

FINAL TRANSCRIPT

Thomson StreetEventsSM

ORASYP - Q1 2010 ORASCOM TELECOM S A E Earnings Conference Call

Event Date/Time: May. 13. 2010 / 1:00PM GMT



May. 13. 2010 / 1:00PM, ORASYP - Q1 2010 ORASCOM TELECOM S A E Earnings Conference Call

CORPORATE PARTICIPANTS

Noha Khalil

Orascom Telecom - Head of IR

Khaled Bichara

Orascom Telecom - Group CEO

Aldo Mareuse

Orascom Telecom - Group CFO

CONFERENCE CALL PARTICIPANTS

Jean-Charles Lemardeley

JP Morgan - Analyst

William Kirby

Nevsky Capital - Analyst

Sergey Fedoseev

HSBC - Analyst

Sean Gardiner

Morgan Stanley - Analyst

Kevin Roe

Roe Equity Research - Analyst

Alexander Balakhnin

Goldman Sachs - Analyst

Omar Maher

EFG Hermes Asset Management - Analyst

Vivek Diwakar

Globus Capital - Analyst

Nemat Choucri

HC Brokerage - Analyst

Stephen Pettyfer

Bank of America- Merrill Lynch - Analyst

Justine Dimovic

Exane BNP Paribas - Analyst

Zoe Hoster

Citigroup - Analyst

Delilah Heakal

Pharos Securities - Analyst

Richard Barker

Credit Suisse - Analyst

Martin Mabbutt

Nomura - Analyst

Hinda el Guindy

NBK Capital - Analyst

PRESENTATION



May. 13. 2010 / 1:00PM, ORASYP - Q1 2010 ORASCOM TELECOM S A E Earnings Conference Call

Operator

Good morning and good afternoon, ladies and gentlemen. And welcome to the Orascom Telecom Q1 2010 results conference call. At this time all participants are in listen only mode until we conduct a question and answer session and instructions will be given at that time. (Operator Instructions). Just to remind you, this conference call is being recorded.

I would now like hand over to the chairperson, Jean-Charles Lemardeley from JP Morgan. Please begin your meeting and I will be standing by.

Jean-Charles Lemardeley - JP Morgan - Analyst

Hi. Thank you. This is Jean-Charles Lemardeley, the Head of CEEMEA Equity Research at JP Morgan. On behalf of JP Morgan I'd like to welcome you all to Orascom's first quarter 2010 results conference call and thank Orascom's management for their participation.

Without further ado, I will hand over the call to Noha Khalil, Head of Investor Relations, for Orascom. Noha, please go ahead.

Noha Khalil - Orascom Telecom - Head of IR

Thank you. Good afternoon, ladies and gentlemen and good morning to those of you connecting from the US. And welcome to Orascom Telecom's first quarter 2010 results conference call.

Before starting the call, I would like to make the standard forward-looking Safe Harbor 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 projections and the variations may be material. These statements should not be regarded as representation of anticipated results which would occur in our expected objectives or of the assumptions underlying such statements.

Before we begin commenting on our earnings release for the first quarter, I would like to briefly refer to the recent speculation in the press regarding a potential transaction between MTN Group and Weather Investments SpA which was said to possibly involve acquisition of control in Orascom Telecom Holdings or some of its businesses. To reiterate our recent communication to the press, Orascom Telecom does not have any further information to disclose on this matter at this point in time, other than the fact that OT is aware of the discussions of its parent company with MTN.

However, if an outcome to these discussions should be determined, rest assured that our investors and the press will be notified in the timeliest manner. We reiterate that we are committed to fully abide by the highest disclosure and transparency measures. Please be advised that we will not be answering any questions regarding this topic during 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 like to hand the call over to Mr. Khaled Bichara.

Khaled Bichara - Orascom Telecom - Group CEO

Thank you, Noha. Good afternoon, everybody. And good morning to those of you coming from the US. It is my pleasure to have you today on the call, commenting on Q1 results of '10.

May. 13. 2010 / 1:00PM, ORASYP - Q1 2010 ORASCOM TELECOM S A E Earnings Conference Call

We believe that's a good quarter for us because we again started again showing growth after a couple of quarters of no growth on the top line, comparing to the last years, so we had a growth in revenue. We had a 19% growth in customer base where we were just under 96m customers, really closing on this 100m target we're having.

EBITDA reached \$521m, decreasing only by 1% over Q1 2009, mainly due to the events in Algeria, the 5% tax and weak performance in Egypt that in Q1 EBITDA.

The Group EBITDA was at 42.8%. And major subsidiaries were Djezzy with 55.6%, Mobilink with 38.9%, Mobinil 37.6%, Tunisiana 52.6% and banglalink 42.2%. We believe the strategy we shared with you in the previous call also on banglalink where we said that once we slow down acquisitions the margins would go up, is proving to be a pretty good strategy where for some quarters we grow and then we consolidate our position and improve our margin and then at the end go back to growth again.

In general also we're very happy to share that we've finalized, and I'm sure you've read related to our long-going dispute with France Telecom. We now have a new partnership that's based on FT. Moving forward we'll continue to consolidate -- fully consolidate the business. And we will only consolidate on an equity method. For that we've got a compensation. We believe this is very good for the business because this ongoing dispute affected the results. And as you can see in Q1 it really affected even our ability to negotiate with the regulators and the government because all the meetings were all going, discussing the dispute, not discussing the business.

I'll be on the call for all your Q&A. I'll leave it to Aldo to share with you the detailed results of Q1.

Aldo Mareuse - *Orascom Telecom - Group CFO*

Good morning and good afternoon, ladies and gentlemen. So I will give you more details. If you look at our earnings release and look at the detail of subscribers on table one, you see a very good growth year over year for in Egypt, Tunisia and Bangladesh, with growth ranging from 20% to 30%. You see also growth in subscribers recovering in Pakistan where, in the last quarter, we acquired another 700,000 subscribers. In Algeria, this is because of circumstances, the growth is much milder.

