13 November 2008

المصرية للاتصالات
Telecom Egypt

Telecom Egypt Announces Nine Months 2008 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. Ahmed Fathallah, Director of Investments and IR
- Ms. Alia Allouba, Investor Relations Manager

Marise Ananian Hello, good morning, and good afternoon everyone this is Marise Ananian from EFG Hermes. I would like to welcome you all to Telecom Egypt Third Quarter 2008 Results conference call that we are very happy to be hosting today.

From Telecom Egypt we have with us Mr. Akil Beshir, TE's Chairman and CEO, Mr. Tarek Tantawy, Vice President and CFO, Mr. Mohamed Elnawawy, Vice President for Int'l, Wholesale and Regulatory Affairs, and the Investor Relations team.

The conference call will start with a presentation on the operational and financial highlights for the third quarter of the year followed by a Q&A session. I will now hand the call over to Telecom Egypt to Ms. Alia Allouba for a Safe Harbour Statement.

Alia Allouba Thank you, Marise, 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 will now pass you over to Mr. Chairman.

Akil Beshir Thank you Alia and good morning and good afternoon everyone.

As usual, I welcome you to today's call and look forward to taking your questions in just a moment. First, I will comment briefly on today's consolidated results which are presented to you under Egyptian GAAP, we will then go into a little more detail on the numbers before moving on to your questions.

Let me start by saying that I am very pleased that, against a backdrop of global financial market distress, that I am able to report such strong results to you today.

In the third quarter of 2008, we recorded our highest ever quarterly revenues, reaching EGP 2.69 billion – an increase of 11 percent when compared with 2Q2008. This is mainly attributable to the inclusion of almost a full quarter of the recent round of tariff rebalancing, implemented from first of July of this year, which has mitigated the effects of fixed-to-mobile substitution we were seeing earlier in the year. The objective of this tariff rebalancing has been to allow us to compete with the mobile operators on a more level footing for local, long distance and fixed mobile call types.

When combined with cost improvements we have made during the quarter, this revenue growth has fed directly to our bottom line. Earnings per Share were up 28.5 percent year-on-year to EGP 1.28.

Our net profit margin has improved quarter-on-quarter to 35 percent for 3Q2008, as the slight decline we experienced in the first half of this year have begun to be offset.

On the subscriber additions front we have been busy too, making headway on our year end targets. During the third quarter recorded net subscriber additions of more than 58 thousand. This is before the promotional activities we commenced at the start of November are taken into account. Just to give you a background on the recent promotion, we have completely eliminated the one time connection fee for a limited period of time of one month, the month of November, and to date, we have received a very positive response from new customers and we anticipate this will be reflected in the results for the final quarter of 2008, as well as the first quarter of 2009. I look forward to updating you on the outcome of these initiatives in our next call.

I view these results as evidence 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 to come, 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.

Before reviewing the quarter in detail, I would like to take a moment to update you on events within our domestic market during the period.

You will not be surprised to find that we continue to see increased competition from mobile operators as they reduce prices in the land grab for the Egyptian mobile subscriber.

While we have always been a landline company, the increase in mobile traffic also provides a direct commercial benefit and opportunity to Telecom Egypt, as the mobile operators are dependent upon our extensive, digitalised network to deliver a high quality service to their customers. As a result, our growing base of wholesale revenues is founded on the growth in subscribers and, consequently, the increase in mobile traffic our infrastructure carries. Wholesale revenues reached a record high this quarter and now represent 39 percent of consolidated revenues for the first nine months of this year.

Of course the contribution made by Vodafone Egypt to our profitability and the growth it has recorded in recent quarters is also significant. Participating in the growth of the mobile segment in this way is, I believe, highly efficient. We will bring you more on VE in just a second.

While our wholesale business has benefited from the increase in mobile traffic, our retail revenue base has seen some 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. Telecom Egypt has historically been unable to compete on price due to the pre-existing interconnection agreements, in existence since 1998. This agreement stipulated a fixed interconnection rate for TE, but has allowed the mobile operators to negotiate lower rate with one another, meaning TE has been unable to offer its customers a rate which is competitive to those offered by the mobile operators.

