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Telecom Egypt announces Q3 2011 Results

Presenters

Mr. Akil Beshir, Chairman

Mr. Hassan Helmy, Senior Vice President for Financial and Operational Affairs & CFO

Mr. Mohamed Elnawawy, Senior Vice President & CSO

Mr. Mahmoud Abu Taleb, Director of Investment & Investor Relations

Mr. Mohamed Kamal, General Manager of Investor Relations

Sally Gerges

Good morning and good afternoon everyone, this is Sally Gerges from Beltone Financial. I would like to welcome you all to Telecom Egypt's Q3 2011 results conference call. From Telecom Egypt, we have with us Mr. Akil Beshir, Chairman; Mr. Hassan Helmy, Senior Vice President for financial and administrative affairs and Chief Financial Officer; Mr. Mohamed Elnawawy, Senior Vice President and Chief Strategy Officer; Mr. Mahmoud Abu Taleb, Director of Investment and Investor Relations; and Mr. Mohamed Kamal, General Manager of Investor Relations and Internal Reporting.

As usual, the conference call will begin with a discussion of the key highlights of the period followed by a brief Q&A session.

I will now hand the call back to Mohamed Kamal for the Safe Harbor Statement. Thank you very much.

Mohamed Kamal

Thank you, Sally, for the introduction and for hosting the conference call.

Good morning and good afternoon everyone.

As a standard rule of corporate governance of Telecom Egypt, I'll first start by reading a Safe Harbor Statement.

We may make some forward-looking statements in the course of this conference call. These statements will be based on information available to us as of today and you should, therefore, not assume that in the future that we continue to hold these views. We do not commit to notify you if our views change. We refer to our public filings for some factors that may cause forward-looking statements to differ from actual future events or results.

So that was the statement. Now with the call, I will now pass you over to the Mr. Akil Beshir, Chairman of Telecom Egypt.

Akil Beshir

Thank you Mohamed. Thank you all for joining our call today. As usual, I will open the call with some brief comments about the domestic operating environment; before we move on to discuss Telecom Egypt's third quarter 2011 operational and financial performance.

As today's results show, while there has not yet been a return to normal operating conditions in Egypt, we have mitigated these effects to a greater extent than many of our competitors.

Some instability, albeit primarily from the actions of a minority, remains in the local market post-revolution. But, the greater challenge is the impact of wider economic malaise impacting countries around the world and in the region. Egypt has not been immune from this.

While Egypt boasted average GDP growth of 7% just a few years ago, economic expansion in Egypt has slowed and 2011 projections have dropped considerably. Double-digit food inflation has hit the average Egyptian hard. Surveys show that consumers across every social stratum expect shrinkage in their household income in 2011.

There are several factors at work here which are relevant to our business as well.

Just as in many countries across the region, tourism is a significant part of the Egyptian economy. Tourism revenue directly accounts for a little over 8% of Egypt's GDP. Since the January 25th revolution, Egyptian authorities have reported a 40% decrease in tourism arrivals. Furthermore, business activity, including international trade and industrial production, has yet to normalize.

In spite of this backdrop, we are confident that the underlying integrity of our operations has been maintained. We are still delivering a net profit margin of almost 27% for the third quarter and 32% year-to-date in an operating environment where our peers have seen considerable margin contraction, and even negative positions.

But, I prefer to look further out. After all this is how we manage the business. I believe that 2011 will have been somewhat of an anomaly. I am confident that the full year results will be in line with expectations, as our remaining cable projects become operational in the final quarter of this year. I also firmly believe that the outlook for 2012 will be brighter as confidence and political stability return to Egypt.

On that note, I will now pass over to Mohamed Elnawawy to give you an operational overview of TE over the past quarter.

Mohamed Elnawawy Thank you, Mr. Beshir.

As Mr. Beshir has said, we continue to operate in extenuating circumstances. Ongoing economic uncertainty, depressed tourism levels and slower business activity have inevitably created a short term drag on TE's financial performance.

