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## Telecom Egypt announces FY 2010 Results

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### Presenters

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Mr. Hassan Helmy, Vice President & CFO

Mr. Mahmoud Abu Taleb, Director of Investment & Investor Relations

Mr. Mohamed Kamal, General Manager of Investor Relations

### **Oliver Emanuel**

Good morning and good afternoon to everyone, it's Oliver Emanuel at Morgan Stanley in Dubai. I would like to welcome everyone to the Telecom Egypt Full Year 2010 Results conference call. From Telecom Egypt we have Mr Mohamed Elnawawy, Senior Vice President and Chief Strategy Officer; Hassan Helmy, CFO and VP; Mahmoud Abu Taleb, Director of Investment and Investor Relations, and Mohamed Kamal, General Manager of Investor Relations. As usual, the format of the call is a discussion of the key highlights followed by a brief Q&A session. I will now hand back the call to Mohamed Kamal for the Safe Harbour Statement, thanks very much.

### **Mohamed Kamal**

Thank you Oliver for the introduction and for hosting the conference call, good morning and good afternoon everyone. As a standard rule of corporate governance of Telecom Egypt, I will first start by reading a Safe Harbour Statement.

We may make some forward-looking statements in the course of this conference call. These will be based on information available to us as of today and you should, therefore, not assume in the future that we continue to hold

these views 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 now I will pass you over to Mohamed Elnawawy, Senior Vice President and Chief Strategy Officer of Telecom Egypt.

**Mohamed El Nawawy** Thank you Mohamed and I'd like to welcome everyone to our conference call. I would also like to first and foremost thank everyone for his or her patience in respect of the rescheduling of this call. Because of this rescheduling, although Tarek is, of course, still with us, he is unable to join and he will endeavour to join us in time for the Q&A, as we presently understand.

As always we will spend a short time discussing the market and our operational and financial performance before moving to the Q&A session.

2010 has been about delivering on our promise. I feel confident that we certainly have.

Revenue growth, profitability and capital expenditure for the year are all comfortably within the Management expectations in spite of the dynamic competitive landscape for telecommunications in Egypt.

Moreover, during 2010 when most Egyptian telecommunications operators experienced margin contractions as the effects of competition were severely felt, TE's focused operational performance delivered an improved net margin of 32%. Net profit after tax reached EGP 3.3 billion, a rise of 8.5% on the same period in 2009.

In the twelve-month period, we have announced a net cash position of EGP 4.1 billion --- which when combined with the strength of our balance sheet --- will be particularly important as we navigate the immediate uncertainty caused by the momentous events witnessed in Egypt in the first quarter of 2011.

This leads up to recommend to the Board a dividend distribution of EGP 1.3 per share subject to the General Assembly's approval, of course.

Within our voice and access business, our strategy for the year was to protect our retail revenue base from the effects of the mobile substitution with innovative and attractive consumer promotions, and new service bundles, which also make it costly to install a TE line.

We have always had the focus on profitable segments in terms of new services and the greatest potential for growth. However, mobility is attractive and some of the pricing strategy being employed in the grab for mobile subscribers has been very aggressive. As a result, we started naturally to take actions to stem the broader effects across our retail revenues.

To illustrate, I will highlight three particular promotions that have enhanced our position during the final quarter of 2010.

First, we introduced a new product to address the segment in which TE records greatest churn, "Kalam 12". Here the customers can subscribe to a tariff plan which gives them 120 local minutes, 80 additional minutes and 10 mobile minutes when they sign up in exchange for the current subscription fee with no additional cost. This was launched on 1st December. We know that this promotion has already resulted in more than 20,000 new subscribers joining TE's customer base in just 25 days.

Secondly, we estimate that our free line promo open to both residential and billing subscribers has brought on board 60,000 customers since November alone.

Thirdly, we have continued our bundled offer which includes some free fixed to mobile and long distance minutes in addition to extra discounts on international calls. This is one of our longest running promotions and remains very popular among our subscriber base.

Total retail revenues are down 7% year-on-year, but our subscriber base, which stands at 9.3 million, has stabilized once again and we are now seeing improved usage levels in core categories where our actions have been focused.