However, following ongoing discussions between Telecom Egypt and the mobile operators throughout the year, the National Telecommunication Regulatory Authority (NTRA) announced its decision in early September 2008 to update the interconnection agreement, fixing termination rates at 11.3 piasters per minute for mobile termination and 6.5 piasters per minute for fixed termination. This is already taking effect and moving forwards the financial benefit of this decision will be handed down directly to Telecom Egypt’s customers as we compete more evenly with mobile operators to mitigate some of the effects of mobile substitution being felt earlier this year.

Having set the context, and as I look ahead to 2009, I’d now like to comment on three key pillars to our business strategy: our core domestic market, developing adjacent businesses and international expansion.

Firstly, let us look at the Egyptian telecommunications market.

We are very proud of our extensive and state-of-the-art telecommunications infrastructure which spans the country and continues to present us with commercial opportunities.

If you look back over the past five years the picture becomes clearer. In 2003, wholesale revenues accounted for just 23 percent of total revenues – now it contributes 39 percent. Looking at wholesale revenues in slightly more depth, domestic revenues increased by 13 percent year-on-year, largely driven by infrastructure leasing.

International wholesale revenues remained stable in comparison to the same period last year, but posting a significant increase when compared with 2Q2008. This segment is somewhat seasonal, typically dominated by inbound call traffic from the GCC which increases around religious occasions.

There is little doubt that liberalisation has dramatically changed our business and our wholesale business is increasing in its importance.

With that said, our domestic retail base and service commitments are the foundations upon which our business has been built and with 11.3 million customers we continue to boast one of the largest fixed line subscriber bases in the region.

It has been critical for us to embrace competition and in just two years we have negotiated and completed two rounds of tariff rebalancing to ensure that the landscape is competitive, culminating in the mobile termination rate renegotiation I have just discussed. Three months on from the last round of tariff rebalancing, the positive results of this initiative can be clearly seen. Local call and access revenues have responded accordingly, reaching more sustainable levels.

Total voice revenues have risen quarter on quarter by 11 percent. The positive effects of tariff rebalancing have been somewhat dampened by the pressures being felt during the quarter on long distance and fixed to mobile segments in particular. We anticipate that the NTRA's ruling on the renegotiation of the interconnection agreement, which was not fully felt this quarter, will readdress this balance further as we move through the final quarter of the year.

While still pressured in a year-on-year context, retail revenues are in line with management expectations, having increased by 12 percent quarter-on-quarter. This sequential improvement is in spite of macro-economic pressures and heightened competition from a mobile market that continues to be in land grab mode.

During the period under review, we have seen a dramatic improvement in net subscriber additions which leaves me feeling more positive about the outlook for net subscriber additions during the final three months of the year. However, in the context of what we have seen this year, it would be irresponsible not to slightly temper our guidance on the pace of net subscriber additions for the full year.

We previously advised we expected this to be in the region of 250 to 350 thousand net additions. Recognising the challenges we faced in the first six months of the year, we now believe net additions in the region of 200 thousand to be more realistic.

Now moving on to other services: TE Data – Telecom Egypt's internet subsidiary – continues to perform well. During the quarter under review, it increased its subscriber base relative to its previous quarter by 13.1 percent to 340 thousand subscribers, now with a market share comprising of 57.3 percent of the overall retail ADSL market in Egypt. Year-on-year, Internet and data revenues have increased by 31 percent reflecting an exciting and dynamic market abound with opportunities for continued growth.

Finally, no analysis on the domestic market would be complete without reference to our investment in Vodafone Egypt. Please remember that Vodafone Egypt reports a financial year ending 31st March, so today's numbers represent VE's second quarter.

Vodafone Egypt's focus has always been towards revenue and profitability instead of number of subscribers and in this highly competitive environment its management continues to deliver. Vodafone Egypt increased its total revenues by 8 percent quarter-on-quarter or 17 percent year-on-year for the period ending September 2008, reaching EGP 3 billion. Correspondingly, net profit for the three months ending end of September 2008 reached EGP 774 million representing a quarter-on-quarter increase of 5 percent.

