue.

Tarek Tantawy The expectations for '09 are more of a flat to 1% growth and that should be the trend going forward. We have some pressure on some lines of business, mainly the voice revenues which is being offset – or partially offset in some cases – by the growth in broadband and wholesale services.

Daniel Parker Hi gentlemen, just a couple of questions. First, I just wanted to confirm the provision for EBITDA, you said was largely related to re-provisioning for bad debt expense or pass through accounts, that's the first question.

The second question is if you could, I know you said you have no immediate debt obligation maturities but if you could just give us the amortisation schedule for the next 3 or 4 years.

The third question I have is although your balance sheet is absolutely rock solid, would you consider in this environment taking on additional debt assuming you're able to get it which would seem to be the case as a defensive or pre-emptive measure against potential future rockiness in the financial markets or acquisitions intentions.

Tarek Tantawy First on the impairment, part of it relates to overdue amounts and other parts relate to amounts that are contested by some of our customers, it's really a combination of both and not necessarily that we would be just writing-off this and would classify it as bad debt today. We still need more time to make that judgement.

As far as debt amortisation is concerned, total debt stood at 3.1 billion in the end of 2008, 2 billion of which are payable before February 2010 and that will be financed from internally generated cash flows.

And the remaining EGP 1.1 billion have longer term maturities so it's many tranches of debt. Some mature in 2036 and others mature in 2015, it's an extensive list of debt that have been around since the 1980s, of the past century. Those are debts at very favourable terms at the time when the company was a government body and those were mainly government-to-government loans that were re-lent to the company.

Your last question on gearing up today, well there's no point in just gearing up without having the right acquisition opportunities. Any company today, and I'm sure that you are aware of this, if you want to tap that debt markets today then you wouldn't definitely get any good pricing or good terms. We wouldn't do this unless we need the money mainly for an acquisition opportunity.

Soner Gunay Good evening, could you please give us a little bit colour on the nature of wholesale revenues, domestically and internationally, and going forward do you see any change due to regulatory environment or competition?

Tarek Tantawy Domestic wholesale would include mobile fixed interconnection and would include infrastructure leasing to the other operators. International wholesale mainly comprises the international gateway services that we provide to our wholesale customers and it includes incoming international calls to our network and to that of the mobile operators as well that are customers of ours. I'm sorry, what was your second question?

Soner Gunay Do you see any change due to regulatory changes or any changes within the competition which could pose a threat to the materialising of those revenues in future?

Tarek Tantawy The only change that was envisaged was the second fixed line license which was offered last year. However, the regulator has decided to delay the process for one year mainly for lack of interest and it's not clear yet as to whether this process will be launched any time during the course of 2009 or later on. Other than this, we do not expect major changes in that respect.

Stephen Pettyfer Firstly back to the issue of the promotion you had in November. From my calculations your net adds are about 380,000 in the quarter and given what you said about 500,000 or so from that promotion. Is that the difference representative quarterly churn figures.

Secondly relating to those new promotional additions, can you tell us what sort of traffic you're seeing the new customers generating since you've added them?

In terms of your other revenue, I just wondered if you could describe what that was and if that's just a normal seasonable pick-up versus the other retail services. Then finally in your statement, you made a comment about focusing on profitability and I just wondered if you could give us anymore colour about what you're doing there to keep a check on that in 2009? Thank you.

Tarek Tantawy Okay and then on other retail revenues the trend is to expect here is a declining trend because this constitutes many items. The most prominent of which are the pay phone business, the pre-paid calling card business and the other line of business that has been declining in revenues, so it's not seasonality really here. Finally on profitability and our intentions here, the intention is obviously to try and put some tight measures on costs and the major cost item that we have is employee related costs

What we're doing here is that we had an early retirement scheme which has been ongoing years ago but in 2008 we have increased the compensation that we pay to employees to take this voluntary scheme. The idea here was to reduce the labour force by 10% over the coming 2-3 years, and we believe that despite the payment that we need to make for every employee is accretive to the business at large.

The other cost item that we have is interconnection cost and we have worked on this in 2008 through the appropriate regulatory channels and we have gotten the NTRA resolution on the 3rd September which works in our favour in terms of reducing interconnection cost.

Stephen Pettyfer Thanks, can I just go back to that earlier point about the revenue from your promotional lines. Are you seeing good traffic from the new customers there?

Tarek Tantawy Yes we are, it's more or less in line with the existing customer base and the point to bear in mind though is that after increasing the subscription fees as part of the previous tariff re-balancing almost 20% of the ARPU comes from subscriptions which is a fixed component irrespective of use but generally the minutes of use has been inline with the rest of the subscriber base.

Stephen Pettyfer Given what you've learnt from your experiment, if you like, with the connection fee. Does that encourage you to do further such promotions in 2009?

Akil Beshir Well, as I mentioned this was done across the board this time, however obviously we would like to maintain the revenue of the connection fee as much as we can. If we think of having similar promotion going forward we probably would focus only on areas where we do have excess capacity on the network so that we have any associated CAPEX to go on with it.

Zoltan Palfi Good afternoon gentlemen a couple of questions from my side please. Your CAPEX guidance for next year seems to be a bit regressive considering this year's CAPEX is less than EGP1 billion. I was wondering if you have any flexibility to scale down this guidance of CAPEX indicates the current economic environment that we're in further.

