

## Telecom Egypt Announces HY 2007 Consolidated Results

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**Cairo, 15 August, 2007:** Telecom Egypt (TE) (Ticker: ETEL.CA; TEEG.LN), today announced its consolidated financial results for the six months ending 30 June, 2007. Financial statements have been prepared in accordance with Egyptian Accounting Standards.

First-half 2007 highlights include:

- Total revenues reached EGP 4.9 billion, an increase of 9% on HY 2006
- EBITDA before provisions reached EGP 2.7 billion, up 10% from EGP 2.5 billion at HY 2006
- EBITDA margin before provisions for the period was 56.3%
- EBITDA after provisions reached EGP 2.5 billion, up 1% from EGP 2.4 billion at HY 2006
- Net Profit after Tax decreased 4% on HY 2006 to EGP 998 million mainly as a result of a non-recurring and non-cash impairment loss on assets.
- Earnings per share (EPS) decreased 4% on HY 2006 to EGP 0.58
- Capex related cash flows reduced by 36% year-on-year to EGP 475 million
- 10.96 million fixed-line subscribers, up 3% on HY 2006
- Monthly ARPU stable at EGP 55.3 for six months ended June 2007
- 183% growth in ADSL subscribers versus HY 2006 with a 47.7% retail ADSL market share

### Chairman's statement

Commenting on Telecom Egypt's first-half 2007 results, Akil Beshir, Chairman and CEO of Telecom Egypt, said:

"Both operationally and financially, these results represent a strong start to 2007 and are a reflection of the success we have achieved in evolving our business in line with the changing nature of the Egyptian telecommunications market.

"As the sole network provider in Egypt, we have been focused on expanding our successful wholesale offering which delivered revenues of EGP 1.6 billion for the first six months of this year representing a remarkable growth of 32% year-on-year and 22% growth on the previous quarter. Our fully digitalised and extensive backbone has been key to this effort and has enabled us to service growing demand from other operators to carry traffic over our network.

"On the retail revenue front, the net effect of our tariff rebalancing programme has continued to deliver strong growth in access revenues, particularly from subscription revenues which increased 11 percent year-on-year to reach EGP 851 million, while total retail revenues reached EGP 3.2 billion for the six month period.

"Total revenue reached EGP 4.9 billion representing a growth of 9% year-on-year while maintaining a very healthy EBITDA margin before provisions of 56.3 percent.

"Our retail Internet business, TE Data, continues to deliver a very solid performance, having achieved 48 percent market share by the end of the first half of 2007 versus 38% in June 2006. Our ADSL subscriber base has already grown 21.5 percent relative to the previous quarter and almost trebled in size year-on-year.

"Our strategic investment in Vodafone Egypt (VE) continues to deliver a strong financial result for our business, contributing investment income of EGP 507 million during the six months period ending June 2007.

"In comparison with 2006, reported net profit has been negatively impacted by the non recurring impairment loss on assets during the period under review, however, when one examines the underlying financial performance more closely, stripping out such impairment charge, this in fact masks a very positive underlying trend."

## **Financial Review**

### **Revenues**

Total consolidated operating revenues rose 9 percent year-on-year to EGP 4.9 billion in the six months to 30 June 2007. Solid growth in revenues is underpinned by strong demand for TE's wholesale services, from other operators.

#### ***Retail services***

The net effect of TE's tariff rebalancing initiative continued to boost subscription revenues from retail services in the first-half 2007 which rose 11 percent to EGP 851 million during the six months to 30 June, 2007, compared with EGP 764 million in 2006.

#### ***Internet & Data***

TE Data, TE's 95 percent owned Internet and Data services subsidiary, maintained a strong performance in the second quarter of 2007. Revenues from retail Internet and Data services continued to grow aggressively reaching EGP 131 million for the first half of 2007; 60 percent above the same period last year. ADSL subscribers grew by 21.5 percent relative to the first quarter of 2007 to 134,873 taking TE Data's share of Egypt's retail ADSL market to 48 percent.

#### ***Wholesale services***

Strong demand from other telecom operators dependent on TE's substantial infrastructure has seen revenue from wholesale services rise 32 percent year-on-year to EGP 1.6 billion in the six months ended June, 2007. The contribution of TE's wholesale services to total operating revenues increased to 34 percent over the six month period, compared to 28 percent in 2006, mainly driven by demand from other operators. Rising mobile subscriber levels, combined with the entry of a third mobile operator and the launch of 3G services has had a marked impact on the revenues TE generates from leasing its infrastructure, with this being one of TE's fastest growing revenue lines.