During this quarter, Vodafone Egypt increased its customer base by 8 percent, with usage increasing by 10 percent relative to the previous quarter. Vodafone Egypt recorded net addition during the quarter of 1.2 million subscribers taking its customer base to 16.4 million.

As a result, despite this pressure on industry margins resulting from aggressive promotional activities, our investment in Vodafone Egypt has once again made a substantial contribution to our results, contributing EGP 954 million in investment income for the period ending 30 September 2008 versus EGP 797Mn during the same period last year.

We enjoy a unique position at the heart of the Egyptian telecommunications market; however, we are by no means complacent. While seeking to optimise our presence in the domestic market we are actively involved in looking for adjacent business opportunities.

One of the most exciting new opportunities that we have been working on for the past period is TE North, a submarine cable designed to capitalize on the combination of our unique geographic position and the capacity 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.

With a capacity that will make this one of the largest cable systems in the world, we are increasing the service footprint of the existing TE Transit Corridor, linking Sidi Krir in Egypt to Marseille in France.

This will enable us to capture a portion of the non-serviced demand for IP traffic capacity from Asia and India into the West - and lower the cost point for TE Data.

In terms of the commercial potential for this project, I would like to share with you a few numbers that explain why TE North is such a secure and attractive project.

The total CAPEX of developing this project is expected to be in the region of USD 150 to USD 160 million. To date we have signed contracts for a total value of USD 176 million. As you can see this exceeds the cost of the project, with the majority of capacity still available.

Finally, no discussion of our business development would be complete without reference to international expansion. We have expressed to you for some time that we are interested in growing our business through the region, should suitable opportunities present themselves. This is still the case and we continue to review opportunities, against strict criteria to assess their individual merits. We are well capitalised and, while Tarek will take you through our credit and debt profiles in just a second, I would like to point out that the recent turmoil in global markets, with valuations significantly revised, may well throw up opportunities we will consider more fully.

I will now hand you over to Tarek Tantawy, Telecom Egypt's Chief Financial Officer, for an in-depth discussion of the numbers, including costs, profitability and our liquidity position.

Tarek Tantawy Thank you, Mr Beshir, and good morning and afternoon all.

For the purposes of today's call, I would like to focus on four key points: Revenue progression, EBITDA and profitability, FX and our liquidity position. We will then take any questions you may have on the quarter or nine months numbers.

As Mr Beshir has highlighted, we have put in a strong performance on nine-months revenues which totalled EGP 7.5 billion, sustained by our record performance in the third quarter.

To be able to understand the strong performance of Q3 2008 results a comparison with Q2 2008 is vital. Retail revenues have increased 12%

quarter on quarter driven by growth in subscription and local call revenues. Local call revenues alone have increased 36% quarter on quarter and subscription revenues have increased 21% quarter on quarter.

On the wholesale revenue front we have delivered a quarter on quarter growth of 9% driven by international wholesale revenues not only returning to their previous levels but also recording an all time high in a single quarter.

This leaves us well positioned to meet our full year revenue growth guidance and has translated to a significantly increased ARPU for the third quarter up 18.5 percent to EGP 56.6 per month. ARPU was pressured in the first half of the year as some impact from mobile substitution was felt, but as a result of our tariff rebalancing programme when observed for the nine months, monthly ARPU has recovered to reach EGP 51.1.

It has to be pointed out here that, while the third quarter is typically a stronger quarter when compared with the second quarter of the year, monthly ARPU for 3Q2008 is up on the position we achieved in 3Q2007 coming in at EGP 56.6 versus EGP 55.8.

Most importantly, while pursuing increased revenues we have not done so at the expense of profitability. The top line improvement has been complemented by cost improvements in terms of notably lower interconnection costs, which have resulted in an EBITDA margin improvement for the nine months under review versus the first six months of this year.

As at September 2008, our nine months EBITDA margin before provisions now stands at 52 percent, within management expectations. When viewed over the most recent three months this stands at 55 percent, up from 50 percent in the second quarter of 2008. EBITDA before provisions for the first nine months of 2008 stands at EGP 3.9 billion a decline of 6 percent when compared with the first nine months of 2007 because of the staff costs we increased at the start of 2008. When taken on a quarter-on-quarter basis, when compared with 2Q2008, a 22 percent improvement can be observed.

