

Transcriber's name: Jo Patterson

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- Strong accents made certain words inaudible.

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Where we have had difficulty understanding words we have indicated this as *[inaudible]*, or simply attempted to spell the word phonetically but followed it with a question mark in brackets. [?]

Additionally, please note, whilst we try to be as accurate as possible when inserting the names of speakers we would suggest that they are checked.

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Attendance List:

Title of Meeting: **Orascom Telecom First Half 2010 Results**

Hosted By: **Marise Ananian (MA)**

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Good afternoon Ladies and Gentlemen and good morning to those of you connecting from the US and welcome to Orascom Telecom's First Half 2010 Results conference call. Before starting the call I would like to make the standard forward looking safe harbour statement. Any financial projections or other statements of anticipated future performance made on this call are expectations based on assumptions by the company's management. These forward looking statements are subject to numerous risks and uncertainties and may prove to be incomplete or inaccurate. Actual results achieved may vary from the predictions and the variations may be material. These statements should not be regarded as a presentation of anticipated results which would occur on our expected objectives or of the assumptions underlying such business.

Before we begin commenting on our earnings release for the first half of 2010 I would like to briefly refer to today's speculation in the press regarding [inaudible] reported to be in talks over the possible acquisition of a 51% stake in OTH. Orascom Telecom Holdings confirms that it is not a party to any discussions with [inaudible] Group. We will not be taking any questions with regards to that matter on this call.

I now have the pleasure to introduce our speakers today, Mr Khaled Bichara, Group Chief Executive Officer, and Mr Aldo Mareuse, Group Chief Financial Officer. With that I would now like to hand the call over to Mr Khaled Bichara.

KB

Ladies and Gentlemen welcome to our call. Good evening and good morning to those of you who are joining from the US. Welcome to our H1 0/10 Results Call. Our results are really in line with our

expectations we are still seeing healthy growth in our markets with our revenue growth quarter upon quarter that is close to 7% or 6.6% to be exact. We are at a 99 million customers as a group, one million shy to the famous 100 million mark. So overall we see our business going in line as discussed in the previous calls. Still a challenging environment for us in Algeria that we would say a stable challenging so we do not see the situation there deteriorating nor improving so it is still as it was in the last quarter.

In the press there is a lot of talk about sim cards and other issues. I think most of this talk was not really well presented it is basically as we announced before, the Algerian Government for the time being is not allowing us to send money outside of the country which is of course affecting some of our supply chain. We are trying to overcome that by buying most of our needs locally. Having said that it is still a pretty challenging environment but other than Algeria we will see strong performance of all our operations across the Board and very good defence in Tunisia where the *[inaudible]* have entered the results of the business, are still very solid.

Marginality is still in line, the only other comment I would like to share is on the net income. I think as clearly mentioned in our earnings release, the first half stands at 17 million net profit and the future income will be a net loss of 17 million, mainly due to a pay per loss or to an unrealised loss of 120 million dollars for its loss, that is basically because as a listed Egyptian company we have to keep our books in Egyptian pounds, this loss is something that is really only a paper loss because most of our revenue is coming to us in dollars. So if we were a US based company or any other company this would not have been there. Again just reiterating that our income is not in Egyptian pounds. So we are simply keeping our books in Egyptian pounds because this is the regulation in our local stock market. But this is really a loss that will not affect...it will affect our books paper wise but it does not really affect our business.

That was really the high level view of our first half and with that I will pass the mike to our CFO Aldo Mareuse to share with you our results for the first half and then we will be ready for questions.

AM

Thank you Khalid. So to go into more detail if you look at the subscriber table which is table one, you will see a very strong growth in Bangladesh of about 1.8 million subscribers for this quarter, which is the nominal. In Pakistan we continue the good momentum of 700,000 net adds also this quarter. Tunisia as Khalid said, even though the threat of *[inaudible]* which is Orange launching there in

April we were also able to grow significantly the subscriber base by almost 200,000 subscribers.