Turning to the ARPU on table two, you see that obviously the good growth that we see in subscribers in Tunisia and Bangladesh and Egypt have diluted a little bit the ARPU because of getting into lower income segments. In Egypt this was also combined with some very high tariff cuts due to competition. So you see a much higher impact in the ARPU in Egypt, especially quarter over quarter.

Pakistan you see a pretty good performance. But all this is mostly due to the depreciation, the depreciation of the currency. As you can see from the table three, in local currency actually the ARPU has been stable year over year.

In Algeria, the impact of the crisis and some suspensions we had to do on some of our postpaid customers had an impact, a negative impact on the ARPU, as you can see, quarter over quarter.

Looking at market share, table four, pretty much stable situation, with our market share increasing again in Tunisia and also in Pakistan, and stable to a little bit below in Algeria, Egypt and Bangladesh.

CapEx, table five, not much to say. It's obviously a little bit too early to say, but first quarter of this year gives the same picture overall as the last quarter of -- sorry, the first quarter in 2009.

Looking at the revenue side, now on table six, obviously the very good growth on revenue, year over year, in Egypt, Tunisia, Bangladesh, even also in Pakistan where the last two or three quarters have been very good. Obviously in Algeria the recent events have affected the revenues on the top line.



May. 13. 2010 / 1:00PM, ORASYP - Q1 2010 ORASCOM TELECOM S A E Earnings Conference Call

On the quarter per quarter basis, you see obviously good performance. You see the effect, sorry, the impact of seasonality. As you know, the Q1 is usually the weakest quarter. So the fact that you see lower growth in Pakistan, Tunisia is mostly due to the seasonal effect.

Looking at the EBITDA on table eight, pretty much the same picture as the revenue, with excellent performance in Bangladesh. Obviously this is largely linked to the promotions we're doing. Every time we lowered the promotions, the margin increased. You see the potential of Bangladesh. Good performance in Tunisia and also in Pakistan. And for the reasons that we stated below, mediocre performance in Algeria and Egypt.

Same picture on the margin. Algeria I remind everybody that from last year we had to swallow a 5% tax on recharge cards which we are not allowed to pass onto customers. And obviously in Egypt the impact of the tariff cut had an impact on the margin.

Looking at the P&L, on table 12, we have talked about the EBITDA. Not that much to say at the operating income. Financial expense, a little bit higher this quarter than last quarter as we had to obviously pay for the taxes in Algeria and we had some one-off items. The ForEx gain remains the same as last quarter. You see obviously the share of profit/loss of associates, that's the -- that's Canada. So this line is mostly due to the Canada operation and lower income tax due to the basically going onto the Q1.

On the balance sheet, obviously we had the impact of the rights issue, the \$795m. We have also lowered our net debt from \$5.1b to \$4.7b with a net debt to EBITDA of 2.1 times. And so you see the impact on the balance sheet.

With this, I would finish the presentation. Just one comment obviously on the France Telecom transaction. Obviously when this will be closed, which is somewhere between Q2 and Q3, we will start accounting for ECMS under the equity method and not -- and will not -- we will not consolidate proportionally the results of ECMS. But that's sometime in Q2 or Q3 when we finally close the agreement with France Telecom.

With this, I will open the floor to questions. Operator? Thank you.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions). Our first question comes from the line of William Kirby. Please go ahead with your question, announcing your company name.

William Kirby - Nevsky Capital - Analyst

Thank you. Yes. William Kirby from Nevsky Capital. I have two questions, if possible, please. Firstly, the Telecom Services margin seems to have been improving in the last couple of quarters. Is that sustainable or was there some one-off there?

And then secondly, do you plan to increase operating or financing numbers or disclosure of WIND Mobile, the Canadian business, please?

Aldo Mareuse - Orascom Telecom - Group CFO

Okay. Look, on the Telecom Services, obviously the biggest subsidiary is Ring, the other which is, as I remind you, the distribution and retail business handsets. This business, as you know, has been in restructuring mood. We are not finished with the restructuring so I would not say that this is going to get better in the short term.

May. 13. 2010 / 1:00PM, ORASYP - Q1 2010 ORASCOM TELECOM S A E Earnings Conference Call

The other basically is the -- our management contract in Lebanon, which is doing well. We have, as you know, renewed our contract for another six months. So this is doing better. And TWA, which is our cable business, between Pakistan and Abu Dhabi, which obviously as it's gaining scale is getting obviously better margin.

On Canada we have always said that we are giving ourselves six months. So we started the end of December. So we'll start reporting real numbers in Q2, at least in terms of subscribers.

William Kirby - *Nevsky Capital - Analyst*

Okay. Great. Thanks. And then I just have one follow-up on Bangladesh. The margin there seems to have been quite volatile really. How should we think about that market in the medium term? Is that a mid-30s market or can it stay in the low 40s?

Aldo Mareuse - *Orascom Telecom - Group CFO*

This is due to the tax on SIM cards. As you know, the tax on SIM cards is about \$15 that operators subsidize some of them fully, some, like us, not fully. So every time we have to push a little bit the growth, this affects the margin. Obviously in this quarter we did not need to use this tool and therefore you see a very good performance in terms of margin. So that just tells you that the day this tax goes away, this is the kind of EBITDA performance you should expect.

William Kirby - *Nevsky Capital - Analyst*

Okay. Great. Thank you.

Operator

Our next question comes from the line of Sergey Fedoseev. Please go ahead with your question.

Sergey Fedoseev - *HSBC - Analyst*

Hello. Actually a couple of questions. First, the treatment of Mobinil, are you going to, going forward, are you going to use equity method from the end of April or some other date? And what do you see the proportion of consolidation through end of April or restate the financials as of Q1 numbers on the past accounting methods.

