

Corporate Participants

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Qtel Group - IR

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Qtel Group - Chief Financial Officer

Jeremy Sell

Qtel Group - Chief Strategy Officer

Presentation

Operator

Thank you for standing by and welcome to 9M Q3 2012 Qtel Results call. At this time all participants are in listen-only mode. There will be a presentation followed by a question and answer session at which time, if you would like to ask a question, you'll need to press *1 on your telephone keypad. I would now like to hand the call over to your first speaker today. Carson, please go ahead.

Carson Wolfer - Qtel Group - Investor Relations

Thanks, Operator. Hello and welcome. The Qtel Investor Relation team thank you for joining us for today's call to discuss Qtel's 2012 nine-month financial results. To start today's discussion, I am pleased to introduce Mr Ajay Bahri, Chief Financial Officer for the Qtel Group, and Mr Jeremy Sell, the Chief Strategy Officer for the Qtel Group. We will 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 two.

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 filing to support 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 Ajay. Ajay.

Ajay Bahri - Qtel Group - Chief Financial Officer

Thank you, Carson, and welcome to everyone on the call. I'd like to begin by turning to slide number four. We have seen strong financial results for the period with performance on track for the full year. When comparing year-on-year, increases in Revenue of 6.1% and EBITDA of 6.7%. Net profit attributable to Qtel shareholders was QAR2.4 billion, up 12.6% compared to last year. A few points here. This includes the positive impact of the tower sale in Indonesia, which concluded in the period, as well as the continued adverse effects of the foreign exchange impacts primarily in Indonesia and Algeria. We've talked about this in the past, in the

previous quarter as well. There are also some impairment charges on total Group Assets. Net of this impact, the operating performance was strong, a 16% growth over last year.

I'll be getting to most aspects around individual companies but we saw solid performances in Qatar, Iraq and Algeria and a stable performance from Indosat while the operating environment in both Kuwait and Oman continued to be challenging. On the strategic front, and as previously announced, two strategic initiatives also took place during the period. The mandatory tender offer for all the outstanding shares in Wataniya Telecom which continued post the period and materially see Qtel shareholding rise to 92.1%. Jeremy will give you more details of this later. We also retired the USD3 billion syndicated loan facility in August. I will address our debt profile later in the presentations. Next slide, please.

The first nine months of 2012 have been a successful period of achieving growth. As mentioned, consolidated revenues for nine months grew 6.1% over last year to QAR25 billion. EBITDA also increased 6.7% over 2011 to reach QAR11.7 billion. EBITDA margin has remained stable at 47%. Next slide, please.

Net profit attributable to Qtel shareholders during the period was impacted by the procedure of the tower sale in Indonesia and was offset by F/X impacts primarily coming from Indonesia as well as the impairments, which I just referred to. The impairments are a result of a reassessment of the long-term impact of technological development in wireless broadband plus the push to talk technology. We reassessed these impacts and from a prudence perspective have taken some impairments. Looking at the Group's net debt and net debt EBITDA ratio, net debt of slightly over QAR20 billion following a rights issue and the retirement of the USD3 billion facility I just referred to. Gearing currently stands at 1.34 times at the end of Q3, which is lower than the Qtel Board target of 1.5 to 2.5 times. Next slide, please.

In terms of Capital Expenditure, the investment programme across the Group has remained on track. As you know, this trend continues to increase towards the end of the year. Next slide, please.

We reduced the overall level of the Group debt in the period. This has had a commensurate effect on the balance of where the debt is held in the Group but Qatar continues to hold the majority of the Group debt.

Moving on to the next slide, I will show you the debt profile. As far as our debt profile is concerned, you are probably aware of the retirement of the USD3 billion facility in August and as a result of that you can see that the debt maturity profile is quite smooth now. No big spikes, as we had earlier in 2012. Next slide, please.

As far as the customers are concerned, we again saw good results. Key growth markets such as Iraq, Indonesia and Algeria also grew when comparing year-on-year.

On the next slide you'll see a summary of the performance. In terms of the guidance we've given for 2012, we are well on track to meet that guidance.

Please turn on to slide 13 and I will hand over to Jeremy.

