Qtel Group Q4/FY 2010 Results Call
2 March 2011

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Operator

Ladies and gentlemen, thank you for standing by and welcome to the Qtel Group Q4 and full year 2010 results conference call. At this time, all participants are in a listen-only mode. There will be a presentation followed by a question and answer session at which time if you wish to ask a question you will need to press * and 1 on your telephone. I must advise you all that this conference is being recorded today, on Wednesday March 2nd, the year 2011. I would now like to hand the conference over to your first speaker today, Carson Wolfer, please go ahead, sir.

Carson Wolfer – *Qtel Group - IR*

Thank-you operator. Hello and welcome, my name is Carson Wolfer, and as part of the Qtel Investor Relations team, thank you for joining us today to discuss Qtel's 2010 full year and Q4 financial results. As part of today's discussion I am pleased to introduce Dr Nasser Marafih, our Chief Executive Officer of the Qtel Group, Mr Ajay Bahri, the Chief Financial Officer of the Qtel Group, Nick Dent Qtel Qatar's Chief Operating Officer, and Mr Jeremy Sell, the Chief Strategy Officer of the Qtel Group.

We'll first open with an overview of the Group's results followed by a question and answer session. Before we begin, a few necessary disclaimer points; if you refer to slide number one, please. 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 those 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 actual future events or results.

So to begin I will now hand over to Dr Nasser, who will walk through some introductory remarks; Dr Nasser.

Dr. Nasser Marafih - *Qtel Group CEO*

Yes, thank you Carson and I would like to welcome you all to our analyst call for 2010. Let me start by turning to slide number three, please. Again, as you can see, in the year 2010 our results were solid and we have delivered a very consistent financial result. When comparing year-on-year, our revenues have increased by 13% and our EBITDA by 11%, and net profit attributable to Qtel shareholders by 2%. I think we will be given more details on both later by our CFO. And you can see that, you know, we have also met our guidance for 2010 and we have exceeded that.

Again, we believe that 2010 was also a very good year in terms of executing to our financial strategies. We have concluded two successful IPOs in two of our subsidiaries, in Oman and in Palestine, for Nawras and for Wataniya, Palestine. And those actually were done very successfully during this year in spite actually of the financial market during 2010. Also I think we were actually successful in consolidating 75% of the shareholding in total, by acquiring an additional 25% in Tunisiana. And that was actually closed also during this year.

Also, I think the year 2010 has seen an excellent demand from the global capital and loan markets, with bond issuance of US$2.7 billion and US$2 billion syndicated loan facility. In terms of the operation, of course also the results have seen strong performance across the Group, especially in Qatar and in Indonesia, in spite of the competitive pressure that were in these two markets. Quarter growth trend continues in Iraq and Algeria, and we have solid and stable performance in Tunisia, Kuwait and Oman. Those in summary are the highlights.

Again I think maybe it's important for me to highlight what I'm sure is in the minds of many people: about the events that are taking place in the region. Of course we, so far, think we believe that this has not affected most of our operation, and we have actually seen that because we operated in those environments before. And we believe that the demand for these telecom services is going to be there despite the challenges in the region. In fact, we have seen in some situations demand actually for those services increase because of these events. So I think we have seen - and we think actually we can manage all of these challenges I think, in this coming year. Again, with that I will, you know, I will hand over to our CFO, Ajay Bahri, to take you through the financial results.

Ajay Bahri – *Qtel Group – CFO*

Thank you Dr Nasser. Let me go straight to slide number four, which gives you the highlights of the performance in terms of revenue and EBITDA. As mentioned earlier by Dr Nasser, the revenues are up 13% year-on-year, reaching QAR27.2 billion. Similarly, EBITDA is up 11%, increasing to QAR12.5 billion. The EBITDA margin during the period has remained relatively stable at 46%.

Now let's move on to the next slide. Net profit for Qtel shareholders has increased on 2% year-on-year, reaching QAR2.9 billion. I'd like to highlight one thing; if you look at the presentation, it does show you the impact of foreign exchange in the net profit. In 2009, there was a huge foreign exchange gain, primarily coming from Indosat, which is not repeated this year. And I would also like you to recall that there are two one off items, one in 2009 where the – we had booked a profit in Wataniya Kuwait for the reversal of their fees when they won the case against the government. And this year, in the beginning of the year, we had a royalty reversal benefit in Qatar. So if we were to exclude these one off gains in 2009 and 2010, and strip off the FX movement, which is not really an operational performance, the net profit is higher which is a reflection of the operational performance.

In addition to that, as we've highlighted in our press release, on the Nawras IPO we have made a gain of QAR557 million, which has been taken straight to retained earnings. This is in compliance with IFRS; this cost doesn't flow through the profit and loss account. If you look at the distributable profits, the increase is about 21% in 2010 compared to 2009.

I will be getting into more details about the Group's debt profile but at a high level, the Group's net debt is at 22.5 billion and the net debt to EBITDA gearing at 1.81, and as you can see, this is a substantial reduction on where we were last year. So we are generally quite satisfied on the debt reducing and getting that down. Next slide please.