Algeria, even though with the [inaudible] we have we managed to have a better turn rate which enabled us to increase the subscriber base. As you know we have some numbering issues which affected the growth in Egypt. As to Canada for the first time we [inaudible] the subscribers which are 93,000 subscribers, our [inaudible] was 100,000 so we are a little bit below but I think we are making good progress here too.

Going to the RPU which is table 2, you see some recovery in Algeria where the RPU goes from 9.2 dollars to 9.5 in the second quarter of 2010, mostly driven by the increase of the MOU on the pre-bid side of the customers. Also a good increase of traffic at the MOU in Pakistan and Bangladesh where you see some increase in RPU, even though in these two countries we know there is very substantial growth in terms of subscribers.

Egypt as we talked about, obviously the price war has affected our RPU which is going down somehow in the third quarter, and Tunisia because of the launch of the new [inaudible] we had to do some promotion in terms of free traffic which affected the RPU.

So that is on the RPU side, on the market share which is table four, so significant growth of market share in Bangladesh and also in Pakistan. Stable in Algeria, 59.1% and decrease in Egypt for the reasons we stated and also [inaudible] made a good entrance but obviously these results taking into account the third entrance are still very good and with a 32% market share.

CAPEX which is table 5, so as we disclosed in the past we are increasing CAPEX in Pakistan, Bangladesh and Tunisia because of the good growth. In Algeria, because of the reasons that Khalid highlighted ie the [inaudible] to make payment in foreign currency, we obviously had to lower the investment in Algeria, compared to last year. So total consolidated CAPEX of about 300 million before the first half of 2010 which is a 15% CAPEX to revenue ratio.

Now looking at the revenues, which is table six, first of all if you look at the increase/decrease versus last year, we have increased 1% overall but that is taking into account almost a 10% decrease in Algeria, all the other subsidiaries are showing very healthy growth, 26% in Bangladesh, 86% in North Korea, 5.8% in Pakistan and 9.1% in Tunisia. So that is compared to last year, but also very good progress, the quarter to quarter basis, where we are at 6.6% above last

quarter, with some recovery in Algeria but continued growth in Pakistan and Bangladesh and also Tunisia to a lesser extent because it was affected by the effects where the Tunisian dinar increased the dollar. But if you look at the next table which is table 7 you see some very healthy growth in Tunisia in local currency.

Switching to the EBITDA which is table eight. The same picture, the only difference here is that in Bangladesh, the second quarter as we increased significantly the sales and with 1.8 million net sales we have to partially *[inaudible]* the *[inaudible]* so obviously this had an impact on the EBITDA on the second quarter but overall if you look at year over year the EBITDA in Bangladesh is up 22% compared to last year, so still a very healthy profitable growth in Bangladesh. All the other operations except Algeria are showing very healthy growth in terms of EBITDA, 18% in Pakistan and 6% in Tunisia.

On the margin side which is table 10 we have...as you see it is pretty much stable compared to last year, I would draw your attention that obviously last year we...in the first half of 2009 we didn't have the impact of the 5% tax in Algeria which has obviously taken a hit and their EBITDA margin afterwards, so the stable margin takes into account the fact that we have got a hit in Algeria and therefore we compensated with very good growth in margins anywhere else in other operations.

Just going now to the P&L which is table 12, we talked about the revenue in EBITDA, one thing to obviously mention which is very important, because of the new improvements in *[inaudible]* which *[inaudible]* you the governance of the company and which become effective in April and will be closed in July. In the second quarter this will be treated as an asset *[inaudible]* to sell, this is a pretty peculiar way to look at things from an accounting point of view, but that is the way accountants look at it, even though obviously we have no intention to sell it and it will be a discontinued operation and this is why you see in the P&L again on losses from this continued operation, this is basically the discontinuing of the operations of the *[inaudible]* from an accounting point of view where we stop proportionately across relating this asset. Starting Q3 which is the date of the signing of the agreement we will go to equity account for CMS and so you will see this as a single line on the net income line.