Jeremy Sell - *Qtel Group - Chief Strategy Officer.*

Thanks very much, Ajay. Hello, everyone. Well, following the guidance that we gave you last year, 2012, from a strategic point of view, has been largely one of housekeeping and we focussed on our existing operations. The first thing we did was we looked at all our balance sheets and where we could we decided to sweat the assets. That resulted in a towers disposal in Indonesia and we've got several other assets around the Group under active review.

The second thing we did, we wanted to step up in assets that we liked. Consequently, we moved up significantly in Iraq. We discussed that on the last call. And we've recently... or on the verge of concluding a transaction in Wataniya where we've moved up from 52.5% to 92.1%. That we expect to happen very soon, we've got a good relationship with the authorities in Kuwait and that has gone remarkably smoothly, that transaction. We have been buying KD over a period, bought at a good rate. We bought KD 519 million which is a total cost of approximately USD1.8 billion. This has allowed those investors in the Wataniya stock to exit at a relatively healthy premium and has been well received in Kuwait.

We are giving guidance on how much value this transaction is going to add to the Qtel stock price. However, we notice that many analysts are saying it's highly accretive. We agree with that. We think this is probably one of the best deals we've done for Qtel shareholders and we're pleased with it. The next steps, really, are to simplify the governance structure and we'll be having Board meetings and EGMs going forward to do just that.

I'm going to hand back to Ajay now to take us through the operations review.

Ajay Bahri - *Qtel Group - Chief Financial Officer*

Thank you, Jeremy. Let's move on to slide number 15. I'd like to provide an overview of the operations results in our key markets. As a reminder, I would again refer you to the section of the presentation starting on slide number 23. There is a breakdown by operation workbook that provides decent details on each of our trading companies, including sequential quarterly results. Starting with our operations in Qatar Qtel, we continue to maintain positive growth in both revenue, EBITDA and subscribers. The EBITDA margins remain stable at about 53%. We've got the commencement of the 4G/LTE trial in the period and we look forward to full commercial launch hopefully by the end of the year.

Q2 to Q3 you'll see a decline in fixed ARPU. This is due to seasonality, primarily because of a decline in international calls. GSM ARPU has been stable. The decline of seasonality because of international calls was offset by data revenue. Q2 to Q3 there is a decline in EBITDA margin. That's more a result, again, from the seasonality where the decline in international calls is generally made up by outgoing where the margins are lower and also a small one-off adjustment of reversal of costs which happened in the last quarter.

Moving on to the next slide, Asiaccell. Strong revenue and EBITDA performance continues to underpin the strong number of customer growth we've seen year-on-year. Following Qtel's increase in shareholding in Asiaccell to 53.9% in revenue, the taxation

level has increased from 15% to 18%. Now, this has impacted the quarter-on-quarter EBITDA margin. You'll see a decline of about 3% in the EBITDA margin from Q2 to Q3. Now, we still are awaiting regulatory approval for the further increase of our shareholding to up to 60%. With regards to the IPO delay fines, Asiacell has already provided these in their books. Now, the IPO profits are still ongoing and if we have further development on that, we will obviously be sharing it with the public.

Moving on to the next slide, Indosat, as you're aware Indosat has only released highlight numbers, so we are somewhat limited to what we can say. They will hold their nine-month results call on 31 October, the details of which can be found on their website. Indosat has performed well, with strong market growth in the period. Customer retention strategies have performed, supported by high value additions. As a result in local currency terms both revenue and EBITDA grew but mostly these were heavily impacted in Qatari riyal terms due to the ongoing volatility in the foreign exchange. Net profit for the period was impacted positively by the successful closing of the tower sale. You normally would see a difference in the EBITDA margin which is reported by Indosat and what is reported by us, but because of the Indosat accounting which Indosat does and we do our accounting based on IFRS, so there are items which are shown below EBITDA by Indosat and above EBITDA by us.