TE Data continues to set the standard for broadband internet access in Egypt and has expanded its share of the broadband market during 2010 to 63%. Our team has once again shown itself to be very capable of capturing the increased demand for broadband internet access to grow our market share and to build the revenue contribution TE Data makes.

Revenues from retail internet and data services increased 25% in 2010, predominantly as a result of TE Data's performance and accounts now for 8% of our total revenues in the year.

I view this as a very positive trend and one we will continue to work hard to increase. Demand for data and internet services shows no sign of slowing and, as the sole fixed line network, we must constantly ensure our capability to meet this demand in a robust and efficient way. As a result, we have embarked upon a network upgrade program designed to ensure that we are able to cope with increased usage and accommodating new technologies for the next five years. The program will take us from a 2.3 terabit capacity to 4.5 terabit capacity, which effectively is a doubling of the capacity of TE's network.

During 2010, the performance of our wholesale division was undoubtedly a key driver for the top line result we report today.

Our objective was to harness the demand for access to our fixed line network from third party operators and thereby expand wholesale revenues. This we have done. Total wholesale revenues are at record levels and have more than offset the decline in retail revenues.

It is worth noting that this is the first full year of the medium-term agreement we put in place with Vodafone Egypt, which provided more favorable interconnection rates in exchange for a fixed term commitment. This has

proven to be valuable for Telecom Egypt in securing an important revenue line and, in addition, the other operators and ISPs continue to require greater access to transmission and infrastructure services.

In 2010, we added greater diversity to our revenue mix by beginning to recognize contributions for our new cable projects. The wet build for TE North in particular is near completion and the terrestrial build has progressed well.

The submarine cable business will prove more difficult for you to model, as the pattern of revenues is project-based rather than fitting a quarterly schedule. In 2010, we recognized EGP 515 million, which stands in line with Management guidance.

Our investment in Vodafone Egypt has continued to prove its worth.

As you know, Vodafone Egypt has a financial year that runs until March. During its first nine months, Vodafone Egypt made exceptional operational progress in spite of the continued intense competition among mobile operators.

During this period, it also added more than seven million subscribers, an increase of 63% on net additions during the same period in 2009. The result is a closing customer base of 32 million subscribers, compared to 23 million for the same period in 2009; correspondingly, total voice minutes topped 43 billion minutes a rise of 51% on the previous period in 2009.

Vodafone Egypt generated revenues of EGP 9.2 billion in the nine-month period ending 31<sup>st</sup> December 2010, a 1% increase on the previous period in 2009. Net profit for the period was EGP 2.1 billion, a decrease of 12% year-on-year. This was largely a result of increased operational expenses relative to an extended customer base and in line with the annual inflation. In addition, Vodafone Egypt incurred some one-offs, primarily relating to FX losses.

Capex for Vodafone Egypt increased 31% on 2009 to reach EGP 1.7 billion due to the fierce competition between the mobile operators, having the strongest network is the main challenge. At a percentage of total revenue, this remains within Management expectations.

The mobile market remains competitive and I'm confident that Vodafone Egypt is very well placed to continue capturing demand in this dynamic landscape.

I will now hand over to Hassan Helmy, Chief Financial Officer of Telecom Egypt, to join you through the financials. Over to you Hassan.

**Hassan Helmy**

Thank you Mohamed.

For the purposes of comparability, I will be talking through the 12-month year-on-year comparisons and Q4 2010 and Q4 2009 comparison. This avoids any distortion arising from the seasonality evident in the third quarter result and hopefully provides a clearer picture of our progress.

Total consolidated operating revenue for the full year period to December 31<sup>st</sup> 2010 exceeds Management expectations, reaching EGP 10.3 billion, a rise of 3.6% on 2009. The primary driver in this has been very strong contribution from our international wholesale business where revenue rose by 17%. This includes recognized revenue from our cable business, which has complemented at 21% increase in contribution from domestic wholesale, as demand for transmission and infrastructure leasing continues to expand in Egypt, and a growing contribution from internet and data revenues primarily attributable to TE Data.