Elsewhere just things to mention, financial expenses, you see some increase in financial expenses compared to last year, this is basically due to the waiver we had to get due to the inability to *[inaudible]* in Algeria, so that is most related to the cost of getting this waiver from our general facility. The *[inaudible]* loss that has been discussed by

Khalid so I will not come back on it, but that is only seen on paper, also it will have no impact from an important point of view, or any kind of eco point of view. Then on the line of profits, *[inaudible]* associate the 66 million loss is due to the start up loss in Canada, mostly where we account for our share of the company.

So this gives us a 17 million profit for the period and after *[inaudible]* interest a 70 million loss, due to the 120 million paper loss of the debt we hold in US dollars at the hold income.

One other thing to mention which I forgot is the *[inaudible]* impairment of non-current assets, there is a 24 million impairment for Met Cable which is our cable which is Nigeria and France. As you know we had to stop this activity due to the order from the Algerian Government, we were told international traffics were *[inaudible]* and so therefore we took a 24 million dollar increment for this really.

From the P&L side on the balance sheet which is table 13, obviously you see in this balance sheet the consolidation of *[inaudible]* so this is why you see the assets getting reduced in terms of property and you see an increase of assets we have to sell which is where we put the investment in Mobinil. In other current assets you see an increase of 640 million to a billion too, this is basically the receivable that we consider being due from the Algerian Government of the payment we made for the taxes. As you know we still contest the statement, so we consider this is a receivable from the Algerian Government as we have *[inaudible]* any wrongdoing in this tax matter. Otherwise, you can see the increase of equity due to right issue on the equity time. Net debt at the end of the period is 4.6 billion dollars.

Turning to *[inaudible]* picture 14, you see the main item to highlight is this changes in assets carried as working capital, you see a negative payment of 625 million dollars which is mostly due to the taxes that we paid in Algeria, as you know in April we made a 597 million dollar payment to the Algerian tax authorities.

So that concludes our presentation and we are now open for questions.

Question and Answer Session

William Kirby

I have two questions on Algeria. Firstly you mentioned that you are making do with local suppliers for keeping the operation running, given difficulties with imports. How long are you going to be able to keep running the business before you run out of components which can't be sourced locally? That is the first

question. Then my second question is can you give us any sort of update on the status of your discussions with the Algerian Government please?

KB

For your first question, just last week there was some equipment and some products in customs but they were released which will give us some breathing space. Really I can't give you an exact date because basically the operation is running. So any plans to do expansions, we are not allowed to, of course they are on hold, but the operation will continue to run until there is the equipment that we need that we will not be able to import, but now we don't need any equipment, so it is really a guessing game now. We believe that will not be long...and that probably goes to your second question...and I think it was in the press, our Chairman shared a letter with the Prime Minister of Algeria asking to expedite either the discussion or negotiation for the sale or to fix the local working commissions which will be inter-related. So either the Government will decide to buy the business or will allow us to operate better. We see very positive signs on the Egyptian/Algerian political relationship and we are hoping that will spill over on our company situation but again until now we have got an initial response with the government that they will create a team to negotiate with us and this deal has not been created yet. There was some indication it would end just yesterday, it is the beginning of Ramadan so I am expecting maybe in a week or two, maybe we would be hearing from them, not before at least. I don't have an exact date to give you unfortunately.

Harry Somerton

Two questions, first is on Pakistan could you just give us a bit more colour on what impact the floods might have had on operations from an infrastructure plus a subscriber point of view? The second question also, just going back to Algeria, could you just give us a bit more enlightenment on how the auditors are thinking about Algeria in terms of Orascom Group level? One from a going concern point of view and two from a financing cash flow point of view, thanks.

WB

I will take the first one and I think Aldo is the right guy to take the second one. Pakistan, of course it is a very unfortunate event as mobilizing we will try to be part of a solution with some donations and we are giving some free minutes and actually as a Group we are trying to see how much more we can support the situation in Pakistan. It has not affected our networks. We don't have any significant losses to announce based on this unfortunate event. Of course the usage in these regions has been affected as I am sure you can imagine. But in terms of asset loss and so on there is nothing significant to report.

As for Algeria, I will leave this to Aldo.