Moving on to the next page, which is Nawras, Nawras announced its nine-month results yesterday and will hold a conference call tomorrow, the details of which are on the website. Despite the ongoing competitive dynamics, customer growth returned in the period across all customer segments. So, in terms of customer numbers one can see the increase coming back to the company. Revenue and EBITDA were impacted by lower SMS usage only partially offset by data usage which impacted EBITDA growth. The increase in customer numbers is expected to have impact on the revenues going forward. The network improvement initiatives are ongoing to provide increased capacity for growth in data volume. Q2 to Q3, there's a drop of EBITDA margin as a result of promotions that the company did on international calls where the margins were lower. In addition to that, marketing spend and network maintenance spend has been high during the quarter. Some of this is in line with the expanding network and the modernisation plan of the network, which is ongoing in the company.

Moving on to the next slide, Wataniya - Kuwait, overall market growth remained slack as the competitive situation is still challenging. When comparing year-on-year it is important to recall the government incentives which were given in the first half of 2011 in Kuwait. While data usage is up significantly, however the increased impact of the migration from SMS and voice to ordinary applications continues to impact results. Finally, there have been management changes with Dr. Bassam taking over as the role of CEO from September. Q2 to Q3 revenue is up 3.3%. The decline in EBITDA margin, primarily impacted by increased handset sales in the quarter, which are low margin businesses, plus the marketing initiatives during the Ramadan period.

Moving on to the next slide, Algeria. Nedjma continues to show strong revenue and EBITDA growth. Volatility in FX, however, impacted net profit during the period. Market share has been maintained but the revenue share increased as a result of both growth in the high-end pre- and post-paid segments. As we have previously mentioned, we await clarity from the government on the 3G licence process. Q2 to Q3 we've seen positive trends in EBITDA, revenue and profit; however, a fixed loss in Q3 had a positive impact on the profit quarter-on-quarter. We had lower FX losses in Q3 compared to Q2.

And, finally, Tunisiya. Tunisiya saw growth in subscribers as well as revenue and EBITDA, although the country continues to see challenges which in turn impact the overall economy. As a result, in Qatari riyal terms it is grossly impacted by FX fluctuations in the

period. However, in local currency terms the strength of operating performance is clear. As previously communicated, Tunisiana successfully launched the 3G services in July. Finally, Tunisiana's mobile market share continues to grow and we are looking forward to the fixed network launch next year.

Thank you. I will now hand it back to Carson.

Carson Wolfer - *Qtel Group - Investor Relations*

Thanks, Ajay. We can now move to a question and answer. Operator, will you now please explain to the participants how to ask questions?

Questions and Answers

Operator

Of course. If you'd like to ask a question over the phone, please press *1 on your telephone keypad and wait for your name to be announced. If you'd like to cancel your request, please press the # key. Once again, if you would like to ask a question, please press *1. Thank you. As a reminder, ladies and gentlemen, that was *1 if you'd like to ask a question. Your first question comes from Christian Kern. Please go ahead.

Christian Kern - *JP Morgan - Analyst*

Hi, guys, this is Christian Kern from JP Morgan. Three questions, if I may. The first one is with regards to the one-off you touched on in terms of tower sales in Indonesia as a positive impact and negative impact impairment of the operations at Wataniya Telecom. Can you help us to quantify these? It's a bit tricky to do that in the accounts, to really calculate the net income impact. What we are trying to do is to find a clean net income number. Any help would be appreciated there.

The second question is with regards to WT Wataniya Telecom. What is your assumption what will happen to the rump? Are there any squeeze out rights in place? What is the new management structure at WT going forward? I see you've appointed a new NMTC CEO but what about the Group structure? And also, most importantly, are you currently reviewing the dividend policy because obviously Wataniya Telecom falls out of the average with regards to dividend yield and part of that transaction might be that you are reviewing the dividend policy to channel cash up to the parent group.

And the final question would be for Jeremy with regards to the comment he made on assets which are still under review. Maybe you can give some more colour around that, in particular also what are your objectives with regards to the potential 53% sale of Maroc Telecom by Vivendi. We saw on Bloomberg today that there would be an interest there. Thank you so much.