Okay, and then I will ask the second question afterwards.

Aldo Mareuse - *Orascom Telecom - Group CFO*

Yes. As I said before, we will start doing equity consolidation when we close, so which will be either in Q2 and Q3. And we will have the year basically pro rata on the date of the closing of the agreement. So if we close, let's say, at the end of the Q2, we have the first two quarters proportionally consolidation and the last two quarters in equity method.

Sergey Fedoseev - *HSBC - Analyst*

Okay. And the second question is how do you record the Algerian tax penalties? Do you record them as account receivables?

May. 13. 2010 / 1:00PM, ORASYP - Q1 2010 ORASCOM TELECOM S A E Earnings Conference Call

Aldo Mareuse - *Orascom Telecom - Group CFO*

Yes. It's in the cash flow. You can see this basically in the cash flow statement in the change in assets carried as working capital.

Sergey Fedoseev - *HSBC - Analyst*

And how do you rate the chances of these tax penalties being [paid back], because if you record them as receivables, you expect them to be paid somehow, am I right?

Khaled Bichara - *Orascom Telecom - Group CEO*

Well, as you know, through the tax authority all our appeals were denied. So now we went to court and there are two levels for our appeal. We still believe that these taxes were undue because they are in a tax holiday period. And our consultants, where we now have two of the major accounting firms and legal firms, see our view and support it. And that's why this is how we account for them. Of course, we cannot speculate on what the Algerian legal system will decide. But we very strongly believe in our position and will defend it with all possible means.

Sergey Fedoseev - *HSBC - Analyst*

Okay. And the very last question about the Algerian operational performance. I noticed that you actually managed to grow your market share by 1 percentage point, or something like that. How did you manage that?

Khaled Bichara - *Orascom Telecom - Group CEO*

Well, the Algerian, as mentioned, we're working very aggressively on stimulating the market, on surveying our distributors, trying to keep them, where our message is always very clear. It is an Algerian company with majority Algerian employees. We have 4,000 plus employees. Only I think 20 or 25 of them are expats. So on the market we're seeing, I would say, better results than people would expect. On the revenue side, as we've seen, there is a lot of incentives we're putting into the market to maintain the users and reduce the churn and so on. It's very clearly for us a transition period and we're hoping to overcome that.

Sergey Fedoseev - *HSBC - Analyst*

Did you run any aggressive customer acquisition campaigns or you run the customer retention programs?

Khaled Bichara - *Orascom Telecom - Group CEO*

Both.

Sergey Fedoseev - *HSBC - Analyst*

Okay. Thank you.

Operator

Our next question comes from the line of Sean Gardiner. Please go ahead with your questions, announcing your company name.

May. 13. 2010 / 1:00PM, ORASYP - Q1 2010 ORASCOM TELECOM S A E Earnings Conference Call

Sean Gardiner - Morgan Stanley - Analyst

Yes. Company name is Morgan Stanley. The first question, on the suspension of some postpaid business in the quarter in Algeria, can you just quantify the revenue run rate that you're getting from those customers on a monthly basis so we can understand the impact in Q1?

Secondly, on Algeria, there was -- obviously been a lot of talk in the newspapers. But there was talk of a new tax claim. Have you received any formal documentation on that yet from the authorities?

And then finally, just going back to the first question, it looks like Ring's EBITDA margin was 15% in the quarter. Can you just tell us if there's any one-offs in there we should be aware of? I thought it said that you sold Pakistan and Bangladesh Ring. I'm not sure when that took place or if there was an impact on EBITDA from that. Thanks.

Khaled Bichara - Orascom Telecom - Group CEO

Okay. On the Algerian situation, during the crisis we had a bit more relaxed credit policy. And this is why now the suspension on the postpaid is a bit higher than expected. We're working very aggressively and diligently to get these customers back. We've seen that there's still the size, quality of the service and the coverage and on-net are still a significant advantage for our business there.

So it seems there are a lot of reactivations. We don't disclose the exact number of deactivated, you already know. For now, let's say, using postpaid customers as secondary, because really this is competitive information that will not be beneficial for us to share, we believe that we can see an end to this, or a much more clarity into this phenomenon by end of Q2.

For Ring, we don't think 15% is a sustainable margin. So it's usually a 5% business. There's a lot of restructuring, as Aldo was mentioning, and some changing in the business. So that's why we had a significantly better quarter. But we don't believe we can do 15% on handset distribution because we would have definitely be doing much better than the best of class worldwide, so that's not sustainable.

I'm sorry, the third question?

Sean Gardiner - Morgan Stanley - Analyst

It was just on the talk of a new tax claim coming out of Algeria. Have you received any formal documentation from the authorities?

Khaled Bichara - Orascom Telecom - Group CEO

I think you qualified this very well, talk, because the tax audit just started two days ago or a week ago. So it's really a few days. We read in the newspapers the value before the tax audit started. So no, we haven't heard anything and we don't expect anything that soon, unless they want to do today a tax audit.

Sean Gardiner - Morgan Stanley - Analyst

But there has been a request for your documents on a formal tax --?

May. 13. 2010 / 1:00PM, ORASYP - Q1 2010 ORASCOM TELECOM S A E Earnings Conference Call

Khaled Bichara - *Orascom Telecom - Group CEO*

No, it's a standard audit. It just goes to them, yes.

Sean Gardiner - *Morgan Stanley - Analyst*

Okay. So a standard annual audit rather than anything special.

Khaled Bichara - *Orascom Telecom - Group CEO*

Yes. The relationship is what it is. But for now we have no documents or any notification from them that is anything unusual.

Sean Gardiner - *Morgan Stanley - Analyst*

Okay. Thank you.

