

Qtel Group Q2/1H 2010 Results Call

17 August 2010



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Operator

Thank you for standing by and welcome to the Qtel Second Quarter Results conference call. At this time all participants are in a listen-only mode. There'll be a presentation followed by a question and answer session, at which time if you wish to ask a question you'll need to press star one on your telephone. I must advise you that this conference is being recorded today on Tuesday, 17th August 2010. I'd now like to hand the conference over to your speaker today, Mr Carson Wolfer. Please go ahead.

Carson Wolfer – Qtel Group - IR

Thanks, operator. Hello and a good afternoon. My name is Carson Wolfer, and as part of the Qtel Investor Relations team, thank you for joining us for today's call to discuss Qtel's 2010 Q2 and first half financial results.

As part of today's discussion, I am pleased to introduce Mr Ajay Bahri, Chief Financial Officer from the Qtel Group; Mr Nick Dent, Qtel's Chief Operating Officer; Mr Jeremy Sell, Chief Strategy Officer from the Qtel Group; and Mr Rick Seney, the Qtel's Group Chief Operating Officer. We will first open with an overview of the Group's results presented by Ajay, followed by a question and answer session.

Before we begin a few necessary disclaimer points, if you will please refer to slide number one. In the course of today's discussion we may make some forward looking statements. These will be based on the information available to us as of today and so you should not assume that in the future we will continue to hold these views. As such, we do not commit to notify you if our views change. We therefore refer you to our public filings for some factors that may cause forward looking statements to differ from actually future events or results. So, to begin, I will now hand over to Ajay. Ajay.

Ajay Bahri – Qtel Group – CFO

Well, thank you, Carson, and welcome to everyone on the call.

I'd like to begin by turning on to slide number three. Firstly, I'd like to highlight that the results have been very strong. The revenue has a gross increase of 14%, EBITDA by 15% and net profit for Qtel shareholders by 11% when compared year on year.

Secondly, Qtel's strong operational performance continues from Q1. In Qatar, the competitive dynamics remain firm but stable and we see an encouraging trend on a quarterly basis, with quarter two over quarter one's revenues, EBITDA and

EBITDA margin all increasing. In Indonesia, the initial positive start to the year continued through the first half as the strategy delivered strong top line growth.

The dynamics in the Group's mature markets continue to be supported and balanced by the Group's growth markets, with Iraq and Algeria again delivering strong performances. So overall a very positive first half which is underpinned by continued, consistent support from the financial community as evidenced by the successful refinancing of the existing present facility, with a new \$2 billion revolving credit facility. More recently, of course, Indosat was successful in pricing its ten year bond of 650 million US dollars. The Group has successfully maintained its credit ratings with Moody's and Fitch and has seen an upward revision of the S&P ratings to A from A-. The optimistic performance in the first half of the year should be maintained in the second half as well. Next slide please.

Let's look at the financial performance of the Group. We continue to see good performance. As I mentioned previously, consolidated revenue grew 14% over the first half of last year, reaching 13.1 billion QR. EBITDA similarly increased 15% over the same period last year, from last year, increasing to 6.27 billion. At the same time the EBITDA margins increased slightly to 48%. Next slide please.

Net profit attributable to Qtel shareholders increased year on year by 9% reaching 1.8 billion QR. The net profit needs to be reviewed very carefully in terms of [exception] license and compared to Q2 2010, if you were to compare 2010 Q2 to Q1 2010; Q1 was positively influenced by the Qatar royalty decision in March, which you will remember in the last call we gave details of that. If you were to compare Q2 2010 with Q2 2009, we now have to take into account the one-off recorded in Kuwait which was the reversal of the provisions they made as a result of the court decision in favor of the company. However, when you look at the net profit on a normalized basis, in Q2 2010 it was broadly in line with the EBITDA growth. I will get into more detail about the Q2 Group debt profile but let's look at the Group net debt and net debt to EBITDA ratios. Net debt of the Group reached QR, 24 billion, with gearing at two times EBITDA is well within the range we are comfortable with. Let's move onto the next slide please.