This slide shows you the cash flow and the capex numbers. From a cash flow perspective, our combined operations continue to generate positive levels of cash. Now you see a substantial increase in free cash flow for the year; this is driven by three items. There's an EBITDA increase of almost 1.2 billion, the capex, as you can see in the adjacent chart, is down about 1.4, and then the Nawras IPO proceeds of almost 600 million have also contributed to higher free cash flows.

In terms of our capital expenditure, our programmes remain on track. Capex on a total basis has gone down, compared to last year and in fact is below the guidance level we've given you. But at the same time, this is not a reduction of the programme itself. But more resulting from delays in rolling out some of the network items, and this can be seen as a reflection in the capital commitments that you see in the financial statements a positive QAR2.8 billion.

Moving on to the next slide, as far as the Group's debt profile is concerned, you can see that the total debt now contains the bonds that we'd issued in Q4. We talked about this on the last call so I will not repeat the details. And as you can see, the split between the long term and short term shows the success of our strategy of re-profiling our debt in 2010. We're quite satisfied with the mix now and there's very little refinancing or liquidity risk for the Group. In terms of the percentage of debt holding, a large percentage of this sits at Qatar level, almost 72%. And the next highest level is in Indonesia, followed by Algeria, Oman and Tunisia. Next slide please.

This is the debt profile of the company. I remember we shared this with you in the last meeting as well. The key take away here really is that once we repay the 2012 $3 billion maturity, which is substantially covered by the cash we already have, the future debt refinancing is close to $1 billion approximately per year, which we believe is a very comfortable level even in difficult times, for us to refinance. We see these developments as a further vote of confidence in our company and our strategy. Next slide please.

This slide shows you total and proportionate customers; the customers on a total basis have gone up by 23% reaching 74 million. On a proportionate basis, a similar increase reaching 41.6 million. Again, we saw growth in most of our markets but primarily in Indonesia and Iraq. Next slide please.

This slide basically gives you an overall summary of what I just told you. Good growth in revenue and EBITDA; we've exceeded the guidance of 5-10% growth over previous year. On the capex side, like I said, we are below the guidance level; part of this is the control on the capex we've been exercising. But, at the same time, some resulting delays in rolling out networks. So there's not a cutback on the capex programme but just a delay in implementation. You can please turn to slide number 12 and I will now hand it over to Mr Jeremy Sell, the Chief Strategy Officer.

Jeremy Sell - *Qtel Group Chief Strategy Officer*

Thanks Ajay. As in previous years, I've just got a couple of slides on the Group's strategy and, as in previous years, there really is no change in our underlying strategy. Let's just briefly remind ourselves: the focus from 2006 to 2009 was to expand in the three geographies that we identified back in 2006 in the three lines of business. And that has – that has not changed; what has changed is that during 2010, as we evolved as an organisation, so our strategy became more defined and more granular. In 2010 we focused much more on total shareholder returns and indeed, going forward into 2011 all our Group CEOs and Group Management will be incentivised, on their KPIs over the next three years, much more on financial return on capital employed and capital efficiency metrics, than has been the case previously.

Let me talk about some of that granularity that we're seeing in 2011. Following on from our Board workshop in November, and that's now been taken into Group strategy, we've got Group-wide initiatives that will be driven at Group level but will have a far-reaching implication in each operation.. The first of those of course is our cost optimisation programme; that's under Ajay's jurisdiction and supervision. And for each operation we're having a fundamental, bottom-up look at their cost base – not only in opex but also in capex, to see where we can outsource, where we can do things more efficiently, where we can share more. So that's well underway and we hope to have some results from that later in the year.

Our capex efficiency drive continues on. I've talked about everyone being incentivised on KPIs. But that will continue to be an increased area of focus for us in 2011, as we seek to squeeze more out of our suppliers. But also, to build networks in a smarter way. Converged broadband is something that's not new to us; we decided to get much more involved – in fact one of our strategies is consumer broadband. However we're calling it converged broadband because we're beginning to see increased reliance on hybrid fixed and wireless solutions to broadband needs.

This isn't uniform across our Group because of the various maturities, differing maturities in each of our markets. However, this year we will be looking at solutions that cover more than simply wireless, fixed and WiMax. In B2B ICT or enterprise, if you like, that's long been a strategy of ours, but we've been focused more on mobile. That has come to the fore; we have begun a Group-wide market review of B2B opportunities in each of our markets; again, it's not the same everywhere. The enterprise opportunities in Algeria are completely different from those in Kuwait, for example. So we can't take a one-size-fits-all. But that is an area that we expect to have more to say on, and we're certainly putting a lot of focus into it now.

We've begun to look at other, adjacent markets, some of which we are in already, some of which we'd like to be in. Examples of these might be data centres, access into new fibre, perhaps thinking about MVNOs in some of our markets. And that will – that will underlie our effort to focus on our existing markets, and try and be all we can be in those markets. That's a phrase we've taken from the US military; we want to develop where we're already there. That doesn't say that we won't be looking at opportunities as they arise, and recent uncertainties in the region will drive some prices down. And that – that will help us, where previously we've been put off by high prices being a barrier to entry.