Total retail revenue for the full year 2010 comprised 52% of TE total revenue. At EGP 5.4 billion, this was a decline of 7% on 2009. The year-on-year decline of EGP 384 million is due to an increase in mobile substitution, which had impacted retail voice revenue. This decline is more than offset by the corresponding rise in the total wholesale revenue. In 2010, total wholesale

revenue reached 4.9 billion, representing a rise of EGP 742 million year-on-year or 18%.

Consolidated EBITDA for the full year 2010 reached 4.9 billion, a slight decline of 4% compared to 2009, as the impact of significant cost saving initiatives were offset by short-term cost arising from temporary enhancements of the early retirement program, which commenced in July to December 2010, and an 8% increase in salary costs, which was in place from July 2010. Our EBITDA margin of 47% was in line with Management expectations.

Total consolidated net profits for the full year 2010 was EGP 3.3 billion, a year-on-year increase of 8.5% with a margin of 32%. This translates into an EPS of 1.72 versus 1.64 in 2009.

Let me take a little time to explain what's happening with our revenue in more detail.

Retail revenues, particularly voice, have come under pressure from mobile competition and have declined year-on-year because of both substitution effects and the impact of some of the promotional activities we have undertaken to defend our customer base. TE's highly targeted promotions are working to combat the effect of competition. Total retail revenues on Q4 2010 to Q4 2009 comparison increased by 8%.

Total access revenues, comprising connection and subscription, were EGP 1.8 billion for the full year 2010 - compared to EGP 2 billion in comparable period in 2009. This primarily as a result of TE's free installation promotion which ran twice during the period under review.

Year-on-year total voice revenue declined 19% to EGP 2.1 billion for the full year 2010, as a result of increased competition from the mobile operators; the traffic volumes which the other operators are directing over our network mean that this decline in retail revenue is more than offset by the rise in wholesale revenue in the period.

Finally, full year revenues from internet and data mainly attributable to TE Data, now stand at EGP 810 million. This represents a 25% increase on 2009, when internet revenue stood at EGP 649 million. This means that revenue from internet and data is rapidly becoming a significant component of our revenue mix.

I would like also to take a moment to look more closely at what's happening with our cost base.

We have seen a slight decline in EBITDA in year-on-year comparison, but that masks the OPEX saving of just over EGP 100 million we have made as part of our cost optimization program.

These savings have offset some of the margin impact of the announced 8% increase to salaries effective from July 2010, and the additional cost of EGP 107 million associated with the temporary enhancement to our early retirement program, which has been taken up by more than 3,000 employees.

As a result, while we report an EBITDA margin of 47% in line with management's expectations, consolidated EBITDA for the full year declined by 4% compared to 2009.

You will note that Capex has come at the lower end of management guidance. As I said last quarter, this does not reflect a slowdown in projects or us spending less. We have become better negotiators. Over the course of the year; a saving of EGP 220 million was achieved from simply getting better terms and deleveraging on our scale.

Taking a closer look at our balance sheet, the most important point to note here is our continued financial restraints. TE has a robust cash position of EGP 4.1 billion combined with a strong balance sheet. This leaves us in excellent financial health, as we start a New Year.

I will now hand you over to Mohamed for some closing remarks.

**Mohamed El Nawawy** Thank you Hassan. This is Mohamed El Nawawy. I continue to be delivering on behalf of Tarek Tantawy.

Before we conclude our comments for the call and take your questions, I would like to take a moment to touch on the post-period events of January and February 2011. This has clearly been a momentous period for Egypt and there will undoubtedly be questions related to the business impact of the Egyptian Revolution, which we have all witnessed.

TE continued to provide services to its customers during this period. Moreover, we took the decision on 28<sup>th</sup> January when mobile telecommunications and data services were disrupted to open up to 1.5 million suspended lines. We took the view as a Management Team that although these subscribers had their services suspended because of late payment, we had a duty to ensure that they had access to telecommunications services for safety and security, and therefore reopened their lines until the 1<sup>st</sup> of April 2011. Many of these subscribers are still active today and it is too early to say whether they will remain active after the 1<sup>st</sup> of April, but we will update you on this situation further in our first quarter results.