Ajay Bahri - Qtel Group - Chief Financial Officer

Okay. I'll take the first part of the question and then hand over to Jeremy. In terms of the one-offs, the big piece of the one-off is the tower sale profit. The number for that is in the financial statements on a gross basis. So, for net profit attributable to Qtel shareholders, it'll decline by the tax impact on that plus our shareholding of 65%. In addition to that there are impairment charges also, you can see it on the face of the profit and loss account, about QAR250 million, if I recall, approximately and that too is on a gross basis.

Christian Kern - JP Morgan - Analyst

Ajay, sorry to interrupt you but on the tower sale we found that footnote but we don't know, really, what the tax rate is you have to pay for that one and... I mean, the minority one we can work out but at least the tax rate would be useful here to pay on that capital gain.

Ajay Bahri - Qtel Group - Chief Financial Officer

I think you'll have to wait for the Indosat call to get more specific details on that, Christian, but I think you can make some reasonable assumptions from your side. But I think let's wait for the Indosat call to get details on that. On the impairment side, that's the gross number, so I would say you'd take about 80% of that number in terms of the ownership that we have of some of the assets. These are not Wataniya assets, all of them. We have one Wataniya asset and we are looking at the Wimax business also here where ownership is close to 80%.

Christian Kern - JP Morgan - Analyst

What's the gross number, Ajay?

Ajay Bahri - Qtel Group - Chief Financial Officer

It's about QAR248 million, if you look at the profit and loss account.

Christian Kern - JP Morgan - Analyst

Okay.

Ajay Bahri - Qtel Group - Chief Financial Officer

And the last part, of course, is the foreign exchange losses that you had this quarter. Compared to the profits we had last year, I think this can be derived from one of our slides, which is slide number six, where we highlight the loss of this year and the profit for

last year, which I think is... 106 is the profit we had last year and this we had a loss of 214, so it's a gross difference of almost 320. So, these are the major items which have been excluded to look at the operational performance.

Jeremy Sell - *Qtel Group - Chief Strategy Officer.*

Christian, hi, it's Jeremy. What you asked about, Wataniya squeeze-out, there is no squeeze-out in Kuwait, so the shareholders that remain will either have to sell or stay there and we will be reviewing dividend policy. We're not going to comment on that at the moment. Let us have our AGM, let us get into that business and, really, we'll have more to say on the next call about the changes we made in governance and dividend policy.

Right. Assets under review, well, as I said at the beginning, all our assets were put on review in 2012. We're still doing it. We've made some impairment charges against those which we had concerns about and we'll continue to monitor them effectively. On your question about Maroc Telecom, that's just press speculation and we don't really comment on that, never have.

Christian Kern - *JP Morgan - Analyst*

That's very clear, thank you.

Operator

Your next question comes from Maddy Singh. Please go ahead.

Maddy Singh - *Morgan Stanley - Analyst*

Yes, hi, just following up on the Wataniya question, if you would want to delist the company, the stock, in that case do you need certain approvals or any certain percentage of shareholder votes? Any clarity on that? Thank you.

Jeremy Sell - *Qtel Group - Chief Strategy Officer.*

Yes, we're not considering delisting the stock at this time.

Maddy Singh - *Morgan Stanley - Analyst*

But if you were, then do you need any kind of approvals?

Jeremy Sell - *Qtel Group - Chief Strategy Officer.*

Well, if we were, then we'd look into it and, as is always the case in developing markets, it's always good to have an active and robust discussion with the regulatory authority and so we'd go through the whole process there rather than just rely on what the capital markets regulations currently say. But at the moment, as I say, we're not considering a delisting.

Maddy Singh - *Morgan Stanley - Analyst*

Okay. And... All right. Thank you.

Operator

As a reminder, if you'd like to ask a question, please press *1 on your telephone keypad. Your next question comes from Sandip Bhatt. Please go ahead.

Sandip Bhatt - *Damac Invest - Analyst*

Good afternoon. I have two questions on Algeria. Your market share remains 30% since last year and I'm wondering despite, you know, the problem the competitor is facing why you are not able to enhance it. And the same thing applies even to the EBITDA margin. I understand that the EBITDA margin of yours are like 40-odd percent and the other competitor has much higher margin, so... I mean, earlier, yes, you had a size issue but now you reached a reasonable size in terms of subscribers. What's happening on the landscape there?

