



Telecom Egypt Announces Nine Months 2007 Results

Presenters

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

Osman Zaki Hello good morning, good afternoon everybody. This is Osman Zaki from Merrill Lynch in London. I would like to welcome you all to Telecom Egypt's third quarter 2007 results conference call that we are very happy to be hosting today.

From Telecom Egypt we have with us, Akil Beshir the company's Chairman and CEO; Mr Tarek Tantawy, TE's Vice President & CFO; Mr Mohammed Elnawawy, the Vice President of Wholesale, International and Regulatory Affairs and Miss Alia Allouba, Investment Relations Assistant Manager.

The conference call will start with a presentation on the operational and financial highlights for the quarter followed by a Q & A session. I will now hand the call back to Miss Alia Allouba for a safe harbour statement. Have a good call and thank you very much.

Alia Allouba Thank you Osman 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 it is therefore not assuming in the future that we continue to hold these views then. We do not commit to notify you if our views change. We refer to our public filings for some factors that may cause forward looking statements to differ from actual future events or results.

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

Akil Beshir Thank you Alia.

Good morning and good afternoon everyone. Thank you all for taking the time to be with us on this call today. Today's announcement of the nine months numbers

again demonstrates a solid performance in line with our expectations and one which leaves us well placed for the year end.

Let us not forget also that this sustained performance is being delivered in the context of a rapidly changing telecoms landscape in Egypt. The combination of our extensive modern infrastructure and one of the largest fixed line customer bases in the region continues to be a compelling proposition. With more than 11 million fixed line subscribers as at 30 September, we have delivered total revenues for the first nine months of 2007 of 7.5 billion EGP.

Retail revenues were almost flat year on year as a result of the changing dynamics of the telecom market in Egypt. During the year, mobile operators in Egypt have been marketing aggressively across all call types. We are beginning to experience some minor effects from fixed-to-mobile substitution given the cheaper mobile rates being offered by providers which in turn resulted in a negative effect on our long distance and mobile to fixed revenues.

Going forward, and to counter these effects, our strategy in marketing long distance and fixed to mobile voice services is to focus on two things. First, on quality and this is where the reliability of our infrastructure supports us well. Second, we will keep pushing for reduction in interconnection rates with mobile operators to be able to price our services more competitively.

While still a small total revenue component, the success of our internet offering was instrumental in equalising retail revenues during the period. The performance of TE Data has been again characteristically strong. Internet and data revenues increased by 73% from 126 million EGP to 218 million EGP for the first nine months of 2006 and 2007 respectively, stimulated further by rapid uptake of a promotional offer introduced on 1 September designed to combat illegal broadband connection sharing. The concept behind this promotion, a limited traffic quota at a reduced monthly rate of 45 Pounds down from 95 Pounds is to provide an attractive alternative to sharing and thereby reduce the number of illegal connections.

We now have almost half of the market for broadband access, with 172 thousand ADSL subscribers, up 152 percent on the same period last year. The contribution of wholesale revenues is again notable, constituting 34 percent of our total revenues, as demand from other telecom operators for use of our state-of the art infrastructure continues to grow.

As some of you will know expanding our wholesale offering has been the focus so far in 2007 with visible results during the year to date. Total wholesale revenues for the first nine months of 2007 were 2.5 billion EGP, compared to 2.0 billion EGP for the same period in 2006 – a rise of 26 percent. In particular, domestic wholesale revenues increased by 68 percent to EGP 572 million. There were two main drivers to this. Firstly, the increase in mobile-to-fixed traffic generated by mobile operators offering promotions to their customers gave us a significant uplift. Secondly, what I highlighted to you last quarter as a key commercial opportunity – revenues from infrastructure leasing – again recorded rapid growth, doubling year-on-year to reach EGP 354 million in the first nine months of 2007. This line, captured under other domestic wholesale, results from the rise in mobile demand, the entrance of a third operator and the advent of 3G services.

Despite a 7.8 percent growth in revenues, our commitment to tight cost controls and a prudent financial strategy means that our margins have remained robust at the mid fifties. Reported EBITDA margin before provisions for the period was 55.4%. This is again in-line with our expectations.