Hassan will take you through more detail on the revenue lines, costs and profitability in just a moment. I would like to focus on several operational highlights.

Our underlying business has shown greater resilience than other companies operating in the country. Despite the gloomy context, in modern day Egypt, telecommunications is fundamental to every citizen and such services will, I am sure, play a central role in the economic recovery.

In spite of the challenges our market faces, we have retained our grasp of commercial reality. We have reinstated our pre-revolution credit policy and, as a result of non-payment of invoices, we have placed some 400 thousand subscribers on incoming calls only or temporarily disconnected their lines until settlement is made. As a result, our total active subscribers have fallen to 8.6 million as at 30 September, 2011. Through these actions we are reducing our exposure to unprofitable subscribers and will in due course create a more sustainable base from which to build.

These steps have been balanced by promotional activity focused on delivering competitive advantage while also responding to our customers' needs. As you know, we took action to reduce the long distance tariff to the level of a local call and enabled this capability across all phone lines. Already this has increased traffic by four times on average – in some instances even more. As the subscriber base stabilizes, we expect the effect to be more visible in revenue terms. Our 14 piaster promotion on fixed to mobile calls has also been highly popular, delivering revenues equal to the previous quarter; this shows the respective increase in usage from a smaller base of subscribers.

Our broadband service, via TE Data, has been well positioned to absorb the increased demand for high quality internet services and has reached record revenues during the third quarter.

Having passed the milestone of one million subscribers in the previous quarter, TE Data has taken action in the third quarter to remove inactive subscribers from its service. Inactive subscribers can be a drain on resources, whilst not contributing to service revenues. Given the demand for broadband services, it makes sense to remove them and free up resource. So, the net figure you see today actually masks the impressive inflows of new customers during the quarter. Gross ADSL customer additions were actually at the same level as the second quarter of the year. However, the removal of some 46 thousand inactive subscribers from TE Data's service means that the net subscriber additions figure stood at just over 31 thousand. I should stress that this action, which will continue over coming quarters, has not impacted TE Data's market share which still stands at 63%.

TE Data's commitment to such ongoing performance improvement is critical as it comprises a growing part of TE's total service related revenue and we must ensure that the customer base is of high quality. Third quarter Revenues from internet and data of EGP 292 million were record quarterly levels. This contribution now represents more than 12% of total quarterly revenues.

The diversification of our revenue base is key and a factor in our commercial success that we have taken care to nurture. We are committed to delivering high quality telecommunication services, for residential, enterprise and wholesale customers alike.

Throughout the last quarter, we observed significant growth in demand for transmission circuits within our domestic wholesale business. This traffic is more bandwidth hungry as an increasing amount comes from ISPs. In 2007, 56% of transmission demand was attributable to mobile network operators. By the end of 2011, we expect this will be more equally split, with some 51% of demand for capacity coming from the mobile sector and 49% coming from ISPs year-to-date. This is an important point as the domestic wholesale business continues to benefit from both mobility and broadband demand, both of which are forecast to continue on a growth trajectory.

Now turning to international wholesale. The bilateral agreements we have in place with several regional and international carriers increases our control of incoming international traffic, reducing illegal Voice Over IP traffic. In particular, we now have an agreement in place with Saudi Arabia which is a dominant source of inbound international calls to Egypt. This is already making this line of business more robust. Incoming international calls represent EGP 548 million in the third quarter over EGP 542 million in the second quarter of 2011 and EGP 484 million in Q3 2010.

As you know, one of our projects, TE North, the first Mediterranean cable network to provide commercial services using 40G technology, is now fully operational. The completion of this project in Q2 2011 was a major milestone. International capacity sales related to the cable business are already contributing significant, but uneven, revenues and show great promise. Two of our other cable projects will complete at the end of the year and we expect considerable revenue uplift from this in the final quarter. I am personally very excited about this potential.

With that, I will now hand over to Hassan to take you through our financial performance in more detail. Over to you, Hassan.

Hassan Helmy Thank you, Mohamed.