Moving to slide 13, where is the growth coming from, where do we see our strategic initiatives bearing fruit? Well, we'd like to get more of the assets we like; we've done that in Tunisia and we continue to look at other assets where we've made a successful investment but we don't yet own all the shares. We will continue to drive Group synergies; we've done well on the framework agreements; we've done well on shared services. We believe there's more out there and that is an area of focus that will not slacken.

We've improved our capital structure – Ajay and the team have done a terrific job on the bonds. We have successfully accessed two capital markets in equity this year, Palestine and Oman, and that is something we're actively looking at in several markets, going forward. I've talked about focusing on adjacent growth in B2B and other adjacencies, and we are certainly looking beyond mobile, into converged broadband.

So I guess my final message is no change in underlying strategy, but the granularity and the initiatives that we're doing across the Group will hopefully link the opco performance and strategies over the next three years much tighter to where we want to be in the Group. With that, I'm going to hand back to Ajay.

Ajay Bahri

Thank you, Jeremy. Next I would like to provide you with an overview of the operational results in our key markets. As a reminder I would also refer to you the section of the presentation starting on slide 25, as well as the breakdown by operation workbook. Both provide additional details on each of our operating companies including sequential quarterly results.

I'm on slide number 15 now. Starting with our operations in Qatar Qtel: in terms of performance in the period, we have seen a continuation of competitive pressures, particularly in terms of mobile pricing. Revenue was up on a quarterly basis about 4.5% and more or less in line with what we'd achieved in 2009, quarter four. EBITDA was impacted as a result of lower growth margins, with a corresponding impact on EBITDA margin as well. And this is resulting from high cost of sales as international pricing has gone down and the usage has gone up. Annual margins have been 53%, which is in line with our expectations. We continue to await any decision from the office of the attorney general on the ICT Qatar decision on Virgin and have no further developments on what we told you last time.

Moving on to next slide, Asiacell Iraq, another strong performance in Iraq. Strong revenue and EBITDA performance on an annualised basis, 21% increase in EBITDA. EBITDA was impacted in Q4 principally as a result of an increase in spectrum fees, retroactive to 2008, with a corresponding impact on EBITDA margin. Now the three-year spectrum fee relates to transmission and there was some ambiguity in the interpretation of the licence conditions. The government has finally come and claimed this amount so to be on a prudent basis a full provision of this has been taken in the books. The EBITDA, as you can see, for the quarter is down 150 million primarily on account of this issue. This has impacted the net profit as well; if you were to exclude the one off item the normalised net profit would have been higher by 33 million. Customers have continued to grow with a significant increase in net addition in Q4 over the previous quarter. Next slide please.

Indonesia: as we've mentioned in the previous quarterly analysts calls, as long as Indosat has not released its full results we are limited to the level of detail we can share with you to generally restricted to the press releases which they have given. They do expect to release the results on March 24th. Now we've seen a sixth successive quarter of stimulus of subscriber growth despite an intensification of competitive dynamics in the period. On a full year basis revenues were up 6% and EBITDA was up 11% in local currency; this is based on the IFRS report. The numbers that you would see in the press release are based on INDOGAAP, so you would see a difference in the numbers.

EBITDA has remained stable and in line with third quarter with the margin increasing to 53%, as the cost efficiency programmes continue to deliver. Net profit has been impacted by FX movement in quarter four; quarter three had an FX gain whereas this is offset in Q4 by an FX loss. This is obvious from the foreign currency movement. For the full year the EBITDA is up but offset by items below EBITDA, which has impacted the net profits. Items below EBITDA generally are depreciation interest and the foreign exchange

Moving on to the next slide, Nawras in Oman: another successful year with continued growth in EBITDA. Subscriber growth continued in the period amid continued competitive pressures. As we've talked about earlier, there was a successful IPO in Q4 with strong international subscription levels. The company continues to focus on high value market segments, to maximise potential of full-service solutions now that even the fixed line services are being offered by the company.

Q4 revenue increased – the one off increase in Q4 you will see is because of grossing up of recharge commissions to be in line with IFRS. If you exclude this one off adjustment the growth is about 4%, Q3 to Q4. The EBITDA for Q4 also includes some previous period cost; if we exclude that one off item, the EBITDA growth also is 5%. And if we exclude the one off revenue increase and one off items, the underlying business growth is in line with expectation. Just as a reminder, the Q4 2009, there was an extraordinary roaming revenue item recorded by the company, which has resulted in high EBITDA and profit.

Moving on to the next slide: Wataniya, Kuwait. A positive quarter in Kuwait with the competitive environment remaining stable and Wataniya gaining market share. Customers continue to grow across both pre- and post-paid segments; revenue was up 10% against the previous year, with three consecutive quarters of revenue growth. EBITDA was up 6% on a full-year basis with the EBITDA margin also up to 45% for the year. Q4 was up due to seasonality as Q4 is generally a good season. The high net profit due to reversal of provision for legal fees, which was reversed in quarter four, this was related to the Ministry of Communication case, which we've talked about earlier. And once the legal fees were settled the excess provision has been reversed, and as a result of this, the EBITDA margin's higher and reaching 47% as a combination of this issue and the revenue increase. Wataniya will continue to focus on growth market segments going forward. As far as the regulatory environment is concerned, there has been no new update on that from what we told you last time.