We have further benefited from a positive currency market exposure to both the US Dollar and the Euro during the course of the third quarter. Our EBIT margin after FX increased year-on-year to 37 percent and quarter-on-quarter to 43 percent, mainly due to a EGP 58.5 million gain on foreign exchange compared with a EGP 17 million loss during the second quarter. EBIT for the first nine months of the year now stands at EGP 2.8 billion.

As we reported to you earlier in the year, two extraordinary staff costs – one in January, one in May- impacted profitability for the first half. The reason for those increases is our commitment to ensure that in a more competitive market for telecommunications professionals we continue to attract and retain talent. However, I am pleased to report that within one quarter we have offset this and report to you now our highest ever nine months consolidated net profit since being a public company, at EGP 2.2 billion.

Looking further down the profit and loss account, consolidated net profit increased 28.5 percent year-on-year to EGP 2.2 billion for the year to date and 40 percent quarter on quarter when compared with the second quarter of the year.

Given the current global market downturn, I would like to take a few moments to talk about our liquidity position. Careful management of Telecom Egypt's significant free cash flow to fund our debt repayment programme, 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 our capex commitments and maintain our current dividend policy from our free cash flow. In the event of acquisition opportunities arise 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 the first nine months of 2008 was EGP 2 billion. Consequently, our net debt position now stands at EGP 1.6 billion compared with EGP 3.2 billion at the period ended 30 June 2008 and 4.8 billion a year ago.

Deleveraging in this way over the course of 2008, in particular, while having paid the largest dividend in our history in April, is a real reflection of TE's strong cash flow generation.

Capex continues to decrease year-on-year in line with our rationalisation programme, reaching EGP 658 million for the first nine months of the year, representing 9% of revenues. I expect that by the end of this year capex for the full year will be towards the lower end of our guidance of EGP 1.5 billion if not less.

I would like to also draw your attention to the press release that went out today concerning the liquidation of our joint venture operation with Orascom in Algeria. Obviously, together we have tried our best to resolve the competitive difficulties that the operation is facing through the appropriate regulatory channels, with no success. We have therefore taken the decision with our partners to liquidate the company in order to direct our resources elsewhere.

I would like to point out that all payments made by TE in relation to the Algerian operation have been fully provided for starting from last year and I do not foresee any significant effect on our financial statements from such liquidation. There will be however some liquidation costs which will be incurred during the coming period.

Finally, as Mr Beshir stated, these reports have been prepared under Egyptian GAAP accounting standards. The IFRS version of these reports will be available to you within two weeks.

With that I conclude our review of the financial and operational details, and I will now hand back to Mr Beshir for his closing remarks.

Akil Beshir Thank you, Tarek.

Before moving into the question and answer session please allow me to add a final point.

In summary, Telecom Egypt has performed well in the third quarter. While the first six months of the year were challenging, within three months we are now ahead of last year's performance, demonstrating that we can respond nimbly to a dynamic market. As our domestic market has evolved, so has Telecom Egypt's service offering, creating significant new revenue opportunities and opportunities for sustainable financial growth.

For me, this characterises our approach and has been evident since we became a public company. Our overall objective is to balance the risk inherent in an emergent economy and the opportunity our scale and position provides. We approach 2009 in good shape, but will continue to behave with caution and the interests of our investors at the forefront of our minds.

Operator, please open up the floor for questions.

Questions and Answers Session

Delilah Heakal I was hoping you could elaborate a bit on the considerable improvement in net margins for the quarter. They have obviously been positively impacted by the FX gain that was pointed out, as well as some strong growth and investment income and the decrease in financing expenses and whether or not you see this level of margins sustainable in the coming quarter and in 2009.

I was also hoping if you could elaborate a little bit more about your debt repayment programme over the coming quarters.

Tarek Tantawy Delilah you have actually answered part of your question in terms of the drivers for the margins. The main driver came in as a result of the tariff rebalancing and incremental revenues coming at low cost and this was supported as well by lower interconnect cost and lower depreciation and interest expense as well as the investment income from Vodafone Egypt.