As with last quarter, I will be focusing on the comparison with Q2 2011 as the continued impact of the Egyptian revolution makes comparability with 2010 somewhat meaningless.

We remain a cash generative company. Total service related revenues stood at more than EGP 2.4 billion for the three months to the end of September alone. Year-to-date we have generated revenues of just under

EGP 7.4 billion and delivered a nine month profit margin of 32%. This is a great achievement and there is a great deal of which we can be immensely proud.

Total service related revenues did record a decline of 10.3% when compared to Q2 2011, to EGP 2.4 billion, a difference of some EGP 271 million. There are five main components to bear in mind here:

- Almost EGP 26 million was eroded from our access revenues because of our action on late payments and the subsequent decline in active subscribers. Some 400 thousand customers are currently on receive-only or temporary disconnected status. Total access revenues reached EGP 374 million for the third quarter, versus EGP 399 million for the second quarter of 2011.

- Total voice revenues declined by some EGP 18 million, to reach EGP 416 million versus EGP 435 million in the second quarter. Firstly, this is attributable to the seasonal effects of Ramadan occurring in August. Secondly, lower subscriber number and continued disruption to service from copper cable thefts impacted local call volume by some EGP 13 million to reach EGP 273 million. Finally, lower than average tourist level combined with continued contraction in business usage affected fixed to international calls volume.

- Internet and Data revenue reached record high of EGP 292 million, reflecting TE Data larger market share and a growing market for broadband fuelled by the youth segment. Year-to-date total for TE Data have already reached EGP 760 million.

- As Mohamed noted, demand for access to our network from local third party operator actually increased during the third quarter. Although, there was an increase in demand for transmission circuits, it was more than offset by a credit note taken up by Vodafone Egypt under the terms of our three year exclusivity agreement.

- Finally, international capacity sales contained with our international wholesale revenue fell by EGP 207 million when compared with the second quarter. In Q2 2011, we recognized some EGP 322 million primarily from capacity sales related to the cable business, from which EGP 267 million were for cable projects recognized upon completion. In Q3 2011, this figure was EGP 115 million, as there weren't any cable projects completed in the period, this figure accounts for other services related to International Capacity Sales. We have always stated that revenue contributions from this business will be more uneven than from other lines of business and I would ask you to bear this in mind in your models. As Mohamed said, we fully expect two new projects to be operational in the final quarter which will again provide a significant uplift to Full Year 2011 revenues. When I look at the outlook therefore, I am comfortable that we will meet expectation on our top line.

What I hope that you can take away from this that operational and financial integrity has been well defended, in spite of the operating environment.

Before I move on I would like to make one further comment on revenues. We spoke to you last quarter about our intention to change the way we report and model our revenue inputs to refocus them around our new customer focused business units. While it is still our intention to do this, our immediate focus has been on stabilizing our business. Work on reclassifications needed for the change is incomplete and is now more likely to take effect in the second half of 2012.

Next, I would like to spend a moment looking at our cost base.

The overall salary cost in the third quarter increased by EGP 72 million, of this EGP 25 million is attributable to the 8% annual increase in salaries, which commenced in July 2011. EGP 11 million represents a one-off reassessment of the compensated absence accrual as a result of the annual increase in salaries. Then EGP 30 million is attributable to increase in sponsorship of Telecom Egypt's sports club and the medical insurance expenses that pertains to 2010 but were invoiced by the insurer in the third quarter of 2011. Finally the remainder represents an increase in a performance related to bonuses to the employees.

Arriving at this figure is, however, slightly complicated by adjustments and reclassification in the salaries line shifting between costs of goods sold (or COGS) and SG&A. This has been caused by the upgrade to our Oracle 11 to Oracle 12 financial system which has entailed changes in the definition of cost and activity centers.

Firstly, under TE's COGS you will note an EGP 424 million decrease in Q3 2011 versus Q2 2011. Total COGS for the quarter, therefore, stood at EGP 618 million. This is primarily as a result of lower maintenance cost, lower cost relating to our cable projects, and the stated reclassification of salaries from this line to SG&A.

