

## Announces First Quarter 2011 Consolidated Results

**Cairo, 01 June 2011:** Telecom Egypt (TE) (Ticker: ETEL.CA; TEEG.LN), today announced its audited consolidated financial results for the first quarter ending 31 March 2011. Financial statements have been prepared in accordance with Egyptian Accounting Standards.

### Highlights for the First Quarter 2011 period include:

- Total Consolidated Revenues were EGP 2,402 million.
- Revenues from internet and data increased 33% year-on-year.
- EBITDA was EGP 1,284 million, delivering a margin of 53%.
- Positive contribution of share of profits from Vodafone Egypt of EGP 219 million.
- Net Profit After Tax was EGP 892 million, translating to a net profit margin of 37%.
- Earnings Per Share (EPS) for the period were EGP 0.52.
- As at 31 March 2011, total fixed line subscribers flat year-on-year at 9.3 million.
- Retail ADSL market share stands at 63%, versus 61% for the same period in 2010.
- Capex related cash-flows for the quarter of EGP146 million.
- Net cash position of EGP 4,841 million, as at 31 March 2011.

### Chairman's statement

Commenting on the first quarter results of 2011, Mr. Akil Beshir, Chairman of Telecom Egypt, said:

"We report to you today a resilient performance despite the unprecedented events of the first quarter in Egypt. During the period under review, we continued to provide a high quality service, but have understandably experienced some impact to overall financial performance.

"TE has long been at the heart of telecommunications services in Egypt and as a company we take our responsibility to the people we serve extremely seriously. As events unfolded rapidly at the end of January, we took decisive action in interests of public safety and security and opened up 1.4 million lines which had previously been suspended, at no cost to the consumer, other than normal subscription fees, and extended payment terms for existing, active subscribers. This ensured that our customers, whether active or historic, could depend on a quality fixed line service.

"Our revenues have been impacted by the extenuating circumstances in our domestic market; in particular the voice revenues derived from business customers and the international call revenues which emanate from Egypt's normally vibrant tourism industry declined year-on-year due to inactivity. However, it is testament to the diversity of our operating model that these impacts have been partially offset by revenues from our domestic wholesale business and broadband internet subsidiary, TE Data.

"Egypt is in a transitional period and we expect to continue to see some continued effect on our top line in the near term, however, I firmly believe that the biggest impact is behind us. We look to the future with confidence.

"In spite of the unstable political and economic environment our margins have remained robust and in line with management's original expectations. We have maintained an EBITDA Margin of 53% and delivered a Net Profit Margin for the quarter of more than 37%."

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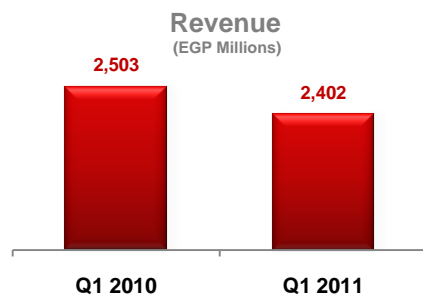
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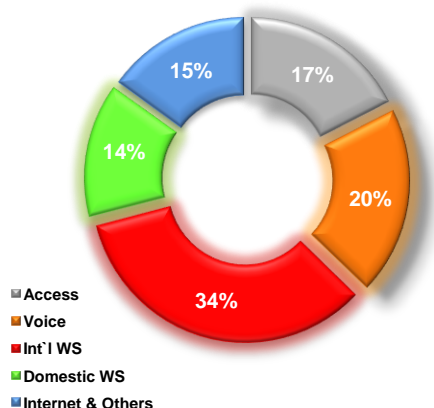
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**Revenue Analysis**  
(Percentage %)



**Revenue Breakdown**  
(Percentage %)



**EBITDA**  
(EGP Millions)



### Financial Review

Note: In line with its standard reporting practice, TE has provided a year-on-year comparison on performance. However, it is important to understand that such comparisons are distorted by the impact of the unprecedented events of the first quarter of 2011.

### Revenues

Total consolidated operating revenues for the first three months to 31 March 2011 were EGP 2,402 million versus EGP 2,503 million for the previous year. This slight decline reflects the impact of events in Egypt during the quarter.

### Retail services

Total retail revenues for the first quarter of 2011 stood at EGP 1,255 million.

Total access revenues, comprising connections and subscriptions, were EGP 420 million for the first quarter of 2011; a decline of 8% compared to EGP 455 million in 2010. This is due to several factors, including discounted promotional activities and the reconnection of a number of previously disconnected subscribers.

Total voice revenues were EGP 473 million for the first three months of 2011, a decline of 12% year-on-year. However, while average local call volumes were higher than those of the previous quarter reflecting the impact of the Government imposed curfew, the actual number of paying customers in Q1 2011 was lower.

Revenues from internet and data, showed an increase of 33% year-on-year, totaling EGP 251 million. The majority of this can be attributed to TE Data, Telecom Egypt's internet and data subsidiary. TE Data performed strongly during the quarter, as demand for high quality internet services increased, particularly during February and March. During Q1 2011, TE Data added a further 54,228 ADSL subscribers. The rate of net subscriber additions continues to increase, by 6% during Q1 2011, and TE Data's total subscriber base to 937,399 as at 31 March 2011. This translates to a 63% share of the retail ADSL market and represents a rapidly growing base of loyal subscribers.

### Wholesale services

TE's wholesale business is made up of revenue from domestic and international services to third parties who use TE's extensive, digital infrastructure principally for co-location and transmission services, settlement and infrastructure leasing.

Wholesale revenues constitute a central component of Telecom Egypt's revenue mix, accounting for 48% of total revenues in the first quarter 2011, in line with the first three months of 2010.

