

## Announces First Quarter 2010 Consolidated Results

**Cairo, 13 May 2010:** Telecom Egypt (TE) (Ticker: ETEL.CA; TEEG.LN), today announced its consolidated financial results for the First Quarter ending 31 March 2010. Financial statements have been prepared in accordance with Egyptian Accounting Standards.

### **Highlights for the First Quarter 2010 period include:**

- Total Consolidated Revenues reached EGP 2,503 million.
- EBITDA Before Provisions was up 1% reaching EGP 1,364 million, delivering a margin of 54.5%.
- Net Profit After Tax reached EGP 992 million, translating to a net profit margin of 39.6%.
- Earnings Per Share (EPS) for the period reached EGP 0.58.
- Capex related cash-flows were up 73.8% at EGP 309 million on the same period in 2009.
- As at 31 March 2010, total fixed line subscribers stood at 9.3 million.
- Retail ADSL market share reached 61%, up 2.5% on the same period in 2009.
- Positive contribution of share of profits from Vodafone Egypt of EGP 300 million.

### **Chief Executive Officer's statement**

Commenting on the first quarter results of 2010, Tarek Tantawy, Chief Executive Officer of Telecom Egypt, said:

"As recent events have shown, the effects of the global financial crisis are not yet over. Despite this, TE has once again proven its ability to deliver solid profitability in a highly competitive operating environment. Our performance during the first quarter should once again be regarded as very solid. During the first three months of 2010, we have stabilized revenues, further reined in costs and, as a result, increased our margins. In the first quarter of 2010, this resulted in bottom line growth of 3.2% to arrive at EGP 992 million. This translates to a net profit margin of more than 39%.

"In Egypt, the telecommunications land grab continues and our response to the aggressive price reductions made by mobile operators has already started to yield some results. Our promotions have been compelling and have resulted in a number of subscribers choosing Telecom Egypt for both quality and value. In the first quarter of 2010, all voice revenue categories showed a marked improvement on the levels recorded in the final quarter of 2009.

"Lower subscriber numbers have had no demonstrable impact on our top line. Our diversified business model has continued to deliver stability in our revenue base, with advances in wholesale revenues offsetting any short-term pressure in retail revenues as a result of our promotional activities. Revenues from our wholesale business are a significant and growing component of our revenue base, representing 48% of total service related revenues recorded in the quarter. During the first quarter of the year, total wholesale revenues increased 14% year-on-year to EGP 1,207 million as a result of the continued momentum in activity from third party operators including ISPs. For the first time, we also recognized revenues from our submarine cable projects, as the build-out has been substantially completed.

"We have already met the challenges of market liberalization head-on, diversifying our business to capture growth in mobile and data markets. We are now moving into the next stage of our evolution – and the needs of the customer sit at the centre of this proposition. The broadband opportunity remains one of the cornerstones of our future. It is a market which is becoming more competitive, but we are working closely with TE Data to ensure we retain our leading market share. TE Data, our fully owned internet and data arm, made significant progress during

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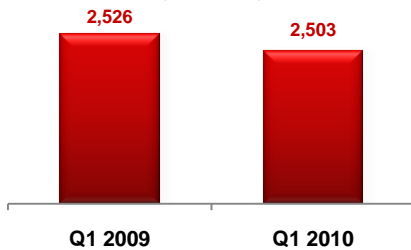
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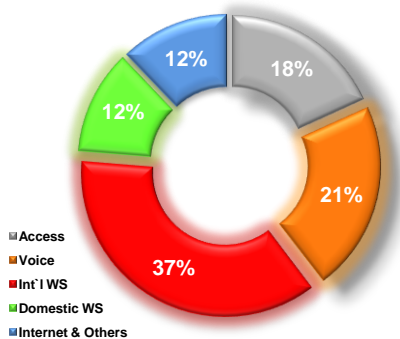
### Revenues

(EGP Millions)



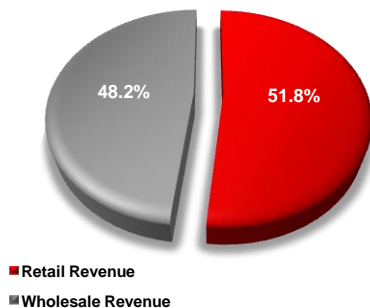
### Revenue Analysis

(Percentage %)



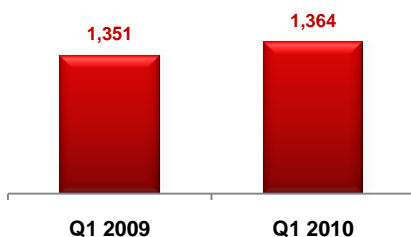
### Revenue Breakdown

(Percentage %)



### EBITDA Before Provisions

(EGP Millions)



the first quarter – increasing its customer base by 42% in comparison with the first quarter of 2009.