As a result of those reclassifications while COGS decreased by EGP 424 million, SG&A increased by EGP 415 million.

If we take OPEX, excluding salary cost, the positive effect of our cost optimization program can be more clearly seen. On this basis, OPEX for the third quarter 2011 reached EGP 1.3 billion versus EGP 1.4 billion in the second quarter of 2011 – so you can see that we have already in three months made saving of more than EGP 100 million.

Consolidated EBITDA for the period was EGP 1 billion – a decline of 21 % - representing an EBITDA margin of 43% for the quarter, which is still in line with management expectation. Beyond the lower revenue contribution, this is where you can see the effect of an increase in interconnection cost, as a result of higher mobile traffic; and previously announced increases in employees' salaries, which were, again, the most significant contributor.

EBITDA for the nine month period ended 30 September 2011 reached EGP 3.5 billion versus EGP 3.9 billion for the same period in 2010. This delivers a 48% EBITDA margin, which stands at the high end of management expectations.

Turning to income from Direct Investments, Vodafone Egypt (VFE) is the local market leader, with 1.4 million net customer additions in the quarter, it reached a total of 35.5 million users overall. Total voice minutes exceeded 19 billion for the first time.

From this customer base, Vodafone Egypt generated revenues of EGP 3.2 billion in the three month period ending 30 September 2011, a 6.3% increase on the previous quarter, as the business worked hard to mitigate the effects of continued lower than average tourist levels and overall contraction in business usage of roaming and international calls. Net profit for the quarter ending September 30th 2011 reached EGP 498 million, in spite of more challenging operating conditions. As a result, income from Direct Investments was slightly reduced during the quarter, standing at EGP 224 million, versus EGP 233 million for Q2 2011.

TE's consolidated net profit for the third quarter of 2011 was EGP 622 million. The relative decline in net profit can be attributed to lower revenues, higher salary costs and a slight decline in investment income. Net profit for the nine month period ended 30 September 2011 reached EGP 2.35 billion versus EGP 2.71 billion in 2010.

In terms of CAPEX, you will note that this continues to decline from previous quarter and year earlier levels. In the third quarter, CAPEX stood at EGP 146 million versus EGP 309 million in the second quarter. When taken over the year-to-date, EGP 497 million versus EGP 718 million for the first nine months of 2010, reflects several key points. As you know, we have been negotiating and renegotiating better terms with our suppliers for some time as part of our cost optimization program. In addition, we have reduced spend by reconsidering the materials and technologies we use in the design of our network, utilizing more fiber in open out areas and less copper cable covering shorter areas.

As I noted at the start, TE is a highly cash generative company. We boast an exceptionally healthy balance sheet and a net cash position of EGP 4.3 billion as at 30 September, 2011. This positions us strongly for 2012. Finally, if there is no change in circumstances and subject to the outcome of our strategic salary review. The executive management will be proposing an increase in dividend payout ratio for consideration at TE's AGM next year. This is a strong signal of our confidence.

This concludes our operational and financial review for the third quarter, operator please open the line for questions.

Madhvendra Singh Yes, my question is on the revenues. Under the retail revenues there is a line item called others that has declined significantly quarter-on-quarter, so what is included in that line and what is the reason for the decline in that portion?

Hassan Helmy The decline is attributable to a change in the strategy where certain construction work was done for customers we used to bill for, as a construction work. The strategy now is to bill core services rather than the construction. And this will continue to decline overtime and with the corresponding increase in other retail revenue, not this line.

Madhvendra Singh Where does that increase in revenues will reflect now?

Hassan Helmy It will be in retail between access and connection.

Madhvendra Singh Between access and voice?

Hassan Helmy Access and voice, yes.

Madhvendra Singh In terms of EBITDA margin year-to-date it is running at 48%. What should we expect for fourth quarter? Is it going to be like similar level as we have seen in third quarter or it can be even lower than this? Thank you.

Hassan Helmy No, it will not be lower than the third quarter. It should level out between in the mid forties.

Madhvendra Singh OK. Thank you.

