

# Telecom Egypt

## Announces First Half 2009 Consolidated Results



**Cairo, 13 August 2009:** Telecom Egypt (TE) (Ticker: ETEL.CA; TEEG.LN), today announced its consolidated financial results for the first six months of 2009, ended 30 June 2009. Financial statements have been prepared in accordance with Egyptian Accounting Standards.

### **Highlights for the first Half (H1) period include:**

- Total Consolidated Revenues reached EGP 5,202 million, up 8% on the same period in 2008.
- EBITDA Before Provisions was EGP 2,805 million, delivering a margin of 54%.
- Net Profit After Tax was EGP 1,750 million representing an increase of 41% on H1 2008 and translating to a net profit margin of 34%.
- Earnings Per Share (EPS) increased 41% to EGP 1.03, from EGP 0.73 in the same period in 2008.
- Capex related cash-flows were reduced at EGP 437 million.
- As at 30 June 2009, total fixed line subscribers stood at 9.8 million,
- Retail ADSL market share reached 60%, up 7% on H1 2008.
- Positive contribution of share of profits from Vodafone Egypt of EGP 632 million.

### **Chairman's statement**

Commenting on events in the first half of 2009, Akil Beshir, Chairman of Telecom Egypt, said:

"Despite a challenging environment I am encouraged that our diversified business model continues to deliver stable revenue and bottom line growth as today's results show. .

"We have consistently demonstrated TE's ability to adapt its offering to embrace new opportunities and ensure our business model is sustainable into the future. Over the course of the last five years, we have mitigated negative effects on our top line from increased competition and have worked hard to protect our margins."

"Competition in the Egyptian telecommunications market remains intense and TE's position requires constant adaptation. Also, we must not be complacent about the effects of the economic conditions on our business. After careful monitoring of our retail customer base we have taken positive action to change the terms of our service policy and reduce bad debts. These changes reduce the length of time between payment default and subscriber disconnection. There has been a subsequent reduction in total subscribers, but we now have a higher quality subscriber base without impacting service revenues.

"As I look ahead to the future, there are challenges and opportunities ahead and the changes we have made to our board composition and the separation of Chairman and Chief Executive Officer roles, also announced today, are designed to equip us with the insight and experience to continue to execute upon our strategy and deliver such superior performance."

### **Chief Executive Officer's review:**

Commenting on the results, Tarek Tantawy, Chief Executive Officer of Telecom Egypt, said

"Despite current economic pressures we report today top line growth of 8%, with both retail and wholesale revenues showing resilience and a 41% increase in net profit after tax.

"Retail revenues exceeded EGP 3 billion, up 4% on the same period last year. While overall subscriber numbers have decreased as a result of tightening our credit policy, this decisive action means we have reduced our exposure to late payments. I am encouraged to see this action has had little visible impact on revenue growth during the period.

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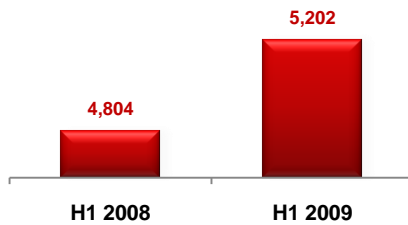
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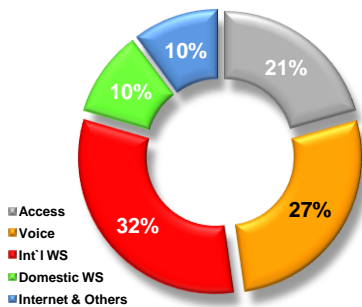
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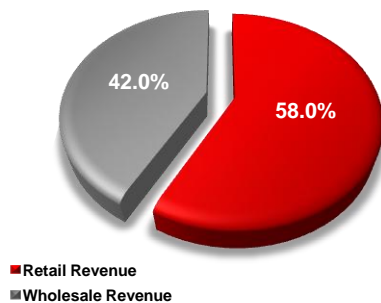
**Revenues**  
(EGP Million)



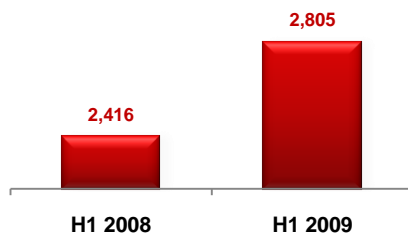
**Revenue Analysis**  
(Percentage %)



**Revenue Breakdown**  
(Percentage %)



**EBITDA Before Provisions**  
(EGP Million)



“Meanwhile, our wholesale segment continues to present TE with an excellent opportunity to leverage its extensive and fully modernized telecommunication infrastructure, reporting year-on-year growth of 15%.