We are immensely committed to the bottom line and our nine months Net Profit Margin, just below 23 percent, is testament to this. I would also like to update you today on the progress of our TE North project which was designed to capitalize on the combination of our unique geographic position and the capacity and resilience of our infrastructure. For more than two decades TE's Transit Corridor, the terrestrial infrastructure linking the Red Sea to the Mediterranean Sea, has been the route of choice for all crossing submarine cable systems in this geography. It is our intention to increase the service footprint of the existing TE Transit Corridor by building a private submarine cable system that links Egypt to Europe to support the growing demand for IP traffic capacity from Asia, and particularly from India into the West and to lower the cost point of the TE group retail internet arm. Today's contracts announcement is the first step in securing the build out of this initiative, on time and on budget. While it would be premature to give guidance on today's call regarding the expected revenue contribution or profitability of this venture, what I can say though is that first, we are very happy with the way our wholesale customers and business partners are accepting the concept of a system within system approach. Second, we have so far signed contracts worth US\$ 126 million in relation to this project and we expect more to come in the coming period. Third, we are budgeting a Capex of nearly \$140 million over the next two years for this project.

Finally, before I hand over to Tarek to talk through more details on the numbers, I would like to bring you an update in respect of our investment in Vodafone Egypt, which has again made a substantial contribution to the results we are sharing with you today. As most of you know we do not view our involvement with Vodafone Egypt or Vodafone Group simply as a financial investment. I have expressed to you before the strategic importance of the relationship, but am delighted to now be in a position to point to you some tangible results. The roll-out of Vodafone Shop-in-Shops in Telecom Egypt's Centrals, which has already begun, should deliver benefits to both parties and, in turn, our respective customers and I hope that I will be in a position to tell you about more joint initiatives in the coming period

So with that I will now hand over to Tarek.

Tarek Tantawy Thank you Mr Beshir.

As Mr Beshir described, the last quarter has again proven that our business is changing. The mix of our revenues and the activities of other operators in the market are having a combination of positive and negative impacts on our various lines of business. For this reason, as competition in the Egyptian telecoms market intensifies and with the expected introduction of the second fixed operator we will begin to reduce the level of information we give in our financial disclosures – in particular the breakdown of revenues. I expect this to take effect as of the first quarter of 2008 from which time the notes to the financial statements will be presented in a more condensed form.

During the first 9 months of 2007, our net subscriber additions were 224 thousand subscribers and as guided before we are only focusing on adding profitable subscribers. In light of the net adds figures for the first nine months we will be making a minor revision to our full year guidance to 350 thousand to 400 thousand subscribers versus the 400-500 thousand net adds we have guided initially. It is worth mentioning that we have started offering a promotional discount on connection fees starting from the 1st of September whereby connection fees have been reduced by 70% and I have to say that the response to this promotion has been relatively good and we will be updating you further on this in our full year results conference call. However, both top and bottom line performance remains on track, and I feel that this is a prudent move and one which makes strategic sense as we focus on extracting revenues from our existing assets and subscribers and carefully considered investments in expanding services or extending our reach.

As a result of this reduction in net adds target I would also like to bring to our attention are also revising our capex guidance for the full year to EGP1.2 to EGP 1.4 billion down from EGP 1.7-1.8 billion figure we had guided you before. In respect of the nine months under review, however, we have again delivered a strong set of results. Top line growth of almost 8 percent and bottom line growth of 12 percent for the nine month period shows that we are delivering in terms of achieving revenue targets and continuing to keep a tight reign on costs.

Our underlying EBITDA margin before provisions trend remains stable and at 54 percent for the quarter and 55 percent for the nine months, and is at the higher end of management expectations. Even with the surge in demand from other operators Telecom Egypt's network is fully digitalized and requires very limited modernization. We still have significant headroom capacity. With that in mind our capex rationalisation programme continues with comparable capex related cash flows reducing year-on-year by 43% to EGP 659 million versus EGP 1.2 billion by end of the third quarter in 2006.