Secondly, in terms of assessing the business impact, a full audit of assets in order to assess physical damage is still underway. To date we know the cost of damages to be approximately EGP 17.6 million, but this may not be a final figure. There was no impact on the company's financial position during these events, or during the period of suspension of trading at the Egyptian Exchange. Once we have completed a full and thorough audit of the damages, we will advise the market of the total cost to be met by the company in relation to the period.

Finally, there is a great deal for TE to feel secure about. We have delivered against objectives for the year in spite of the dynamic market. We have further diversified our revenue streams in 2010, bringing in the submarine cable

project on-stream, we have a strong balance sheet and we have the highest capital position in the history of our Company. However, the next few months will undoubtedly be highly fluid, as Egypt decides on its political future. It is, therefore, very difficult to know exactly what this will mean in terms of operational terms and we, therefore, think it will be imprudent to issue guidance for the year at this point.

With that, I open the call to your questions.

**Puneet Saxena**

I have three questions please quickly. The first one is regarding capacity sales. Can you tell us whether all of it was in international wholesale or was it accompanied in domestic wholesale as well? The Q4 number for the capacity sales, what would that be? The second one would be regarding the early retirement plan. Do you plan to have it for 2011 as well, as you have had it for 2010? On salaries, I just heard 8% rise effective July 2011, do you feel that some more of the salary negotiations will be happening for 2011 given the current scenario?

**Mohamed El Nawawy**

Thank you very much. I will try to answer the first two questions and then I'm going to hand over the salary question to our CFO. With respect to your first question related to capacity sales, the revenue booked in 2010, which is EGP 500 million plus, this represents what was recognized in terms of projects completed and operationally ready with respect to the submarine cable project. Capacity sales will start this quarter and will also be booked in accordance with the terms of these sales. Much of these sales is done under finance lease terms and accordingly can be booked almost immediately.

With respect to promotions, which is the second question you had, obviously the next year is the landscape of the competition in terms of the voice we expect it will continue and we continue to be as trustful and as demanding as this year had been, but there is a new factor in place, which is the new future, the new political future, which we foresee and this is why we feel that we cannot comment much on this retail tranche of our revenues.

**Hassan Helmy** On the early retirement, if you noticed that we were talking about a temporary enhancement to an existing or ongoing early retirement program and that enhancement was limited for a period of time, that six months' time. This is the second half of the year. Currently there is no intent or there is no formal resolution to come up with another enhancement. It was for the period from July 2010 to December 2010 and from January 2011 we are back to the old ongoing early retirement programme, and we had the benefit from this temporary enhancement by having our headcount less by 3,000.

On the salary increase, this is the normal annual salary increase that the staff get, which is at the year of 2010, was below the inflation and this is annual, so there will be an increase in 2011.

**Puneet Saxena** Right, regarding the capacity again, what would be the outlook for 2011, if I may ask, and the figure for Q4?

**Mohamed El Nawawy** Again, with respect to capacity sales, it follows a completely different business model than the asset transfer that has been recognized already. We are not issuing any separate guidance for this right now. Nevertheless, we could be in the position to do so with the first quarter results.

**Puneet Saxena** The Q4 figure please?

**Mohamed El Nawawy** It's EGP 500 million.

**Puneet Saxena** That's for the full year or Q4?

**Mohamed El Nawawy** I'm sorry, so for the fourth quarter alone it's about EGP 50 million.

**Sally Gerges** Hello. I just wanted to -- I had two questions that are specific. One, regarding the proposed dividend of EGP 1.3; we see that this has been unchanged from 2008 dividend also, and 2009, so, given the significant net cash position of EGP 4.1 billion and the absence of a significant acquisition to be done at least

in, according to your guidance, but there is now nothing on the table or something, so why is the dividend not increasing at all? My second question is on EBITDA margin, because we saw, in the fourth quarter, of course because of the additional salary benefits would have been implemented in the early retirement program, but haven't other issues or cost items that have been implemented or accelerated in the fourth quarter that have a net deterioration in EBITDA margin in the fourth quarter?