Moving on to the next slide, Algeria, Nedjma's performance in the period saw substantial increase in revenue and EBITDA, 24% and 43% respectively, very healthy growth. The customer base rose marginally quarter-on-quarter as Nedjma grew market share with high penetration in youth segment despite ongoing clean up of the subscriber base. EBITDA in Q4 increased substantially quarter-on-quarter, at 13%, against higher revenue of 6.2% and lower cost primarily on promotions and marketing. EBITDA margin stood at 38% for the year, an improvement from the EBITDA margin of 33% in 2009. Next slide please.

And finally, Tunisiana, where we've gained 75% control through Wataniya post period close. Just to add to the comments made by Dr Nasser earlier, while we cannot get into the details of 2011 forecast I'd like to emphasise that there has been no damage to the network infrastructure there, as well as all Tunisian employees are safe. There was damage done to some points of distribution but this was not unique to Tunisiana or telecom companies.

Tunisiana maintained its market-leading position and increased its customer base by 2% in Q4, as increased investment in marketing took effect. As yet there continues to be limited impact from the third operator. Revenue was impacted in Q4 by an accounting adjustment, the treatment of telecom tax, which is now being netted off from the revenue. The agreement with the auditors was not to show it as revenue but net it off. So the full year impact was taken in Q4; excluding this, the one off impact on the revenues, we're down 3.7% compared to Q3.

Line Disconnection

Carson Wolfer

Okay so, maybe Ajay if you can just reiterate what you talked about on the Maldives and Saudi Arabia.

Ajay Bahri

Sure, definitely, I think I made the point about Tunisiana that because of seasonality impact in Q4 the revenues are down about 3.7% after adjusting for the one off tax adjustment on the revenues. That was expected, so we're quite happy with it. I was highlighting in addition to that two entries that we've made in Q4 in Maldives. Now we have a submarine cable system, for which we had reassessed the value of that system and the value was adjusted downwards, taking into account the pricing in the international lease circuit. So you will see that profits of Q4 of Maldives are down, not due to operational reasons because of this one off adjustment. Similarly in the results for associates you will see a decline in the profits there. This is coming from our investment in Cambodia through our Asia Mobile Holdings where, due to competitive pressures, we have reassessed the value of our investment there.
With that I'd like to hand it back to Carson.

Carson Wolfer

Thanks Ajay, sorry everyone for being disconnected. We can now move to the question and answer period. We'd like to make sure that as many of you as possible are able to ask a question, so if we could please ask that you limit yourself to a maximum of two questions when you have the floor. If you'd like to ask additional questions you can get back into the queue; this should help us ensure that you get the information you need.

Operator, will you now please explain to the participants how to ask questions.

Questions and Answers

Operator

Certainly sir, thank you. Ladies and gentlemen, we will now begin the question and answer session. If you wish to ask a question please press * and 1 on your telephone and wait for your name to be announced. If you wish to cancel your request please press the # key. Once again, that's * and 1 if you wish to ask a question. Your first question comes from Christian Kern from JP Morgan, please ask your question.

Christian Kern – *JP Morgan*

Good afternoon, gentlemen, it's Christian Kern from JP Morgan. Two questions if I may: the first one is can you elaborate a little bit more about the licence fee payment in Asiacell, which has put pressure on your margin there? Basically, what is the underlying run rate you would expect for the next quarter, probably? And the second question is on the bonus shares you have issued, which are proposed and recommended by the Board of Directors to the general assembly. What is the thinking behind it? Maybe Jeremy you can touch on that one; is it cash preservation or is it just because the market likes it, or why is that?

Ajay Bahri

Okay Christian, let me take the first question first. Asiacell, the spectrum fee is, like I said, for the last three years you've seen that impact come in Q4. And like I said, although we've provided for that, the actual amount that will be finally agreed with the government is still open and is being discussed. If you take the run rates, which have been provided for, it will be about $1 million per month.

Christian Kern – *JP Morgan*

Sorry, what was the number, 1.5?

Ajay Bahri

It will be $1 million per month approximately. So on a monthly basis, annual basis is not significant, but coming in quarter four for three years obviously has had a bigger impact.

On bonus shares whether it's combination of – we're looking at the liquidity of the stock and ensuring that some liquidity increase happens there. And as far as the cash preservation issue is concerned I think maybe Jeremy can talk about some M&A things that we're looking at, which are in the public domain.

Jeremy Sell

Yes, we – on the cash preservation, we are looking at some acquisitive activity. We've talked to you before about being involved in the Syria third licence process; now that process is not completely clear to us. And it's quite hard to understand exactly how much the licence will cost. So we wanted to keep some reserves back for that. Clearly we won't do it if we're not happy with the financials and we've pulled out of licence bids before, principally in Egypt and Saudi because the economics were just wrong. So I don't want you to think we're keeping a ton of cash back to just buy stuff willy-nilly. Syria is on the cards; we expect that process to come to a head in April time.