Ajay Bahri - *Qtel Group - Chief Financial Officer*

Okay. I think in terms of the number of subscriber growth you don't see a substantial increase but if you look at the revenue side, the revenues have been consistently increasing year-on-year in Algeria. So, I think it'll be appropriate to look at the revenue growth as an indication of the operational performance. A part of the story in Algeria really is the increase of higher active customers and if you look at the trend of the EBITDA margin, you can see the up trend of the EBITDA margin for the company as well compared to last year as well. So, I think the trend is healthy and definitely we expect it to improve as we continue to grow the business. So, the point is valid. Djezzy is still the dominant operator there and because of their dominance they have a lot of high-value customers. We have still the added advantage of the scale but the trends that you can see are of increasing revenues and increasing EBITDA margins.

Sandip Bhatt - *Damac Invest - Analyst*

Thank you. And the second I wanted to check on Iraq. How is the data side of the business there and what's the attrition on the growth there? Thank you.

Ajay Bahri - *Qtel Group - Chief Financial Officer*

The 3G has not been licensed... has not been awarded in Iraq as yet and the real data story in Iraq will start once 3G licences are awarded. There's a lot of talk about that in the country and we are waiting for the clarity on that, when the regulators there will issue the licence.

Operator

Once again, if you'd like to ask a question, please press *1 on your telephone keypad. Your next question comes from Nishit Lakhotia. Please go ahead.

Nishit Lakhotia - *SICO Investment - Analyst*

Hi, good afternoon, thank you for the call. I have a couple of questions. One, again I'm touching on the Wataniya issue which has been discussed by Maddy and Christian. I mean, does it make practical sense to have a company listed with less than 8% free float with all the atmosphere there and all. So, you said there's no squeeze-out provision and you will keep it listed but how practical is this an option of being... just keeping a company listed just because you want to have a public listed company in all your operations on that front? That's my first question.

Second is on the Algeria aspect operations. In this I've seen a very healthy growth in the post-paid subscribers this quarter in Algeria, almost 30% growth, and ARPU declined on the post-paid side. So, what are the market dynamics there in terms of voice data? What led to the substantial growth in Algeria in post-paid subscribers and what led to the ARPU decline?

And, thirdly, when are you planning to roll out fixed line in Tunisia. You rolled out 3G but what about the fixed line? Thank you.

Jeremy Sell - *Qtel Group - Chief Strategy Officer.*

Jeremy here. I'll take the first question. You said why would you keep it listed if you've got such a low free flow. We haven't even completely closed this transaction yet. It's imminent but it hasn't yet happened. Give us a chance to review where we are post-closing to have our Board meetings and have discussions with minority shareholder representatives. We said there are no plans to make it private and that's the case but we have not yet closed the transaction, so it's premature to talk about making private.

Nishit Lakhotia - *SICO Investment - Analyst*

Okay.

Ajay Bahri - *Qtel Group - Chief Financial Officer*

Okay, let me take the question on the Algeria ARPU and the customer numbers on the post-paid side. In fact, the dynamic on the ARPU are, in fact, a function of the increase in customers. As the company has done some promotions on the acquisition of post-paid side during the quarter, you do see an increase in the number of customers. However, a lot of these customers have come during the quarter or sometimes part of the quarter. That's for the full revenue for the quarter from those customers are not there and that's why you see a consequential mathematical decline in the ARPU numbers.

Nishit Lakhotia - *SICO Investment - Analyst*

Okay.

Operator

Your next question comes from Emmy Al-Ghabra. Please go ahead.

Emmy Al-Ghabra - *UBS - Analyst*

Good afternoon and thanks for the presentation. Just one question from me. Can you give us some guidance as to whether we might see you issuing debt on the international market?

Ajay Bahri - *Qtel Group - Chief Financial Officer*

Okay. I think we did say in the last call that we have no need for us to raise any debt in the market. Having said that, as a result of the recent Wataniya transaction where we have laid out QAR1.85 billion from cash in hand, we are reassessing the situation of the company, although we still are holding a good amount of cash at the Group level, so there is no imminent need for cash. However, part of our annual process to look at financing options, we are doing that right now.

