

## Telecom Egypt Announces 1Q 2007 Consolidated Results

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**Cairo, 15 May, 2007:** Telecom Egypt (TE) (Ticker: ETEL.CA; TEEG.LN), today announced its consolidated financial results for the three months ending 31 March, 2007. Financial statements have been prepared in accordance with Egyptian Accounting Standards.

Highlights for the three months ending 31 March, 2007 include:

- Revenues reached EGP 2.4 billion, an increase of 9% on 1Q 2006
- EBITDA after provisions reached EGP 1.35 billion, up from EGP 1.25 billion in 1Q 2006
- EBITDA margin for the period was 56.9%
- Net profit increased 22% to EGP 585 million
- Earnings per share (EPS) increased 22% from 1Q 2006 to EGP 0.34
- Monthly ARPU increased 1% to EGP 55.4
- Capex related cash flows reduced by 23% year-on-year to EGP 265 million
- 10.9 million fixed-line subscribers, up 4% on 1Q 2006
- Fixed line penetration reached 15%
- 186% growth in ADSL subscribers versus 1Q 2006 – 46.5% retail ADSL market share

### Chairman's statement

Commenting on Telecom Egypt's first quarter 2007 results, Eng. Akil Beshir, Chairman and CEO of Telecom Egypt, said:

"After what was an exceptional performance in the final quarter of 2006, I am greatly encouraged by a solid start to the year. When compared with the first quarter of 2006, the effects of our tariff rebalancing programme can again be seen especially in subscription revenues. This has contributed to a 9 percent increase in revenue in the first quarter of 2007 relative to the comparative period in 2006.

"The growth in demand from other operators to connect to our extensive network has again given rise to a healthy quarterly result from our wholesale services, which now represent 31 percent of our total revenue mix. Wholesale revenues were up 19 percent on this time last year and represent a key commercial opportunity for TE in the remainder of 2007.

"Furthermore, with both ARPU and EBITDA metrics showing minor increases, but more importantly stability, I believe we are well positioned for another successful year.

"Our retail Internet business, TE Data, continues to make inroads into the retail ADSL market, having achieved a 46.5 percent market share by the end of the first quarter. Its ADSL subscriber base has already grown 20 percent in the first three months of the year; 186 percent since 31 March 2006. The technical ability and service excellence of the TE Data team, combined with a desire to grow the market as well as their share in it, means we are confident that during 2007 we will further cement our position as the broadband market leader.

"Aside from the wholesale revenues contribution I mentioned above, TE continues to derive substantial benefit from the sustained growth in the mobile market in Egypt from our significant investment in Vodafone Egypt (VE). VE's performance in the first quarter contributed EGP 243 million to our consolidated results. Crucially, over the last 5 months we have been working closely with VE on the nature of commercial collaboration and I expect to be able to announce the outcome of this cooperation during the second quarter."

## Financial Review

### Revenues

Total consolidated operating revenues for the three months ended 31 March, 2007 rose 9 percent to EGP 2.4 billion, compared to EGP 2.2 billion for the same period in 2006, boosted by the net effects of tariff rebalancing and increased demand for wholesale services, both international and domestic.

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

The profile of TE's total operating revenues continues to change, as revenues from wholesale services represent a growing percentage of the total revenue mix. However, during the first quarter of 2007, retail revenues still comprised 69 percent of total operating revenues.

During the first quarter, the company recorded a year-on-year increase of 21 percent in subscription revenues, reaching EGP 420 million and local call revenues of EGP 445 million, versus EGP 438 million in the same period of 2006, as a result of the net effect of cost based tariff rebalancing.

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

Demand for internet services has continued to accelerate, with TE Data, TE's 95 percent owned subsidiary, adding a further 18,700 subscribers in the first three months of the year. By the three months ended 31 March 2007, TE Data's share of the retail ADSL market has reached 46.5 percent, generating internet and data revenues for the first quarter of 2007 of EGP 56 million excluding revenues from dial-up internet.

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

Other operators are increasing their use of TE's wholesale services, which now comprise 31 percent of total revenues, or EGP 739 million – an increase of 19 percent when compared to the first quarter of 2006. This development is testament to the success of TE's deployment of wholesale services and its advanced network capacity, as well as heightening demand from other operators.

### EBITDA/EBIT

Consolidated EBITDA after provisions for the three months ended 31 March 2007 reached EGP 1.35 billion, a rise of 8 percent on the same period in 2006. The company's tight cost controls have again enabled it to sustain EBITDA margins in the mid-50 percent range.