Our 44.8% stake in Vodafone Egypt has again delivered a strong financial result – contributing almost EGP 797 million in investment income for the nine month period. In this quarter's announcement we have begun, as I promised last quarter, to report selected financial and key operational metrics for Vodafone Egypt. This is designed to give you some insight into the performance being achieved at what is now a private company. Please note that Vodafone Egypt has a March year end as opposed to our own December year end and therefore what I will talk you through today are second quarter and six month performance for Vodafone Egypt.

In a highly competitive market, the management team at Vodafone Egypt continues to deliver compelling performance. As of 30 September 2007, Vodafone Egypt had approximately 11.7 million active customers, generating a total of 10.4 billion voice minutes. A comparison with the same period in 2006 shows just how far the business has come in a short time – this is an increase of 51% in terms of subscribers and 64% in terms of voice minutes. Vodafone Egypt now has a subscriber base that is comparable in size with our own fixed line customer base, but one which is growing very rapidly.

During the second quarter VE recorded organic net customer additions of close to 1.4 million. Monthly ARPU was down slightly on the first quarter, amounting to EGP 71.6 with prepaid monthly ARPU of EGP 52 and post-paid monthly of EGP 305.

Financial performance was also strong. Vodafone Egypt reached service revenue of EGP 2.6 billion during the second quarter, up 7 percent quarter-on-quarter. This represents an increase of 31 percent year-on-year. Vodafone Egypt net profit for the first half of 2007 reached EGP 1.3bn up 4% year on year.

Vodafone Egypt continues to invest heavily in the business and the capex figures we present to you today are testament to this. Vodafone Egypt reported a capex figure of EGP 1.3 billion for the six month period.

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

Akil Beshir Thank you Tarek.

So our nine month report to you is particularly important, as 2007 continues to be a pivotal year in TE's development. We have approached the year-to-date with great flexibility and the vision to ensure that our assets serve us well in this new environment, while also acknowledging that there are new initiatives and ventures that will ultimately be value accretive, such as TE North.

As we move through the final quarter of this year I feel optimistic about what 2008 will hold for our company and am sure that we are on track to continue to deliver the kind of performance that the market has come to expect of us.

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

Questions and Answers Session

(Coordinator) Our first question comes from Mr Sean Gardiner of Morgan Stanley, please go ahead.

Sean Gardiner Yes, thank you very much. It's just two questions if that's alright. The first question, can you update us on what your thinking is with tariff rebalancing given that you're seeing more competition in the market place, do you think your proposed 20 percent that you're asking the regulator for in 2008 is enough or do you think you can go and try and get a bit more? And then secondly on your subscribers, can you give us an update for your guidance for 2008 and beyond, I think you used to give medium term outlooks for your wire-line subscribers, now that you've had to revise down this year's expectations, what do you think you can do next year?

Akil Beshir Thank you. Concerning the tariff rebalancing, yes we still believe that what we're planning for 2008 we will be able to achieve. Don't forget that the tariff rebalancing we're talking about is increasing the monthly subscription fee and the minute charge which is already too low 2 piasters for the 1st minute and 6 piasters for the subsequent minutes.

With regard to the competition with mobile because obviously the competition with mobile is not in the local call, it's in the fixed to mobile and that's why we are working actually we're negotiating with mobile operators to reduce the interconnection rate between fixed and mobile, both termination on the fixed and termination mobile so that we can, as part of our tariff rebalancing also reduce the fixed to mobile tariff such that we'll be competitive with the mobile to mobile. So the tariff rebalancing that we've announced is still going on but we're adding to it reducing the fixed to mobile target tariff, if we succeed in reducing the interconnections fees with the mobile operators.

The second question concerning the guidance for next year, yeah our guidance for next year will be somewhere between 250,000 to 350,000 subscribers. We continue going after profitable subscribers.

Sean Gardiner Sorry just on this year with the subscribers, what do you think has gone wrong in the last three months when you've had to revise your guidance by down, it looks about 20 percent, my calculation, for subscribers?