### **EBITDA/EBIT**

TE's operational performance remains strong with EBITDA before provisions for the half year period increasing 10 percent year-on-year to EGP 2.7 billion, compared with EGP 2.5 billion in 2006. EBITDA before provisions margin was 56.3 percent, continually one of the industry's highest.

A one-off impairment of EGP 258 million was charged during the three month period to 30 June, 2007, incurred against its joint venture fixed-line operation in Algeria, Consortium Algerien De Tele-Communications (CAT).

The impact of the charge took TE's consolidated EBITDA after provisions for the six month period ending 30 June, 2007 to EGP 2.5 billion.

EBIT increased 9 percent on the previous year, reaching EGP 1.6 billion for the six month period.

### **Income from Investments**

Total income from investments for the six month period ended 30 June, 2007 reached EGP 465 million, of which EGP 507 million from Vodafone Egypt (VE) in which TE owns a 44.79% stake, in addition to EGP 42.6 million share of loss from CAT, TE's Algerian operation.

### **Net profit**

Consolidated net profit was impacted during the second quarter by the EGP 258 million extraordinary impairment incurred against TE's Algerian operation. Consequently, net profit dropped 4 percent to EGP 998 million for the six months to 30 June, 2007.

### **Investments in infrastructure**

To date TE has invested heavily in providing its customers with a fully digitalized, state of the art network, with excess capacity to handle rising demand for wholesale services. This position has enabled the Company to scale back its capex programme in 2007, resulting in capex related cash flows decreasing year-on-year by 36 percent to EGP 475 million for HY 2007, compared to EGP 738 million at HY 2006.

### **Debt**

TE's net debt position at year-end 2006 rose to EGP 6.8 billion as a result of the acquisition of an additional 19 percent stake in Vodafone Egypt. During the first six months to June 2007, TE has reduced this position by EGP 1 billion to EGP 5.9 billion as at 30 June, 2007.

## Operational Highlights

	6 Months Period Ending June			Previous Quarter Comparison		
	June 2007	June 2006	% Change	Q2 2007	Q1 2007	% Change
Number of Fixed Line Subscribers	10,958,248	10,628,349	3%	10,958,248	10,897,815	1%
Fixed Line Subscribers Net Additions	150,570	232,201	-35%	60,433	90,137	-33%
ARPU (EGP/Month)	55.3	55.8	-0.8%	55.2	55.4	-0.3%
Number of ADSL Subscribers	134,873	47,740	183%	134,873	111,030	21.5%
Retail ADSL Market Share	47.7%	38.5%	24%	47.7%	46.5%	3%

## Financial Highlights

In EGP 000's (Except Per Share Data)	6 Months Period Ending June			Previous Quarter Comparison		
	June 2007	June 2006	% Change	Q2 2007	Q1 2007	% Change
Sales Revenue	4,876,458	4,478,529	9%	2,498,699	2,377,758	5%
EBITDA Before Provisions Margin	2,747,512 56.3%	2,493,721 55.7%	10%	1,376,597 55.1%	1,370,915 57.7%	0.4%
EBITDA After Provisions Margin	2,470,043 50.7%	2,444,494 54.6%	1%	1,118,281 44.8%	1,351,762 56.9%	-17%
EBIT Before FX Gains or Losses Margin	1,575,628 32.3%	1,513,107 33.8%	4%	701,517 28.1%	874,111 36.8%	-20%
EBIT EBIT Margin	1,555,282 31.9%	1,430,884 31.9%	9%	695,023 27.8%	860,259 36.2%	-19%
Profit Before Taxes & Minority Interest	1,261,097	1,307,543	-4%	551,136	709,961	-22%
Consolidated Net Profit Net Profit Margin	998,476 20.5%	1,044,907 23.3%	-4%	413,247 16.5%	585,229 24.6%	-29%
EPS (EGP)	0.58	0.61	-4%			

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**For further information:**

## **Investor Relations Contacts**

**Alia Allouba**  
**Assistant Manager Investor Relations**  
**Telephone: +202 25788787**  
**Fax: +202 25789314**

**E-mail: [investor.relations@telecomegypt.com.eg](mailto:investor.relations@telecomegypt.com.eg)**

## **Notes to Editors:**

*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 Cairo and Alexandria 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 10.96 million subscribers as at the end of June 2007 representing a teledensity of 15.1%.

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 44.79% 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 Cairo and Alexandria Stock Exchanges and the London Stock Exchange.