

Telecom Egypt Announces Q1 2008 Consolidated Results

Cairo, 15 May 2008: Telecom Egypt (TE) (Ticker: ETEL.CA; TEEG.LN), today announced its consolidated financial results for the first quarter of 2008. Financial statements have been prepared in accordance with Egyptian Accounting Standards.

Highlights for the period include:

- Total consolidated revenues reached EGP 2.4 billion
- EBITDA Before Provisions were EGP 1.2 billion
- EBITDA Margin Before Provisions within management expectations at 51%
- Net Profit after Tax was EGP 557 million, translating to a net profit margin of 23.3%
- Earnings per share (EPS) were EGP 0.33
- Capex related cash-flows within expectations at EGP 232 million
- Total fixed line subscribers reached 11.3 million, up 3% on the same period in 2007
- Share of the retail ADSL market is 53.8%, with 260 thousand subscribers representing a growth of 134% year on year
- Positive contribution from Vodafone Egypt of EGP 277 million in March 2008, compared to EGP 243 million in March 2007.

Chairman's statement

Commenting on the company's results for the first quarter of 2008, Akil Beshir, Chairman and CEO of Telecom Egypt, said:

"There is little doubt that the emphasis of our business during the first three months of the year was on expanding wholesale services to capitalize on the growing demand for telecommunication services in the domestic market. Increased promotional activities by the mobile operators have rapidly accelerated the development of the mobile market in Egypt and heightened demand for access to our extensive, highly-modernized network. Total wholesale revenues have increased by 12 percent compared to the same period in 2007 and now comprise 40 percent of our total revenue base. This has offset the pressure we have experienced on voice revenues within our retail segment during the period.

"Our business is seasonal and this has a notable bearing on both retail voice traffic, particularly in respect of international calls, and on revenues derived from new connections. For this reason, comparisons with the fourth quarter of 2007 are misleading. Year-on-year comparisons show that, despite market pressures, total sales revenues were recorded at similar levels at EGP 2.4 billion.

"Discussions with the mobile operators and the NTRA in respect of addressing interconnection rates, that will allow us to compete on a more equal footing with promotions by the domestic mobile operators, are underway and an outcome is expected at the beginning of the third quarter this year.

"As a company, we have always been highly cost conscious and careful to protect margins. We are still on track with an EBITDA margin of 51 percent, despite the impact of annual salary increases. I view the question of total reward for our committed workforce as business critical as we seek to recruit and retain the highest caliber of telecommunications professional in an increasingly competitive market.

"In the first three months of the year, Net Profit after Tax reached EGP 557 million - translating to a net profit margin of 23.3 percent. I regard this as a considerable achievement.

"In Egypt, demand for Internet access and mobile telephony continue to grow, benefiting from robust demographics and a stable spend on telecommunications. Respectively, our investments in this area continue to execute against their strategic and financial objectives. TE Data, our Internet and data services subsidiary, now has a market share of almost 54 percent and an ADSL subscriber base of 260 thousand subscribers.

"Simultaneously, Vodafone Egypt (VE) now has a closing customer base of 14 million; recording total voice minutes of 22.7 billion. VE's sustained performance contributes directly to our bottom line, resulting in investment income of EGP 277 million for the first three months of 2008."

Financial Review

Revenues

Total consolidated operating revenues for the first quarter of 2008 were EGP 2.4 billion, a similar level to the same period in 2007.

TE's revenue mix has evolved significantly since liberalization, with wholesale revenues now comprising 40 per cent of our total revenue base.

Retail services

Total retail revenues for the quarter were EGP 1.4 billion compared with EGP 1.5 billion in the first quarter of 2007.

The decline was attributable to the fall in total voice revenues, from EGP 837 million in 2007 to EGP 709 million in 2008, as the short term effects of aggressive pricing campaigns by the mobile operators was felt. This pressure on retail revenues has been offset by the corresponding increase in wholesale revenues as third party operators direct increasing amounts of traffic over TE's state-of-the-art infrastructure as well as growth in Internet and Data services revenue.

Total access revenues, comprising both connections and subscriptions, recorded a minor increase on the first quarter of 2008 at EGP 459 million versus EGP 458 million. The first quarter of the year is notably slower in new connections. In 2007, more than half of TE's net subscriber additions came in the final quarter.

Revenues from Internet and Data grew substantially over the year, rising from EGP 88 million to EGP 115 million – a rise of more than 31 percent. In particular, TE Data, TE's 95 percent owned subsidiary, continues to grow as it capitalizes on the increased demand for internet access. In the first three months of the year, it added more than 37 thousand subscribers and now boasts a 54 percent market share of the Retail ADSL market. At the end of the first quarter 2008, in total, TE Data had 259,713 ADSL subscribers – more than double its position in the first quarter of 2007.

Wholesale services

Continued demand from other telecoms operators has again translated into double digit growth in TE's total wholesale revenues component, which rose 12 percent overall. Total wholesale revenues for the first quarter of 2008 were EGP 952 million, compared to EGP 852 million during the same period in 2007.

Total domestic wholesale revenues increased by 26 percent to EGP 264 million, as increased traffic from third party operators in Egypt was directed across TE's network. Within this, revenues from infrastructure leasing resulting from operators rose 29 percent year-on-year.