**Hassan Helmy**

Sally, on the second question, it's primarily the employees' salaries increased and temporary enhancement of the early retirement program, and perhaps there is some minor effect of something of like EGP 60 million relating to advertising and this is primarily coming from TE Data directly to subscriber or customer acquisition. We don't see yet in 2011 whether we will incur some level of ad expenses or promotional expenses, or not.

Okay, on the first question, I think Tarek might be clear in the earnings release that we are going through a turbulent time and it's highly fluid. It was deemed by the Board that it would be prudent to continue with the level of dividend that we have until a picture becomes clearer.

**Marc Hammoud**

Good afternoon, I have two questions, one on the net profit reported by Vodafone Egypt. If we take the nine-month net profit reported that you have in your earnings release and add the calendar Q1 net profit, then and we take 45% of that, or 44.95% exactly, we don't arrive to your EGP 1.345 billion net profit in associated income from Vodafone Egypt. We arrive at EGP 1.222 billion, so, if you can explain the difference between the two numbers? My second question was – sorry?

**Hassan Helmy**

Okay, go ahead, sorry.

**Marc Hammoud**

Yes and my second question relates to the submarine cable revenue. I think you mentioned EGP 515 million for the full year, which would imply EGP 85 million for Q4, if I'm correct. I had EGP 430 million as of nine months 2010. Do you have any reason for a lower recognition in Q4? The guidance was

between EGP 600 million and EGP 800 million on the yearly basis for 2010 and 2011, what kind of level of income can we expect from the submarine cable business in 2011?

**Hassan Helmy**

On the figure for Q4, I directly said EGP 89 or 90 million for the Submarine Cable, on 2011 as Mohamed rightly said we cannot really give guidance right now. We've come at least now, but definitely it will come within our Q1 results; we will be in a position to give guidance on that. On Vodafone I would recommend that you get in touch with our Investor Relations team and he will work out the figures with you for Vodafone.

**Marc Hammoud**

Just on the Submarine Cable business, the 85 million drop from 160, 164 and then 113. Is there any reason why we're seeing decline in contribution from this business?

**Mohamed El Nawawy**

The revenue being recognized now is project completion related. It is event driven. We are recognizing every quarter the projects that are finished and delivered to the customers in accordance with their operational state. In the future, the revenue picture of this would change, because when we start to be more active in recognizing capacity sales you can then see a more natural ramp up curve. But right now it is event driven, so when a project is finished, whether it is wet built or the related terrestrial built and it becomes operational and delivered to its customer, this is when we recognize the revenue. This is different than capacity sales.

**Marc Hammoud**

If I may add just as a follow up question, the event driven recognition, is it related to the terrestrial part or to the wet part?

**Mohamed El Nawawy**

Actually both because we have customers, who have both from our services in the Mediterranean Sea, so it's a segment of our system, and we have customers with both services on the terrestrial. And, In accordance to the state of readiness, operational readiness we book the revenue.

**Gabor Sitanyi**

Thank you. I just wanted to ask perhaps a bit more elaborating on what has been happening particularly in January, February and March this year, and

perhaps a little bit more on some of the employee demand we saw in the press and potential and or actual strikes and how would you look at wage demand going forward as a result. Also some other issues; was there any slowdown in client demand or any non-payment issues coming out of the event, any lack of revenues because of roaming and so forth. Generally what was the actual – or a little bit more detail on the operational impact? My second question is related to Vodafone, because obviously you have been in negotiations with Vodafone previously on buying them out, and they said that Egypt is not a core holding for them. Considering what has been happening in Egypt, do you sense that it is becoming more of a top priority for Vodafone to exit and are you talking to them at this stage about this? Thank you.

**Mohamed El Nawawy** Thank you for your questions. Obviously the momentous events of January 25<sup>th</sup> and the subsequent events included some employee demands which Telecom Egypt is now assessing and will decide how to move forward with our employees. It also did include that the payment stream had been not as active as previous years. But we have not entered into any deadline periods by which we could consider that the payments have not been fulfilled. We're just seeing things slowing down a little bit. That is quite natural in light of curfews and in light of also the fact that banks had on and off closed down for nearly 13 working days so far. Certainly these issues are noted by us, but the full impact on our Company – we're not ready to assess it right now.