From a cash flow perspective, our combined operations continue to generate positive levels of cash. When we compare 2010 to 2009, a drop in the results, there's a significant change in the level of payables. This is basically the cash flow from operations which was impacted by changes in working capital. And as a result of the payment of payables, you see a drop in the cash flow from operations. In terms of capital expenditure, our investment program remains intact. First half results are currently trending below outlook which is more a reflection of project timing and associated commitments, not a change in our program outlook.

Moving onto the next slide, as far as the Group debt portfolio is concerned you can see that total debt and the associated profile remains consistent with what we have reported previously. The split between long term and short term maturing debt is a reflection of the success we have in re-profiling our debt profile; specifically Qtel's bond in 2009 is and the dual tranche facility in May of this year, are taken care of in the chart that you see, and more recently the Indosat bond has impacted the Group debt profile. If you look at where this debt is held, again Qatar continues to hold the majority of the Group debt with Indonesia holding approximately 28% and the balance split primarily amongst Algeria, Oman and Tunisia.

Moving onto the next slide, when we look at the Group debt maturity profile, our near term needs have been successfully addressed and as a result we do not have any requirements for additional financing at this time. The Qtel Group and its subsidiaries continue to be able to negotiate and obtain favourable terms on these facilities. We see these developments as a further vote of confidence in our company and our strategy.

Moving onto the next slide, as we always like to mention, we do not focus on headline subscriber numbers but we can see good organic customer growth. This is driven primarily by key markets such as Indonesia, Iraq, Algeria and Palestine.

The next slide, the chart is basically the financial performance for the first half of the year. As I mentioned earlier, the first half has been a solid period for the Qtel Group. We believe and we continue to have the right mix of assets, the right strategies and the right focus. We remind you of the guidance we have communicated in Q1 and look positively towards the balance of 2010.

Please turn onto slide 12. As both myself and our strategy officer, Jeremy Sell, have mentioned previously, our strategy and our focus has not changed. We continue to focus on delivering solid performance from existing assets and also remaining cognizant of potential opportunities in the market that align with our regions and areas of expertise and 20/20 vision. If and when there are any strategic developments to report these will be communicated to you accordingly.

Let's now turn onto slide 14 please. I would like to now provide an overview of the operations results in our key markets. As a reminder, I will also refer you to the section of the presentation starting on slide 24 as well as the breakdown operations workbook, both provide additional detail on each of our operating companies including sequential quarterly results..

Starting with our operations in Qatar Qtel; in terms of performance in the period while competition remains firm but stable, we've seen positive sequential quarterly movements in Revenue, 2%, and EBITDA 14% resulting from higher

revenue and reduced costs as and certain one off adjustments. As a consequence, EBITDA margins showed improvement by 6%. Cellular ARPU has increased despite a marginal reduction on sequential quarter basis in subscribers as a result of increased usage. In terms of the Virgin brand franchise agreement launched, after due consideration, ICT Qatar has concluded that Virgin Mobile is not present in Qatar either as an actual provider, seller or reseller of mobile telecommunication services, nor has Qtel established a separate corporate entity to resell its Virgin Mobile branded services. Virgin Mobile is a branded service of Qtel. However, ICT Qatar did determine that Qtel's Virgin Mobile could have been more clearly marketed during the period commencing 13 May 2010 and ending 18 May 2010 and has referred these issues to the office of the Attorney General for potential further action. Qtel awaits any decision from the office of the Attorney General.

Moving onto the next slide, Asiacell; Another strong performance in Iraq. Customer growth continued although the pace of that has been offset by the new government registration process. ARPU levels dropped slightly as a result of a higher volume of outgoing traffic. As mentioned on the previous call, the transfer to the new billing regime on a dinar per second basis has now taken place with minimal disruption. Asiacell remains well positioned to take advantage of its strong brand presence. Strong Revenue and EBITDA growth on a quarter on quarter basis is evident. Net profit is also very strong with a 12.5% increase over Q1 2010, but also includes a one-off reversal of interest payable to government as a result of the decrease in licence fee(unclear). Next slide please.