Tarek Tantawy I wouldn't say that something went wrong, what happened is that we've delayed the promotional discount that we used to have each year, it only kicked in as of 1 September and since then we have been seeing demand increasing significantly so again it's just a matter of time. If we were to launch this offer a couple of months ahead we would have met our target but then again what we care about is profitable subscribers, it's not a matter of just achieving the target at the expense of profitability.

Sean Gardiner Could you just, having said that, can you help us understand the progress of net ads during the quarter if you launch on 1 September? Did you have more than half your net ads in the month of September or, understand the run rate that you exited September with?

Tarek Tantawy Sure, we're obviously here to discuss the Q3 results but we can say on Q4 is that we believe that since the promotional discount has been introduced yes, we believe we are on track to achieve the updated guidance.

Sean Gardiner Yeah, I know but the Q3 results is the September month and you said you launched your promotional activity on the 1 September, so you had one month of promotional activity? I'm just trying to understand how many net ads you had in September compared to the quarter?

Tarek Tantawy Sure, we've had close to 85,000 net ads.

Sean Gardiner Okay, thank you very much.

Tarek Tantawy Yeah.

(Coordinator) Your next question is from Stephen Pettyfer of Merrill Lynch, please go ahead.

Stephen Pettyfer

Hi thanks very much. Two questions please related to your undersea cable project. I wonder if you could please give us some colour as to how you think this project differs from what Orascom Telecom seems to be planning which sounds to me somewhat similar? And then secondly if you could just give us an update please on the Capex cost of that? Thanks.

Mohamed Elnawawi

Yes, thank you my name is Mohammed Elnawawi; I'm responsible for International. First of all let me emphasize that to date Telecom Egypt is the only fixed network in Egypt and has the only underlying infrastructure in Egypt to give Red Sea to Mediterranean Sea crossing where Orascom Telecom is building a new system, a private system for its own use, for its customers own use. What we have been doing over the last twenty years is we have been offering our underlying infrastructure what we call the TE Transit Corridor to the numerous Asia/Europe systems that exist. Perhaps as much as maybe half a dozen of those have existed in the last twenty years, some of the famous ones include Flax, SMW3, SMW4, Falcon and some others. What Telecom Egypt has been doing is they have been connecting them from the southern parts of Egypt, the coast of the Red Sea to the northern parts of Egypt for a fee. What we are doing through TE North is we're extending the footprint of this connectivity to reach the mainland of Europe and hence increased the related fee.

Most importantly what submarine cable community looks for in such a connection is what kind of diversity and resilience is offered to the terrestrial component of the submarine cable system. What Telecom Egypt is offering is leveraging the unique geography of Egypt, nearly 1000 kilometres of Red Sea access and similarly another 1000 kilometres of Mediterranean access, in order to give diverse, resilience paths for these cable systems to cross. To be more specific leveraging the entire infrastructure of Telecom Egypt.

Orascom Telecom is building a single path that they're going to use; I single diverse path that they're going to use for their own cable system. They are building it on the desert and agricultural road systems that we have been using for SMW3 and SMW4 in the last few years. These routes are very good routes but they have been used extensively in the last twenty years and are now being avoided deliberately by new Asia/Europe cable systems. Telecom Egypt is leveraging the size of its network in order to pick up the traffic more south than Suez to the Sinai Peninsula in order to give the builders of the submarine cable system improved economics and also to carry the traffic over a new route, a new more resilient route and to deliver it more west than Alexandria in order to again give the builders of this cable system more favourable economics. Thank you.

With respect to Capex, the expected Capex of this system is about 140million USD. We will be spending this money over a two-year period. The business that we have gotten so far are the anchor customers that pretty much enable the project. They are the ones that we have entered into contracts with for about 126million Dollars. This

represents approximately 25 percent of the physical capacity of this system. Thank you.

Stephen Pettyfer Thanks, Sorry, as a follow up, can I just ask two further questions. Firstly could you please just reaffirm your guidance for this year, next year in terms of net ads? And then secondly, do you have any further thoughts at this time about your balance sheet and when we can look forward to the next dividend announcement or indeed use some cash? Thanks.

