

## Telecom Egypt Announces Nine Months 2008 Consolidated Results

**Cairo, 13 November 2008:** Telecom Egypt (TE) (Ticker: ETEL.CA; TEEG.LN), today announced its consolidated financial results for the nine months ending 30 September, 2008. Financial statements have been prepared in accordance with Egyptian Accounting Standards.

Highlights for the nine months period include:

- Total consolidated revenues reached EGP 7.5 billion.
- EBITDA Before Provisions was EGP 3.9 billion.
- EBITDA Margin Before Provisions was 52%.
- Net Profit after Tax was EGP 2.2 billion representing an increase of 28.5% on the same period in 2007 and translating to a net profit margin of 29%.
- Earnings per share (EPS) increased to EGP 1.28, from EGP1.00 for the same period last year.
- Capex related cash-flows came in at EGP 658 million.
- Total fixed line subscribers reached 11.3 million, up 3% on the same period in 2007.
- ADSL subscribers reached 339,520, up 97% on the same period in 2007.
- Positive contribution from Vodafone Egypt of EGP 954 million in September 2008, compared to EGP 797 million for the same period in 2007 – a rise of 19%.

### Chairman's statement

Commenting on the company's results, Akil Beshir, Chairman and CEO of Telecom Egypt, said:

"Our performance during the third quarter 2008 demonstrates that our service offering, while not recession proof, does hold up through periods of market volatility. In the context of a challenging economic environment, we have reached record quarterly revenues of just under EGP 2.7 billion. While it is clear that the global economy will continue to be affected for some time, our long experience in the industry has shown us that consumer spending on telecoms does not decline as sharply as other consumer goods.

"I am particularly pleased with the rebound in retail revenues in the third quarter of 2008. Total retail revenues for the third quarter amounted to EGP 1.65 billion representing an increase of 12% quarter on quarter. This strong performance on the retail revenue front was driven by both, access and voice revenues.

"In the meantime, I continue to feel confident that the evolving telecommunications market in Egypt presents TE with many opportunities. As demand for mobile and broadband services continues to increase, our unique role at the centre of the Egyptian market means we are ideally positioned to capitalize on this. While we saw some impact on retail revenues during the first six months of 2008, this was readdressed during the third quarter as the competitive landscape was made equal once again by the recent round of tariff rebalancing.

"On the Internet and data front, TE Data has continued to capitalize on the increased demand for Internet services within the Egyptian market. Internet and data revenues increased 31% to EGP 410 million mainly driven by growth in broadband revenues, and the company now holds a 57.3% share of the retail ADSL market.

"Our investment in Vodafone Egypt was once again a significant contributor to net profit; income Vodafone Egypt rose 19% to reach EGP 954 million in September 2008 and Vodafone Egypt has maintained its leading profitability position in terms of share of total mobile sector EBITDA and net profit"

"I would like to underline that the pursuit of increased revenues has not been at the expense of the bottom line, and I am pleased to report Net Profit and Earnings per Share have both increased by 28.5% year on year. We approach 2009 in good shape, but will continue to behave with caution and the interests of our investors at the forefront of our minds."

## Financial Review

### Revenues

Total consolidated revenues for the nine month period to 30 September 2008 were flat year-on-year at EGP 7.5 billion for the period, off-setting the slight decline in year-on-year revenues for the first half of 2008.

When viewed quarter-on-quarter, revenues grew by 11% in the third quarter, reaching EGP 2.7 billion for the three months to end of September 2008. Both the retail and the wholesale segments of the business posted record sales in the third quarter as Telecom Egypt benefited from an increase in mobile traffic across its infrastructure, plus the effects of its tariff rebalancing initiative introduced in July 2008.

#### **Retail services**

Total retail revenues for the first nine months of 2008 were EGP 4.56 billion.

Total access revenues, comprising connections and subscriptions, were EGP 1.46 billion, compared to EGP 1.40 billion for the same period last year. The year-on-year nine months increase of 4% is a direct result of the most recent tariff rebalancing program.

Total voice revenues reached EGP 2.27 billion for the first nine months of 2008, a decline of 8% year-on-year due to the impact of competition from the mobile operators and tariff rebalancing only having been effective for the one quarter of the nine months under review. To illustrate this point further, quarter-on-quarter voice revenues increased by 11%.

Revenues from internet and data, including TE Data, were EGP 410 million, up 31% year-on-year with broadband revenues contributing to the majority of the increase. TE Data added 117,354 ADSL subscribers to its customer base during the first nine months of 2008, compared to 80,435 for the first nine months of 2007, a 46% increase. It now holds a 57.3% share of the retail ADSL market, compared to 48.9% at the end of September 2007.

#### **Wholesale services**

Total wholesale revenues now comprise 39% of TE's consolidated revenues. Total wholesale revenues for the nine months of 2008 were EGP 2.93 billion, compared to EGP 2.84 billion during the same period in 2007. Year-on-year this demonstrates a nine month increase of 3%. Quarter-on-quarter, in comparison with the second quarter of 2008, this represents a 9% increase.