Indonesia; Indosat is undertaking a limited review of its first half results and I'm limited by the amount of detail I can share with you today. Indosat expects the completion and release of their reviewed results by August 24 2010 with an analyst call to be arranged shortly thereafter. The fourth quarter of successive subscriber growth and stable ARPY levels saw revenue increase by 6%. This included an increase of 10% in cellular revenues. EBITDA also show a positive increase both US dollar terms 7% and local currency terms, 9%, with margins remaining stable at around 50%. Net profit was impacted due to heavy foreign exchange fluctuations, especially if you compare it to last year where there was a huge foreign exchange gain was recorded because of significant movements in the first half of 2009. Overall Indosat has had a very positive start to the first half of the year as the strategy begins to deliver.

Moving onto the next slide, we'll discuss Nawras in Oman (unclear); another successful quarter for Nawras) which saw the scheduled launch of both its fixed business and the international gateway. Nawras is now a full service provider with both fixed and mobile services. Subscriber growth continued in the period with 8.4% in post paid customers and a slight increase in prepaid customers as MVNO competition continued. ARPU levels are down slightly in Q2 as a result of lower international usage in the prepaid segment. Revenue was down slightly on a sequential quarter basis as a result of one off roaming revenue booked in Q1; on a normalised basis revenue has increased by 1.6%. Q2 EBITDA was impacted slightly by increased costs predominantly resulting from investments in the network.

Moving onto the next slide, Wataniya in Kuwait; we have had a positive quarter in Kuwait in which the competitive environment continued to remain stable and Wataniya maintained market share. Customers grew by almost 3% predominantly in the post-paid segment with ARPU levels remaining stable. As you'll remember, on a quarter on quarter basis, the result needs to be read in the context of a one off arising from the successful MOC court case in June in 2009 which I referred to earlier. Revenue was up 3% on a sequential quarter basis as a result of higher data usage. EBITDA was up 15% as a result of higher revenue and control over network costs. There is no update on the regulatory environment which we have discussed in the past as well.

Moving onto the next slide, Algeria has had a good quarter this time. Performance in the period saw the effect of the Q4 2009 marketing push. Whilst the customer base was down marginally quarter over quarter as a result of higher churn, Nedjma has maintained market share. ARPU saw a marked increase in the period, with Revenue up 14% over Q1 2010 as a result of higher usage across prepaid, post-paid and roaming segments and of course as a result of the football season as well. EBITDA increased substantially by 29% [better] driven by higher revenues with costs remaining stable as marketing and regulatory increases were offset by a decrease in network costs. EBITDA margin stood at 39% for the period and we expect stabilization around this region, as far as the margins concerned, going forward. Net profit was influenced by FX fluctuations, with depreciation quarter on quarter of the Algerian dinar.

Moving onto the next slide, and finally this is Tunisia, Tunisiana. The effect of Orange's entry has been relatively muted, we haven't seen much competitive pressure as yet. We wait to see the result of that in the coming quarter. Tunisiana maintained its market leading position and increased the customer base by 3% in quarter two, with a series of strong customer offers. ARPU in local currency terms was up by 2%, but the FX impact shows this as a decline quarter on quarter in QR terms. Similarly, the Revenue was up 8% in local currency terms but flat in QR terms, as was the EBITDA which was up 7%. EBITDA margin remained in line with the prior period at 52%.

I think with that; that is the end of my presentation. Thank you everyone. I will hand it back to Carson.

Carson Wolfer

Thanks Ajay. We can now move to the Question and Answer period. As we have a reasonably limited amount of time on the call, we'd like to make sure that as many of you as possible are able to ask your questions, can we ask that you limit yourselves to a maximum of two questions when you have the floor. This should help us ensure that each of you gets the information you need and each of you get an opportunity to ask your questions. Operator, will you now please explain to the participants how to ask questions.

Questions and Answers**Operator**

Thank you. We will now begin the Question and Answer session. If you wish to ask a question, please press star, one on your telephone and wait for your name to be announced. If you wish to cancel this request, please press the hash key. So that's star, one to ask your question. Your first question today comes from Tatiana Boroditskaya. Please ask your question.

Tatiana Boroditskaya - UBS

Good afternoon gentlemen. Thank you for the presentation. A few questions if I may; can you please comment on any plans you have to issue any Eurobonds or raise any debt by the end of 2010 and into 2011? And can you please comment on the one-off reversal of provisions in Kuwait which took place in the second half of 2009, just to make comparable results for 2010? Thank you.