In terms of the cash, I think Ajay addressed that; we wanted to keep some liquidity because of the bonus shares and people can, if they want to take a bigger dividend, they can sell their stock and also create a little bit of liquidity. But there's no – there's no pending mega-deal that we're planning right now for us to keep the cash back.

Christian Kern – *JP Morgan*

That's very helpful, thank you.

Operator

Your next question comes from Kunal Bajaj from HSBC, please ask your question.

Kunal Bajaj - *HSBC*

Yes, hi, thank you for the opportunity. I have a couple of questions. Can you tell me how much is the roaming revenue as a percentage of total revenues in some of your markets like Tunisia and Algeria? And secondly, in Qatar I gather there was again a promotional activity certainly on international call prices. Now I would like to get your views on where do you see international call prices heading in the long term in Qatar? Is there any floor to these prices or if they continue to decline further? I mean, has the regulator stepped in to keep a tab on the reduction on the prices? And finally I would like to know how much is the contribution from international calls to the Qatari revenues, thanks.

Ajay Bahri

Okay let me take the first and the third question. Now this information we've not released in the past in public domain but having said that, we will review the need to release it. And if we do decide we'll share it with you eventually. Now Nick, you please on international calls.

Nick Dent - *Qtel Qatar Chief Operating Officer*

Okay, sure, with regard to the promotional activity, I think quite a lot of that is actually in Q1 of 2011 rather than Q4 of 2010, so you have to wait and see the results of that. But as far as Q4 is concerned, you know, we're more or less in the same position that we were the previous Q4 and the delta between Q3 and Q4 was much less, in terms of decrease, this time around. So overall we're feeling quite positive about things.

With regard to the price floor, the regulator has talked about price floors in the market and however, it's unclear as to exactly the mechanisms that they will impose to regulate a price floor or not. I – you know, it's - anything forward looking is a little bit of speculation, but I don't foresee significant downwards spirals from where we are now. I think – I'm hoping that both Vodafone and ourselves have, you know, we've reached a place that we're comfortable with.

And with regard to contribution of international calls as revenue, I don't think that's something that we disclose at the moment. But the one thing that I would emphasise there that definitely it's a significant line item. Two things to bear in mind about international calls: what you will notice as you look back at our results is that the biggest thing that varies when the price changes the margin as opposed to the revenue. So there's quite a lot of elasticity in there. So revenue-wise you tend to end up in a similar situation, but it costs you more the lower the price, because there's more traffic that you have to terminate. And you saw a little bit of that towards the end of Q4. And definitely the type of customer base that Vodafone has, and the way that they structure their pricing, international calls as a percentage of their ARPU I would anticipate would be far in excess of where ours are. So those would be the observations I'd offer.

Kunal Bajaj – HSBC

Thank you, that's very helpful.

Operator

Your next question comes from Martin Mabbutt from Nomura, please ask your question.

Martin Mabbutt - *Nomura*

Oh yes, good afternoon, yes, it's Martin from Nomura. Just two questions: firstly, on the capex. As you said, you sort of under spent this year, you know, what are your thoughts about 2011, how much catch up, together with, you know, your anticipated spend in 2011 should we expect to see? And the second I just sort of want to get a bit more understanding on the dividend. I mean, you partly addressed it with the issue of bonus share. But, I mean, clearly you've halved the dividend basically or virtually over the last couple of years, despite, you know, good underlying performance. I mean is there a level of payout that you think this company sort of should be looking at? Or, you know, is it just going to oscillate sort of, you know, fairly wildly over the next period? Thanks.

Ajay Bahri

It follows the guidance for the capex for 2011; it's confirmed we would be doing that towards the end of this month. It is generally done when we have the general assembly and we discuss that with you in the call for Q1 towards the end of April. So you'll have to wait until we actually announce that. But on a big picture basis, yes, our capex is continuing and there is a spill over from 2010 into 2011, in terms of the capex.

As far as the dividend's concerned, there is no stated dividend policy of the Board with a minimum payout ratio or a growth policy. What we've said in the past is that on a yearly basis the Board does review the needs of the company as well as the future opportunities and balances shareholder return with growth opportunities. And, as you said, there's a 50% decline from where we were two years back. But, at the same time, you will see that we increased in 2008 to almost 100% as well. So I think you need to balance this out in terms of looking at 2008 as an exceptional year, rather than looking at this year, which the dividend payout from profits is the same as last year, in terms of returning cash and bonus shares to shareholders.

Martin Mabbutt – *Nomura*

Yes, okay, thanks.

Operator

Your next question comes from Marc Hammoud from Deutsche Bank, please ask your question.