We believe that for the fourth quarter of this year we should be able to sustain such margins. However, if we talk about the coming year, we expect that there will be some pressure on margins but we expect that margins should remain in the high 40's or early 50's.

On the debt payment profile, if you allow me to just take your question further, so it is not only for the coming quarter, I will take it to February 2010. Starting from the coming quarter until February 2010, we have almost EGP1.9-2 billion in debt repayment and that is divided among the bond which we have outstanding and the Vodafone acquisition finance facility and we are quite confident that the existing cash flow that we are generating now, more than covers such repayments in addition to be able to maintain the current dividend payout. So there is no need to tap the debt market whatsoever in the coming period unless we vote for an acquisition opportunity.

Delilah Heakal If you could repeat what current interconnection rates are being used between Telecom Egypt and the mobile operators, because the mobile operators have indicated that the interconnection rates that are being used are not the revised ones at the moment.

Akil Beshir As I mentioned, 3rd September the NTRA ruled that was based on a request from Telecom Egypt arbitration by the regulator. The termination according to the law, there's a clause of law called non-discrimination, so termination of the mobile operators will be 11.3 piasters. Termination on fixed line will be 6.5 piasters per minute of course by everybody.

What the mobile operators can do or anybody that doesn't agree with that, they can challenge this in court. But whatever the regulatory rules, these will apply from the date of notifying all operators, however everybody had sixty days to contest that in court and that is what Mobinil did. So Mobinil went to court to challenge the ruling of the regulator, if the court decides otherwise then of course it will be revised. However, the termination rates will apply or has applied already until the change advised by court if it will be changed.

Tarek Tantawy If you allow me to add on this, I think the important thing here is what has been mentioned in the law in terms of the non-discrimination and this is something that cannot be contested obviously, because it is part of the law and since the beginning of this process we said that we do not care much about what sort of termination rates are applied as long as they are applicable on all operators. So even that contestation process that Mobinil is going through, I don't think we will be able to change the law itself.

Denise Molina I would just like to ask a question on your usage response to the tariff rebalancing here. It looks like you had, as you pointed out, a 19% rise in your ARPU but the voice revenue for the third quarter looks like it only went up by 7%. So I am wondering if you have seen some sort of decline in usage from the increase in tariff?

Tarek Tantawy The voice revenue for the third quarter actually went up 11% not 7% if you compare it to Q2 of this year, which would be more relevant than comparing it to the previous year.

We didn't see a significant impact on usage, in fact usage levels for local calls in particular were maintained at the previous levels before the tariff rebalancing. We have seen some decline in usage though on the domestic long distance front, which has been there for quite some time now.

So has this answered your question?

Denise Molina Yes. Could I just ask one follow up? Could you give us a little bit more colour on the wholesale breakout? It doesn't seem like you are breaking out on revenue anymore and where the strengths and weaknesses were in terms of mobile to international and fixed to international.

Tarek Tantawy We said that starting from the beginning of this year we would not be giving detailed breakdown of the wholesale business. Generally speaking we have seen a rebound in incoming international traffic to both fixed and mobile and this is what supported the revenue growth for the third quarter of this year.

Denise Molina Ok great and just one last question if I may. In terms of your full year guidance to this 3% revenue growth, I think as the year to-date implies, you would need to grow by 8% in the fourth quarter. I am just wondering if that is what you are budgeting?

Tarek Tantawy Yes we are maintaining our guidance for now and we believe that it is still doable to achieve the 2-3% revenue growth.

Maha Sweissy I have two questions for you. First if you can shed more light please on the liquidation of the Algerian operations in terms of the assets you are going to be losing and the provisioning that has been done and also on the liquidation cost you are expecting to incur.

The second question would be on TE North, is the guidance of it generating around $500 million in revenues over ten years, still stand and when will those revenues start contributing?

Tarek Tantawy First on Algeria, the liquidation there, we have invested close to US$79 million, that is for Telecom Egypt only, so Orascom has invested a similar amount and as far as we are concerned we have fully provided for the investment there. So it is carried on our books at zero now.

The liquidation costs we were referring to earlier in the opening part of this call are minimal costs that have to be borne anyway, so we are not talking about significant amounts.