There was some improvement in the performance of the Egyptian Pound against the Euro when comparing 1Q 2007 and 1Q 2006, with foreign exchange losses of EGP 14 million compared with a loss of EGP 25 million in 1Q 2006. EBIT increased 27 percent on the previous year, reaching EGP 860 million.

### Income from Investments

TE's increased stake in Vodafone Egypt, one of the two licensed Egyptian mobile operators, continues to deliver significant financial returns for the company, as well as allowing for closer strategic service collaborations. **In presenting consolidated financial statements, and as detailed in the basis of preparation, TE has changed the way in which it reports the income from its investment in Vodafone Egypt, now accounted for using the equity method.** For the three months ended 31 March 2007, income from investments increased 122 percent to reach EGP 222 million.

### Net profit

In the first quarter 2007, consolidated net profit increased year-on-year by 22 percent to EGP 585 million. The increase was primarily the result of the solid increase in revenues, tight cost controls and an increase in income from investments, resulting from the higher stake in Vodafone Egypt.

## Investments in infrastructure

TE's existing digital fixed-line network is extensive and already has significant excess network capacity built in, which is more than meeting the needs of its own traffic and that of other operators. This headroom has allowed the company to further rationalize its Capex programme. During the first quarter of 2007, Capex-related cash outflows reached EGP 265 million, compared with EGP 346 million – a decrease of 23 percent.

## Debt

TE's management geared up its balance sheet in 2006 to increase the efficiency of its capital structure. The company financed the acquisition of the 19 percent additional stake in Vodafone Egypt primarily by debt which led to an increase in net debt to EGP 6.8 billion by the end of 2006.

Since the beginning of 2007 net debt has been reduced to EGP 5.8 billion by 31 March 2007. This represents a net debt to equity ratio of 25 percent.

## Outlook

Developments in the Egyptian telecommunications market continue apace, and 2007 is expected to be another challenging, but exciting, year. First quarter 2007 results provide a glimpse of what the year has in store and what can be achieved.

Demand for greater capacity and services among the retail segment are accelerating, which in turn means that wholesale usage of our network is intensifying. In 2007, TE will take further steps to capitalize on the technical scope of its infrastructure and the opportunity to expand further its successful wholesale services specifically.

The company's strategic focus for 2007 is the expansion of new services and its close collaboration with Vodafone Egypt on shared customer propositions will be an important part of this.

We continue to generate significant free cash flow and as the company's Capex rationalization plans continue into 2007 the company expects to put this cash to work in strategic value enhancing investments or return it to shareholders.

## Operational Highlights

	3 Months Period Ending March			Previous Quarter Comparison		
	March 2007	March 2006	% Change	Q1 2007	Q4 2006	% Change
Number of Fixed Line Subscribers	10,897,815	10,485,586	4%	10,897,815	10,807,678	1%
Fixed Line Subscribers Net Additions	90,137	89,438	1%	90,137	87,075	4%
ARPU (EGP/Month)	55.4	54.8	1.0%	55.4	61.7	-10%
Number of ADSL Subscribers	111,030	38,799	186%	111,030	92,332	20.3%
Retail ADSL Market Share	46.5%	35.2%	32%	46.5%	44.9%	4%

## Financial Highlights

In EGP 000's (Except Per Share Data)	3 Months Period Ending March			Previous Quarter Comparison		
	March 2007	March 2006	% Change	Q1 2007	Q4 2006	% Change
Sales Revenue	2,377,758	2,180,163	9%	2,377,758	2,566,851	-7%
EBITDA Before Provisions Margin	1,370,915 57.7%	1,287,637 59.1%	6%	1,370,915 57.7%	1,429,974 55.7%	-4%
EBITDA After Provisions Margin	1,351,762 56.9%	1,250,660 57.4%	8%	1,351,762 56.9%	1,640,856 63.9%	-18%
EBIT Before FX Gains or Losses Margin	874,111 36.8%	705,323 32.4%	24%	874,111 36.8%	1,151,785 44.9%	-24%
EBIT EBIT Margin	860,259 36.2%	679,361 31.2%	27%	860,259 36.2%	1,124,710 43.8%	-24%
Profit Before Taxes & Minority Interest	709,961	612,463	16%	709,961	955,574	-26%
Consolidated Net Profit Net Profit Margin	585,229 24.6%	479,932 22.0%	22%	585,229 24.6%	910,770 35.5%	-36%
EPS (EGP)	0.34	0.28	22%			

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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 10.9 million subscribers as at the end of March 2007 representing a teledensity of 15%.

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 two 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.