Marc Hammoud – *Deutsche Bank*

Hi, good afternoon, Marc Hammond from Deutsche Bank. Two questions: first one, in Qatar I can see that the fixed business revenues increased substantially. So if there is a specific reason for that, and if we can expect this run rate going forward? And the second question is on the departure of Rick Seney that I saw in the news this morning and I guess that's the reason he's not attending this call and he didn't attend the Analyst Day last month. So any reason to that and are you looking to replace him?

Ajay Bahri

Okay, let me take the first question. First, in terms of fixed revenue in Q4 itself, it had revenue from fixed line services to corporate customers, which had an element of Q3 in it as well. So the overall revenue increase is 4.5% for the company with that one off. But if you strip off the – (not really one offs) for Q3, on a normalised basis the revenue increase is about 2%. So on a – there is an element of previous quarter in some of the numbers that you see.
Nick, do you want to add something to that?

Nick Dent

Yes, so, you know, so that pulls it back down to just slowly ticking up from, you know, [1.25-ish to 1.26, 1.27, 1.28], that type of trend. Broadly speaking though, I mean, you know, that's relatively unusual in the world of telecoms. But it's because of the continued population growth here, continued penetration of ADSL, pick up of our TV services and some – it's mainly from the consumer market, not from the corporate market.

Jeremy Sell

Let me just – it's Jeremy here. Let me just pick up the Rick Seney issue. Rick's gone back for family reasons; his wife and young family are based in Florida. And it was becoming increasingly difficult for him to come over and work intensely and hard and then go back. In terms of how we're going to manage going forward, we've made an interim appointment; the CTO has stepped up to be the acting COO. But as the Group matures, we've also taken this opportunity to look at a mini-restructuring. And it may be looking at regional structures and how we can better service our governance issues. But also our operation and involvement as we continue to grow. So it's sad to see him go; I think we've got good cover and we're restructuring slightly to facilitate better organisational design going forward.

Marc Hammond – *Deutsche Bank*

All right, thanks.

Operator

Your next question comes from Richard Barker from Credit Suisse, please ask your question.

Richard Barker - *Credit Suisse*

Thanks very much. Just one quick one actually: there was a rather confusing news item that appeared I think last week, saying that there had been the third licence issued in Oman. I wonder if you could just clarify exactly what has happened there - where you are likely to be facing new competition, where you are not likely to be facing new competition? And also maybe just a quick recap on any other markets where there may or may not be new licences appearing in the next six months or so would be very helpful, thank you.

Ajay Bahri

Sure, the third licence, which has come in Oman, is related to an international gateway only; it's not a licence for mobile services. And the international gateway would have to interconnect with a service provider for there to be a national interconnect revenue coming from there. The timing of this is a little earlier than when we had anticipated it in our business plans. But, like I said, some of this will be offset be increase in national revenue. As far as other markets are concerned, offhand nothing really much has come to my mind.

Nick Dent

I think – to take Qatar – of our substantial markets that we're in, Qatar's the only other one that has two operators today. And the regulator had announced since before the start - introduction of competition they would be conducting their industry review during the end of 2010-2011. They're currently doing that, and when that is completed, they will –

I would anticipate they will make some announcements about their view on the future structure of the market in Qatar, you know. And we will have to wait and see what that says. But I wouldn't anticipate there'd be any licence this year, but, you know, we have to wait and see what they say coming out of the review.

Jeremy Sell

Yes, let me just pick up on other markets. There's always talk, in several of our markets, about new licences. But it's not the end of the world when one comes. If you look at, for example, Iraq, there's been – various government ministers have at various times said they'd like to have a fourth licence. But quite frankly, the third one hasn't really got off the ground yet, so that's not really a big concern to us. We think Indosat's fully penetrated with licences; we've had no indication that there'll be no new licences in Kuwait or Algeria, which are both three-player markets.

And so our major markets are not immune to new entrants, but we think they're full enough and we think the governments tend to agree with us.

Richard Barker - *Credit Suisse*

Just a follow up quickly on that Jeremy. What exactly has happened in Iraq so far? I mean they've obviously been talking about maybe there'd be a new licence for quite some time. But has it actually got anywhere?

Jeremy Sell

No, not really. It's quite hard to know who's actually in the government and who's actually running this, because they do make changes fairly frequently in Baghdad. But our thinking is that until the third licence –the third operator has resolved its shareholder issues and it becomes a viable challenger, why would they issue a fourth? It would just cause confusion. And all the time we just quietly consolidate our position, becoming a stronger and stronger number two, and who knows, perhaps we'll be number one in the future. And then I'm really not that concerned about new entrants coming, once you've got to that position.

Richard Barker - *Credit Suisse*

Okay, thank you.

Operator

Once again, ladies and gentlemen, if you wish to ask a question please press * and 1 on you telephone and wait for your name to be announced. If you wish to cancel your request please press the # key. Your next question comes from Stephen Pettyfer from Bank of America, please ask your question.

Stephen Pettyfer - *Bank of America Merrill Lynch*

Well thanks everyone. I just – apologies if I'm rehashing old territory as I was dropped from the call at a time. But just in Tunisia, the revenue there: I know you said it was to do with some one-off impact. Could you tell me how much of the – how much was taken there? And then similarly in Iraq, in the EBITDA line, going to 552, how much of that was backwards looking and how much was an underlying number? Thanks.