On the question about what we expect to get out of this, I think it is still too early. The liquidation process might take close to six months and we are not yet in a position to see what we can come up with from this liquidation.

On the TE North, the revenue guidance we were given was yes, US$500 million over the lifetime of the system, which should stand to fifteen years and we should be reporting revenues starting from early next year.

Maha Sweissy So what kind of revenue information we are talking about in 2009? When will the US$176 million be recorded?

Tarek Tantawy The US$176 million are almost equally split, so our portion will be fully recorded in 2009 and the remaining 50% will be recorded over the lifetime of the cable systems. So we get the cash upfront but we earn the revenue as per the lifetime of the sale that we have made, which is for 15 years.

Maha Sweissy And just one final question if you can comment a bit more on your dividend payout policy. Is it going to be maintained?

Tarek Tantawy The policy still stands in terms of a minimum payout of 40%. I guess it is a little bit too early to start discussing dividends because obviously if we find the right acquisition target, this might have an impact on the policy, so I would rather delay the discussion until the end of the year.

Maha El-Dahan I just had a follow up question concerning the interconnection fees. Mobinil has stated that it is not obliged to change the interconnection fees except after a year's notice. Is that what is happening now? Is it applying the new rates or is it applying the old rates?

Also does Etisalat have a problem with the new system?

Akil Beshir As I mentioned the interconnection or termination rate is part of the interconnection agreement that was signed in 1998 with Vodafone and Mobinil and it's a five-year agreement renewed over every five years. So according to this agreement, if one of the parties, in this case it will be Telecom Egypt, wants to change anything, we have to do that at least one year before the renewal of the agreement and we discuss it and we either agree or disagree. So this is what we were doing in order to change the termination rates while the agreement was still valid.

Of course, they rejected this request, because we are not doing this now, because what is new is that the telecom law issued in 2003, states as I mentioned earlier, that there should be no discrimination. What happened is that the mobile operator agreed actually started with Vodafone and Mobinil agreeing together to terminate calls at 11.5 piasters on each other's and that was an attempt to fight Etisalat the third interim.

However when Etisalat started, the regulator stepped in and forced the same termination on Etisalat as well. So the three of them are terminating each other at 11.5 piasters. This is when we stepped in and asked them to request that the law should be applied and we should terminate all of them as the same thing. So it has nothing to do with the interconnection that we have. It is still there, however because there is a new development, which is against the law, we are just asking them to apply the law. By the way, we didn't ask for the 11.5, this is what they did and all that we ask, which is the law, is that we terminate on mobile operators at the same termination rates of other mobile operators. And this nobody can contest because it is within the law.

So they are referring to something different. This was the case before the new termination rates apply, but now the law will apply and even if they win, as Tarek said, if they win and the 11.5 or 11.3 became 15 or 20, we don't care because our objective is to be competitive with mobile rates. So as long as we terminate at the same termination rate, this is our objective. So we will be able to be competitive because the situation before was as follows:

They terminate on each other at 11.5, so they sell the minutes at 20 or 17 or whatever while we terminate on them at 27 or 21 depending if peak or off-peak. So obviously our fixed to mobile tariff was much higher than mobile to mobile and that was really the uncompetitive situation.

So as long as we terminate at the same rate as mobile operators, then we can be competitive regardless of the termination rate. That is why we said that it doesn't matter even if they win their case in court, the court cannot rule against the law. They may contest the figure, 11.3 maybe should be 15 or should be 20 or whatever. But in all cases, it should be the same rate for termination by all operators.

Debaltor Just a few questions, how confident are you about the regulatory and competition environment right now?

Akil Beshir The regulatory environment and competition environment, obviously we have three mobile operators. As you know we are not a mobile, except our 45% partnership with Vodafone. Vodafone Egypt is 55%, Vodafone International and 45% is Telecom Egypt. Mobinil is almost one third France Telecom, one-third Orascom Telecom and one third floating in the market. Etisalat is 60%, 20% Egypt and 14% UAE investors. If fixed, we are still the only fixed line operator. There was a tender for a second fixed line operator which was delayed a couple of times. The last due date was 19th September, but early September the regulator decided to delay due to the lack of interest, they decided to delay this initially for a year and then after a year they would see if they would re-tender a second operator or not.

