

# Telecom Egypt

## Announces Full Year 2008 Consolidated Results



**Cairo, 16 March 2009:** Telecom Egypt (TE) (Ticker: ETEL.CA; TEEG.LN), today announced its consolidated financial results for the full year ending 31 December, 2008. Financial statements have been prepared in accordance with Egyptian Accounting Standards.

### **Highlights for the full year (FY) period include:**

- Total Consolidated Revenues of EGP 10,117 million, up 1.2% on 2007.
- EBITDA Before Provisions was EGP 5,163 million, delivering a margin of 51%.
- Net Profit After Tax up 10% on 2007 reaching EGP 2,790 million.
- Earnings Per Share (EPS) increased in 2008 to EGP 1.49, from EGP 1.37 in 2007.
- Capex related cash-flows decreased to EGP 919 million.
- Q4 2008 net additions of 377 thousand new subscribers, an increase of 91% on Q4 2007.
- Total fixed line subscribers now stand at 11.7 million, an increase of 4% on 2007.
- ADSL subscribers reached 424 thousand, up 91% on 2007.
- Positive contribution from Vodafone Egypt of EGP 1,309 million in 2008, compared to EGP 1,126 million for the same period in 2007.

### **Chairman's statement**

Commenting on the full year results, Eng. Akil Beshir, Chairman and CEO of Telecom Egypt, said:

"2008 has been an unprecedented year globally and, while I report to you today a consolidated revenue figure which exceeds EGP 10 billion for the first time, market dynamics continue to present our business with challenges. During our long history, we have witnessed periods of economic uncertainty and I am confident that our service offering; the loyalty of our retail customer base, which now exceeds 11.7 million subscribers; and the strength of our team positions us well for the coming period.

"Tariff rebalancing, implemented from first of July 2008, has worked to mitigate some of the effects of fixed-to-mobile substitution visible earlier in the year under review. However, competition for mobile subscribers in Egypt remains intense and impacted the revenue contribution from certain segments in TE's retail voice business.

"Our business today is much more diversified, with wholesale revenues comprising 39% of TE's total revenues. Just five years ago, this was just 23%. Domestic wholesale revenues grew 14% year-on-year as our extensive network allowed us to service demand from other operators.

"Profitability is a key priority for TE's management and we remain committed to keeping a close eye on costs. I am immensely proud to be able to deliver a 10% increase in consolidated net profit during such an uncertain year. This translates to a 12 piaster improvement in earnings per share for the year.

"Our Internet and data services subsidiary – TE Data – now has a market share of 59% and an ADSL subscriber base of over 424 thousand. Simultaneously we have benefited from our stake in Vodafone Egypt, which contributed 1,309 million Egyptian Pounds to TE's bottom line in 2008.

"We continue to behave with caution and the interests of our shareholders at the forefront of our minds. Having reduced our debt position during the last two years and with significant cash reserves, we have no immediate refinancing requirements. I feel confident that we have started 2009 in good shape, with projects such as TE North on track and generating significant commercial interest; an increasing portion of growth business in the form of TE Data and Vodafone Egypt; a more diversified revenue base than ever before and robust margins which continue to produce significant shareholder returns."

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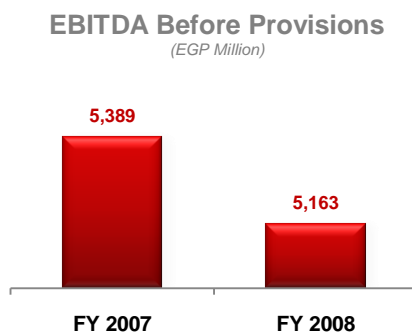
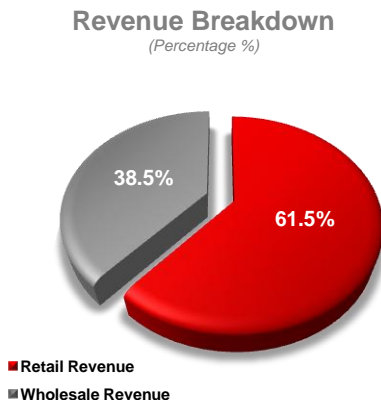
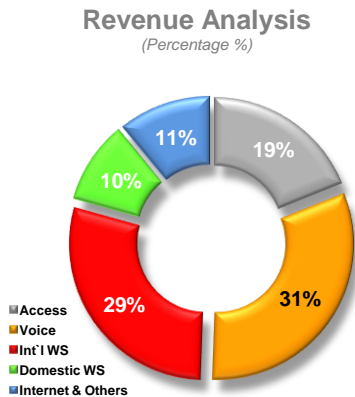
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“Based on our solid performance and conservative capital structure, subject to approval by the general assembly meeting at the end of March 2009, I am pleased to announce that the board of directors has approved a proposed dividend distribution of EGP 1.30 per share. This is 30 per cent higher than last year and is the highest ever dividend payout in the history of the company.”