Khaled Bichara - *Orascom Telecom - Group CEO*

Just to also be clear to people on the call, '05 to '07 were years where we were tax-exempt and we did not pay any taxes. '08 and '09 we were not tax-exempt and we've paid the taxes based on our accounting and based on our estimation of them. Now they're being audited. But we've already paid '08 and '09 tax.

Sean Gardiner - *Morgan Stanley - Analyst*

Did you have an audit for 2008 conducted?

Khaled Bichara - *Orascom Telecom - Group CEO*

The current one is for both '08 and '09.

Sean Gardiner - *Morgan Stanley - Analyst*

Okay. Thank you.

Operator

The next question comes from the line of Kevin Roe. Please go ahead with your question, announcing your company name.

Kevin Roe - *Roe Equity Research - Analyst*

Roe Equity Research. Thank you for the call. Can you help us understand the international arbitration process? When is the next key event in that process and how long could it take?

And on Canada WIND --.



May. 13. 2010 / 1:00PM, ORASYP - Q1 2010 ORASCOM TELECOM S A E Earnings Conference Call

Khaled Bichara - *Orascom Telecom - Group CEO*

There is no process so there is no next step. There is no international arbitration process. We have not started a process. We have not ever mentioned that we will or will not do a process. We are currently working inside the Algerian legal system and we're hoping that we will get our right working locally. So this is the Company position for now.

Kevin Roe - *Roe Equity Research - Analyst*

Okay. Thank you. And on Canada WIND, can you update us on the cash burn through the first quarter? And is the CAD1.5b capital still a good number for the Company? And can you also update us on plans to close the funding gap there through vendor or debt financing?

Aldo Mareuse - *Orascom Telecom - Group CFO*

Look, the CAD1.5b is still on target. So there's no change to this. I'm not going to disclose you the monthly cash burn for competitive reasons. And we are working -- we have the vendor financing closed and we are working on the other elements. But there is no real rush to it.

Kevin Roe - *Roe Equity Research - Analyst*

And what is the current gap? How much additional capital is needed approximately?

Aldo Mareuse - *Orascom Telecom - Group CFO*

We have -- look, we have -- so the total is CAD1.5b. We have spent about CAD700m -- CAD600m, sorry. We have about \$200m of vendor financing. The rest will come from sources which I've talked to you before, which is either the bond or the bank market.

Kevin Roe - *Roe Equity Research - Analyst*

Thanks, Aldo. That's helpful.

Operator

Our next question comes from the line of Alexander Balakhnin. Please go ahead with your question, announcing your company name.

Alexander Balakhnin - *Goldman Sachs - Analyst*

Hi. It's Goldman Sachs. Hi. I had a question on Pakistan. A couple of months ago you and Telenor separately were saying that they expect some consolidation in Pakistan market. Can you update us on that? Do you see any trends which make you more optimistic about the consolidation prospects in Pakistan or the status quo that will likely remain? Thank you.

Khaled Bichara - *Orascom Telecom - Group CEO*

Look, we believe that the number of players currently, for sure, can be reduced. It's too many players. And we always said that if there will be a consolidation, we will be willing to look at it. And our position has not changed on this front.

May. 13. 2010 / 1:00PM, ORASYP - Q1 2010 ORASCOM TELECOM S A E Earnings Conference Call

Alexander Balakhnin - *Goldman Sachs - Analyst*

But nothing material is happening in this direction now, as you can see?

Khaled Bichara - *Orascom Telecom - Group CEO*

Yes.

Alexander Balakhnin - *Goldman Sachs - Analyst*

Okay. Thank you.

Operator

The next question comes from the line of [Omar Maher]. Please go ahead with your question, announcing your company name.

Omar Maher - *EFG Hermes Asset Management - Analyst*

Sorry. EFG Hermes Asset Management. I'm just a bit curious as to why we're still not being provided any data on Canada. We were provided operational data on Korea when it first started up. So if you could just comment on that.

Khaled Bichara - *Orascom Telecom - Group CEO*

Yes. Korea is one-player market, which is us. Canada is a much more competitive market. So, as we initially mentioned, we will -- I promise the market to announce the results after six months to give the Canadian business enough space to gain momentum because it's a much more competitive market. As you can imagine, when you're alone announcing the numbers that it cannot hurt you because there is no competition.

Omar Maher - *EFG Hermes Asset Management - Analyst*

Okay. Fair enough. Would you describe the first four months of operation as being in line with the expectations, ahead? Could you comment on that?

Khaled Bichara - *Orascom Telecom - Group CEO*

It's in line. In line.

Omar Maher - *EFG Hermes Asset Management - Analyst*

Thank you.

Operator

(Operator Instructions). The next question comes from the line of (inaudible). Please go ahead with your question announcing your company name.

May. 13. 2010 / 1:00PM, ORASYP - Q1 2010 ORASCOM TELECOM S A E Earnings Conference Call

Unidentified Participant

Hi, (inaudible) from Jabre. You guys are very happy with the agreement you were able to reach in the age from France Telecom about Mobinil. Is that right?

Khaled Bichara - *Orascom Telecom - Group CEO*

Sorry, we don't understand that question.

Unidentified Participant

The agreement that you were able to reach with France Telecom.

Khaled Bichara - *Orascom Telecom - Group CEO*

Yes, we signed an agreement, so clearly we think it's a good agreement for us, for the other side and for ECMS.

Unidentified Participant

It is my understanding that the minority shareholders in Mobinil, they seem to have gotten the short end of the stick and are extremely unhappy with that. Have you had any discussions with them and tried to loop them into what was going on?

Khaled Bichara - *Orascom Telecom - Group CEO*

We've been as transparent as we were requested and the law asks us to. We sent two clear long letters to the Egyptian financial authorities explaining the exact parts of the deal and it's for the authorities to decide if there are any effects of this deal for the minorities. The view from the authorities as far as we understand is there is no effect. So basically (multiple speakers)

Unidentified Participant

Which authority are you talking about sorry?