“We continue to demonstrate the tangible benefits of our participation in the mobile segment through our Wholesale Business Unit, but our long-standing investment in Vodafone Egypt (VFE) has also consistently delivered a solid result. In a highly dynamic market, VFE has once again demonstrated significant success in subscriber acquisitions, adding 30% to its total base by its year end (31 March 2010) when compared with 31 March 2009. It now has a 43% market share and generated almost 40 billion voice minutes. As a result, our VFE investment contributed an attributable income for the period of EGP 300 million.”

## Financial Review

### Revenues

Total consolidated operating revenues for the first three months to 31 March 2010 reached EGP 2,503 million, a minor decline of 1% year-on-year, but an improvement of more than EGP 285 million on the final quarter of 2009.

### Retail services

Total retail revenues for the first quarter of 2010 were EGP 1,296 million, a decline of 12% when compared with the same period in 2009. However, when compared to the previous quarter, retail revenues have actually increased nearly 5% from Q4 2009 as customers have responded to ongoing promotional activities undertaken by TE to counter continued aggressive promotional activities from mobile operators. These promotions were not in place during the first quarter of 2009.

Total access revenues, comprising connections and subscriptions, were EGP 455 million for the first quarter of 2010; a decline of 15% compared to EGP 536 million in 2009 due to a slower rate of new net additions, in line with TE's strategy of focusing on more profitable subscribers.

Total voice revenues were EGP 538 million for the first three months of 2010, a quarter-on-quarter increase of nearly 11%. This represented a decline of 21% year-on-year due to discounted promotional activities cited above which were not in place during the first quarter of 2009.

Revenues from internet and data, showed an increase of 29% year-on-year, totaling EGP 189 million, the majority of which can be attributed to TE Data, Telecom Egypt's internet and data subsidiary.

TE Data added a further 51,223 ADSL subscribers (net) taking its total subscriber base to 676,472 as at 31 March 2010, meaning that TE Data commands a 61% share of the retail ADSL market. This represents an increase of 42% on total ADSL subscribers reached during same period in 2009.

### Wholesale services

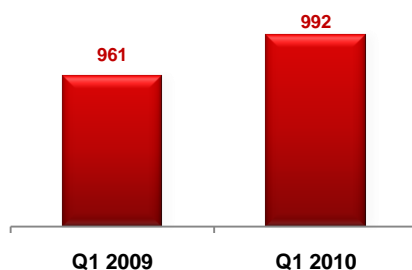
Wholesale revenues constitute a central component of Telecom Egypt's revenue mix, accounting for 48% of the Total Service Related Revenues in the first quarter 2010, compared to 42% of Total Service Related Revenues in the first three months of 2009.

Total Wholesale Revenues reached EGP 1,207 million during the first three months of 2010, representing a 14% rise year-on-year.

The increase can largely be attributed to international wholesale revenues, which account for 76% of Q1 2010 total wholesale revenues. TE has recognized nearly EGP 160 million from cable systems, for the period.

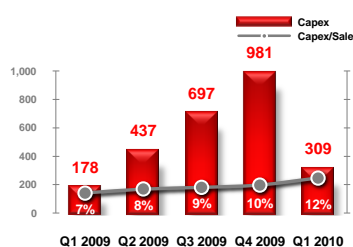
### Net Profit

(EGP Millions)



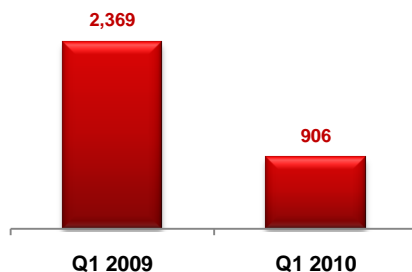
### CAPEX

(EGP Millions)



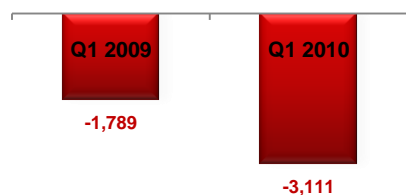
### Total Debt Position

(EGP Millions)



### Net Debt Position

(EGP Millions)



### EBITDA/EBIT

Stringent cost controls resulted in Consolidated EBITDA Before Provisions for the first quarter reaching EGP 1,364 million, a slight 1% improvement on the same period in 2009. This results in an EBITDA Before Provisions Margin of 55%, exceeding management's expectations.