### EBITDA/EBIT

Consolidated EBITDA before provisions for the first nine months of 2008 was EGP 3.9 billion. While this represented 6% decline year-on-year, it demonstrates TE has made significant headway in reducing the year-on-year decline from 12% at the half year point. The overall decline is due to one-off employee costs incurred during the first six months of 2008. EBITDA margin (before provisions) remains within management expectations at 52%.

EBITDA before provisions for the quarter reached EGP 1.5 billion, an increase of 22% over the previous quarter and representing an EBITDA before provisions margin for the third quarter of 2008 of 54.9%.

EBIT before FX gains and losses increased 8.1% year-on-year to EGP 2.8 billion for the nine month period.

### Income from Investments

TE's investments, including Vodafone Egypt, provided total additional income of EGP 954 million, compared to EGP 797 million for the same period last year.

TE continues to capitalize on the growing domestic mobile telecommunications market via its investment in Vodafone Egypt. During the nine month period VE, which is one of three mobile operators in the Egyptian market, increased its customer base by 35% year on year to 16.4 million. Total revenues increased 17% to EGP 5.9 billion for the six months to end of September 2008 (VE's financial year starts on 01 April).

### Net profit

Consolidated Net Profit for the nine month period was EGP 2.2 billion, a year-on-year increase of 28.5%. This translates into an EPS of EGP 1.28, versus EGP 1.00 for the period ended 30 September 2007.

### Investments in infrastructure

Capex related cash flows remain on track, reaching EGP 658 million, a reduction of 0.2% year-on-year, in line with TE's capex rationalization program.

## Debt

TE is well capitalized with no short-term refinancing needs. TE's debt repayment program will continue into 2009, as TE leverages its significant free cash flow.

TE's total debt position as of 30 September 2008 was EGP 3.6 billion, compared to EGP 5.0 billion as at 31 December 2007, demonstrating a reduction of EGP 1.4 billion during the nine month period.

Net debt as of 30 September 2008 was EGP 1.6 billion compared to EGP 3.6 billion as at 31 December 2007, demonstrating a reduction of EGP 2 billion during the nine month period.

## TE Financial Highlights

In EGP 000's (Except Per Share Data)	9 Months Period Ending September			Previous Quarter Comparison		
	Sept. 2008	Sept. 2007	% Change	Q3 2008	Q2 2008	% Change
Sales Revenue	7,492,361	7,477,744	0.2%	2,687,958	2,417,742	11%
EBITDA Before Provisions Margin	3,891,630 51.9%	4,140,134 55.4%	-6.0%	1,475,366 54.9%	1,206,699 49.9%	22.3%
EBITDA After Provisions Margin	3,706,161 49.5%	3,877,027 51.8%	-4.4%	1,401,388 52.1%	1,120,099 46.3%	25%
EBIT Before FX Gains or Losses Margin	2,783,351 37.1%	2,574,249 34.4%	8.1%	1,107,957 41.2%	882,692 36.5%	26%
EBIT EBIT Margin	2,774,552 37.0%	2,497,849 33.4%	11.1%	1,166,493 43.4%	865,402 35.8%	35%
Profit Before Taxes & Minority Interest	2,573,330	2,076,794	23.9%	1,120,001	788,623	42%
Consolidated Net Profit Net Profit Margin	2,188,502 29.2%	1,702,848 22.8%	28.5%	950,437 35.4%	681,186 28.2%	40%
EPS (EGP)	1.28	1.00	28.5%			

## TE Operational Highlights

	9 Months Period Ending September			Previous Quarter Comparison		
	Sept. 2008	Sept. 2007	% Change	Q3 2008	Q2 2008	% Change
Number of Fixed Line Subscribers	11,325,142	11,031,595	3%	11,325,142	11,266,904	0.5%
Fixed Line Subscribers Net Additions	96,293	223,917	-57%	58,238	12,007	385%
ARPU (EGP/Month)	51.1	55.4	-7.7%	56.6	47.8	18.5%
Capex (EGP 000's)	658,193	658,815	-0.2%	202,529	223,796	-9.5%
Number of ADSL Subscribers	339,520	172,767	97%	339,520	300,070	13.1%
ADSL Subscribers Net Additions	117,354	80,435	46%	39,450	40,357	-2.2%
Retail ADSL Market Share	57.3%	48.9%	17%	57.3%	56.0%	2%

## Vodafone Egypt Operational Highlights

	6 Months Period Ending September			Previous Quarter Comparison		
	Sept. 2008	Sept. 2007	% Change	Q2 08/09	Q1 08/09	% Change
Closing Customers (000's)	16,391	12,186	35%	16,391	15,203	8%
Net Adds (000's)	2,317	2,535	-9%	1,188	1,129	5%
Total Voice Minutes (millions)	14,922	10,385	44%	7,810	7,112	10%

## Vodafone Egypt Financial Highlights

In EGP mn (Except Per Share Data)	6 Months Period Ending September			Previous Quarter Comparison		
	Sept. 2008	Sept. 2007	% Change	Q2 08/09	Q1 08/09	% Change
Total Revenue	5,904	5,035	17%	3,066	2,838	8%
Net Profit	1,511	1,346	12%	774	737	5%
Capex	786	1,297	-39%	418	368	14%

- Ends -

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### 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 11.3 million subscribers as at the end of September 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 Cairo and Alexandria Stock Exchanges and the London Stock Exchange.