AM

As you know, Algeria has very little debt, you may remember that we made this 500 million dollar payment over three days between Easter Friday and Easter Sunday so just to show you the strength of the operation. Now obviously we have cleared all the amount of money that was due from the tax even though we still contest it, so we don't really have an issue from a cash flow point of view in Algeria, the only issue as you see is our ability to repatriate dividends but we don't have any cash situation in Algeria.

I am more wondering from an Orascom Group point of view how the auditors think about it. Do they audit each operation independently and do a consolidation or...which I can totally understand, there being no problem on that side, but from a Group point of view are there any implications with Algeria and the possible loss of that business?

AM

No, I think it is clear from the point that our auditors consolidated the business that they don't see that as a current concern. As mentioned the government officially say that they are going to go into negotiations with us about that asset, as the two options open, so it is something that we are not very happy with but as you can imagine it is putting some stress to the business but at the same time there is no reason for us to look at it in any different way then, a normal asset that has some changes with the local government.

Charles Lutimore

Maybe I missed the beginning of the discussion, you said that you are not going to comment on the rumour with [inaudible] and you said that the company is not a party to the discussion, do you mean the company Orascom or can you make any comment about the shareholder?

MA

We mean Orascom Telecom. We cannot make any comment on behalf of our shareholders.

Okay so you can't actually say anything about the shareholder and whether or not they are in discussion with [inaudible]. From your perspective, obviously Orascom Telecom is not about to enter into any discussion right now?

MA

No, as said, all we can do is Orascom Telecom Holdings confirm that Orascom Telecom Holdings is not a party to any discussions with the [inaudible] Group.

Sergei Fadosi I have two questions really. First is on Algeria, is you can put some more details on the current status of the tax dispute and I understand that you sent the letter to the Prime Minister but where are you at right now?

Also on the tax audit, has it started now, this year? When is it expected to conclude and if it has concluded what are the conclusions?

The second question is really just to check the number, the 66.8 million correspondent of discontinued *[inaudible]* of the statement, is it due to Mobinil or something else?

AM Well the *[inaudible]* we still have a request with the Court in Algeria, we have not heard back from them so therefore this is why we consider all the payments as a receivable because we should have a challenge with the Algerian Court, the tax dispute. As far as the other areas we have an audit for 2008 and 2009 and this is ongoing, this is not finished. It will probably take a couple of months before we get the assessment of the year 2008/09 tax audit. As for the question on the impairment, you are referring to the 91 million in the first half of 2010, is that what you are referring to?

Yes 65 million corresponding to discontinued declarations.

AM This is Mobinil, yes.

Just on the final number, 24.7 million figure, the minority payment is increased from 9.4 to 24.7...the minority payment? It went up from last quarter from 9.4 to 24.7, does that still include the minority payment corresponding to Mobinil?

AM *[Inaudible]* interests are mostly the orders we have in Algeria so that is an increase of profitability of the *[inaudible]* at that income level.

So what is the reason then for the minority payment increase from 9 to 24?

AM It is not minority payments, it is minority interests.

WB If you compare it to the last year, it was the 13th and 13th June *[inaudible]* was 30.4.

Alex Hallacombe Just questions that I had, it is possible to update us on the talksw with the Algerian Government you may have on the potential

valuation of that, basically did you have such talks to feel you have a visibility on how the valuation will be conducted?

Second question just a couple of minutes' ago Telecom Egypt on their conference call said that Vodafone Egypt doesn't really have issues with the number and capacity in the country. Can you probably update on the Mobinil situation from that perspective, the number and capacity issues are resolved, or what?

WB

Okay for the valuation as we mentioned several times, the Algerian Government decided to do this pre-emption right, but Algerian law is clear on how the pricing is done then. We had an offer at 7.8 billion from MDM for that asset and we expect this to be the basis of our discussion with the Algerian Government. We have not had any discussion with the Government yet, so we cannot comment on what method and what they will be using but our position is clear on that.