“The contribution from high growth segments such as mobile and data remains on track. We continue to capitalize on the increased demand for internet services within the Egyptian market. TE Data’s ADSL subscriber base now stands at over half a million, and has increased its retail ADSL market share to 60%. Our investment in Vodafone Egypt continued to deliver strong results that contributed EGP 632 million of investment income in the first half of 2009.

“Across TE, we remain committed to delivering consistently strong profits from our business and our investments. Net profit reached EGP 1,750 million for the six month period, a significant improvement on the same period last year and one which places our Net Profit Margin at 34%.

“With significant cash reserves, no immediate refinancing requirements and tighter controls on collections from our subscriber base, I take great comfort in our ability as a company to continue to deliver strong results despite the challenging economic conditions.”

### Financial Review

#### Revenues

Total consolidated operating revenues for the first six months of 2009 reached EGP 5,202 million, an increase of 8% year-on-year.

#### Retail services

Total retail revenues for the first half of 2009 were EGP 3,018 million, an increase of 4% on the EGP 2,905 million generated in the same period in 2008.

Total access revenues, comprising connections and subscriptions, were EGP 1,073 million, compared to EGP 916 million in H1 2008, an increase of 17%, mainly as a result of the tariff rebalancing that took place in Q3 2008.

Total voice revenues reached EGP 1,413 million for the six months of 2009, a slight decline of 3% on the same period in 2008, as a result of the continued competition from the mobile market.

Revenues from internet and data, demonstrated sustained growth with an increase of over 24% year-on-year, totaling EGP 316 million. The majority of internet and data revenues are derived from TE Data’s, Telecom Egypt’s internet and data subsidiary, ADSL services.

In the first six months, TE Data added 78 thousand new subscribers and has increased its market share to 60% of the retail ADSL market. At the end of June 2009 TE Data had more than 502 thousand ADSL subscribers, an increase of 67% in comparison to the end of June 2008.

#### Wholesale services

Wholesale revenues continue to constitute an important part of Telecom Egypt’s revenue mix, accounting for 42% of the total revenue base.

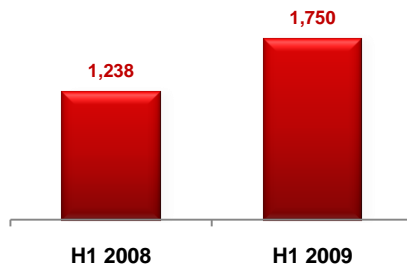
Total wholesale revenues for the first half of 2009 were EGP 2,184 million, compared to EGP 1,899 million during the same period in 2008. This demonstrates a 15% rise year-on-year.

#### EBITDA/EBIT

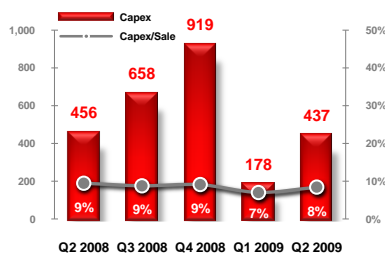
Consolidated EBITDA Before Provisions for the first half of 2009 was EGP 2,805 million, a 16% increase year-on-year, reflecting the revenue uplift and

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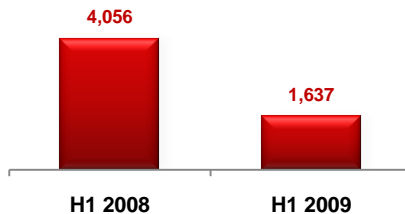
### Net Profit (EGP Million)



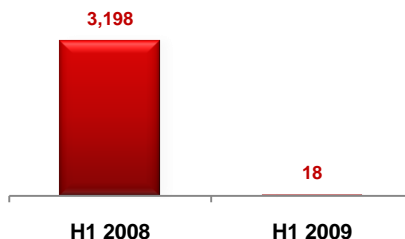
### CAPEX (EGP Million)



### Total Debt Position (EGP Million)



### Net Debt Position (EGP Million)



Telecom Egypt's prudent cost management. EBITDA Margin Before Provisions remains at the high end of management expectations at 54%.