Ajay Bahri

Yes, definitely. As of right now, there is no refinancing requirement at Qtel level. We have already taken care of our refinancing needs until 2012 so there is no need for us to issue any Eurobonds as of now. We are generally opportunistic about markets, so but based on need, there are no requirements for us to issue further debt. The one off gain that was recorded in Kuwait in June of last year, the net impact of that to Qtel shareholders was a positive 344m QR. That needs to be factored in when you compare quarter on quarter. Also, one needs to look at certain FX fluctuations which were positively recorded in Q2 of last year, especially in Indosat. I believe these one off items need to be adjusted for the previous period to understand the operation performance. And that's why the EBITDA is more a reflection of the operating performance of the company.

Tatiana Boroditskaya

Thank you.

Operator

Your next question comes from Christian Kern. Please ask your question.

Christian Kern

Hi there, this is Christian Kern from JP Morgan. Two questions if I may; the first one, would you agree with the statement that the domestic marketplace has stabilized in terms of competition and if so, do you believe there's a risk of that competition to heat up towards the end of the year as and when Vodafone Qatar might recharge the marketing? The second question would be with regards to net additions number in Indonesia, it has slowed down dramatically, so I wanted to see how much of that was a planned strategy and what your plan going forward is, and how that ties into your capex for the country. Thank you.

Carson Wolfer

Nick, could we get you to answer the Qatar portion of Christian's question please?

Nick Dent - Qtel Qatar, COO

Okay. I mean, it's always a little bit difficult to predict what your competitor is going to do but what, I think what we're observing is that there's a continued aggression in the marketing of Vodafone with significant promotions at the moment on almost everything. But I think what we are witnessing is, if you like, the end of the price sensitive customers who are willing to, sort of, churn en masse to Vodafone. So it's their aggressive price promotions are impacting us far less now than what they would have done say six months ago. So, on that basis I would hope that the sort of stability would continue. And also in addition to that, Vodafone's sort of growing base means that they probably have to be more careful about what they give away in the future. However, we haven't seen them really enter the fixed market yet so it's possible in the future, on some sort of fixed internationals, some broadband, things like that, they may do something but I think that that's more likely to be next year because it will take them some time to establish those operations.

Christian Kern

Thank you Nick.

Rick Seney – Qtel Group, COO

This is Rick. With respect to Indonesia, as we've talked about before, the pattern in the industry is one that is very promotion driven. You see typically large swings and have seen typically large swings in the sizes of customer bases. I think if you look at the revenue trends you will find a measure much more reflective of what's actually happening in the way of the market and traffic and that sort of thing. Along the things that you saw, for example, with Indosat towards

the end of last year, providing a share of promotions, being aggressive at it; there were significant additions. We haven't seen the same level of those types of promotions. You see some of those highly cyclical customers and that portion of the customer base moving up and down. But I think that gives a wrong impression in terms of the underlying levels of traffic and the heartbeat. If you look at revenues, the key point is the company has registered the highest growth in a revenue sense in sequential quarter of all of those in the mobile business.

Christian Kern

Understood thanks for that Rick.

Operator

Your next question comes from Martin Mabbutt. Please ask your question.

Martin Mabbutt - Nomura

Hi, thank you. It's Martin Mabbutt at Nomura. Yes, two questions; the first is just again on Qatar. Obviously margins were very strong in Q2 relative to what the last couple of quarters have brought. I just wondered, you mentioned some exceptional credits. I wondered if you could give me an underlying margin number for the domestic business and what you think might be the case for the full year. And secondly, I think there was a negative 110 million QR in terms of the other items below the EBITDA line this quarter. Could you mention what that number was please?

Carson Wolfer

Nick, could we get you to address the first part on Qatar's...?

Ajay Bahri

Maybe I'll take that because there were some exceptional items.

Carson Wolfer

Okay. Sure. We'll Ajay go and then, Nick, if you want to add some colour to it.

Ajay Bahri

There were some exceptional reversals which were done this quarter. So, I think if you look at Q1 we had 52% EBITDA margin and it went up to 58%. I would say somewhere in between these two is where we would stabilise in terms of the actual improvement of the margins if you take off the one-off items. Nick, anything you want to add to that?