For Mobinil, actually there is a numbering issue in the country and that is why there is only three sets of 8 digit numbers that were released in the market, so it is a bit of a surprise to me that TE would say that there is no numbering issue because otherwise we would not only have three sets of eight digits and we would have been able to change the numbering for the whole country. Having said that, for now, the security we need is better because we have got this new set of numbering and we are working, so changing and you will see this announced soon and Egyptian numbering would all move from seven digits to eight digits to fix the situation for the numbering.

Going back to the Algerian situation, again as mentioned we do not acknowledge the right to *[inaudible]* because it was introduced after our investment treaty. Having said that, this is what the Algerian Government invoked and as for Algerian law, it is the current price plus 10% and then of course this will be the subject of our discussion with the government and we would like...we will not comment on a discussion that has not started.

Steven Pettit

Two questions please. Firstly on Bangladesh, a great quarter and you talked about in the past your ability to switch on and off the growth through the simtex subsidy, is that something we should expect, that sort of on/off routine to carry on for the next few quarters. Or is it all systems go ahead of *[inaudible]*?

The second question relates to Pakistan again and I read something this week about network sharing being...I am not sure if it is coming into such regulatory involvement has persuaded

they want to get on board in that, but can you give us an update on that and how that will affect you? Thank you.

WB

On Bangladesh and I am sure you would appreciate it is a competitive market so we cannot really share what we are going to do towards our competitors...all I can tell you is that as you said Q2 was a pretty good quarter in growth and we don't see that we will slow down our growth plans for the time being. Having said that as we also mentioned, we have proven that once we slow the growth we can clearly increase the profitability so clearly we leave it to local management of course where the *[inaudible]* want to slow down on growth but for now, I would not expect slower growth so growth will continue at least for the next quarter.

For Pakistan as we have said before, it is not who has *[inaudible]* yet, we are looking at network sharing with other players. We have not concluded a deal unfortunately yet and as soon as something like that is done, for sure we will communicate it to the market, after we have possibly *[inaudible]* but for now it is still open to discussions, it hasn't reached *[inaudible]*.

Greg MacDonald

Thanks for taking my question, it is on the Canadian operations. First are there any other metrics you can share with us or are willing to share with us on that market place beyond subscribers, I am thinking RPU or revenue and if not when do you plan to start reporting that. Then I have a second question on distribution.

Two hundreds points of presence is a reasonable number, I still think that is low relative to what it seems you need to hit the stated targets of 1.5 million subscribers over 3 years. So I am wondering specifically what the plans are in distribution beyond the 200 points at present and *[inaudible]* the incumbents have been successful in blocking out big blocks of opportunities permanently.

WB

Okay I will do the second question first then on dates of release of the data I think I will do this bit of *[inaudible]*. In terms of distribution as we have shown, I think the number we are announcing today is a bit shy over the hundred thousand mark we were expecting but also in this we said that we have passed this number in July. If you look at analysts in Canada, some of them were expecting us to hit this number by the end of the year, auditors are happy that is really above 15% of net adds in the market for a player that is only in five cities we see that as initial good success, building momentum towards hopefully more success.

Again being a competitive market I cannot share with you exact plans to grow distribution but I can clearly state that we are working on growing distribution whether direct, fully owned or indirect. Incumbents like in any other competitive market are trying to stop us. They tried to stop us with a licence, *[inaudible]* we welcome competition as long as it is fair and we don't think there will be long term success for stopping us, because there is always creative ways like we have done, partnering with people like Blockbusters we are now leveraging out of their stores and helping us to go to two hundred quickly and then other deals that we will be announcing as we go through on the year, but I agree with you that our plans are more than the two hundred, this is not where we are stopping on distribution.

AM So as far as the first question is concerned I remind you that we don't consolidate Canada because we don't control it and so we have less obligations to report and obviously as this is a start up right now, there is no real urgency for us to focus on the other metrics to show the market. We probably will disclose this information such as RPU at the end of this year.

Geoff San My question also is on Canada, just one quick one. Maybe you could give us an update on the amount of capital you have injected into the end of Q2. I think at the end of Q1 you had mentioned around 600 million I was just wondering what it is in Q2?

AM I don't have the exact number but I believe it is around 650 now.