EBIT Before FX Gains and Losses for the year reached EGP 1,099 million, an increase of 5% on EGP 1,047 million in the first quarter of 2009.

### Income from Investments

Total income from Telecom Egypt's investments for the period was EGP 300 million, including income from Vodafone Egypt (VFE).

Despite intense competition from mobile operators and a highly dynamic operating environment over the last twelve months, VFE increased its customer base by 30% to reach more than 24 million subscribers as at 31 March 2010. Total voice minutes also increased by 29% year-on-year, reaching almost 40 billion minutes.

VFE generated revenues of EGP 11,987 million in the twelve month period ending March 31 2010, a 2% increase on the previous period. Net profit for the year reached EGP 3,019 million, compared to EGP 3,080 million for the twelve months ended 31 March 2009. This marginal decrease does not reflect performance but relates directly to a one-off accounting adjustment by VFE in relation to its employee compensation.

(Note: Vodafone Egypt's financial year is from 1 April to 31 March).

### Net profit

TE's Consolidated Net Profit for the first quarter was EGP 992 million, a year-on-year increase of 3%. This translates into an EPS of EGP 0.58.

### Investments in infrastructure

Capital expenditure during the first quarter of 2010 showed an increase of 74% in comparison to the first three months of 2009 as a result of the final stages of the build for TE's new cable business TE North. For the quarter ending 31 March 2010, total Capex reached EGP 309 million, in line with management expectations.

### Debt

TE has a robust cash position and solid balance sheet. By 31 March 2010, it recorded a net cash position of EGP 3,111 million. Ex-dividend net cash and cash equivalents would stand at EGP 1,831 million. As a result of TE's highly successful debt reduction program, at 31 March 2010, Total Debt stood at just EGP 906 million, compared with EGP 2,369 million at 31 March 2009.

### TE Financial Highlights

In EGP millions (Except EPS Data)

#### Telecom Egypt Consolidated Income Statement

For the period ended March 31, 2010

	Three Months Period Ending March		
	March 2010	March 2009	% Change
<b>Sales Revenue</b>	<b>2,503</b>	2,526	-0.9%
<b>EBITDA Before Provisions</b>	<b>1,364</b>	1,351	1.0%
<i>Margin</i>	54.5%	53.5%	
<b>EBITDA After Provisions</b>	<b>1,440</b>	1,317	9.3%
<i>Margin</i>	57.5%	52.2%	
<b>EBIT Before FX Gains or Losses</b>	<b>1,099</b>	1,047	5.0%
<i>Margin</i>	43.9%	41.4%	
<b>EBIT</b>	<b>1,110</b>	1,098	1.1%
<i>EBIT Margin</i>	44.3%	43.4%	
<b>Profit Before Taxes &amp; Minority Interest</b>	<b>1,143</b>	1,113	2.6%
<b>Consolidated Net Profit</b>	<b>992</b>	961	3.2%
<i>Net Profit Margin</i>	39.6%	38.0%	
<b>EPS (EGP)</b>	<b>0.58</b>	0.56	3.2%

### TE Operational Highlights

	Three Months Period Ending March		
	March 2010	March 2009	% Change
<b>Number of Fixed Line Subscribers</b>	<b>9,314,049</b>	11,546,420	-19.3%
<b>Fixed Line Subscribers Net Additions</b>	<b>(239,718)</b>	(156,119)	53.5%
<b>ARPU (EGP/Month)</b>	<b>52.4</b>	50.5	3.8%
<b>CAPEX (EGP 000's)</b>	<b>308,598</b>	177,606	73.8%
<b>TE Data</b>			
- Number of ADSL Subscribers	<b>676,472</b>	476,544	42.0%
- ADSL Subscribers Net Additions	<b>51,223</b>	52,131	-1.7%
- Retail ADSL Market Share	<b>61.1%</b>	59.6%	2.5%

### Vodafone Egypt Financial Highlights

In EGP millions

	Full Year Period Ending March		
	March 2010	March 2009	% Change
<b>Total Revenue</b>	<b>11,987</b>	11,766	1.9%
<b>Net Profit</b>	<b>3,019</b>	3,080	-2.0%
<b>CAPEX</b>	<b>1,998</b>	2,284	-12.6%

### Vodafone Egypt Operational Highlights

	Full Year Period Ending March		
	March 2010	March 2009	% Change
<b>Closing Customers (000's)</b>	<b>24,605</b>	18,941	29.9%
<b>Net Adds (000's)</b>	<b>5,664</b>	4,867	16.4%
<b>Total Voice Minutes (millions)</b>	<b>39,966</b>	30,887	29.4%

- 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 Financial Supervisory 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 9.3 million subscribers as at 31 March 2010.

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.