Secondly given that you experienced an increase in share of non-paying customers, do you plan to introduce some new measures in your collection processes i.e. change from your current quarterly billing probably to a monthly one to monitor the trends more closely. Finally a significant portion of your revenue is coming from international wholesale, I was wondering how this revenue stream is going to be impacted by declining tourism in Egypt this year?

Tarek Tantawy Okay first on CAPEX and our ability to scale it down, well obviously 'yes' we have the ability to scale it down if need be although we do not envisage that there will be pressure from a cash flow perspective which would make us resort to that option. Yes, CAPEX guidance is higher than that for 2008 mainly because of the increase spend that we expect would be required for broadband and for the TE North project as well. As far as collection is concerned, there is no intention currently on our side to reduce the billing cycle to one month instead of three months but at the same time we do have some measures in place. Once the subscriber has an overdue bill, we just disable any outgoing calls from the line but at the same we leave the line active mainly to benefit from the incoming calls to that line and to the termination fee that we get on this.

Finally on international wholesale, yes we expect that tourism would go down in terms of number of tourists coming to Egypt and this would definitely affect roaming revenues as well. However, the guidance that we've given takes this into account as well, so we wouldn't be giving guidance on each revenue line but generally we expect that international revenues would be affected negatively by the decline in tourism.

Shahinda Al Guindi I just had a question on ARPU (the Average Revenue Per User), I realised that it decreased from Q4 of '07 to Q4 this year. Was just wondering what was the reason for that and do you think it would decrease further in the future?

Tarek Tantawy The main reason for that is the pressure is on voice revenues that we were talking about in the introductory part of the call. Generally speaking we are seeking some pressure on domestic long distance and fixed to mobile calls and this is the main reason for the decline in ARPU. Similar to what you're seeing on the mobile operator's front as well, you should expect that the trend in terms of declining ARPU would continue in 2009 as well.

Shahinda Al Guindi Okay and just another question is that I realised that ARPU for Vodafone is 26% higher than Mobinil, what is the reason for that?

Tarek Tantawy Well it has to do first with the customer base of both companies and Vodafone usually had an edge as far as roaming and international revenues are concerned.

Shahinda Al Guindi Okay, but the charge-per-minute is that the same for local calls and international?

Akil Beshir Yes, they're more or less yes.

Denise Molina Just a quick follow up on the CAPEX, the guidance that you have for 1.5-2 billion? Is any of that carry over CAPEX from last year since you didn't spend the low end of your guidance? The second question is on the voice retail revenue, it looks like in the Fourth Quarter you had a year-on-year increase in your voice revenue from retail services but you were trending down 8% for the first 9 months. I'm wondering what happened in the Fourth Quarter to cause the up ticks?

Tarek Tantawy Well, yes first on the CAPEX there is some portion of carry forward as far as CAPEX is concerned and that was CAPEX that should have been spent in 2008 but has been delayed to 2009. On the voice revenues, the spike that came in Q3 of 2008 was mainly attributed to the tariff re-balancing and then in Q4 the normal substitution comes back again. You see a spike and then you start seeing the natural decline in voice revenues which I think has started in Q4 and should continue in 2009 as well. This usually is offset by the increase in broadband and wholesale revenues.

Denise Molina Sorry, I thought that your voice revenue actually increased 5% in the Fourth Quarter?

Tarek Tantawy I mean it depends on how you look at it. If you compare Q4 2008 with Q3, then there has been a decline but when you compare it with Q4 of 2007, which didn't have any tariff re-balancing back then, then yes there is an increase of 5%.

Denise Molina Okay, I understand and on CAPEX how much of that was carried over?

Tarek Tantawy I'm sorry, we wouldn't be able to go through the detail but part is a carry over.

Dina Osama I have a few questions that you might have answered already so forgive me if I'm repeating the questions. It just has to do specifically with the Fourth Quarter costs generally, both the cost of operations and the SG&A which seemed to have spiked. Is that for any particular reason?

Tarek Tantawy No, but you see the main spike came in the maintenance cost. This is usually, not equal among every quarter, so some years the spike would happen in Q4 and others it would happen in Q3 and that I would say is the major deviation there. I think it's more appropriate to try and compare it on a year-on-year basis instead of just taking a quarter in isolation. You would have figured out easily that the main increase in cost is attributed to the increase in employee associated cost and that has been a direct result of the two wage increases which we've done in 2008; one in January of 10% and another 10% in May 2008.

Dina Osama But why would it take so long…why would it show in the Fourth Quarter rather than show in the previous quarters. SG&A is a percentage of sales in the Fourth Quarter was 19% versus 16% in the Third Quarter and even 16.1% in the First Quarter when the first wave of wage increase was implemented. Just to sum it up, is that a percentage that is expected to continue into 2009?

Tarek Tantawy No, it really differs and as far as employee cost is concerned just to give you one example. In some cases the Board might approve a bonus of one month for every employee in the company and that does not usually occur in the same time every year. Once this happens in a quarter, this means automatically a spike in employee costs, so it's not as evenly spread as you would imagine.

Dina Osama Okay but on average you would…I could assume that the average for 2007 is what 2008 is what will be in 2009.

Tarek Tantawy Yes.

Akil Beshir Okay, if we have no further questions, then I would like to than you all for being with us on this call and I look forward to talk to you again hopefully with another set of good results for Q1 that will be mid-May so until then thanks a lot and take care, Operator.

(Coordinator) That does conclude our conference for today. Again, a replay of this call will be available from Monday the 16th March at 5:00 UK time and will be available for two weeks. To access this replay the number is +44-1452-5500-00 the passcode is 8425489664 hash.
Thank you very much.

END