Total wholesale revenues were EGP 1,147 million during the first three months of 2011, a 5% decline year-on-year as a result of lower international call volumes due to reduced tourism combined with lower usage by business customers. Domestic wholesale revenues, however, increased 16% year-on-year to EGP 336 million.

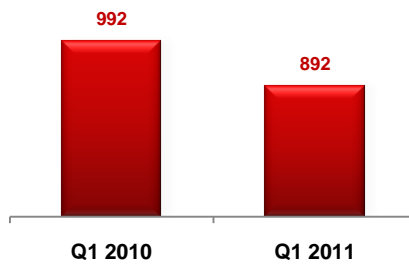
### EBITDA/EBIT

Continued stringent cost controls resulted in EBITDA for the first quarter of

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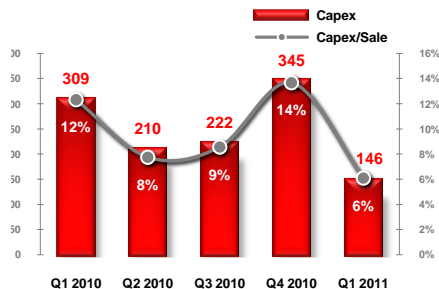
### Net Profit

(EGP Million)



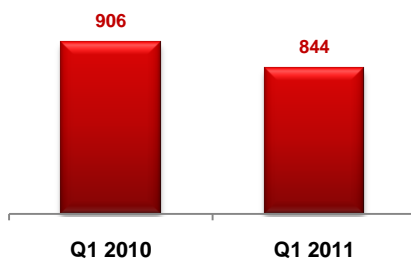
### CAPEX

(EGP Million)



### Total Debt Position

(EGP Million)



### Net Debt Position

(EGP Million)



EGP 1,284 million. This resulted in an EBITDA Margin of 53%. EBIT for the year was EGP 904 million, delivering an EBIT margin of 38%.

### Income from Investments

Total income from Telecom Egypt's investments for the period was EGP 220 million, including income from Vodafone Egypt (VFE) of EGP 219 million.

Despite an intensely competitive environment over the last twelve months, VFE increased its customer base by 31% to reach more than 32 million subscribers as at 31 March 2011. Total voice minutes also increased by 46% year-on-year, exceeding 58 billion minutes.

VFE generated revenues of EGP 12,019 million in the twelve month period ending March 31 2011, a marginal increase of 0.3% on the previous period and in the face of competitive promotions by other operators. Net profit for the year reached EGP 2,622 million, compared to EGP 3,209 million for the twelve months ended 31 March 2010. This performance has been in the context of the unrest in Egypt, which impacted VFE's business revenues including that from roaming and international calls.

VFE continues to invest in its infrastructure and capex increased 33% in comparison to the previous year to EGP 2,648 million. As a percentage of total revenue, this remains within management expectations.

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

### Net profit

TE's Consolidated Net Profit for the first quarter of 2011 was EGP 892 million, which translates into an EPS of EGP 0.52.

### Investments in infrastructure

Capital expenditure for the first three months of 2011 was EGP 146 million.

### Debt

TE has a robust cash position and solid balance sheet. By 31 March 2011, it recorded a net cash position of EGP 4,841 million.

### TE Financial Highlights

In EGP millions (Except Per Share Data)

#### Telecom Egypt Consolidated Income Statement

For the period ended March 31, 2011

	Three Months Period Ending March 2011		
	Mar. 2011	Mar. 2010	% Change
<b>Sales Revenue</b>	<b>2,402</b>	<b>2,503</b>	<b>-4.0%</b>
<b>EBITDA</b>	<b>1,284</b>	<b>1,364</b>	<b>-5.8%</b>
<i>Margin</i>	53.5%	54.5%	
<b>EBIT Before FX Gains or Losses</b>	<b>904</b>	<b>1,097</b>	<b>-17.6%</b>
<i>Margin</i>	37.6%	43.8%	
<b>Profit Before Taxes &amp; Minority Interest</b>	<b>1,017</b>	<b>1,143</b>	<b>-11.0%</b>
<b>Consolidated Net Profit</b>	<b>892</b>	<b>992</b>	<b>-10.1%</b>
<i>Margin</i>	37.1%	39.6%	
<b>EPS (EGP)</b>	<b>0.52</b>	<b>0.58</b>	<b>-10.1%</b>

### TE Operational Highlights

	Three Months Period Ending March 2011		
	Mar. 2011	Mar. 2010	% Change
<b>ARPU (EGP/Month)</b>	<b>52.4</b>	52.4	0.0%
<b>CAPEX (EGP 000's)</b>	<b>146,302</b>	<b>308,598</b>	<b>-52.6%</b>
<b>TE Data</b>			
- Number of ADSL Subscribers	<b>937,399</b>	676,472	38.6%
- ADSL Subscribers Net Additions	<b>54,228</b>	51,223	5.9%
- Retail ADSL Market Share	<b>62.8%</b>	61.1%	2.9%

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### Vodafone Egypt Financial Highlights

In EGP millions

	Full Year Ending March 2011		
	Mar. 2011	Mar. 2010	% Change
<b>Total Revenue</b>	<b>12,019</b>	11,987	0.3%
<b>Net Profit</b>	<b>2,622</b>	3,209	-18.3%
<b>CAPEX</b>	<b>2,648</b>	1,998	32.6%

### Vodafone Egypt Operational Highlights

	Full Year Ending March 2011		
	Mar. 2011	Mar. 2010	% Change
<b>Closing Customers (000's)</b>	<b>32,218</b>	24,605	30.9%
<b>Net Adds (000's)</b>	<b>7,613</b>	5,664	34.4%
<b>Total Voice Minutes (millions)</b>	<b>58,334</b>	39,966	46.0%

- 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 2011.

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.