Hassan Helmy Thank you.

Alok Nawani Good evening, gentlemen. I was just wondering if you could give us a bit more clarity on what exactly is the change in terms of your credit policy that you have implemented this quarter. Thank you.

Hassan Helmy There is no change; we have stringently applied our existing credit policy. There were a bit of relaxation following the revolution where we extended the payment term because of the economic situation and the security situation. But we are saying that we are coming back in the third quarter to our regular terms of credit.

Alok Nawani Which would be what exactly?

Hassan Helmy Allowing customer to settle within 40 days.

Alok Nawani All right. Great, thank you.

Hassan Helmy Thank you.

Richard Barker Thanks very much. I am sorry I have got a few bits. Can I just hit you straight to get along with? First of all on Internet and data revenue side. I just wondered if you could talk in little more details as to why we saw such a significant sort of jump upwards in the third quarter as compared to the second quarter. Is it a third quarter which is anomalous or was the second quarter anomalous? I am just trying to get some kind of handle for what the underlying trend there is because there does seem to have been some volatility in that line item. That's the first question.

Hassan Helmy OK. Shall I take this one and let us take them one by one? If you followed us on the second quarter call we were talking about the promotions that were undertaken by TE Data where a new customer subscribe for one month and gets one month free, so this promotion is now expired and the customer has to pay for the month that he subscribes into.

Alok Nawani You think that the Q3 run rate is obviously sort of a per customer basis, on an ARPU basis I guess is more indicative of your sort of underlying trend than Q2 was?

Hassan Helmy That's correct.

Alok Nawani OK, that's clear. Thank you. One thing I think missed when you went through just briefly, how much cable related revenues you booked in Q3? Did you say EGP115 million?

Hassan Helmy Yes, but this is not capacity. This is O&M revenues from cable projects.

Alok Nawani OK. And then a final thing I just want to ask you about the issue of the credit note from Vodafone. What was that related to? I mean is that backward looking, forward looking. Presumably again it kind of distorts the numbers a little bit in this period but how should I think about things going forward.

Hassan Helmy It is volume related credit note, if VFE achieved certain volume which, they achieved based on the historic trend of their consumption, VFE gets free transmission services.

Alok Nawani Right. OK, so we could see another one of these notes coming through. I mean is there some kind of periodicity, is it every quarter or every year or how does that work?

Mohamed Elnawawy It is related to volume. And it is also related to the three-year lockout that we have placed with them back in 2009 to get their entire wholesale business channel through us to our network.

Hassan Helmy this was given away in return of a long-term commitment from the side of Vodafone. And if you set aside the affect of this credit note, you will find that the underlying domestic wholesale revenue was actually up.

Alok Nawani Sorry, I am being a bit slow on this I think. So, the credit note that you booked in this quarter relates just to the usage thresholds that have been achieved in this quarter or there is some kind of backward looking element to it as well?

Hassan Helmy Backward looking.

Alok Nawani That is looking back over what period? All the way back to 2009 or just the year-to-date or what kind of period?

Mohamed Elnawawy It is contract-to-date.

Hassan Helmy So as early as 2009.

Alok Nawani Right. OK. That's much clearer. Thank you very much.

Hassan Helmy Thank you.

Pritish Devassy Hi, thanks for taking the question. Can I understand a little bit about the revenues from the international capacity line and why did it actually decrease from EGP257 million to EGP115 million?

And secondly, we are expecting two big projects in the later and in the last quarter. How much of the revenue is being driven by that? Maybe can we assume that EGP250 million plus EGP250 million, EGP500 million?

Hassan Helmy In the second quarter, we have recognized sales from the cable business in the range of EGP 267 million. In the third quarter, there was no such sale. This is a timing issue as we previously stated that revenue contribution from this line of business will be uneven. But in the fourth quarter, there are two cable related projects will be completed that will provide sizeable and significant uplift to the revenue of this stream.

Akil Beshir What was the second question?

Pritish Devassy Can we expect later on similar ranges that of the revenues for the first project, so I was assuming EGP250 million?