Akil Beshir The first question, can you repeat the first question, what do you need to know about the net ads because we've already answered that? Yes, this year's net ads 350,000 to 400,000, next year 250,000 to 350,000. Tarek will answer the second question.

Tarek Tantawy Stephen on the balance sheet and the use of cash, we believe that we will be in a position very soon to either pursue investment opportunities, failing which then we will go for more dividends payouts and leveraging off.

Stephen Pettyfer Sorry to push you, but is that something we can expect this time at the full year results or?

Tarek Tantawy No I mean you should expect something to happen within the coming six to twelve months.

Stephen Pettyfer Okay, thank you.

(Coordinator) Your next question comes from Miss Denise Molina of E2 Research, please go ahead.

Denise Molina Hi good afternoon, thanks for the call. Just a couple of questions actually to follow up on the capacity that you said you have on the sub sea cable, you said you fund about 25 percent of the physical capacity, I'm just wondering if that Capex guidance you've given us covers 100 percent of what you anticipate Capex capacity or is that just decided to buy these contracts that you've announced? And then secondly when I want to ask about the internationals, if you have any updates on that in terms of, I know that they're not direct negotiations with you but obviously you might get some sort of residual revenue from transmission or other, so I'm just wondering if you have an update on that? And lastly, if you could just walk me through the timing of the second operator and what's going on with that?

Mohamed Elnawawi I'm Mohamed Elnawawi again, I'll try to answer your question about the submarine cable system. We would like to ask you to please repeat your set of questions because we were not able receive it very well as Mr Chairman will then direct this question.

With respect to the Capex, 140million Dollars is going to be the expected cost over a two-year period for the cable system. What Telecom Egypt is doing is that we have realised that the popularity of this route which is crossing from northern parts of Egypt to the

Mediterranean gives us an opportunity that if we built enough density between Egypt and for example Marseille, we would be able to have a better cost model, a more favourable economic than individual build. Nevertheless, we do not want to interfere with some of our customer's operational and strategic intentions, so we developed a concept and it's a very complex concept called System within a System where we are allowing a few customers to own a system inside our system. We can simplify this by saying that we are selling physical parts of our system in order to enable ourselves to build the system. So the 25 percent that we have sold are to customers who are the anchor customers who have enabled us to build our system and that's where the 126million Dollars of business comes in.

We may be selling a little bit more of that but more of this cable will be sold in terms of capacity, which has a completely different business model and obviously margin associated with it. Thank you, if you'd like to repeat your second question, please.

Akil Beshir

Sorry I would like to add to what Mohammed said, to answer your question is that the 140million Dollars Capex covers the full physical capacity of the cable.

Your second I understand is about the international gateway liberalisation, is that right?

Denise Molina

Yes, that's correct.

Akil Beshir

The situation. Okay the situation is that the regulator has already offered mobile operators a license for international gateways, Etisalat has already signed a license and obviously since the start of the operations they are using our gateway, they continue doing that until they build their own gateway and then have a tariff of their own. Vodafone has announced that they are sticking to their agreement with Telecom Egypt to continue using our gateway. Mobinil is still considering it, let me explain to you what does it take for them to get a license; they will have to pay an upfront license fee of 100 Pounds per subscriber that they have on the date they have the license, so Mobinil now has somewhere between 12 and 15million subscribers so they should pay somewhere between 1.2 and 1.3 billion Pounds upfront fee for the license then for every year, they have to pay 20 Pounds for each extra-customer and plus a revenue share of a minimum of 1 percent of the total revenues, not only the international revenue. So obviously it's not cheap to get an international license so Mobinil is now negotiating with us that they will continue using our gateway if we give them a good offer which we intend to do however, they are linking it with the discussing, negotiating all the interconnection agreements which mainly have there's three issues of interconnection agreement are the international, the infrastructure leasing and the interconnection between fixed and mobile calls. So we are actually now actively negotiating those three subjects with all mobile operators and there are several possibilities either we reach an agreement on all of them and change the interconnection agreement or we do not reach an agreement and then we negotiate only the international with

Mobinil, so it's yet to be seen whether Mobinil will continue using our gateway or they will pay the license fee and get to have their own gateway.