Ajay Bahri

Okay, on Tunisia I think if we exclude the one off item, the revenue in Q4 is down 3.7% compared to previous quarter.

Stephen Pettyfer - *Bank of America Merrill Lynch*

Can you tell me how much the one off number was, just to make it easy?

Ajay Bahri

I don't have the number in front of me but I think if you work it around you'll get the number.

Stephen Pettyfer - *Bank of America Merrill Lynch*

3%, then?

Ajay Bahri

It's 3.7% decline from Q3, if you take the one off item out, and the decline is basically because of seasonality. There's approximately about I think $37-40 million is the number netted revenue there, which has no bottom line in fact just netted off revenue and cost. And your second question was about Iraq; I stated about 150 million down EBITDA, it's primarily because of the spectrum fees, which I had explained earlier.

Stephen Pettyfer - *Bank of America Merrill Lynch*

And sorry to be dull, but how much was that then, the one off in Iraq for the EBITDA line?

Ajay Bahri

About QAR150 million. It's a similar number to the Tunisia one of about $37 million one could say, in terms of impact.

Stephen Pettyfer - *Bank of America Merrill Lynch*

And if I could just ask a follow up on Iraq please. What's happening there with your selling down that business or IPO-ing that business?

Jeremy Sell

We're still really investigating – it's not – you know, we don't know much about the IPO market in Iraq and we don't really think this is an ideal time to make any announcements about it. But we are investigating it and we're working out, between the three partners, who sells – who's got an appetite to sell down and who's got a desire to stay where they are.

I guess we'll have more to say about that as we think more about whether it should be, you know, primary or secondly; should it be a dual listing or a single listing. How much should we sell and should we do a big IPO straightaway or a small one and then one following; and we're working through those issues with the partners. So it's still on the agenda; and we're just getting information now really.

Stephen Pettyfer - *Bank of America Merrill Lynch*

And just following on your intriguing comments about sort of wanting to be more than you can be. When you look at your past activity, it's been, you've been sort of net sellers I guess over the last 12 months. Do you think you'll be a net buyer of assets over the next 12 months, going forward?

Jeremy Sell

I don't think we've sold anything, so I don't quite understand that comment.

Stephen Pettyfer - *Bank of America Merrill Lynch*

You've IPO'd businesses.

Jeremy Sell

Oh, I see, I see, yes. Yes, I mean, I guess the fact is that if you look at Iraq and Algeria and to a certain extent, Indonesia, we've taken, you know – we've set up infrastructure, we've got organisations there, we've taken political, regulatory and financial risks and we've overcome them. Why wouldn't we go into parallel businesses there? Principally in broadband and other infrastructure plays in communications, we think its wide open to develop our existing businesses in territories where we are and that's a focus. So I think there's a lot of low hanging fruit in the less mature markets and we try to bring them up to where we are in some of our mature markets. So that's really all that is. What else can we do where we've already taken the plunge and gone into the market and have now got political and shareholder air cover. And so that's what we want to do, so we've tasked the management, over the next four years in places like Algeria and all the rest to say where would you like to be in four year, what is it you'd like to be in this country, rather than just a mobile provider.

Stephen Pettyfer - *Bank of America Merrill Lynch*

Excellent. Thank you very much.

Operator

Your next question comes from Tatiana Boroditskaya, please ask your question.

Tatiana Boroditskaya – *UBS*

Good afternoon. Thank you very much for your presentation. Two questions if I may. Can you please clarify your strategy in relation to any additions this year? Secondly, can you please clarify the situation with your purchase of Tunisiana where Princess Holdings were planning to take 25% stake. And finally you mentioned that a current political event in The Middle East is unlikely to have substantial impact on the performance in terms of… you expect to see there a higher demand actually, what about payment discipline and do you expect any damages, any substantial damages to equipment. Thank you.

Ajay Bahri

In terms of debt issuance there is no plan for accessing any debt from the bond market this year, as we speak.

Jeremy Sell

Tunisiana, it's as we previously announced, the market we own 75% of that stake. We bought that off Orascom when they decided to exit; we think we did it at quite a good price; we're pleased with that. The remaining 25% is, I guess, is now owned by the Tunisian state. It was owned by Princess Holdings; I think their assets have been nationalized. In any event it's not owned by us and we're really waiting for news from the new government when one is formed about the disposition of that stake. So I guess we'd like to know where it's going to go, what's going to happen with it, but we've got no financial exposure to it and we're not over –worried, we're just being completely reactive and waiting to see what the government wants to do with it. In terms of political upheaval in the country we successfully negotiated the revolution in Tunisia, as Ajay said, thank god no-one was hurt. Our performance seems to be holding up; the currency seems to be holding up and in a way mobile has got a long history of surviving and even thriving where there is civil unrest. We've seen that in several areas, principally in sub-Saharan Africa where a scratch card becomes a de facto currency, even if there isn't currency available. So I guess we're not comfortable with the upheaval but it doesn't seem to have, touch wood, damaged our business too badly where it's going on to, principally in Tunisia.