Emmy Al-Ghabra - *UBS - Analyst*

Thank you.

Operator

Your next question comes from Ali Dhaloomal. Please go ahead.

Ali Dhaloomal - *Bank of America Merrill Lynch - Analyst*

Hi there. Thank you for your conference call. I have two questions, first on CapEx. I suppose that your CapEx right now is running below your annual target of QAR7.328 billion. Can you comment on this and give more colour on what you expect by the year end?

The second question is on Iraq. Can you give us an update on your planned IPO there and also when do you expect to get the approval for this to get to the 60% stake in Asiacell? Thank you.

Ajay Bahri - *Qtel Group - Chief Financial Officer*

Let me take the first question and then give it to Jeremy. On the CapEx side, you're right, we... the spend is less than we currently have given and very often in most of the (unclear) this catches up in Q4. So, proportionately normally you see a higher spend coming in Q4. Having said that, although we're not giving a revised guidance, we expect the number to be well within the guidance number we have given you. Sometimes there is a delay of projects where the commitment has happened, so the projects have commenced but the actual spend might spill over into Q1. So, very often it's more often delayed projects into Q1 of next year rather than a cancellation of projects.

Jeremy Sell - *Qtel Group - Chief Strategy Officer.*

IPO in Iraq is still going ahead. We actually believe we're more advanced than anyone else... any other operator in that country with some justification - we've been working on it longer and we're further down the process. However, the capital markets there are relatively immature and so we are working very closely with the various regulatory authorities to make sure that we do this right, that we make a good impression, that we don't breach any regulations or misinterpret any regulations where we don't quite understand them and so that's why we're going ahead very gently on that. So, yes, we're still hopeful about having something to announce at some stage but it's moving ahead. It's moving ahead.

In terms of stepping up in Iraq, we are still waiting for regulatory approval to increase above the current foreign ownership limit and those talks are going very well.

Ali Dhaloomal - *Bank of America Merrill Lynch - Analyst*

Okay. Thank you.

Operator

As a reminder, ladies and gentlemen, if you would like to ask a question, please press *1 on your telephone keypad. If you would like to cancel your request, please press the # key. Your next question comes from Akber Khan. Please go ahead.

Akber Khan - *Al Rayan Investment - Analyst*

Gentlemen, good afternoon. My first question is about Qatar. I just wanted to know if you are seeing Vodafone gaining any traction in Qatar and whether that is becoming a stronger competitor.

Ajay Bahri - *Qtel Group - Chief Financial Officer*

Okay. We still haven't seen the results of Q3 but Vodafone is a very strong brand in a strong place and sometimes, you know, different quarters' results could be different but we do expect Vodafone to continue to, you know, take market share from Qtel on a long-term basis, which is a trend you'll see in our markets. The incumbents do lose market share. So, no genuine perception of Vodafone to what it has been in the past.

Akber Khan - *Al Rayan Investment - Analyst*

Okay. My second question is about Kuwait and Oman. For most telecom operators a shift towards data is a positive. I'm just curious as to why that is a negative in Kuwait and Oman. Surely data should be higher margin and more lucrative.

Ajay Bahri - *Qtel Group - Chief Financial Officer*

Well, I think each market is different, first of all that being the point, and markets where penetration of smart-phones is higher, the dynamics are different from markets where you don't have that. So, if you look at Kuwait, for example, the data, when it was the dongle business, we're talking about they started more than one and a half years back over there, we did see a lot of data growth coming into the company, and as the shift has happened from dongle business on to net on phone, which is data packages and smart-phones, there has been some cannibalisation of revenues primarily on the SMS side and also on the international voice side. Now, that trend is normally seen most prevalent in companies where you have high ARPU customers, yes, and... So, it's something of the industry we're talking about as well. So, the dynamics are not dissimilar to what the industry expects; however, what's happening on these countries is more than just data, it's also as a result of the competitive dynamics in the country also.