## Financial Review

### Revenues

Total consolidated revenues for the full year period to 31 December 2008 rose by 1% to reach EGP 10,117 million for the period, from just under 10 billion in 2007.

### Retail services

Total retail revenues for the 2008 full year were EGP 6,181 million, marginally up on EGP 6,141 million generated in 2007.

Total access revenues, comprising connections and subscriptions, were EGP 1,999 million, compared to EGP 1,888 million for the same period last year – an year-on-year increase of 6%.

Total voice revenues reached EGP 3,015 million for the full year 2008, a decline of 5% on 2007. The positive effects of 2008 tariff rebalancing on local call revenues, our largest voice revenue segment, were mitigated somewhat during the year by pressure on other call segments resulting from the intensification of competition from mobile operators.

Revenues from internet and data were EGP 575 million, up 26% year-on-year. TE Data was responsible for the majority of this increase, growing broadband revenues by 54% in 2008. TE Data added 202,247 ADSL subscribers to its customer base during the full year 2008, an increase of 56% on 2007 Net Additions. TE Data now commands a 59% share of the retail ADSL market, compared to 52% at the end of December 2007.

### Wholesale services

Total wholesale revenues now account for 39% of TE's total consolidated revenues. Total wholesale revenues for the full year 2008 were EGP 3,936 million, compared to EGP 3,852 million during the same period in 2007 – a year-on-year increase of 2%. Domestic wholesale revenues grew 14% during the year under review to reach EGP 1,058 million, compared with 925 million in 2007.

### EBITDA/EBIT

Consolidated EBITDA before provisions for the full year 2008 was EGP 5,163 million, a 4% decline year-on-year. The overall decline is mainly attributed to the increase in employee costs incurred in 2008 due to the two salary increases in January and May 2008. EBITDA margin (before provisions) remains within management expectations at 51%.

EBITDA before provisions for the final quarter reached EGP 1,272 million, with an increase of 1.8% on the fourth quarter 2007.

EBIT before FX gains and losses showed a 4% year-on-year decrease to reach EGP 3,515 million for the full year period.

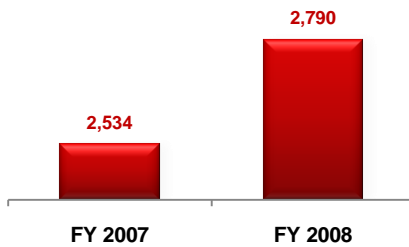
### Income from Investments

TE's investments, including Vodafone Egypt, increased 16% provided an income contribution of EGP 1,309 million compared to EGP 1,126 million for the same period last year. Income from Vodafone Egypt was the main driver here as TE continues to capitalize on the growing domestic mobile telecommunications market via its 45% stake in the mobile operator. As of December 2008, VE had a customer base of 17.6 million, an increase of 32% year-on-year. Total revenues

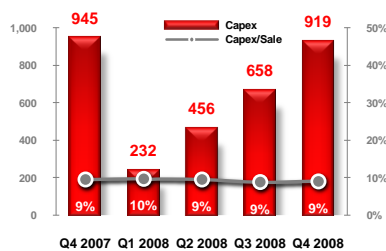
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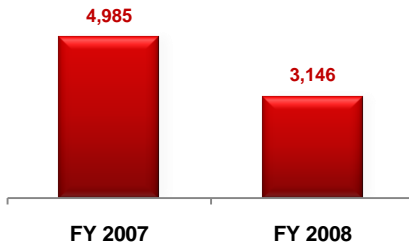
**Net Profit**  
(EGP Million)



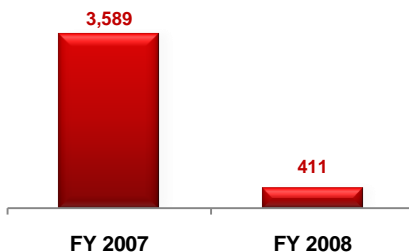
**CAPEX**  
(EGP Million)



**Total Debt Position**  
(EGP Million)



**Net Debt Position**  
(EGP Million)



generated by this base increased 15% year-on-year, to EGP 8,885 million for the nine months ending December 2008 (N.B. VE's financial year starts on 1<sup>st</sup> April).

### Net profit

Consolidated Net Profit for the full year period was EGP 2,790 million, a year-on-year increase of 10%. Net Profit Margin remains in line with management expectations for the year came in at 28%.

This translates into an EPS of EGP 1.49, versus EGP 1.37 for the period ended 30 December 2007.