EBIT Before FX Gains and Losses for the first six months of the year increased 22% in comparison to the same period last year, to EGP 2,035 million.

### Income from Investments

Total income from Telecom Egypt's investments for the period was EGP 636 million, including income from Vodafone Egypt, versus EGP 615 million for the first half of 2008, an increase of 3.3%.

Telecom Egypt continues to capitalize on the growing mobile market via its 44.95% stake in Vodafone Egypt, which increased its customer base by 34% year-on-year to 20.4 million subscribers, while total voice minutes increased by 22%. The company generated revenues of EGP 2,965 million in the three months ending 30 June 2008 (Vodafone Egypt's financial year is from 1 April to 31 March), a 4.5% increase in comparison with the same period in 2008.

### Net profit

Consolidated Net Profit for the half year period was EGP 1,750 million, a year-on-year increase of 41%. This translates into an EPS of EGP 1.03, versus EGP 0.73 for the period ended 30 June 2008, a rise of 41%.

### Investments in infrastructure

Capital expenditure during the first six months witnessed a slight decline in comparison to 2008. This decline is directly related to TE's Capex rationalization program which has been running since 2006.

Telecom Egypt continues to invest in its state-of-the-art infrastructure and important projects. In the first half of 2009, Capex was EGP 437 million.

### Debt

Telecom Egypt continues to generate stable cash flows and use this to reduce its net debt position significantly each quarter. As of 30 June 2009, Telecom Egypt's total debt was EGP 1,637 million, compared to EGP 4,056 with the comparative period last year, a reduction of EGP 2,419 million of which EGP 731 million were repaid during the second quarter of 2009.

Net Debt in first half of 2009 was EGP 17.9 million, versus EGP 3,198 million in H1 2008, showing a 99.4% year-on-year reduction.

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### TE Financial Highlights

In EGP millions (Except Per Share Data)

#### Telecom Egypt Consolidated Income Statement

For the period ended June 30, 2009

	Half Year Period Ending June			Previous Quarter Comparison		
	Jun. 2009	Jun. 2008	% Change	Q2 2009	Q2 2008	% Change
<b>Sales Revenue</b>	<b>5,202</b>	4,804	8.3%	<b>2,676</b>	2,418	10.7%
<b>EBITDA Before Provisions</b>	<b>2,805</b>	2,416	16.1%	<b>1,454</b>	1,207	20.5%
<i>Margin</i>	53.9%	50.3%		54.4%	49.9%	
<b>EBITDA After Provisions</b>	<b>2,703</b>	2,305	17.3%	<b>1,385</b>	1,120	23.7%
<i>Margin</i>	52.0%	48.0%		51.8%	46.3%	
<b>EBIT Before FX Gains or Losses</b>	<b>2,035</b>	1,675	21.5%	<b>989</b>	883	12.0%
<i>Margin</i>	39.1%	34.9%		36.9%	36.5%	
<b>EBIT</b>	<b>2,059</b>	1,608	28.0%	<b>961</b>	865	11.1%
<i>EBIT Margin</i>	39.6%	33.5%		35.9%	35.8%	
<b>Profit Before Taxes &amp; Minority Interest</b>	<b>2,037</b>	1,453	40.2%	<b>924</b>	789	17.1%
<b>Consolidated Net Profit</b>	<b>1,750</b>	1,238	41.3%	<b>789</b>	681	15.9%
<i>Net Profit Margin</i>	33.6%	25.8%		29.5%	28.2%	
<b>EPS (EGP)</b>	<b>1.03</b>	0.73	41.3%	<b>0.46</b>	0.40	15.9%

