

The Egyptian Company for Mobile Services [Mobinil] First Half 2010 Earnings Release



Mobinil subscriber's growth remains strong at +14% year over year, however such growth and results were affected by the shortage of new dials and the new subscribers' registration process that resulted in closing the first half of 2010 at 26.148 million subscribers. In the second half, Mobinil will be focusing on increasing its share of net adds and maintaining market share leadership.

Cairo: July 27th, 2010: The Egyptian Company for Mobile Services (Mobinil) announced its first half 2010 consolidated results. The reported figures reflect:

- 26.148 million Subscribers, showing an increase of 14.4% over the same period last year.
- Subscribers' additions reached 0.793 million subscribers, 0.767 million in Q1 and 0.026 million in Q2.
- Net revenues reached 5,076 MEGP representing a decrease of 2.7% over the same period last year, with Q2 revenues of 2,530 MEGP representing -0.6% decline over Q1 2010.
- EBITDA reached 2,120 MEGP with an EBITDA margin of 41.8%, 40.1% in Q1 and 43.4% in Q2.
- Net income reached 737 MEGP (357 MEGP in Q1 and 381 MEGP in Q2).
- Free cash flow reached 513 MEGP excluding the 3G license payment.

Commenting on first half 2010 results, Hassan Kabbani, CEO said:

"During the first half of 2010, Mobinil faced a massive intensification of the regulatory and competitive pressures. These pressures played a dominant role in affecting our growth, we were limited to rely almost entirely on recycling of old numbers in order to provide our services to the market, despite those factors we managed to maintain our subscribers base and maintain our market leader position in the Egyptian market and also to improve our profitability in the second quarter compared to the first quarter.

We still expect those adverse conditions to continue in the foreseeable future, and as we have the largest base, we will be the most impacted. We will continue our efforts to solve the issue with the regulator who is limiting the availability of dials thus affecting the healthy competition.

In the second half we will work intensely to increase our share of net adds and maintain our market share leadership.

We will also continue our focus on cost efficiency, which has yielded an improvement in our EBITDA margin over last quarter.

I am pleased that we signed the sale purchase agreement for the acquisition of LINKdotNET , we believe this acquisition is in line with our strategy and will result in reinforcing our competitiveness and enriching the value proposition to our customers through state of the art converged services on mobile voice, mobile data & fixed internet and to generate strong synergies".

The reported first half net revenues reached 5,076 MEGP representing a decline of 2.7% over the same period last year.

First half blended ARPU reached EGP 32 with a decline of 20.2% over the same period last as a result of the aggressive competition and price war impact.

EBITDA for the first half reached 2,120 MEGP representing a decrease of 14.3% over the same period last year on a comparable basis while Q2 shows 1,099 MEGP reflecting an increase of 7.6% over Q1 2010.

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The logo for Mobinil, consisting of the word "mobinil" in a lowercase, sans-serif font, enclosed within a dark grey rounded rectangular border.

Net Profit for first half reached 737 MEGP representing a decline of 18.2% over the same period last year. First quarter, net profit contribution is 356 MEGP and second quarter; net profit contribution is 381 MEGP representing an increase of 7% over Q1 2010.

Capital expenditure for the first half reached 813 MEGP Vs 994 MEGP in H1 2009.

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Key performance highlights for first half 2010

Commercial KPIs	Q2 2010	H1 2010	Q2 2009	H1 2009	Growth	
					Q2	H1
Closing Base (KSub) ¹	26,148	26,148	22,853	22,853	14%	14%
Postpaid (KSub)	756	756	667	667	13%	13%
Prepaid (KSub)	25,391	25,391	22,187	22,187	14%	14%
Churn rate	-8.5%	-18.6%	-7.7%	-16.2%	-0.8 PTS	-2.3 PTS
Active Base (KSub) ²	25,043	25,043	21,983	21,983	14%	14%
Postpaid (KSub)	756	756	667	667	13%	13%
Prepaid (KSub)	24,287	24,287	21,316	21,316	14%	14%
Blended ARPU ³	32	32	40	40	-22%	-20%
Postpaid ARPU	192	197	219	216	-13%	-9%
Prepaid ARPU	25	26	34	33	-24%	-21%
Global without visitor Roaming	30	31	39	38	-23%	-21%
Blended ARPU "Annual Rolling"	35	35	43	43	-18%	-18%
Postpaid ARPU "Annual Rolling"	212	212	237	237	-11%	-11%
Prepaid ARPU "Annual Rolling"	28	28	34	34	-18%	-18%
Global without visitor roaming "Annual Rolling"	33	33	41	41	-18%	-18%
Global Network Minutes "MEGP" ⁴	12,479	23,374	11,001	20,055	13%	17%