With respect to Vodafone, we have not been engaged yet in any discussions with them, regarding acquiring their interest in Vodafone Egypt. Nevertheless Telecom Egypt continues to believe that being the total telecom provider in this vibrant national market is a priority for us.

**Mohamed Bahaa** I have two questions please. First of all could you give us your expectation in terms of landlines and internet new subscribers over the short or medium term? Also the other question is that some rumour that former President Mubarak and his sons have some representation in the shareholders structure.

**Mohamed El Nawawy**

Thank you for your questions. With respect to the fixed line growth, we are not able to give a forecast right now; perhaps with the first quarter results we can try to readdress this issue. Nevertheless we would like to reiterate that the demographics of Egypt are a very exciting demographic. Two-thirds of the people are below the age of 25, and we are adding half a million new households every year. 1.3 million new people are born in Egypt every year, and accordingly we are always adding new customers and certainly our fixed line story is very eminent in light of the fact that Telecom Egypt is the only fixed network in Egypt, hence the natural opportunity for us to continue to deliver broadband leadership that TE Data has featured, and also the fixed line for voice.

As with respect to the other question – I hope this comes out very clearly. 80% of our shares are owned by the Government of Egypt, manifested by the Ministry of Finance, represented by the Ministry of Telecommunications and Information Technology. There is no private person direct or indirect holding within this 80%. 20% of our shares are traded in both the London Stock Exchange and the Egyptian Stock Exchange. There is no single ownership within this 20% that exceeds 1%. We have no information at all about any owner that is related to the previous President of Egypt, directly or indirectly.

**Edem Lassey**

I think you touched on my question a little bit earlier, but you mentioned that you're still intent on becoming fully integrated or full service provider. In other words you want to move into the mobile space. Is there any further development on what your strategy around that is? When will you confirm what the strategy is going to be? Is it going to be in Q1, Q2?

**Mohamed El Nawawy**

Thank you for this question. You are right that Telecom Egypt has believed very strongly in our extraordinary opportunity to serve the Egyptian market very well. I would just like to point out that for those of us who are interested in history – Telecom Egypt was corporatized in 2005, and before that the total number of years that Telecom Egypt and the organization that it was corporatized from had existed is a total of approximately 160 years. This

organisation has seen five revolutions in Egypt in the last 160 years and today it stands very strong with industry leading margins and a great future. The Egyptian market today in our opinion never looked better. The young people are the cornerstone of this market, and this certainly has been felt on the 25th January as well. We are adding – like I said – a whopping 1.3 million people every year and half a million new households every year. When we look at our granular net additions of fixed lines, we are seeing that the net new additions is not churning at all, so we are earning new customers that will be with us for their own economic lifetime.

We think that in the first quarter results will be in a better position to give you a better understanding of what the next year can hold. However the principles that Telecom Egypt has operated on remain the same. We are a total telecom provider in a young vibrant market, and we have a set of macroeconomics which we see as favourable, and we believe that we have an extraordinary opportunity especially in terms of becoming a total telecom provider in the near future. Thank you.

**Edem Lassey**

Have you excluded any of the options available to you, such as acquiring a fourth mobile license? Have you excluded any of those options out of the suite of possibilities you're looking at?

**Mohamed El Nawawy**

The four options which are to be; a virtual operator of mobile services using Vodafone's infrastructure, to acquire one of the existing MNOs, to get a fourth license or to be just a reseller, a light form of distribution of Vodafone services. These are the four options. All I can say is that for us, for Management to assess the option of a fourth mobile license, it can only be done in light of the terms of such a license. This is something that we will be asking the Government to clarify in the near future. This is particularly why we would be better able to answer this, or perhaps answer this with our Q1 results. The fourth license is only as good as the terms that surround it. This is why I am asking you to allow us to give you more information about this with the Q1 results.