Does this answer your question?

Denise Molina

Yes, just the first question was just to ask about an update on the second operator but could I just follow up on the sub sea cable, can I just follow up and ask that 126million in revenue that you've just signed, do you know over what period you could expect to get that? I think part of it starts in 2009? And also if you're selling 25 percent for 126million, that implies that the whole thing is worth maybe 500, 600million in revenue, I understand the contracts will be of different nature going forward but is that what you anticipate to get out of the project?

Mohamed Elnawawi

Yes, thank you now with respect to 126million Dollars, the payment is approximately over a two-year period. It goes in parallel with the build contract that we have which is again over a two-year period and with respect to the analysis that you have made to derive the total potential revenue for the system, we do not intend to sell the entire system as physical system within a system model. Obviously the margin here is not very large. Deliberately we did this now because each customer has enabled us to have a very positive and very safe business case with the effect of this venture but in the future as we sell capacity, the business model and the margin associated with selling capacity rather than selling a system within our system is completely different.

Akil Beshir

There is a second fixed-line operator; yes it was announced as we indicated before that some time in 2009, we'll have a second fixed-line operator. The term and the scope are not decided yet, so some time in 2008 the regulator will do that and we will let you know whenever the service of the second operator will be.

Tarek Tantawy

Maybe just a clarification on what Mohamed was saying on the submarine cable, the 126million dollars, this cash flow would come in, in the coming two years but in terms of revenue recognition, a portion of this revenue will be booked in a single year and another portion will have to be accrued over a fifteen year period but I mean part of the sale could be looked at as some sort of an asset sale and this can in a single year and the other is a right of use of our infrastructure which has to be accrued over fifteen years time.

Denise Molina

Okay, great thank you so much.

(Coordinator)

Your next question comes from Mr Sean Gardiner of Morgan Stanley, please go ahead.

Sean Gardiner

Thanks, a quick follow up. Can you update us on your acquisition strategy; there's been quite a few rumours around about you looking at different assets? Can you help us understand what sort of assets you're looking at, fixed versus mobile or integrated and if you can go as far as helping us understand regionally where they are as well? Thanks.

Akil Beshir Our acquisition strategy is obviously we look in the region, however we're not confining ourselves to the region but obviously what we're actively looking at is the MENA region, it's quite a wide one and we are looking for either fixed only or integrated operators, either greenfields or an acquisition of an existing operator. If it is an existing mobile only, we will still also look into it but obviously we'll not approach it unless we have a mobile operator partners with us and obviously it would be Vodafone in this case.

Sean Gardiner So has Vodafone agreed to partner with you on those types of acquisitions because I know in other partnership they have, they resisted being partners on expansion to jointly controlled assets?

Akil Beshir Obviously we haven't agreed on anything because we don't have an opportunity, mobile opportunity that we're looking at however as you remember last year in November last year we signed the cooperation agreement with Vodafone and one part of the agreement was that each one of us would favourably consider the other party in pursuing opportunities in the region but obviously nobody's going to partner with any party unless he needs the partner. So if we add value, if there is an opportunity that Vodafone, we can convince Vodafone that we can add value to it, then there will be room for cooperation.

Sean Gardiner Okay, thank you.

(Coordinator) Your next question comes from Miss May Khamis of HC Brokerage, please go ahead.

May Khamis Hi good evening everyone. I had a question about your Vodafone subsidiary, a couple of days ago Vodafone Group reported a total subscriber base of 12.816million as at September 07 and you just reported then 11.7million base, I was wondering about the difference in the figures and any explanation or change in definition? Thank you.

Tarek Tantawy It's good at least someone noticed this, it's just a matter of the definition of our subscribers. What we've reported are basically active subscribers and what Vodafone Group reports in their interim reporting is closing customers. So obviously there are some subscribers which would have bought a sim card but they're not active yet and this is mainly where the difference is coming from.

May Khamis Thank you.

(Coordinator) Your next question is from Ranjit Thomas of Tracer Capital Management, please go ahead.