Just to reconfirm, your total commitment from Orascom is around 750 US?

AM Yes although we have a bit of discretionary, we are looking at Canada to do some financing and we will look at the best time for Canada to do this. If there is any shortfall we might put in a bit more money.

Okay just to follow on to that, the Canadian Government is currently looking at foreign ownership changes to the ownership rules for foreigners. I am wondering if you have any thoughts on how this could impact your investment and how you would think about growing the business?

AM It would be a good thing for us, for the foreign ownership is going to be more relaxed, it will give us more flexibility and much more value and I don't want to comment much more as this is a very sensitive issue on the Government's side and we will wait until we make some progress here before we make further comments.

Sergei S Hello again, just a follow up question on Algeria. There was a statement from Algerian Government that they will employ independent valuation experts. Do you know which company they employ for that? Also you mentioned the current deadline of the Government is the current market price plus 10%. Can you just expand on these guidelines you were referring to?

AM First of all this is all linked to laws which I think do not apply to us, possibly this new law on the independent experts, our investment opinion is very clear that no law further to our investment agreement can diminish our rights. So that is the first point. The second point is that on the *[inaudible]* rights it is applicable the law says that they have a year to exercise this *[inaudible]* the 10% premium to the offer price. That is once again...we believe it doesn't apply to us.

Which law did you refer to?

AM It is a pre-emption rights law.

Do you know the name of the company that is employed by independent valuation experts?

AM I don't know.

Gavin McKewen I have two question, I think they are both for Aldo. The first one has a few parts, I am just trying to understand the cash flow. How much of the ORCF remains undrawn, what is the split of your cash balance between Algeria and the rest of the group? Could you just update us on what you expect your cash tax to be this year and next year excluding Algeria and also am I right in thinking that the Algerian cash payment of whatever it is, 550 million dollars is buried in your change and working capital?

AM That is correct yes.

So cash balance and the ORCF?

AM The RCF we don't discuss this information frankly speaking but we have been through the financials are released so frankly speaking, off the top of my head I don't really remember what was the RCF which was drawn, but you would have seen that in our data obviously in disclosing the financials.

Cash tax, you know that because we are making losses in Bangladesha and there is no tax consolidation and our income tax rate is around 35-

40% as per percentage of the earnings before tax, I don't expect this to be different and [inaudible] doesn't take into account the payment we made in Algeria.

Okay so if I am looking at last year, you paid somewhere in the region of, in cash, somewhere around 600 million dollars, presuming EBITDA is not far off that then your cash tax this year should be roughly in line with that?

AM Exactly.

Then it just looks a lot lower in the first half of the year than it does last year. Any reason for that?

AM The reason is that we have in this income tax you have the rebuilding tax that is paid from dividends which are distributed, from Algeria, we have not distributed any dividends from Algeria, so that is the difference.

Okay so can you tell us roughly the split of your cash balance between Algeria and the rest of the group, or do I have to wait for the accounts for that as well?

AM The reason we do not disclose at all, we don't disclose the cash level of a subsidiary, the only thing you will see in the financials is the amount of RCF we have drawn as of June 2010. But we don't disclose the level of cash for subsidiary. But just one thing, once again the tax that we paid in Algeria for the taxes is how there is a receivable, not as cash...so in the balance sheet it doesn't appear as cash but as a receivable...

That is paid out of the Algerian cash balance that is held?

AM Yes.

Can you answer the last part of that question, sorry I am finally getting to it, how long do you think you can last before needing to access new finance and resources?

AM Frankly speaking we have always said that or waiver that we get from the banks gets us to June 2011 but that is from a purely waiver point of view, so we are very comfortable until this date, you know, if we were going to have a longer period we would have to re-negotiate our way around the banks.

So there is no concerns that you have in the next year?

AM No.

My next question and I hope you don't mind me putting you on the spot, but are you also CFO of Whereweather Investments?

AM Yes.

Okay so can you comment on whether or not you are party to any negotiations?

AM No because this is a conference for Orascom Telecoms.