Carson Wolfer - *Qtel Group Investor Relations*

Tatiana, it's Carson, I'm just going to add a point to reiterate what Ajay said at the start that there has been no damage to our network in Tunisiana and none of the employees have been injured; they're all safe. There was some damage to our distribution points, specifically kiosks and shops but that wasn't unique to Tunisiana and Telecom, so that's what we would say in terms of your questions around what sort of damage we have seen.

Tatiana Boroditskaya – *UBS*

Thank you.

Operator

Your next question comes from Simon Simonian. Please ask your question.

Simon Simonian – *SHUAA Capital*

Good afternoon gentlemen. Most of my questions have been answered but I have two other questions. Jeremy you mentioned that you might consider MVNOs in certain markets, could you please elaborate in which markets you believe this would be interesting. And second, at one point the line was cut off, I don't know if you explained the big jump in the EBITDA of Bravo, Saudi Arabia in Q4. Thank you.

Jeremy Sell

No, I mean MVNOs really simple answer, we'll do it where it makes sense and it's got to make financial sense and strategic sense. In some countries you need a licence, in others the regulations are largely silence in our territories about MVNOs; they haven't really been considered. But they are coming to our areas. We've seen them principally in Oman, we've seen things that look like MVNOs happening in Saudi and a few other regional markets. So it's something we can't continue ignoring and we will be looking at it, but most MVNOs tend to not to make a huge amount of cash; we will not be doing it for fun, it will have to be done for cash. So it's just one area we're looking at and it's a parallel business if you like, so there's nothing really to say about that at the moment, we're just looking at it. In terms of Bravo most of the upside in the EBITDA has come from cost improvements. We've been looking to reduce costs there. The business has ticked along reasonably nicely over 2010. EBITDA is a focus we've incentivized the management heavily to get that in line and we wait to see how that market develops. But it's a nice little business, we've stopped the haemorrhage of group cash, we haven't put any money in for some time and it just goes on, like IDEN businesses around the world. It's okay, it's not completely on strategy but it's all right, we'll stay with it for the time being.

Ajay Bahri

And there was one positive development in Q4 in Bravo where they have a lot of leased lines which we repair on a monthly basis. They have converted them to what is called an IRU indefeasible right of use which are long term contracts, so the result of that, what you see, the EBITDA has gone up because the item has moved from an expense item to depreciation. You'll see an offset of that benefit and EBITDA coming from higher deprecation. And the net benefit, the overall price has actually gone down, so definitely there is an improvement of the bottom line, but you should see both the EBITDA and the net profit after EBITDA to see the real impact.

Simon Simonian – *SHUAA Capital*

Thank you very much.

Operator

Your next question comes from Maddy Singh. Please ask your question.

Maddy Singh – *Morgan Stanley*

Hi, just two questions if you may. First is on the current royalty mechanism in Qatar, can you please explain to me what is the current rate of royalty applied and in Kuwait can you please give some upgrade about the competitive environment there. Has the competitive, specifically Zain been distracted because of the ongoing deal discussions there? Thank you.

Ajay Bahri

Let me take the first question, there is no royalty actually in Qatar, what is there is an industry fee which is 12.5% of the profits attributable to Qatar operations.

Nick Dent

Of regulated businesses.

Ajay Bahri

Of the regulated businesses, thank you.

Jeremy Sell

Kuwait, well I hope they have been distracted, we always like it when competitors get involved in protracted M&A activity, it is a distraction, so yes, I hope they have been distracted. We're pleased with our performance in Kuwait, we have been gradually inching up our market share largely at the expense of Zain so whether that is because they've been distracted or because we're doing it better, who's to say? I don't really want to comment any more on Zain and what they are doing. They'll do what they do and we'll do what we'll do and at the moment we are pleased with our performance then.

Maddy Singh – Morgan Stanley

On the Qatar industry fees, is it on revenues or on EBITDA?

Ajay Bahri

It's a net profit attributable to Qatar operations for regulated business.

Maddy Singh – Morgan Stanley

What do you mean by regulated businesses?

Ajay Bahri

There are businesses which are not regulated, like if you are doing something on the content side, for example, that is not a licensed business. Most of our operations are regulated business.

Maddy Singh – Morgan Stanley

And in Kuwait have you seen any intensification in the competitions activity especially from Viva side?

Ajay Bahri

It's been reasonably stable in Q4 compared to what we have seen in previous parts of the year, so not much as we have pointed out. And what we have been holding up its market share quite well as you have seen from the financial results, so no major developments there in terms of competition in Q4.

Maddy Singh – Morgan Stanley

Thank you.

Operator

There are no further questions. Please continue.

Carson Wolfer

Thanks operator and thank you all for joining today's call. Please refer to the QTEL investor relations website for additional updates or feel free to contact the IR team if you need further information. We look forward to your future participation on our Q1 2011 update as Ajay alluded to, towards the end of April. Meanwhile thank you for your interest in Qtel and have a good day. Goodbye.

Operator

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