Nick Dent

Yes. I think, yes, we're seeing sort of 52% to 54% as being the range. The biggest thing, actually, that impacts the margin tends to be what's happening on the international promotions side of it. So, you can see margins change from anything up to about 5%, depending on how aggressive the international promotions are but we do tend to see fairly good elasticity when we do run those promotions. So, in terms of the actual underlying EBITDA number, it tends not to move that much but the top line and the margin does move quite a bit. But, yes, so 52 to 54 I think is a reasonable range at this point in time.

Martin Mabbutt

Okay. Thanks very much. And below the line, sorry, for the Group as a whole that 110 million negative?

Ajay Bahri

Negative number, which exact number is this? Where do you get this number from on the income statement?

Martin Mabbutt

That's from your earnings release.

Ajay Bahri

Okay.

Martin Mabbutt

It's just under Other Income. So, it's the same line where you had the, you know, the Kuwaiti provision last year and... But this year it's minus 110 million, I believe.

Ajay Bahri

Okay. The Other Income negative 110. Okay. This has a couple of pieces in this. Part of this will be impairment charges. We had some exchange losses the full year in a couple of entities as well. So, it's a combination of these two things.

Martin Mabbutt

Okay. That's fine, thanks.

Operator

Your next question comes from Mark Hammoud. Please ask your question.

Mark Hammoud - *Deutsche Bank*

Yes, actually my predecessor asked one of the questions. It was about the gain or loss on foreign exchange... on foreign currency exchange. So, 379 million last June, Q2 09, if we could have the exact exchange loss for this year to see the delta and, again, I didn't get the explanation on the lower capex... on the much lower capex for the first half, if you could just explain me a bit further about that.

Ajay Bahri

Okay. The exchange gain and loss is not given as a one-line item in the financial statements. So, it's not available directly in the financial statements.

Mark Hammoud

It used to be in the... as you know a separate line in Q2 09 and we had QAR 378.6 million as a gain, exchange gain.

Ajay Bahri

We've done some reclassifications now which are more in line with the industry standards but the... in that reclassification this item has gone into the Other Income expense line item now. But on the broad picture basis what I can tell you is that in Q1 of 2009 there was a very significant movement in IDR, appreciation of IDR, and as a result of this a huge gain was booked in Indosat, the movement after that was still positive but much lower and that's why, on a

like-for-like comparing basis, if you look at Other Income expense line item referred to in the earlier question and look at the six-month period or, in fact, the three-month period you had a loss for this year. But if you brought forward the gain for last year and deduct the loss for this year, you should get the clean number.

Operator

Your next question comes from Damon Guirdham. Please ask your question.

Damon Guirdham - Generation Capital

Thank you. I think the previous caller also had a question about capex and perhaps I'll add one on about capex but you could perhaps answer his question with regard to the explanation for the low level of capex in the first half. You said some, you know, programme timing but perhaps you could elaborate a little on that. And my question was, you've also said, look, the overall level of capex is still what you'd expected it to be for the full year. Perhaps you could remind us what your Group capex expectation is for the full year. And following on from that on capex, a lot of operators are currently being surprised by how aggressive the pricing is from vendors, particularly with the increased prominence of the Chinese lenders. So, could you perhaps discuss why your capex numbers are not... your expectation for the full year has not adjusted down? Because we're hearing from other operators that for a given level of capacity they're getting that cheaper because of the very fast falls in capacity pricing on the base station side.

Ajay Bahri

Yes, I think there's two pieces of an answer there. I'll take the initial piece and then Rick can handle the rest of the second part. As far as the current spend is concerned, what we've said is that there is no change in the programmes to be rolled out, so the programmes are still being rolled out as we said earlier. There can be a delay in the spend, where projects have started and there is a commitment to the vendor but the spend has not yet happened. So, the number you see is actual cash outflow. So, ongoing projects are not included in that number. But the point you were making is the programmes have not shelved. So, at the moment we don't update our guidance in the middle of the year and... The guidance was given in Q1 of this year and no update has been done for that. As far as prices are concerned, I think Rick may be able to add something to that.