So we will remain the only fixed line operator. The only thing that we used to have the monopoly by law was international gateways and this was liberalised as of 1st January 2008. Etisalat you know what has happened is that three mobile operators were offered international license. Etisalat bought the license and started their own gateway on 1st January only for their own subscribers, they are not allowed to sell to other operators.

Vodafone and Mobinil are staying with us, we have agreed the international terms and prices with them so it is more attractive for them to continue using our gateway rather than having their own gateway because the license fee in this case for them would be much higher than Etisalat because it is based on the number of subscribers. However, we didn't sign agreements because pending on this termination to be settled. This is the competitive environment and as far as data is concerned of course we are about 7 or 8 ISPs and almost 200 virtual ISPs, the highest market share is TE Data which we own 95% and have a 57% market share market share of the ADSL market.

Debaltor And in terms of your business outlook, you mentioned at the beginning of the call that it would be less discretionary. But could you give us an idea in terms of if we look at some sort of DTP contraction, what kind of affect that would have on your business, as such?

Akil Beshir Obviously up until now we didn't see any impact of the crisis. However going forward we expect impacts mainly on mobile revenues because we expect tourism to suffer, we expect business travel to reduce. So roaming revenue actually this is the part that we believe will be affected most. So mobile operators will see less roaming revenues, which will reflect on us through our partnership with Vodafone Egypt. And of course international, well it may not affect our international call revenues, because with less business travel, maybe international calls will increase a bit. We expect to sustain our international revenue, however the mobile operators will suffer and we will suffer through our Vodafone stake.

Debaltor In terms of your deleveraging process, what is your plan on that and do you plan to repay your debt or are you comfortable where it is right now?

Tarek Tantawy Yes the plan as it stands right now is to continue to de-leverage in 2009, until markets are further stabilised. However, our balance sheet can obviously take on more debt and we are just preserving this head wound in case we make any acquisitions.

McHenry My question was about the DSL being sold by Vodafone. I was wondering whether you can share any numbers about adoptions and I also wanted to just clarify whether Vodafone's DSL subs are included in the DSL sub numbers published by Telecom Egypt in your quarterly results?

Mohamed Elnawawy No they are not. So I am answering the second part of your question first, which is no they are not. But yes some numbers that we publish on behalf of TE Data are exclusive to whatever Vodafone accomplishes.

Vodafone have positioned its broadband offering to be a complimentary service, they offer higher speeds to their more ARPU rich customers and I do not have any information to give on that particular service, Tarek, would you like to comment on Vodafone's broadband?

Tarek Tantawy We are not going to be disclosing numbers. However, I think we can disclose the general trends, which you have rightly said, it is not a massive market product and so we are not talking subscribers in the 100s of 1000s. It is just a very limited offer.

McHenry Also I was wondering about the Vodafone Cash Service. How is the adoption going with that? It doesn't seem as though has been as dramatic as some of Vodafone's other mobile money operations, but it is also seems that it is not being promoted as hard as Vodafone sometimes promotes in other countries in Africa, particularly. I was wondering what the plans are for the future of Vodafone Cash?

Akil Beshir I guess the Vodafone Cash programme is going reasonably well. We are actually using one of the operation programmes between Vodafone and Telecom Egypt is that customers are using the Vodafone Cash programme to pay our bills. I cannot comment on the success of the programme compared with other countries as I have no information on that. But my understanding is that it is going reasonably well. I have no further information on that.

McHenry Telecom Egypt's IPTV offering, we are assuming that adoption is pretty low, can you confirm that?

Mohamed Elnawawy We launched our IPTV offer back in 2006 with the world cup. Although the initiative is more of the appreciation level than on the mean stream, we have continued to make the service available. We are now contemplating more technological systems needed for re-launch to address the mass market. Maybe more on this would be announced in the first quarter of next year.

Akil Beshir Thank you everybody for being with us on this call for this quarter. As I mentioned I am very pleased with the results and I look forward to talking to you when we have our full year results in mid March 2009. Thank you.

END