Khaled Bichara - *Orascom Telecom - Group CEO*

were hoping that there'll be a tender offer are not happy but normally --

Unidentified Participant

No, no, I didn't understand. Which authorities said that they approved? As far as I know you did a private transaction that did not need the authorities' approval because it was a private transaction.

Khaled Bichara - *Orascom Telecom - Group CEO*

Are you explaining to me what we did or are you asking me?

May. 13. 2010 / 1:00PM, ORASYP - Q1 2010 ORASCOM TELECOM S A E Earnings Conference Call

Unidentified Participant

I'm asking you which authorities gave you the approval.

Khaled Bichara - *Orascom Telecom - Group CEO*

So we did submit the details of the deal to both the Egyptian financial authorities, the Egyptian stock market and (spoken in Arabic), they both have all the details of the transaction, they are on record in the press saying that they do not think that this warrants a tender offer. Again, minorities have all, we haven't heard from minorities that they got the short end of the stick.

Unidentified Participant

I think the minorities have sent you guys letters that have gone unanswered.

Khaled Bichara - *Orascom Telecom - Group CEO*

Are you representing minorities or are you an --

Unidentified Participant

I am representing myself as an Orascom and Mobinil shareholder.

Khaled Bichara - *Orascom Telecom - Group CEO*

Fine. I didn't get any letters from you, sir, so if you want, our emails are public on the website you can send us any letters you want.

Unidentified Participant

You have. Anyway, minorities overall --

Khaled Bichara - *Orascom Telecom - Group CEO*

I'm sorry I haven't received any letter from you, I don't know who your letters were sent to, I have my CFO here, my Investor Relations, none of us got any letters from you. So if you're sending it to the wrong address or something I don't know, but we haven't. So I'm legally just stating this, I did not receive any letters from you, my email is kbichara@orascomtelecom.com, you can always use it, or you can use the official fax number of the company. The address is also on the website, so I'm sure you can send us a letter if you want.

Unidentified Participant

Well, I'm amazed you haven't received them. Good, thank you.

May. 13. 2010 / 1:00PM, ORASYP - Q1 2010 ORASCOM TELECOM S A E Earnings Conference Call

Operator

The next question comes from the line of Sean Gardiner. Please go ahead with your question announcing your company. Thank you.

Sean Gardiner - *Morgan Stanley - Analyst*

Yes, thank you. Sorry, Aldo, could you just talk about the CapEx outlook for some of the different businesses this year and maybe if you could just talk about Pakistan and Bangladesh, what the quality of those networks are like given the deliberate pull back on investments last year.

Aldo Mareuse - *Orascom Telecom - Group CFO*

Yes. Just to repeat myself, the reason why we cut CapEx last year in Bangladesh and Pakistan is not because we wanted to decrease the quality but just because the profitable growth was not there in these two markets. As you know, in Pakistan we did not really grow our subscriber base and also our growth in Bangladesh was much lower than in 2009 than 2008. So these are the main reasons.

Having said that, as you can see from the numbers growth is resuming in both these markets so we are going to increase CapEx in both these markets.

Sean Gardiner - *Morgan Stanley - Analyst*

Have you got a Group number that you can help us to have a -- is it flat from last year CapEx at the moment in your planning or?

Aldo Mareuse - *Orascom Telecom - Group CFO*

I would say it will increase from last year about \$200m on a total basis.

Sean Gardiner - *Morgan Stanley - Analyst*

And for Algeria, should we think of that number going up or down this year?

Aldo Mareuse - *Orascom Telecom - Group CFO*

Oh, that's obviously a question which will depend on what's happening with our relationship in Algeria.

Sean Gardiner - *Morgan Stanley - Analyst*

Yes, but just assuming a status quo going forward?

Aldo Mareuse - *Orascom Telecom - Group CFO*

So then it will be down from last year.

May. 13. 2010 / 1:00PM, ORASYP - Q1 2010 ORASCOM TELECOM S A E Earnings Conference Call

Sean Gardiner - Morgan Stanley - Analyst

Okay. Thank you.

Operator

Our next question comes from the line of [Vivek Diwakar]. Please go ahead with your question announcing your company name.

Vivek Diwakar - Globus Capital - Analyst

Hi, this is Diwakar from Globus Capital. I just wanted to touch upon on the CapEx. Do you think your CapEx will continue to stay low given that in some of your markets you've reached a certain size so how should I look at your CapEx program going forward, medium term?

Aldo Mareuse - Orascom Telecom - Group CFO

Right now, as I said, most of the CapEx is capacity driven. So obviously the more we increase traffic the more we have to put CapEx, so that has been the name of the game. We only have 3G in one market which is in Egypt, so the other markets we don't have to rollout 3G. So I would say obviously, as I said, because of Pakistan and Bangladesh we increased from last year in these two markets but the rest I don't expect any major surprises.

Vivek Diwakar - Globus Capital - Analyst

Okay, so most of the CapEx will just be incremental CapEx.

Aldo Mareuse - Orascom Telecom - Group CFO

Yes.

Vivek Diwakar - Globus Capital - Analyst

Do you have any figure in terms of sales revenues you'd like to say, how much CapEx as a percentage of revenues?

Aldo Mareuse - Orascom Telecom - Group CFO

It's around 20%.

Vivek Diwakar - Globus Capital - Analyst

Okay, thank you.

Operator

The next question comes from the line of Nemat Choucri. Please go ahead with your question announcing your company name.

May. 13. 2010 / 1:00PM, ORASYP - Q1 2010 ORASCOM TELECOM S A E Earnings Conference Call

Nemat Choucri - *HC Brokerage - Analyst*

Hi, this is Nemat Choucri from HC Brokerage. I've one question. The \$300m compensation for the settlement agreement with France Telecom, how will you account for this and is there any component going through the income statement and by which quarter? Thank you.