### TE Operational Highlights

	Half Year Period Ending June			Previous Quarter Comparison		
	Jun. 2009	Jun. 2008	% Change	Q2 2009	Q2 2008	% Change
<b>Number of Fixed Line Subscribers</b>	<b>9,839,571</b>	11,266,904	-12.7%	<b>9,839,571</b>	11,266,904	-12.7%
<b>Fixed Line Subscribers Net Additions</b>	<b>(1,862,968)</b>	38,055		<b>(1,706,849)</b>	12,007	
<b>ARPU (EGP/Month)</b>	<b>56.8</b>	48.5	17.1%	<b>59.6</b>	47.8	24.7%
<b>CAPEX (EGP 000's)</b>	<b>436,648</b>	455,664	-4.2%	<b>259,042</b>	223,796	15.7%
<b>TE Data</b>	<b>502,157</b>	300,070	67.3%	<b>502,157</b>	300,070	67.3%
- Number of ADSL Subscribers						
- ADSL Subscribers Net Additions	<b>77,744</b>	77,904	-0.2%	<b>40,357</b>	25,613	57.6%
- Retail ADSL Market Share	<b>59.8%</b>	56.0%	6.9%	<b>59.8%</b>	56.0%	6.9%

# Telecom Egypt

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### Vodafone Egypt Financial Highlights

In EGP millions (Except Per Share Data)

	First Quarter Period Ending December			Previous Quarter Comparison		
	Jun. 2009	Jun. 2008	% Change	Q1 09/10	Q4 08/09	% Change
<b>Total Revenue</b>	<b>2,965</b>	2,838	4.5%	<b>2,965</b>	2,882	2.9%
<b>Net Profit</b>	<b>706</b>	737	-4.2%	<b>706</b>	779	-9.4%
<b>CAPEX</b>	<b>364</b>	368	-1.1%	<b>364</b>	928	-60.8%

### Vodafone Egypt Operational Highlights

	First Quarter Period Ending December			Previous Quarter Comparison		
	Jun. 2009	Jun. 2008	% Change	Q1 09/10	Q4 08/09	% Change
<b>Closing Customers (000's)</b>	<b>20,370</b>	15,203	34.0%	<b>20,370</b>	18,941	7.5%
<b>Net Adds (000's)</b>	<b>1,429</b>	1,129	26.6%	<b>1,429</b>	1,330	7.5%
<b>Total Voice Minutes (millions)</b>	<b>8,639</b>	7,112	21.5%	<b>8,639</b>	7,990	8.1%

- Ends -

#### Disclaimer:

Within this statement, we may make forward-looking statements regarding future events or the future performance of the Company. By their very nature, forward-looking statements involve inherent risks and uncertainties, both general and specific, and risks exist that the predictions, forecasts, projections and other forward-looking statements will not be achieved. You should be aware that a number of important factors could cause actual results to differ materially from the plans, objectives, expectations, estimates and intentions expressed in such forward-looking statements. When relying on forward-looking statements, you should carefully consider the political, economic, social and legal environment in which Telecom Egypt operates. Such forward-looking statements speak only as of the time of this release today. Accordingly, Telecom Egypt does not undertake any obligation to update or revise any of them, whether as a result of new information, future events or otherwise other than as required by applicable laws, the Listing Rules or Prospectus Rules of the United Kingdom Listing Authority, the Egyptian Capital Markets Authority or the Egyptian Stock Exchange. The documents filed from time to time with these authorities may identify important factors that could cause actual results to differ materially from those contained in any forward-looking statements.

#### About Telecom Egypt

Telecom Egypt (TE), Egypt's incumbent telecommunications operator, started its operations in 1854 with the first telegraph line in Egypt. Then it was corporatized in 1998 to replace the former Arab Republic of Egypt National Telecommunication Organization (ARENTO). The Company is the largest provider of fixed-line services in the Middle East and Africa with 9.8 million subscribers as at 30 June 2009.

TE provides retail telecommunication services including access, local, long distance and international voice, Internet and data, and other services. The company also provides wholesale services including bandwidth capacity leasing to ISPs, and national and international interconnection services. Telecom Egypt's services also include the provision of narrowband and broadband internet access through its subsidiary TE Data. TE Data has active operations in Egypt and Jordan.

TE currently participates in the mobile segment in Egypt by providing mobile interconnectivity through its current, increased 44.95% holding in Vodafone Egypt, one of the three existing Egyptian mobile operators. TE's shares and GDRs (Ticker: ETEL.CA; TEEG.LN) are traded on the Egyptian Stock Exchange and the London Stock Exchange.