Hassan Helmy Broadly, yes.

Pritish Devassy My second question was about the salary hike. This has been implemented uniformly across all the workers or is there something remaining? And when was this exactly implemented, can you let me know, 1 July or 30 July or what is it?

Hassan Helmy It was July 1, the 8% increase. We have also given an exceptional increase of 15% to all employees within a maximum of EGP500 and minimum of EGP200 first of March. However if you set aside the impact of the one-offs on the salaries cost, you would find that average increase is like 3.7% on last year's salaries.

Pritish Devassy Pardon, I could not get that.

Pritish Devassy OK. One last question, the CAPEX right now had declined around low 6%. Is this a maintenance CAPEX or do you think it is going to be increased substantially or how is it going to stand in the future?

Hassan Helmy We expect the CAPEX level to be in the range of EGP200 million during the Q4 and you have to bear in mind that the replacement of the stolen copper cable is actually charged to OPEX not CAPEX. And to date we have spent almost a EGP100 million on that.

Pritish Devassy OK. Thank you.

Hassan Helmy Thank you.

Madhvendra Singh Hi, just a question on the ADSL net adds. You said that the actual growth addition was around similar level of second quarter. Should we assume a similar number for fourth quarter as well? Following to that is, what would be the approximate level of ARPUs on broadband side? Has that improved very significantly year-on-year as well?

Hassan Helmy Yes, we expect more or less same level on third quarter as on second quarter, as we said there is an increased demand on broadband service fuelled by the youth segment. ARPU is in the range of EGP58 to EGP60 per customer. It could grow up with the disconnection of those inactive customers.

Madhvendra Singh In terms of quarter-on-quarter trend of the overall revenues, should we take third quarter as the base or we should expect a similar growth from first quarter of this year to the third quarter of this year and take that as the normal run rate, ignoring second quarter?

Hassan Helmy You can broadly estimate the total revenue for the year for TE Data in the range of EGP1 billion.

Madhvendra Singh OK. All right. The final question just on the employees' expenses. Can you just tell; I might have missed it, the total one-off expense as related to employee cost?

Hassan Helmy Comparison on year to date basis shows that an increase of EGP72 million, if you subtract EGP25 million out of this which is the effect of the 8% annual increase, the rest represents on-offs.

Madhvendra Singh And that is year-to-date, right?

Hassan Helmy Yes. The one-offs increased during the quarter, the third quarter. This is what impacted the third quarter. However you have to again look into the bigger picture to consider the age profile of our employees where we expect almost a 1,200 to 1,300 employees reaching the normal retirement age resulting in the savings of almost EGP50 million a year. This coupled with a controlled recruitment scheme. Yes, there might be some pressure in the short-term but medium to longer-term you should see stability in our wages and salaries costs.

Madhvendra Singh Are you still planning to run any early retirement scheme for employees?

Hassan Helmy At the time being no, but we have an ongoing early retirement scheme. We enhanced it last year during the period from July to December and we were successful to get almost 3,000 employees out on this scheme. And this is contributing to the savings that you will see in the future of our wages and salaries costs.

Madhvendra Singh OK. Thank you.

Hassan Helmy But for 2011 currently, we do not anticipate to do any enhancement. But the ongoing scheme is still valid.

Madhvendra Singh OK. Thanks.

Hassan Helmy Thank you.

Manimaran Radhakrishnan Hi, thanks for taking the question. I just had a couple of questions. I just want to know what this EGP97 million impairment loss on financial assets relates to.

Hassan Helmy How much?

Manimaran Radhakrishnan EGP97 million?

Hassan Helmy Impairment Losses generally are related to financial assets, so this is like a receivable, would be like a doubtful debt that we are providing for.

Manimaran Radhakrishnan OK. Can you also tell me Vodafone halved their dividend payment in Q3, can you provide a color as why exactly this happened?

Hassan Helmy This year we don't anticipate further dividend from Vodafone. It's going to be around July next year.

Manimaran Radhakrishnan OK.