Rick Seney

Sure. I think the levels of vendor pricing have been on our radar screen for quite some time. That's just not something that's arrived this year. We've been working on that aggressively. The plans and the expectations... The business plans for 2010 set high expectations on that. I think we've been operating against it but that was factored into the original capex numbers. The second thing I would add is I think many people in our industry have lost sight of what's happened for the local pricing costs, the SIM costs, the costs of towers, antennas, feeders and things that do not follow much of the same pricing trend as the electronics and for those old people in the industry, that used to be a small minority. In fact, in many markets now those types of costs are the majority of capex. Those are going to have very different dynamics to them than will the remainder of the electronics. So, I'd say two things. Number one, we've set very strong objectives for cost reductions in those when we did our plans. We've been managing against that. And also keep in mind that whatever those benefits are tempered to a degree because of the high elements now represented by the local costs which follow a different pricing paradigm.

Carson Wolfer

And, Damon, just to answer/add to your final question, guidance that we issued for capex at a Group level was QAR 8.6 billion to QAR 9 billion for the year.

Damon Guirdham

Perfect. Thank you very much.

Operator

Your next question comes from Stephen Pettyfer. Please ask your question.

Stephen Pettyfer - *Bank of America Merrill Lynch*

Hi, good afternoon, Stephen Pettyfer from Merrill Lynch. I have two questions, please. First, on Algeria, you know, phenomenally strong prepaid revenue growth both sequentially and year-on-year. Could you tell us what's working so well there? And, secondly, I wonder if you could just on the Tunisian IPO front, Orascom Telecom made the comment on their call that... or implying that the hold-up was due to their shareholder i.e. you. I wonder if you could update us on what's happening there. Thanks.

Rick Seney

Sure. Let me... With respect to Algeria two things. First, if you're looking at sequential quarter, there is a seasonal element to that. We saw the flipside of that last time. But factoring out seasonality, it also was a substantial increase and that's reflecting the trending that we spoke about in the last couple of quarters. There was a very strong push that began in Q4 leveraging the incidents of surrounding the Egyptian football matches and then the Nedjma sponsorship of the World Cup for Algeria and all of the excitement that came around that. So, there was a large volume of SIMs pushed into the distribution chain during that period and you're now beginning to see that really converted into revenues. There were lots of bonuses that were reflected as revenue reductions, things like that, discounts that came through that muted the actual financial... the revenue result and also depressed somewhat the EBITDA further because of the cost side of the equation. You're now seeing that now disappear from the scene. Moreover, you've seen a very effective and aggressive push of the company with a loyalty and a recharge bonus programme that's had a big effect. That and there continues to have been good growth in the prepaid corporate programme that the company's been consistently building and it's also been working on its own network of Nedjma shops expanding that's somewhat unique within the business that's helping drive SIM growth, particularly amongst the market segments that we like.

Carson Wolfer

Stephen, can you just repeat your Tunisiana question for us, please?

Stephen Pettyfer

Yes, sure. On the Orascom telephone call, when asked about the hold-up to the IPO, they mentioned the fact there was a... that you were... there was an issue too with you. I just wondered what that was.

Jeremy Sell – Qtel Group, CSO

Thanks, Stephen, it's Jeremy speaking. Well, first of all, there's no hold-up because there was no timetable announced. This is an IPO that we're considering with our partners. We're not obliged to do it. So, I don't quite know what that's about. In any 50/50 joint venture there's always a very delicate balance of power between the two parties and to date we've been very careful not to let any shareholder issues take away from management excellence and the results in Tunisia bear witness to that. It's an extremely successful business. And so we're being extra careful to make sure that if we go to an IPO in the future that that balance of power is maintained, and so I guess that caution is perhaps what they're referring to. But we're very comfortable with the way negotiations are going and we're very comfortable with our relationship with them and I don't think there's an issue here.

Stephen Pettyfer

Thank you.

Operator

Your next question comes from Nancy Utterback. Please ask your question.

Nancy Utterback - *European Credit Management Limited*

Yes. I wonder if you could update us as to what's happening with Moody's. Your rating still seems to be under review and; are you in discussions with them and do you expect an outcome any time soon?