Aldo Mareuse - *Orascom Telecom - Group CFO*

This will be the accounted the day we close which is in either in Q3 and Q3. And which line will it be in? Which line of the P&L?

Unidentified Company Representative

It might be part relating to equity and part to other --

Aldo Mareuse - *Orascom Telecom - Group CFO*

Okay, we're just working with the auditors to figure out the exact line where it will go in the P&L.

Nemat Choucri - *HC Brokerage - Analyst*

Thank you. And so to bill the whole \$300m right?

Aldo Mareuse - *Orascom Telecom - Group CFO*

Yes.

Nemat Choucri - *HC Brokerage - Analyst*

Okay. Thank you.

Operator

The next question comes from the line of Stephen Pettyfer. Please go ahead with your question announcing your company.

Stephen Pettyfer - *Bank of America-Merrill Lynch - Analyst*

Yes, good afternoon, gentlemen. The company name is Bank of America-Merrill Lynch. Two questions please concerning Egypt. Firstly, could you give us an update on the customer base situation post the registration deadline?

And secondly, just on the margin reported there, it was notably a few points lower than what Mobinil reported, which I think is unusual. Could you give us an explanation for that? Thank you.

Khaled Bichara - *Orascom Telecom - Group CEO*

Can you repeat your second question, we didn't hear this one.

May. 13. 2010 / 1:00PM, ORASYP - Q1 2010 ORASCOM TELECOM S A E Earnings Conference Call

Stephen Pettyfer - Bank of America- Merrill Lynch - Analyst

Sorry, it concerns the margin reported at Mobinil, which I think was 200 basis points to 300 basis points lower than what Mobinil reported.

Aldo Mareuse - Orascom Telecom - Group CFO

It's a management fee, Stephen. Remember we always record our EBITDA pre management fee in order to compare apples to apples and I think that obviously ECMS reports post management fee.

Stephen Pettyfer - Bank of America- Merrill Lynch - Analyst

Okay, it just seems wider than usual, but thank you for that. And the customer base?

Khaled Bichara - Orascom Telecom - Group CEO

For the customer base there is still work group for all operators working with the Government on the registration so there is no specific number that we have that we can share now on the impact. But the new sales are moving onto the new process and then for the current customer base there'll be a timeline for which to legalize the customer base. We've gone through this process before in Pakistan and in Algeria so we can confidently say we're experienced in registering our existing customer base. It's a long process because, as you can imagine, there are a few tens of millions in the country and there is a big work group between the Ministry, the regulator and the security authorities and the three operators. But we don't see any immediate risk for as far as we understand on the customer base based on this policy, it's just some more investment that we'll have to put to register the customers.

Aldo Mareuse - Orascom Telecom - Group CFO

And, Stephen, just to finish on the question of EBITDA. The other difference which you don't see between us and ECMS is the, there is some employee yearly compensation which is below the EBITDA for ECMS and above the EBITDA for us.

Stephen Pettyfer - Bank of America- Merrill Lynch - Analyst

Thank you. And if I could just go back to the customer base, could you give us an update on the numbering situation, has there been any progress there?

Khaled Bichara - Orascom Telecom - Group CEO

We got some numbering, sort of an interim solution for now. There is, the biggest move would be that the whole Egyptian numbering system will move to eight digits and once you do that it will solve the issue. I think by June the new numbering we got for the interim situation will be able also to be consumed by TE because we cannot launch this new number now because TE cannot route them. So I think in June we will be able to use the extra numbers and then there will be a nationwide program to move to eight digits.

Stephen Pettyfer - Bank of America- Merrill Lynch - Analyst

And just to be clear, is that impacting your growth right now?

May. 13. 2010 / 1:00PM, ORASYP - Q1 2010 ORASCOM TELECOM S A E Earnings Conference Call

Khaled Bichara - *Orascom Telecom - Group CEO*

Yes.

Stephen Pettyfer - *Bank of America- Merrill Lynch - Analyst*

Okay. Thank you.

Khaled Bichara - *Orascom Telecom - Group CEO*

Thank you.

Operator

Our next question comes from the line of Justine Dimovic. Please go ahead with your question announcing your company. Thank you.

Justine Dimovic - *Exane BNP Paribas - Analyst*

Thank you very much. Justine Dimovic, Exane BNP Paribas. I have a few questions please. The first one is about the project in mobile banking in Pakistan, if you have any update there?

The second one is about the share of data in your blended ARPU.

And finally, I'd like to know if there is any update you can report regarding the possible listing of the Tunisian business and the search for partners about Telecel Globe. Thank you.

Aldo Mareuse - *Orascom Telecom - Group CFO*

Okay, the first question was mobile banking. We are finalizing getting our banking license, we have applied for a microfinance banking license. We believe this is probably something we will close, as we said previously, at end of Q2 or Q3.

As far as the IPO of OTT we are, this is an event that we said at the end of first half beginning of second half, so this is something that we are still targeting to do with the company.

As for the sale of Telecel obviously we will not comment on this because of the previous statement we made on the overall company.

Justine Dimovic - *Exane BNP Paribas - Analyst*

Okay, and about the share of data ARPU at the Group level?

Khaled Bichara - *Orascom Telecom - Group CEO*

It varies different companies, but at Group level it would probably be in the 5% to 6%, between data that includes SMS.

May. 13. 2010 / 1:00PM, ORASYP - Q1 2010 ORASCOM TELECOM S A E Earnings Conference Call

Justine Dimovic - *Exane BNP Paribas - Analyst*

Very helpful. Thank you.

Khaled Bichara - *Orascom Telecom - Group CEO*

Thank you.

Operator

Our next question comes from the line of [Zoe Hoster]. Please go ahead with your question announcing your company.