Total international wholesale revenues grew by 7 percent from EGP 642 million in the first quarter of 2007 to EGP 688 million in the first quarter of 2008. The first quarter, is typically a quieter period for international calls due to seasonality.

EBITDA/EBIT

Consolidated EBITDA before provisions for the first quarter 2008 reached EGP 1.2 billion, an 11.8 percent decrease on the same period in 2007 as employee costs rose to accommodate annual salary increases and bonuses. EBITDA margin before provisions for the first quarter of 2008 was 50.7 percent.

Meanwhile, EBIT for the first quarter of 2008 reached EGP 743 million a decline of 13.7 percent as increased foreign exchange losses of EGP 50 million also took effect.

Income from Investments

Total income from TE's investments for the period was EGP 272 million, including income from Vodafone Egypt of EGP 277 million versus EGP 243 million for the first quarter of 2007, a rise of 14 percent.

In full year ended March 2008¹, Vodafone Egypt continued to execute upon its strategic and financial

objectives, increasing revenues by 28 percent year-on-year to EGP 10.4 billion. Full year net subscriber additions increased 46 percent to 4.4 million year-on-year. Total voice minutes for the year increased 60 percent on those achieved during the full year to 31 March 2007, reaching 22.7 billion.

Net profit

Consolidated Net Profit for the three months to end of March 2008 was EGP 557 million, a 4.8 percent decrease compared to 2007. This translates to EPS of EGP 0.33.

Investments in infrastructure

Capex related cash flows remained on track during the first quarter, reaching EGP 232 million a reduction of 13 percent in comparison with 2007 as TE's fully digitalized state of the art network has capacity to accommodate the rising demand for wholesale services.

Debt

TE's total debt position as of 31 March 2008 was EGP 4.5 billion, compared to EGP 5.0 billion as at 31 December 2007. This represents a reduction of EGP 0.5 billion during the first three months of 2008.

¹ Note: Vodafone Egypt has a financial year ending 31 March.

TE Financial Highlights

In EGP 000's (Except Per Share Data)	3 Months Period Ending March			Previous Quarter Comparison		
	March 2008	March 2007	% Change	Q1 2008	Q4 2007	% Change
Sales Revenue	2,386,661	2,377,758	0.4%	2,386,661	2,515,403	-5.1%
EBITDA Before Provisions Margin	1,209,565 50.7%	1,370,915 57.7%	-11.8%	1,209,565 50.7%	1,249,001 49.7%	-3.2%
EBITDA After Provisions Margin	1,184,674 49.6%	1,351,762 56.9%	-12.4%	1,184,674 49.6%	1,346,645 53.5%	-12.0%
EBIT Before FX Gains or Losses Margin	792,702 33.2%	874,111 36.8%	-9.3%	792,702 33.2%	1,099,909 43.7%	-27.9%
EBIT EBIT Margin	742,657 31.1%	860,259 36.2%	-13.7%	742,657 31.1%	1,082,438 43.0%	-31.4%
Profit Before Taxes & Minority Interest	664,706	709,961	-6.4%	664,706	977,551	-32.0%
Consolidated Net Profit Net Profit Margin	556,879 23.3%	585,229 24.6%	-4.8%	556,879 23.3%	831,438 33.1%	-33.0%
EPS (EGP)	0.33	0.34	-4.8%			

TE Operational Highlights

	3 Months Period Ending March			Previous Quarter Comparison		
	Mar 2008	Mar. 2007	% Change	Q1 2008	Q4 2007	% Change
Number of Fixed Line Subscribers	11,254,897	10,897,815	3.3%	11,254,897	11,228,849	0.2%
Fixed Line Subscribers Net Additions	26,048	90,137	-71.1%	26,048	197,254	-86.8%
ARPU (EGP/Month)	49.2	55.3	-11.0%	49.2	50.8	-3.3%
Capex (EGP 000's)	231,868	265,347	-12.6%	231,868	286,006	-18.9%
Number of ADSL Subscribers	259,713	111,030	133.9%	259,713	222,166	16.9%
Retail ADSL Market Share	53.8%	46.5%	15.7%	53.8%	52.0%	3.5%

Vodafone Egypt Financial Highlights

In EGP mn (Except Per Share Data)	12 Months Period Ending March			Previous Quarter Comparison		
	Mar. 2008	Mar. 2007	% Change	Q4 07/08	Q3 07/08	% Change
Total Revenue	10,429	8,132	28%	2,692	2,702	0%
Net Profit	2,701	2,524	7%	618	736	-16%
Capex	2,801	2,104	33%	1,065	439	143%

Vodafone Egypt Operational Highlights

	12 Months Period Ending March			Previous Quarter Comparison		
	Mar. 2008	Mar. 2007	% Change	Q4 07/08	Q3 07/08	% Change
Closing Customers (000's)	14,073	9,652	46%	14,073	13,333	6%
Net Adds (000's)	4,422	3,037	46%	740	1,147	-35%
Total Voice Minutes (millions)	22,661	14,158	60%	6,398	5,878	9%

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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 11.25 million subscribers as at the end of March 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 44.79% 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.