Ajay Bahri

Yes, we are in discussion with them and I think they have to follow the process internally, they have had meetings, as they normally do with the management and the review which they've done is not restricted only to Qtel, they have done that with all government-related entities in the region. So, it's a process they're following for all companies here. We are hopeful to get a decision on that soon though.

Nancy Utterback

Okay. So, they haven't given you a timeframe?

Ajay Bahri

No fixed timeframe as yet but once there is a decision it will immediately be in public domain.

Nancy Utterback

Okay. Thanks.

Operator

Your next question comes from Kunal Bajaj. Please ask your question.

Kunal Bajaj - HSBC

Yes, hi, I have a question on Nawras IPO, I mean, how the IPO is going to be structured? Whether it's going to be fresh shares issued or dilution of existing holding of post IPO 40% shares, I mean, which implies that the effective stake of the company will go down from 55% to 33% but there'll be a cash inflow into the company as well. So, that's one. And, secondly, in Oman we saw that the ARPU of Nawras actually went down while Omantel's mobile ARPU remains strong. So, are there any promotions going on in Oman to which Nawras is losing out to Omantel? Thank you.

Jeremy Sell

Hi, it's Jeremy. I'll take the IPO question and it's a very short answer: that we can't really talk about that now. That's all in the planning stage. When it's going to be, how big it's going to be, whether it's primary or secondary and the way we're going to do that IPO is all being worked on very actively and we'll have more to say on that later. At the moment we're not saying anything.

Ajay Bahri

And as far as the ARPU is concerned, compared to last year, you're right, the decline is there but quarter on quarter we are seeing reasonable stable. There has been some impact due to lower usage of internationals and some seasonality element there but nothing apart from that.

Kunal Bajaj

Right. Thank you.

Operator

Your next question comes from Diala Hoteit. Please ask your question.

Diala Hoteit - NBK Capital

Yes, hi. I have two questions. The first one is related to Algeria. I was wondering why... what's the reason behind the drought in number of subscribers during the second quarter of 2010 and what's to be expected to change at end of the year? My second question is related to Oman. I noticed that in the second quarter you... Qtel acquired only 11% of the

net additional subscribers compared to the first quarter, when you acquired 34%. What's the reason behind this drop?
Thank you.

Ajay Bahri

Algeria number of subscribers, as Rick was pointing out to you earlier, in the fall there were huge promotions done by the company to capture market share and there was a natural) churn as a result of that which was expected and we acknowledged that on the previous call as well. So, what you see is somewhat of a natural churn resulting from that heavy push which was done in Q4 last. And we don't forecast customer numbers or, indeed, give other metrics for end of the year. So, I think we can only report on actual there.

Rick Seney

And let me just add that, as we talked about before, in Q4 there was a massive push to put SIMs into the distribution chain and take advantage of that door that was open. We saw it as a one-time opportunity and we pushed really hard. We knew at that time that there would be a meaningful portion of that customer base that would fall off. The net result, however, even if you take away the fall-off was what we sought and that is a large increase in the active customer base. So, as Ajay is saying, what you saw in Q4 come on in terms of a portion of that that wouldn't stick, it's sort of like a large meal going through a snake. It's more of a bump rather than a continuation that would be continuing throughout the year.

Diala Hoteit

Okay.

Ajay Bahri

Okay. As far as Oman is concerned, I think the promotional activities of the company vary from quarter to quarter. We do see some variations and seasonality in terms of net adds with a few companies at different points in time. Overall, though Nawras has maintained its market share to 48%. So, that's a reflection of where the company is today. There have been some increases in resellers in the market which are obviously impacted slightly but not really to a considerable extent.

Rick Seney

I think that's fair. That's fair.

Diala Hoteit

Okay. Thank you.

Operator

Once again, if you wish to ask a question, please press star one on your telephone. There are no further questions at this time. Please continue.

Carson Wolfer

Thanks, operator. Thank you all for joining today's call. Please refer to the Qtel Investor Relations website for additional updates or feel free to contact Investor Relations team, if you need further information. We look forward to your future participation in our Q3 nine-month 2010 update, the date for which we will announce in the upcoming months. Meanwhile, thank you, again, for your interest in Qtel and have a good day.

Operator

That does conclude our conference for today. Thank you, all, for participating. You may all now disconnect.