Financial KPIs	Q2 2010	H1 2010	Q2 2009	H1 2009	Growth	
					Q2	H1
Operating Revenue "MEGP"	2,530	5,076	2,725	5,215	-7%	-3%
Connection fees	29	74	42	76	-32%	-3%
Handset & others	33	72	20	38	66%	90%
Service Revenue	2,363	4,730	2,588	4,932	-9%	-4%
Roaming Revenue	105	198	75	169	40%	17%
EBITDA ⁵	1,099	2,120	1,318	2,474	-17%	-14%
EBITDA % ⁵	43.4%	41.8%	48.3%	47.4%	-4.9 PTS	-5.6 PTS
Consolidated Income before tax ⁵	490	953	638	1,147	-23%	-17%
Consolidated Net income after taxes and minority ⁵	381	737	536	902	-29%	-18%

Operational KPIs	H1 2010	H1 2009	Growth
			H1
Total number of sites	4,575	4,062	13%
Total number of switches & Gateways	34	37	-8%

¹ Customers connected to the network at the end of the period.

² Customers that made an outgoing chargeable call during the last three months (including voice, messaging or other data services) or receiving an incoming voice call.

³ ARPU calculations are based on the closing subscribers' figures.

⁴ Includes all minute (incoming and outgoing for national, Free and Roaming minute)

⁵ On a comparable basis after excluding provision reversals of 58M EGP in Q1 2009

Commercial highlights for second quarter 2010

- **Blackberry Promotion for Postpaid Customers** giving up to 75% discount on the BlackBerry® service for three consecutive months based on the tariff plan.
- **Unlimited Roaming offer** with a receiving rate of 1EGP/min at any destination for all Star and Business customers.
- **New Code 0150** was introduced representing the first 11-digit dial code in Egypt. This comes as a first phase for migrating Mobinil existing dials [012, 017 and 018] from 10 digits to 11 digits
- **Ma'lem Promotion** providing double credit upon recharge for prepaid customers.
- **Unlimited MBB Daily Promotion** where customers can enjoy 24 hours of unlimited Internet access for only EGP 5/day.

During July Mobinil launched acquisition offers

- **New El Masry promotion** where new customers get 10 free on-net minutes with every 1 on-net charged minute from 12:00 am to 06:00 pm. That was accompanied by a strong advertising campaign with a new TVC.
- **New student line** was launched offering students for six months from subscription 900 free minutes & 1500 free SMS per month pending a minimum daily usage threshold.

Corporate Social Responsibility

- **Supporting World Environment Day on 5th of June** Mobinil contributed to this event by launching a radio and SMS awareness campaign to publicize the theme of this year highlighting the importance of bio-diversity and making an urgent call to conserve all forms of life on our planet.
- **Mobinil collaborates with GSM Association in issuing its first Arabic awareness booklet** containing recent information and scientific findings on cellular networks and electromagnetic fields.
- **Mobinil achieved the Best Corporate Governance Award from GTM/EGX.**
- **Mobinil Supported the Annual No Tobacco Day 2010.**

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Currency : EGP in (000)'s

The Egyptian Company for Mobile Services Consolidated Balance Sheet

For the period ended June 30, 2010

	30/6/2010	31/12/2009	Y to Y	%
Assets				
Current assets	1 866 333	1 869 354	(3 021)	(0.16) %
Net fixed assets	9 051 533	8 911 008	140 525	1.6 %
Assets under construction	699 695	889 391	(189 696)	(21.3) %
Net intangible assets	2 841 299	2 956 458	(115 159)	(3.9) %
Rent deposit	14 358	13 452	906	6.7 %
Total Assets	14 473 218	14 639 663	(166 445)	(1.1) %
Liabilities and Shareholders' Equity				
Current liabilities	4 074 861	5 033 639	(958 778)	(19.0) %
Bank facilities	299 216	559 361	(260 145)	(46.5) %
Current portion of long term debt	642 760	407 200	235 560	57.8 %
Long term liabilities	5 928 953	4 960 866	968 087	19.5 %
Total Liabilities	10 945 790	10 961 066	(15 276)	(0.14) %
Shareholders' Equity				
Paid-up capital	1 000 000	1 000 000	0	0 %
Treasury shares	(3 454)	(3 454)	0	0 %
Reserve (gains from treasury shares)	51 644	51 644	0	0 %
Legal reserve	200 000	200 000	0	0 %
Equity settled share based payments	(6 214)	(6 683)	469	(7) %
Current year earnings	737 401	2 037 984	(1 300 583)	(63.8)%
Retained earnings	1 549 022	622 741	926 281	148.7%
Interim distributions	0	(222 599)	222 599	(100) %
Minority Interest	(971)	(1 036)	65	(6.3) %
Total Shareholders' Equity	3 527 428	3 678 597	(151 169)	(4.1)%
Total Liabilities & Shareholders' Equity	14 473 218	14 639 663	(166 445)	(1.1) %

