

Opportunities for suppliers

"There is a strong need for telecommunication solutions in Iraq and we strongly believe that Iraq has the potential to grow. We regard it as one of the most strategic markets for growth."

Ericsson Middle East Market Unit Chief, Bo-Erik Dahlström

As the main mobile operators compete to expand their networks and attract subscribers, a wide variety of business opportunities have opened up for suppliers of hardware and communications solutions.

Now is the time for a major company such as Ericsson to establish a physical presence in Iraq, says Bo-Erik Dahlström, Head of Ericsson Middle East's Market Unit. The company recently opened a new branch office in Erbil, noting that "Inaugurating the Erbil office strengthens our presence in Iraq, and is considered as the first step in expanding our footprint among the customers in this country."

In March 2009, Kalimat signed a 50/50 joint venture with Hong Kong-based telecoms provider PCCW to

launch IPTV and mobile TV services, which it plans to launch at the end of the year.

At the beginning of 2009, the State Company for Internet Services (SCIS) launched tenders for Wi-Fi services and a for a satellite package for the provision of internet services. The Wi-Fi tender was guaranteed in the Ministry of Communications investment plan for 2009. Several invitations to tender were issued in 2008. In January 2009, the ministry awarded a contract for local area network (LAN) services to a local company.

- In January 2009, Zain Group, deployed Riverbed Steelhead appliances at 75 sites in Iraq, which should substantially increase the capacity of the network. This capacity increase is designed to improve quality assurance for voice and video conferencing by allowing dedicated bandwidth for these applications.
- Zain contracted Nokia Siemens Networks in May 2008 to expand its coverage nationwide. Qatar Telecom committed in June 2008

to spending £670 million over the ensuing two years on improving Asiacell's network. Asiacell recently announced the inclusion of the Al-Anbar and Diyala governorates to its network's coverage area. This made Asiacell's services available to an additional three million potential subscribers. It also established Asiacell as the first mobile company with coverage in all 18 Iraqi governorates.

- China's Huawei is supplying CDMA base stations for Kalimat's WLL network. Global communications equipment provider Redline Communications is supplying Kalimat with WiMAX hardware, financed by National Bank of Kuwait and Gulf Bank.
- The Ministry of Communications owns two operating companies. These are: Iraqi Telecommunications and Post Company (ITPC) and the State Company for Internet Services (ICIS). Both companies issue regular invitations to tender for the provision of equipment and technology.

Reconstruction opportunities

Telecommunications infrastructure is still being repaired and rebuilt, with major programmes financed by international donors. Reconstruction has centred on major cities, and there is a substantial amount of work to be done rehabilitating exchanges, building modern telecommunications transit and routing facilities, and creating a reliable and extensive fibre optic network.

- The rebuilding of the Mamoun Telecom Exchange in Baghdad

was a priority because of its central location in the capital. Supported by US government funding, it is due to be completed this year. More than £13.5 million has been received from US donors for training and capacity building in the telecommunications sector.

- Additional exchange facilities are being built in the capital and throughout Iraq to establish a sound telecommunications infrastructure.

- Underground fibre optic networks are being expanded throughout the country.
- Microwave networks nearing completion include a Japanese-funded network along the Tigris River from Mosul to Basra and a World Bank funded network from Jordan to Baghdad with branches to Kirkuk and Basra.
- Another microwave network runs alongside the Iraqi rail system.

Contacts: For general information about investment opportunities in Iraq or the investment process, please visit the Iraqi National Investment Commission website at www.investpromo.gov.iq or email at info@investpromo.gov.iq.

For information about specific sectors and opportunities, or to arrange a visit, please contact the National Investment Commission through one of the contacts below.

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Sector Brief Telecommunications



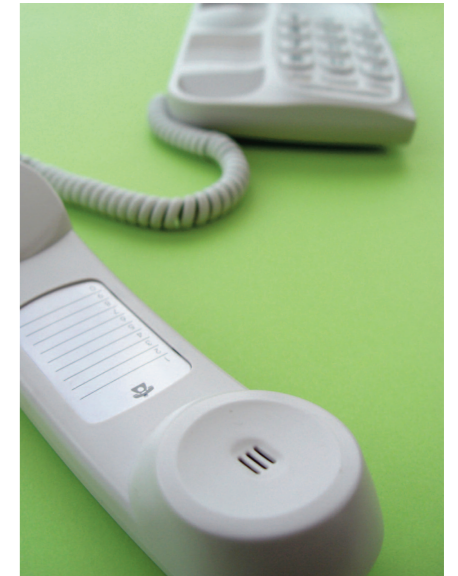
Iraq's most rapidly expanding sector

Iraq's rapidly expanding telecommunications sector presents a story of unparalleled growth and development. Millions of Iraqis are now connected to a modern mobile-based communications infrastructure, whose accessibility offers a stark contrast to the moribund legacy landline system, previously used almost entirely by the military, the political elite and the very wealthy.