Peter Rainey Two questions, further to the previous caller, debt maturities, I assume if you are looking to June 2011 there are no major debt maturities at the [inaudible] coming due, would that be fair to say, Aldo?

The second question is on Canada, how much funding have you put into Canada and when I look at the 67 million dollars that you have put onto your income statement, is that something we can use as approximated cash after we get some sort of CAPEX view for your company? Lastly on Canada you mentioned 100,000...

AM Where do you get the numbers on the second question?

67 million dollars I think is an income statement adjustment.

AM No, 67 million this is a share of loss associated, what I am saying is that this is mostly due to our Canadian operation. But this is a P&L item, it is nothing to do with the amount of cash we put in the company.

Okay so can you comment on cash investments into Canada this far?

AM Yes as I said that in previous questions I don't have the precise number of...I believe it is around 650 million dollars.

Good. Comment on your debt maturities?

AM Yes as I said there was no maturity until 2013, no significant maturity.

Kevin Rowe I also was cut off so I apologise ahead if this has been asked. On EBITDA margins, Aldo, Algeria, Pakistan, Tunisia in the quarter they all showed very nice sequential improvement. Is this

sustainable in the second half? As we go down your list of operations Telesell Globe showed the best sequential improvement in EBITDA margins from Q1 to Q2. What is your outlook there? Was there anything special in the quarter to account for that list? Lastly North Korea, 80% plus EBITDA margin, that is a new number for me, are there any one time impacts that impacted that figure in the quarter?

AM

On Pakistan and Bangladesh the margin is mostly driven by competition, so this is if the competitive environment remains the same you will basically see the same picture in terms of EBITDA margin. For Tunisia, obviously there is a third entrant which has just started, so obviously this could have an impact on the EBITDA margin so we might expect a little bit lower EBITDA margin in the second half of 2010.

As to North Korea obviously there is no competition there so it is an *[inaudible]* operation but that is a margin which is very high but when there is only one in town you can *[inaudible]*.

That is a sustainable margin in Korea?

AM

Yes, as long as there is no competition.

Right and for Africa, is there further upside in the second half?

AM

In Africa there are four different operations, two of them are doing pretty well which is Burundi and Zimbabwe. One is doing not as good which is Namibia so you will see two subsidiaries continuing to have a positive healthy growth and profitable growth, but one of them will enter the margins. So I don't have the global picture of those.

WB

But also on Q2 there was some characterisation so there were some one offs in Q2 of Telesale Globes, so that is not something that you will continue to see moving forwards.

Malay Singh

I have three questions. First on Bangladesh, first on the Sim Tax can you please help us understand until when this Sim Tax subsidy is expected to continue in the market?

Also I heard *[inaudible]* Phone saying that they are subsidising the handsets in the *[inaudible]* areas, so are you also doing the handset subsidies and if yes, how significant is that at the moment.

Question number 2 on Algeria, I just want to understand what is driving the net adds in the quarter, is there some kind of ease of

pressure from the regulatory and the promotions and how fast you can do in the market which is helping you again start to gain the market share and revenue share, because in the quarter you have a positive and with [inaudible] you actually have a negative.

Third question on Tunisia, can you please tell us what is the status of the RPU you have planned for the Unit, is it still in the pipeline or what is valuing the [inaudible] if any?

WB

On Bangladesh there is no clear sign from the Government on when the sim tax will go away, so until that is clarified we will continue with our strategy which is on and off to grow, consolidate, improve [inaudible] and then grow again. We are not going to look at subsidising handsets in Bangladesh in the short term we don't see that is the market that we want to do that in, especially as it is mostly a pre-paid market, which is a very big credit risk if you do that. So we continue to be cautious on that front.

For Algeria there are no new approvals from regulators with our offers, we are hoping that the situation with the regulator will improve in the future but currently it has not. The net adds of [inaudible] I can't comment on that, maybe they can more. It does show that a lot of cross ads in the height of the tension between the two countries so maybe there were some seasonal customers they had, at a point of time out of freezing costs in the market, so they showed a very good gross ad a few quarters ago so that could be sort of a cleanup but take that as a guess from our side but I think they are in a better position to comment on their own results.