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The Egyptian Company for Mobile Services

Consolidated Income Statement

For the period ended June 30, 2010

	Q2 2010 (1)	H1 2010 (2)	Q2 2009 (3)	H1 2009 (4)	Variance (2)-(4)	%
Revenues	2 529 985	5 075 512	2 725 093	5 215 282	(139 770)	(2.7)%
Cost of Sales	(558 635)	(1 111 678)	(473 016)	(929 878)	(181 800)	19.6%
Gross Margin	1 971 350	3 963 834	2 252 077	4 285 404	(321 570)	(7.5)%
Gross Margin %	77.9 %	78.1%	82.6 %	82.2 %	(4.1) PTS	(5)%
Selling, general and administrative expenses	(382 019)	(816 270)	(417 631)	(821 798)	5 528	(0.7)%
* Operating Expenses excluding D & A	(490 598)	(1 027 855)	(516 934)	(989 670)	(38 185)	3.9%
Depreciation and Amortization	(485 653)	(968 016)	(468 483)	(963 072)	(4 944)	0.5%
* Operating Margin	613 080	1 151 693	849 029	1 510 864	(359 171)	(23.8)%
* Operating Margin %	24.2 %	22.7 %	31.2 %	29 %	(6.3) PTS	(21.7)%
* EBITDA	1 098 733	2 119 709	1 317 512	2 473 936	(354 227)	(14.3)%
* EBITDA %	43.4 %	41.8 %	48.3 %	47.4 %	(5.6) PTS	(11.8)%
Non Operating Expenses						
Interest	(151 674)	(281 437)	(204 045)	(378 704)	97 267	(25.7)%
Other Non-Operating Income / Expenses	29 002	82 650	(6 606)	15 152	67 498	445.5%
Total Non Operating Expenses	(122 672)	(198 787)	(210 651)	(363 552)	164 765	(45.3)%
* Net Income /(loss) before taxes	490 408	952 906	638 378	1 147 312	(194 406)	(16.9)%
* Net Income /(loss) after taxes and minority	380 658	737 401	535 710	901 516	(164 115)	(18.2)%

* On a comparable basis without a reversal of provision amounting to 58 MEGP in Q1 2009.

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The Egyptian Company for Mobile Services Consolidated Cash Flows Statement

For the period ended June 30, 2010

	1H 2010	1H 2009	Variance	%
Cash flow from operating activities	1 244 006	1 708 814	(464 808)	(27.2) %
Cash flow from Investment activities	(1 481 252)	(1 192 483)	(288 769)	(24.2) %
Free Cash Flow	(237 246)	516 331	(753 577)	(145.9) %
*Free Cash Flow	512 754	676 331	(163 577)	(24.2) %
Cash flow from financing activities	297 296	(528 891)	826 187	(156.2) %
Effect of exchange rate on cash and cash equivalents	(3 800)	4 952	(8 752)	(176.7) %
Net Cash Flow changes	56 250	(7 608)	63 858	(839.4) %
Beginning cash balances	254 495	275 681	(21 186)	(7.7) %
Ending cash balances	310 745	268 073	42 672	16 %

*Free cash flow excluding license payments.

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About the company

Activity	To establish, operate and maintain a GSM wireless communication network in co-operation with the Egyptian authority for telecommunications according to law no. 8 issued in 1997, and to provide mobile communication services inside the Arab Republic of Egypt in accordance with its license agreement	
Listing	ECMS is listed on the Egyptian Stock Exchange RIC: EMOB.CA	
Capital Structure	Authorized capital	EGP 3,000,000,000
	Issued and fully paid-in capital	EGP 1,000,000,000 (100,000,000 shares @ EGP10.00 / share)
Shareholder Structure	Mobinil Telecom	51.03%
	FT Orange Group	71.25%
	Orascom Telecom Holding	28.75%
	Orascom Telecom Holding	20%
	Free Float	28.97%

More information

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