Ranjit Thomas Hi. Last year you had an unusually strong fourth quarter driven by the retail tariff increase and high wholesale demand. This year are you expecting a return to the normal pattern, seasonal pattern where the fourth quarter sequentially is lower than the third quarter in terms of revenue and EBITDA?

Tarek Tantawy What usually happens in the last quarter is that we, the international revenues are usually close to their peak. In the last quarter of last year however we had a surge in local call revenues and this is something that we do not expect to happen again in the coming quarter. So we expect that we should be very close to what we reported in Q3 in terms of total revenue and EBITDA.

Ranjit Thomas Okay, great. And there aren't any increased personnel expenses etc in Q4 that might drag the EBITDA down then?

Tarek Tantawy We do not foresee any at this stage.

Ranjit Thomas Okay and if I can ask a follow up. Any early indication on what you see for revenue, EBITDA and Capex growth for 2008?

Tarek Tantawy We will be doing so on the full year results conference call. We will be giving the guidance for the coming year.

Ranjit Thomas Okay, so nothing preliminary as now?

Tarek Tantawy No, not at this stage no, sorry.

Ranjit Thomas Okay, great thank you so much.

(Coordinator) Your next question is from William Kirby of Nevski Capital, please go ahead.

William Kirby Coming back to Vodafone, what sort of pricing pressures are you seeing in the mobile environment? In the Vodafone results they showed quite steep quarter on quarter and year on year ARPU declines?

Akil Beshir Well as I indicated we are looking at reducing our interconnections with mobile as a result of reduction in the interconnection termination into mobile to mobile which again resulted in reduction in the tariff. So I believe mobile operators are reviewing again their termination rates and if they do revise them upwards, then obviously this closes the gap between fixed to mobile and mobile-to-mobile and reduces the pressure that we have. Failing that, if you don't do that and we keep pushing for reducing their interconnection rate to be competitive with mobile.

Tarek Tantawy Maybe just to follow on this and to make sure that we've answered your question, were you asking about the ARPU's and the margins of the mobile operators in particular?

William Kirby Yeah, I was more asking actually about competition within mobile and between the different mobile operators especially given the entrance of Etisalat recently?

Tarek Tantawy Sure, on this I mean with the entrance of Etisalat at least has resulted in pricing effectively being reduced by 15 percent across all three operators. We expect that there will be some further pressures however you should bear in mind as well that the EBITDA margins of other operators are

really approaching critical levels if you will. So we recall that Mobinil's figures they have announced an EBITDA margin in the mid 40's and even below the 45 percent level and this without even including the 2.4 percent that they will have to pay from the revenues after they start operating the 3G network. So I think, I mean the question really should go to the other mobile operators in terms of how they envisage EBITDA margins longer term but our feel on this is that no-one will be happy to see margins below the 40 percent level and this is where we would expect people to start becoming more conscious in any further cost cutting.

William Kirby

Okay thank you.

(Coordinator)

Your next question is from Heba Ossama of Belton Financial, please go ahead.

Heba Ossama

Hello, good afternoon. My question is what is the revenue guidance with Mobinil apparently not bidding for their international license and should it go up and how much in percentage would it be? Will it effect in 08?

Tarek Tantawy

I guess we're in a phase with Mobinil whereby we can see if they will continue using our gateway or not. We're not in a position to start talking about what if scenarios. I think we'll be in a much better position towards the full year result conference call to update you on this.

Heba Ossama

Okay, thank you very much.

(Coordinator)

Ladies and gentlemen at this point it seems we do not have any further questions and I would now like to hand the call back to Mr Akil Beshir for his closing remarks.

Akil Beshir

Thank you.

Well I'd like to thank you all for being with us on this call, I hope we've presented you with yet another strong performance for Q3 and hopefully when we have our next call with the final full year results, we'll have even better results and stronger performance.

So thank you for that and talk to you soon.

(Coordinator)

Again a replay of the call will be available from Thursday 15 November at 4 o'clock UK time and will be available for one week. To access this replay for international callers the number is +44 207 136 9233. The UK toll free number is 0800 032 9687 and the Pin is 54898228.

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