AM

As to the PO OTT right now we have to agree with our other shareholder on certain shareholder agreement before we can go ahead on the IPO.

Okay so if the entry of [inaudible] are better in the market in Tunisia, that is not any factor in the transformation of billing or..?

AM

No, it is purely a shareholder issue.

Do you have any timeline on when that can be resolved?

AM

It could be quick or it could be very long.

But there is more on [inaudible] are you getting your customers back through the network? Is it winning back your old customers or is it getting new subscribers and what is driving the net ad?

WB We did not lose customers in Algeria so it is not about winning back customers, again the rate of gross ads and so on is standard, it was hit at the end of last year and the beginning of this year, but we haven't lost all the customers, maybe there is a lot of newer sim cards affecting the market that could be affecting the *[inaudible]* on the other side. Again I am sure the current situation of us not having a lot of office means that we are under performing our risk potential in this market if the situation improves.

Just a quick question on Egypt as well. I heard *[inaudible]* has launched this first second billing plan. Do you see this as a start of a new competition in the market that everybody follows this and particularly the whole market is at the risk of losing 10% of their revenue of sales?

WB But the rates are much higher than the full *[inaudible]* billing so we don't think that will affect as much as the second billing in the same rate. Again it is too early...it was launched two days' ago, it is too early to comment on such an offer and practically also Mobinil are in a better position to comment on this.

Sandford Lee **Sorry if this question has been asked already but I got cut off as well. But in response to the context of Canada with again the wireless incumbents now launching plans of their own, *[inaudible]* beginning to launch by the end of month. The incumbents are facing *[inaudible]* analyst plans seem pretty in line with the new entrants, the incumbents on what *[inaudible]* as far as response incumbent *[inaudible]*?**

WB Again we believe our positioning was very clear in the market we are the leaders on unlimited and it is not only the pricing. If you look at the market like France for example, *[inaudible]* has the same price for their broadband unlimited package than any other operator in the market, the exact same price, yet they have a much better market share, simply because they own that segment. We will continue to improve our offers, but clearly we cannot announce our competitive response to the incumbents. The incumbents are doing this as a must-do so basically they are not wholeheartedly behind this offer as much as these offers are there because we have them, so we believe their market is imperative enough to differentiate that. We would not go into a price war if this is an indirect question. Are we going to reduce our prices? There is no clear intention to reduce our prices at any time.

In regards to the promotions that have been offered to Canada, fairly aggressive reporting credits, half price data plans, can you comment on what percentage of your win subscribers are [inaudible] from the incumbent's or are you attracting more of the 30% of so of the unpenetrated market in Canada?

WB We don't announce these numbers yet. So I am sorry I can't tell you that.

Then the last one, just in terms of subscriber mix, can you say anything about the percentage of subs that are taking the smart phones versus just regular talk text phones?

WB 100%. We don't subsidise almost any smart phones.

No I realise that. I phrased the question incorrectly. The percentage of your subscribers that are on smart phones at present?

WB Okay we don't disclose that percentage.

? **Just a quick question on Algeria. Can you give us an idea of the network usage congestion? Or do you foresee any need to have any decongestion CAPEX take place in the future and is that something you can source locally?**

WB Unfortunately there are no local Algerian suppliers for the equipment, so no, we can't source it locally. All our offices and all our work is based on our knowledge that we cannot source the equipment so we are trying to balance that unfortunately as I am sure you can come back on a similar question, is this long term sustainable, no. This is why we are waiting to go into negotiation with the Algerian government to fix this situation for the long term. But for the medium term we are careful about any offers that will use a lot of usage because knowing that we cannot expand the latter for the time being.

Also of course we are challenging both the decision of us not being allowed to import equipment or transfer money outside the country because still now we don't know what are the reasons for that. So all we have got to know is that we are not allowed to send money out, there was no reason behind that.

[End of Submitted Questions]

WB We thank you very much for attending our call and we will have the pleasure to have you again in the Q3 results. Thank you.

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