Zoe Hoster - *Citigroup - Analyst*

Hi, Zoe Hoster from Citi. I'm just wondering if you can give a bit of color on the state of your talks with MTN and if those are still continuing or if the Algerian authorities have continued their general hostility toward that?

Khaled Bichara - *Orascom Telecom - Group CEO*

As mentioned at the beginning of the call, we cannot comment any further than what we've shared on the MTN issue.

Zoe Hoster - *Citigroup - Analyst*

Oh, okay, thank you, I must have missed that.

Operator

Our next question comes from the line of Delilah Heakal. Please go ahead with your question announcing your company.

Delilah Heakal - *Pharos Securities - Analyst*

Thank you. Delilah Heakal, Pharos Securities. I was just wondering that the losses booked in relation to the Canadian venture were described as start-up losses. So does this mean that some of the loss was one-off items or non-recurring? In other words, can we expect the same magnitude of loss in coming quarters? Thank you.

Aldo Mareuse - *Orascom Telecom - Group CFO*

I'm sorry, I did not understand your question.

Delilah Heakal - *Pharos Securities - Analyst*

The losses, the \$34m loss booked against the Canadian venture. They're described in your press release partially as start-up losses.

May. 13. 2010 / 1:00PM, ORASYP - Q1 2010 ORASCOM TELECOM S A E Earnings Conference Call

Aldo Mareuse - *Orascom Telecom - Group CFO*

Yes, yes.

Delilah Heakal - *Pharos Securities - Analyst*

So is part of that \$34m are non-recurring items pre-operating expenses?

Aldo Mareuse - *Orascom Telecom - Group CFO*

Well, it's -- obviously when you start a company you have the expenses and you don't have the revenues so that's what we call the start-up losses.

Delilah Heakal - *Pharos Securities - Analyst*

Okay, but they don't include one-off items then?

Aldo Mareuse - *Orascom Telecom - Group CFO*

I'm sorry?

Delilah Heakal - *Pharos Securities - Analyst*

They don't include non-recurring items.

Aldo Mareuse - *Orascom Telecom - Group CFO*

No, no.

Delilah Heakal - *Pharos Securities - Analyst*

Okay, thank you.

Operator

The next question comes from the line of Richard Barker. Please go ahead with your question announcing your company. Thank you.

Richard Barker - *Credit Suisse - Analyst*

Thank you, it's Credit Suisse. The first one is quite simple really. There's a \$50m odd worth of CapEx which is classified as Other. I just wondered if you talk a little bit about which businesses that is allocated between if you could.

The second question is perhaps a little bit more complicated and that's to do with the Mobinil settlement. I'm just a little bit confused frankly as to why you are deconsolidating it, given that the statement you have put out says that decisions at the Mobinil level require the full approval of all of the OT directors? My understanding would be that that effectively gives you a

May. 13. 2010 / 1:00PM, ORASYP - Q1 2010 ORASCOM TELECOM S A E Earnings Conference Call

blocking vote and my understanding under IFRS would be that that therefore means the business is joint controlled and not an associate. Could you talk a little bit about exactly what has changed in terms of the relative voting rights and the freedom to run the business and why it is that your influence has essentially diminished?

Khaled Bichara - *Orascom Telecom - Group CEO*

Okay on the first question, mainly on the CapEx in Other is MENA the cable we're doing being Italy, crossing Egypt, going into Saudi and then into the UAE. And also it includes LINKdotNET, it includes North Korea. So this is all in the \$50m.

Richard Barker - *Credit Suisse - Analyst*

Sorry, just to interrupt you there, Khaled, the Korean CapEx and the LINKdotNET is that significant?

Aldo Mareuse - *Orascom Telecom - Group CFO*

Look \$55m, I would say probably more than have is MENA, probably 20% is North Korea and the rest is -- 30% is North Korea and the rest is LINK and other stuff.

Richard Barker - *Credit Suisse - Analyst*

And in terms of completing that MENA cable project, how much more spend do you have to go?

Aldo Mareuse - *Orascom Telecom - Group CFO*

About \$150m.

Richard Barker - *Credit Suisse - Analyst*

Okay, thanks.

Khaled Bichara - *Orascom Telecom - Group CEO*

Okay. For the accounting question, obviously this is a view, but we had a long term with KPMG our auditors and this is their reading of IFRS, that we consolidate under the equity method. It's not our intention not to consolidate proportionally but that's basically the result of a long discussion we had with KPMG.

Richard Barker - *Credit Suisse - Analyst*

Can you say anything about what exactly has changed then? I mean it doesn't seem from what is written in your release that a great deal has changed?

Khaled Bichara - *Orascom Telecom - Group CEO*

Look, it's as we said publicly, it's a rearrangement of the shareholder agreement and their view based on the IFRS accounting is that we will account under the equity method.

May. 13. 2010 / 1:00PM, ORASYP - Q1 2010 ORASCOM TELECOM S A E Earnings Conference Call

Richard Barker - *Credit Suisse - Analyst*

Okay.

Operator

Our next question comes from the line of Alexander Balakhnin. Please go ahead with your question.

Alexander Balakhnin - *Goldman Sachs - Analyst*

Yes, hi again. I just want to understand the dynamics of the Algerian business a bit better. My question is, basically should we treat the first quarter revenues as a sort of normal revenues? And is it proper to apply a normal seasonality to the first quarter revenues to get to say 2010 numbers? Or are you still suffering from the high competition in the market and first quarter revenues are not like normal, are not representative.

Aldo Mareuse - *Orascom Telecom - Group CFO*

Look, as you know, because of the crisis we had in November it has obviously impacted Q4 obviously in the second half of Q4 and not in the first half of Q4. Then in Q1 you obviously try to recover the brand so you, as we said, there is some impact on suspension of some post-paid accounts. It is a bit too early to say what is the run rate for the quarter revenues in OTA until things are stabilized. And frankly speaking they're not stabilized yet.