**Maddy Singh**

First question is on employee shares in the profits. I see that the employee share in the profit has increased by more than double in 2010, compared to 2009. It is now at EGP 375 million, it was EGP 142 million in 2009. Is there a particular reason why this share has increased so much? A second question is on the employee expense, the way you record it. Is there a variable pay component as well in the employee salary, like a bonus which is like a once in a year event. When is that bonus paid, if any?

**Hassan Helmy**

On the first question, yes there is a two-month increase in the employee profit share, and this is something that the board suggested, and it is subject of the approval of the AGM. What was your second question please?

**Maddy Singh**

Is there a bonus also part of the employee salary? If yes, when is that bonus accrued and paid?

**Hassan Helmy**

There are certain bonuses, yes they are accrued and paid on time, but they are not relating to profit.

**Maddy Singh**

When is that bonus paid? Is it in the fourth quarter or the first quarter? When is that paid?

**Hassan Helmy**

It is about Q2, beginning of Q2.

**Maddy Singh**

Going back to the first question on the employee share in profits, what is the basis of determining what would be the employee share in the profits?

**Hassan Helmy**

This is the article of association and the law. The law subscribes a percentage to the employees between 10% and the maximum of 12 months' salary. The range in between is a decision by the Board and the AGM.

**Mike Miller**

Just one quick question, earlier you mentioned the wholesale agreement you have with Vodafone Egypt. I am just wondering if we're edging any closer to a similar deal with Mobinil. I know in the past they have said that they want that agreement to encompass both leased lines, international gateway and interconnect. I am just wondering; where do you stand on that? Are you negotiating with them now? Are we likely to see an agreement on that? Also

if we do what is the impact on the margins? We saw with the Vodafone Egypt one there was a negative impact on the margins there. Thanks.

**Mohamed El Nawawy** Thank you for your question. I would like for us to be clear that Telecom Egypt's Management team would like to have such an agreement in place. We think that it will be in the best interest of the Company to have such commitment and to enjoy the privilege that this commitment would give us. On the expense, yes, as you said some margin sacrifice, nevertheless we have not reached an agreement with Mobinil yet. Mobinil as you all know has underwent some management updates in the last year, and accordingly up till now we are not able to close an agreement. We continue to serve them for their international voice, and we continue to grow in the service we offer them in terms of the international infrastructure. We can perhaps also be able to give more insight on this in the upcoming Q1 results, especially that the pressure on the voice market is requiring that more attention is paid to margins and to quality of service. Certainly the service that we are delivering to Vodafone is helping them perform in a unique way in this market.

**Gabor Sitanyi** Thank you. Just perhaps a little bit on your relationship with the Government in this new period. First of all we have been hearing some rumours going around that the Government might be considering a change in the CEO position, and perhaps you can comment on that whether that is true at all. Secondly also considering what sort of budget situation Egypt might find itself in; do you think that the likelihood that the Government might place some of its 80% holding increase, and have you had any communications with the Government to that end?

**Mohamed El Nawawy** Thank you for your question. The answer to your second question is no. There is no information related to the Government's equity share in any way. With respect to the first question, the answer is no. what happened yesterday that some information was considered that the daily curfew which is scheduled for midnight might be moved up to 7 pm, which would then require that Telecom Egypt evacuates its premises, because we have our headquarters in a distant

location at a time that made the conference call necessary to be rescheduled. This is the fact; our CEO Tarek Tantawy continues to be our CEO. He was scheduled for a critical event this afternoon, and accordingly had hoped that he would be able to be here in time. I was asked to fill in his place moments before the call time came up. We are still hopeful that maybe if the event clears up that he could even be here to say goodbye. That is all. There is nothing else in the matter.

**Gabor Sitanyi**

So him not being on the call is in no way related to any potential him leaving the Company.

**Mohamed El Nawawy**

The answer to this question is you are right. There is no change whatsoever in our Management team.

**Mohamed El Nawawy**

So, at the end, Mohamed Elnawawy speaking for our CEO Tarek Tantawy, I would like to thank the operator. Ladies and gentlemen this concludes our call for today. Thank you for your time and for participating. Should you have any further questions following today's results, I encourage you to contact our Investor Relations team who will be happy to assist you, thank you.