The benefits of improved communications to the people and to the economy are tangible. Traders can buy and sell, distribution chains can be managed, emergency services and health care are accessible and government has become easier to coordinate. All these advantages mean that the sectors dramatic expansion is sure to continue.

"Many private sector companies have already made sizeable commitments to developing commercial enterprises in the communications sector, demonstrating that this is an area of the economy that is open to both Iraqi and international investors."

Minister of Communications Farouk Abdel Qadir Abdel Rahman



The Ministry of Communications has been actively encouraging private investors to participate in Iraqi telecommunications. Since 2005, it has licensed three nationwide mobile operators and may offer a fourth licence in the near future. In 2006, it licensed three nation-wide and three local fixed wireless local loop (WLL) service providers who are now building networks to deliver a full range of telecommunications

services. Initially these will include internet-based voice and data services, but eventually television and other media services will be made available.

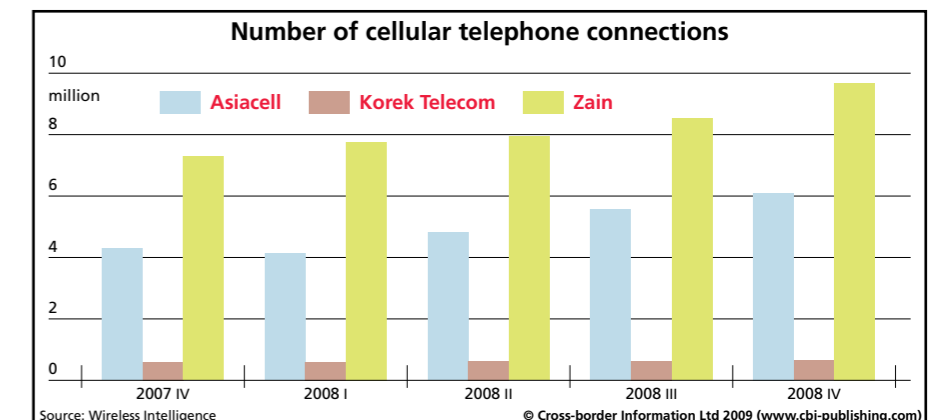
The sector is regulated by the independent Commission of Media & Communications (CMC), which was established in June 2004. The CMC regulates the sector on the basis of private sector universal access. It says it aims to encourage private sector

participation by "adopting a competitive and just framework". It plans for the sector to be "the growth engine of the Iraqi economy."

The CMC has the right to grant licences, receive fees and tariffs, and manage resources such as spectrum frequencies, right of way, and international communications in addition to activities supporting universal access.

Rapid Sector Growth

Telecommunications usage has accelerated rapidly from an extremely low base. The most rapidly expanding sector has been that of mobile telephones. The pace of growth is slowing, but this is still a sector where there is much room for expansion.



- Internet usage has been growing fast, as companies invest in new infrastructure.
- The greatest effort is currently being put into developing fixed wireless connections at a local level, rather than upgrading the analogue telephone system.
- In January, Asiacell, announced that the number of its subscribers had exceeded six million.
- By the end of 2008, Zain had 9.68 million subscribers.
- In total, Iraq's mobile providers serve approximately 20 million Iraqis.
- Total subscriber accounts in Iraq will reach 26.9 million in 2013 according to IE Market Research.

International investors take the lead in sector development

The telecommunications sector was the first sector to attract major international investors, coming in well ahead of the global giants sizing up oil and gas opportunities.

In 2007, Asiacell, Zain and Korek won the three 15-year nationwide mobile licences awarded by the Communication and Media Commission.

- Zain, the region's first mobile operator, (founded in Kuwait in 1983 as MTC) established itself as a leading operator in Iraq with the acquisition of Orascom subsidiary Iraqna for \$1.2 billion. Both companies had been providing a wide range of mobile telephony and data services in the country since early December 2003.
- Asiacell is a joint venture between London-based investment bank, MerchantBridge – which has other investments in Iraq – and a subsidiary of Qatar Telecom.

- Korek, the country's original operator, was restricted until 2007 to connecting callers in Kurdistan. It then purchased its mobile licence for £840 million, and also bid for the Iraqna network. Having missed out to Zain, it has initiated discussions with potential investors. In September 2008, the UAE's Etisalat declared a firm intention to acquire Korek, raising the possibility that all Iraq's mobile operators could become substantially owned by Gulf investors. The sale of Korek would stimulate greater competition in the market.