Alexander Balakhnin - *Goldman Sachs - Analyst*

And from this standpoint of what you've seen for the half of the second quarter already, do you have the feeling that you managed to mitigate all this negative consequences which happened at the end of the fourth quarter?

Aldo Mareuse - *Orascom Telecom - Group CFO*

As I said, you know, the revenues are not stabilized in OTA and keep on, even with the April numbers they're still not stabilized.

Alexander Balakhnin - *Goldman Sachs - Analyst*

Okay. Thank you.

Operator

Our next question comes from the line of Martin Mabbutt. Please go ahead with your question announcing your companies.

Martin Mabbutt - *Nomura - Analyst*

Oh hi, it's Martin at Nomura. Just a quick one. I was surprised to read in the papers this morning that you're apparently looking at Polkomtrel. I know you've obviously got a lot going on on your M&A plate, but is that something you can say anything about?

May. 13. 2010 / 1:00PM, ORASYP - Q1 2010 ORASCOM TELECOM S A E Earnings Conference Call

Khaled Bichara - *Orascom Telecom - Group CEO*

As I will say to you always we always look at opportunities and evaluate them and see if they fit, whether with our investment strategy or they add synergies to the other businesses, how much it will cost us and so on, especially in times where we're questioning our existence in some markets. So for now, like any other opportunity we have been presented to, we look into them seriously and we take what decisions we think are best for our shareholders.

Martin Mabbutt - *Nomura - Analyst*

Okay, thanks.

Operator

Our next question comes from [Hinda el Guindy]. Please go ahead with your question announcing your company name.

Hinda el Guindy - *NBK Capital - Analyst*

Yes, it's Hinda from NBK Capital. I'm just wondering how much, double checking how much you're getting for LINKdotNET from Mobinil? And what would be your balance sheet value for your investment in Canada? And how do you see the entrance of the third mobile in Tunisia, how would that affect you?

Khaled Bichara - *Orascom Telecom - Group CEO*

Okay. For LINK and Mobinil, as said, the deal is not finalized yet. The enterprise value was valued at \$130m and we're working towards a finalization of the deal so it's not done yet.

For Tunisia, the third player comes in was an advantage of 3G and fixed line that Tunisia does not have and this is why we've been building up the brand and building the customer base before they come in. We're working a lot on community based tariffs to leverage the current size and market share. We are very interested in looking very closely to when we will be able also to get our 3G license. So we believe at the current penetration, of course, the third player will have space but the market is pretty highly penetrated for a third player to start today.

Indeed there was a third question?

Hinda el Guindy - *NBK Capital - Analyst*

Yes, regarding your balance sheet value for your Canadian investment.

Aldo Mareuse - *Orascom Telecom - Group CFO*

Sorry?

Hinda el Guindy - *NBK Capital - Analyst*

Your investment in Canada.

May. 13. 2010 / 1:00PM, ORASYP - Q1 2010 ORASCOM TELECOM S A E Earnings Conference Call

Aldo Mareuse - *Orascom Telecom - Group CFO*

Yes, sorry, yes?

Hinda el Guindy - *NBK Capital - Analyst*

What would be the value on your balance sheet for that?

Aldo Mareuse - *Orascom Telecom - Group CFO*

Well we have obviously, we have the equity we have put on and the loan we have made. So, as I said before, we have probably put around CAD600m in the forms of loans and equity.

Hinda el Guindy - *NBK Capital - Analyst*

Okay. Thank you.

Operator

(Operator Instructions). We appear to have no further questions at this time. I'll hand the conference back to you. Thank you.

Khaled Bichara - *Orascom Telecom - Group CEO*

Thank you very much.

Aldo Mareuse - *Orascom Telecom - Group CFO*

Thank you.

Operator

Ladies and gentlemen, thank you for your participation today. This concludes today's conference. You may now disconnect your lines, thank you.

DISCLAIMER

Thomson Reuters reserves the right to make changes to documents, content, or other information on this web site without obligation to notify any person of such changes.

In the conference calls upon which Event Transcripts are based, companies may make projections or other forward-looking statements regarding a variety of items. Such forward-looking statements are based upon current expectations and involve risks and uncertainties. Actual results may differ materially from those stated in any forward-looking statement based on a number of important factors and risks, which are more specifically identified in the companies' most recent SEC filings. Although the companies may indicate and believe that the assumptions underlying the forward-looking statements are reasonable, any of the assumptions could prove inaccurate or incorrect and, therefore, there can be no assurance that the results contemplated in the forward-looking statements will be realized.

THE INFORMATION CONTAINED IN EVENT TRANSCRIPTS IS A TEXTUAL REPRESENTATION OF THE APPLICABLE COMPANY'S CONFERENCE CALL AND WHILE EFFORTS ARE MADE TO PROVIDE AN ACCURATE TRANSCRIPTION, THERE MAY BE MATERIAL ERRORS, OMISSIONS, OR INACCURACIES IN THE REPORTING OF THE SUBSTANCE OF THE CONFERENCE CALLS. IN NO WAY DOES THOMSON REUTERS OR THE APPLICABLE COMPANY ASSUME ANY RESPONSIBILITY FOR ANY INVESTMENT OR OTHER DECISIONS MADE BASED UPON THE INFORMATION PROVIDED ON THIS WEB SITE OR IN ANY EVENT TRANSCRIPT. USERS ARE ADVISED TO REVIEW THE APPLICABLE COMPANY'S CONFERENCE CALL ITSELF AND THE APPLICABLE COMPANY'S SEC FILINGS BEFORE MAKING ANY INVESTMENT OR OTHER DECISIONS.

©2010, Thomson Reuters. All Rights Reserved.