Akber Khan - *Al Rayan Investment - Analyst*

And you mentioned Kuwait. Any comments on what the issue for Oman is? I mean on the same basis there because in both cases you have said that the SMS volumes have fallen and we presume that data is priced as a loss leader so therefore neither operator is able to take advantage of the higher data usage?

Ajay Bahri - *Qtel Group - Chief Financial Officer*

I think the question really is the loss of the SMS customers being offset by the data revenue. The profitable data plan, we're not... Sometimes also, depending on which customer segment is being lost, the implications really are different. And monetising of data, of course, is different from each market. It changes quarter on quarter, depending on the promotions which are in the market as well but on a big picture basis, although there is a relation between data and the loss to OTT, it's not one to one.

Akber Khan - *Al Rayan Investment - Analyst*

Thank you very much.

Operator

Once again, if you'd like to ask a question, please press *1 on your telephone keypad. Your next question comes from Maddy Singh. Please go ahead.

Maddy Singh - *Morgan Stanley - Analyst*

Yes, hi, just a question on leverage. Is there any target to leverage for the Group, like in terms of net debt to EBITDA? And, secondly, what is the maximum leverage you can go without losing your credit rating again in terms of net debt to EBITDA? Thank you.

Ajay Bahri - *Qtel Group - Chief Financial Officer*

You see, the target leverage for the Group is set at 1.5 times to 2.5 times EBITDA. That's what has been approved by the Board as to financial policy, we've talked about it in the past, and that is the policy which is available with the rating agencies. So, we are rated based on the policy which we share with them.

Maddy Singh - *Morgan Stanley - Analyst*

So, currently if you say... I think you are running slightly below 1.5 times. That means you would like to lever up?

Ajay Bahri - *Qtel Group - Chief Financial Officer*

Post the Wataniya transaction the leverage actually goes up. The numbers you are seeing is pre-Wataniya transaction. We'll be coming close to about two times, close to that number, since we are about to close the transaction.

Maddy Singh - *Morgan Stanley - Analyst*

Okay. All right. Thank you.

Operator

Your next question comes from Ranjan Sharma. Please go ahead.

Ranjan Sharma - *JP Morgan - Analyst*

Hi, good afternoon. Just one quick question on Tunisia - what are the market dynamics that you are seeing in Tunisia and if you are seeing any economic recovery and the influx of tourists now. Thank you.

Ajay Bahri - *Qtel Group - Chief Financial Officer*

The recovery in terms of Tunisia has not really picked up much as yet and that is not surprising also. Very often these things change when perception and sentiments change and that can take a little longer than the actual reality on the ground. The ground reality has improved but the perception might take a little longer to improve. However, the company itself is doing well, although with the competitive dynamics from Orange, I think the competition is expected to increase in the country.

Ranjan Sharma - *JP Morgan - Analyst*

Okay. One follow-up question. You have appointed a new CEO in Wataniya Telecom. Can you share some background on him?

Ajay Bahri - *Qtel Group - Chief Financial Officer*

Bassam is part of the Group, actually. He's been with the Group for a long time. He was ex-CEO in Jordan and then he went to Palestine and he's moved from Palestine, after doing a successful launch of the operations in Palestine, to take up the challenge in Kuwait once the previous CEO left.

Ranjan Sharma - *JP Morgan - Analyst*

And you have also appointed the head for Indosat. Has he also moved up in the firm? What's his background, if you can share?

Ajay Bahri - *Qtel Group - Chief Financial Officer*

Alex is actually currently on the Board of Commissioners. He's on the Board of Indosat, so he's someone who's been extremely involved at the Board level of running the company and his historical experience has been in the regulator's office and the Ministry as well. So, he's someone who's worked well with the Board of Commissioners of Qtel and has been on the Board. So, he comes with good experience of the local working in Indonesia as well as of the telecom industry.

Ranjan Sharma - *JP Morgan - Analyst*

Thank you, Ajay. That's it for me.

Operator

We have no further questions. Please continue.

Carson Wolfer - Qtel Group - Investor Relations

Thank you, 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 Investor Relations team if you need further information. We look forward to your future participation in our full-year 2012 update, the date for which we will announce in the New Year. Meanwhile, thank you, again, for your continued interest in Qtel.

Operator

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