In just a few years, mobile telephones have become the standard mode of communication in Iraq. Now a new breed of private operators are rolling out fixed wireless voice and data services, initially in Iraq's larger cities.

Licensing arrangements

In 2006 the Communications & Media Commission (CMC) awarded three national and three provincial licences for fixed wireless local loop (WLL) services. The CMC's ambition is that the licensees will provide a comprehensive broadband internet service providing 92 per cent of Iraqis with access to voice services and affordable advanced third-generation (3G) telecommunications by 2011. It

said that the objective of licensing provincial operators in addition to the national ones was "to spur the development of telecommunications operations owned directly by Iraqis, to ensure aggressive, localised competition, and to ensure broad network availability and a choice of service provider for Iraqi consumers."

All three national licences will last ten years with a possible five-year

renewal term. The local licences will last eight years. The new WLL providers may now be gaining market share from Iraq's mobile operators, according to participants at the Iraq Telecoms 2008 conference in London last October. Two of the main providers, Itisaluna and Kalimat reported substantial customer migrations from GSM to fixed wireless services when these became available.

Major communications sector players

Iraqi Telephone and Postal Company and the State Company for Internet Services

- The Iraqi Telephone and Postal Company (ITPC) is the state-

owned company that operates the legacy fixed line telecommunications system. Its sister company, the State Company for Internet Services

(SCIS) was created in 1999. It now offers wireless broadband, DSL and dial-up connections. It also provides email, web design and hosting services.

The company says its priorities are the development of intranet, Voice over IP and Video Conferencing services. Initially, the company's priority was to provide high capacity data for ministries and government departments, although its services are now being rolled out more generally.

Kalimat Iraq Corporation

- Kalimat launched the first WiMAX network in Baghdad in November 2008. Its target markets include large commercial facilities, residential areas and government institutions.
- It pays 28 per cent of its revenues to the government. The company has substantial ambitions in Iraq according to its president and CEO, Wilson Varghese. "Our licence is for ten years and we will invest £270 million in Iraq our expected revenue in ten years time is £1.1 billion," he says. The company says it aims to deliver 5 million CDMA lines by 2011.
- The controlling interest in Kalimat is owned by Trade Links Logistics, General Trading & Construction, a telecoms service provider operating in Kuwait, the UAE, and the US. Other partners are US consultants Artel, and Chinese network equipment and service provider Huawei.

Itisaluna Abr Al Iraq

- Itisaluna is based in Baghdad and is majority-owned by the Palestine Telecommunications Company.

Internet services and speeds

	Max speed
Itisaluna (1X) internet	150Kbps
Itisaluna Super internet	3.1Mbps
Kalimat Swo	153.6Kbps average speeds between 48 and 100Kbps
Kalimat Tayyara	3.1Mbps average between 150 and 300Kbps
SCIS 1	64K bps
SCIS 2	128 Kbps
SCIS 3	256 Kbps
SCIS 4	512 Kbps
SCIS 5	1 Mbps

Where wireless broadband and DSL services are not yet available, providers offer dial-up internet connection via pre-paid cards. SCIS offers two pre-paid dial up internet services. Uruk costs 400ID/hr. Al-Warakaa costs 500ID/hr between 0000 and 0800 and 1000ID/hr between 0800-0000.

Sources: Itisaluna, Kalimat, SCIS



- The 2006-established Itisaluna Abr Al Iraq is a national wireless fixed voice and data telecommunications company. It is a subsidiary of UAE-based VTEL Holdings Limited, which includes amongst its shareholders Jordan's Munir Sukhain Group, and several Palestinian, Jordanian and Saudi shareholders.
- The company launched a strategic expansion plan in February 2008, starting in Baghdad and Basra and then rolling out into other provinces. By October 2008, it had officially launched its services in Najaf, which followed an earlier launch of services in Karbala.
- In all four cities, customers can access fixed wireless voice services that allow them to make phone calls within and outside the network and make long-distance calls. Additional services such as short messages, call waiting and forwarding, caller ID may also be available.
- Itisaluna's licence was secured initially by a joint venture group comprising Jordan's Munir Sukhain Group, Canada's Syntagma Network Services and the US VoEx International, which offered 33.4 per cent of gross revenues to the government as well as paying £13.5 million for the licence and a £3.4 million bond.

Local players

- Iraq Telecom Consortium, consisting of several existing WLL operators, was licensed to focus on seven northern governorates, including the three Kurdistan governorates.
- Iraqtel is establishing a WLL network in the three southern governorates. It began building a WiMAX network in Basra in November 2006. Iraqtel is a subsidiary of the local Al Emaar Holding Group, whose business activities span a number of sectors.
- Baghdad Cooperative secured a licence to build a WLL network in Baghdad, Wasit and Missan governorates.