Richard Barker Yes, thanks. Sorry to come back to you gentlemen. Just a follow up really on the earlier discussion which you were going through in terms of your employee costs. You mentioned I think a strategic salary review which was obviously ongoing or will be going on. I just wondered if you could talk a little bit about the parameters of that, what kind of things are being discussed particularly in light of the news that we have seen recently about the actions that you have faced? Can you just talk about what we should expect may be from that review or at least sorts of things that we should may be expect from that?

Also I just want a very – on a sort of housekeeping note, I wondered if you could just may be talk about how headcount has changed over the course of this year in total? That will be quite helpful. Thank you.

Akil Beshir We promised in January our employees that we are going to have strategic salary restructuring and we have hired PriceWaterhouse (PWC) to help us in that. They are working on it, the idea is to have an evaluation for each job and have a benchmark of market so that we know where do we stand and where do we want to be. And also trying to reduce the gap between the lowest and the highest salary. We are in final phases of that, we are yet to receive the PWC report and we promised our employees that the first phase of this restructuring will be implemented in January and this will include about 80% of the employees and the remaining 20% would be in March. We don't know yet the financial impact of the restructuring because we haven't seen the report and we are not necessarily going to take their recommendations and apply it because we have to look at it in terms of its impact on our financials, and our cost.

As for the second question about the headcounts, we stand now at about 48,000. A few years ago, we were about 55 thousand; we are now down to 48,000. As Hassan mentioned we have between 1,200 to 1,300 employees retiring every year in addition to the earlier retirement scheme. And of course not everybody retires is replaced because in many jobs we don't need to replace people and whenever we do it is usually with a lower salary than the retiring person.

Richard Barker OK, that's great. Thank you.

Akil Beshir You're welcome.

Pritish Devassy Thanks. I am not sure if I missed this. Can you tell me what the number of access lines was at the end of this quarter?

Hassan Helmy Active lines, it's 8.6 million.

Pritish Devassy OK, fine. Thank you.

Stephen Pettyfer Thank you. If I can go back to the Vodafone dividend question please. I just wondered if you have any color that you can share with us as to why the Vodafone dividend looks like it was cut dramatically this year? And if you have any influence for your own budgetary reasons if you have any knowledge as to how they are going to share the paying out going forward? Thank you.

Hassan Helmy OK, if you are comparing dividend payout in 2010 and 2011, 2010 had special circumstances and if you recall in 2009 there was a delay on distributing dividend, so in 2010 this was like a double dividend for the two years. Also you have to bear in mind that also Vodafone was impacted with the current economic situation that Egypt is witnessing nowadays. And they have some increasing costs; their CAPEX increases with their growing subscriber base. And OPEX relating to the maintenance of this network also. FX losses relating to Euros exposure. These factors have to be considered in the context of the wider macroeconomic of Egypt and changes that Egypt is witnessing during 2011.

Stephen Pettyfer Sure, thank you for that. I just wondered, do you have an agreed dividend payout policy with them that you can share with us.

Hassan Helmy No.

Stephen Pettyfer You said significant amount relative to your own dividend it is a significant number, so I was just curious.

Hassan Helmy The big difference is resulting from the reason that I was talking about; there was a delay in paying out 2009 dividend which came in 2010. You should project a regular stream of almost EGP600 million, this is Telecom Egypt's share of the dividend.

Stephen Pettyfer Very clear. Thank you.

Hassan Helmy Thank you.

Akil Beshir Thank you, operator. I would like to leave you all with two thoughts. Firstly, the result we have presented to you today should be viewed in the unusual operating context we have discussed. Many of our competitors do not have the same free cash flow position, revenue diversity and strong balance sheet and have consequently been harder hit. Secondly, I hope that we have shown that our business model continues to show itself to be resilient and capable of delivering significant shareholder value.

Ladies and gentlemen, this concludes our call for today. Thank you all for your time and for participating and should you have any further questions following today's results, I encourage you to contact our investor relations team who will be happy to assist you. Thank you all very much.