### Investments in infrastructure

Capex related cash flows ended the year, down 3% year-on-year. This decline is directly related to TE's Capex rationalization program which has been running since 2006.

### Debt

TE's debt reduction program has continued throughout 2008. Total debt has reached EGP 3,146 million in 2008 down from EGP 4,985 in 2007. TE's net debt position has been reduced by 88.5% during the year to EGP 411 million as of 31 December 2008.

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### TE Financial Highlights

In EGP millions (Except Per Share Data)

#### Telecom Egypt Consolidated Income Statement

For the period ended December 31, 2008

	Full Year Period Ending December			Previous Quarter Comparison		
	Dec. 2008	Dec. 2007	% Change	Q4 2008	Q4 2007	% Change
<b>Sales Revenue</b>	<b>10,117</b>	9,993	1.2%	<b>2,625</b>	2,515	4.3%
<b>EBITDA Before Provisions</b>	<b>5,163</b>	5,389	-4.2%	<b>1,272</b>	1,249	1.8%
<i>Margin</i>	51.0%	53.9%		48.5%	49.7%	
<b>EBITDA After Provisions</b>	<b>4,671</b>	5,224	-10.6%	<b>965</b>	1,347	-28.3%
<i>Margin</i>	46.2%	52.3%		36.8%	53.5%	
<b>EBIT Before FX Gains or Losses</b>	<b>3,519</b>	3,674	-4.2%	<b>728</b>	1,100	-33.8%
<i>Margin</i>	34.8%	36.8%		27.7%	43.7%	
<b>EBIT</b>	<b>3,515</b>	3,580	-1.8%	<b>741</b>	1,082	-31.6%
<i>EBIT Margin</i>	34.7%	35.8%		28.2%	43.0%	
<b>Profit Before Taxes &amp; Minority Interest</b>	<b>3,308</b>	3,054	8.3%	<b>734</b>	978	-24.9%
<b>Consolidated Net Profit</b>	<b>2,790</b>	2,534	10.1%	<b>601</b>	831	-27.7%
<i>Net Profit Margin</i>	27.6%	25.4%		22.9%	33.1%	
<b>EPS (EGP)</b>	<b>1.49</b>	1.37	8.5%	<b>0.21</b>	0.37	-45.0%

### TE Operational Highlights

	Full Year Period Ending December			Previous Quarter Comparison		
	Dec. 2008	Dec. 2007	% Change	Q4 2008	Q4 2007	% Change
<b>Number of Fixed Line Subscribers</b>	<b>11,702,539</b>	11,228,849	4.2%	<b>11,702,539</b>	11,228,849	4.2%
<b>Fixed Line Subscribers Net Additions</b>	<b>473,690</b>	421,171	12.5%	<b>377,397</b>	197,254	91.3%
<b>ARPU (EGP/Month)</b>	<b>51.0</b>	54.0	-5.7%	<b>52.8</b>	50.8	3.8%
<b>CAPEX (EGP 000's)</b>	<b>918,851</b>	944,821	-2.7%	<b>260,658</b>	286,006	-8.9%
<b>Number of ADSL Subscribers</b>	<b>424,413</b>	222,166	91.0%	<b>424,413</b>	222,166	91.0%
<b>ADSL Subscribers Net Additions</b>	<b>202,247</b>	129,834	55.8%	<b>84,893</b>	49,399	71.9%
<b>Retail ADSL Market Share</b>	<b>59.0%</b>	52.0%	13.5%	<b>59.0%</b>	52.0%	13.5%

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### Vodafone Egypt Financial Highlights

In EGP millions (Except Per Share Data)

	9 Months Period Ending December			Previous Quarter Comparison		
	Dec. 2008	Dec. 2007	% Change	Q3 08/09	Q3 07/08	% Change
<b>Total Revenue</b>	<b>8,885</b>	7,737	14.8%	<b>2,981</b>	2,702	10.3%
<b>Net Profit</b>	<b>2,300</b>	2,082	10.5%	<b>789</b>	736	7.2%
<b>CAPEX</b>	<b>1,356</b>	1,735	-21.8%	<b>570</b>	441	29.4%

### Vodafone Egypt Operational Highlights

	9 Months Period Ending December			Previous Quarter Comparison		
	Dec. 2008	Dec. 2007	% Change	Q3 08/09	Q3 07/08	% Change
<b>Closing Customers (000's)</b>	<b>17,611</b>	13,333	32.1%	<b>17,611</b>	13,333	32.1%
<b>Net Adds (000's)</b>	<b>3,537</b>	3,681	-3.9%	<b>1,220</b>	1,147	6.4%
<b>Total Voice Minutes (millions)</b>	<b>22,897</b>	16,263	40.8%	<b>7,975</b>	5,878	35.7%

- 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 11.7 million subscribers as at 31 December 2008.

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.