

Telecom Egypt Announces H1 2008 Consolidated Results

Twenty Four Percent Increase in Net Profit after Tax Y-o-Y

Cairo, 14 August 2008: Telecom Egypt (TE) (Ticker: ETEL.CA; TEEG.LN), today announced its consolidated financial results for the six months ending 30 June, 2008. Financial statements have been prepared in accordance with Egyptian Accounting Standards.

First-half 2008 highlights include:

- Total consolidated operating revenues reached EGP 4.8 billion
- EBITDA Before Provisions was EGP 2.4 billion
- EBITDA Margin Before Provisions remains within management expectations at 50%
- Net Profit after Tax was EGP 1.2 billion representing an increase of 24% on the same period in 2007 and translating to a net profit margin of 26%
- Earnings per share (EPS) increased to EGP 0.73
- Capex related cash-flows within expectations at EGP 456 million
- Total fixed line subscribers reached 11.3 million, up 3% on the same period in 2007
- ADSL subscribers reached more than 300 thousand, representing a growth of 122% year-on-year
- Positive contribution from Vodafone Egypt of EGP 607 million in June 2008, compared to EGP 507 million for the six months ended June 2007.

Chairman's statement

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

"I firmly believe that the evolution of the telecommunications market in Egypt continues to offer significant opportunities for TE. We benefit from a unique position at the heart of the telecommunications market in Egypt, providing cost effective, quality services to retail and wholesale customers alike.

"While the intensification of the mobile market in Egypt did impact our first quarter revenues, today's figures show that our retail business has been successful in beginning to mitigate these effects. Customer usage is returning across TE's competitive call types. Quarter-on-quarter, total retail revenues for the three months to 30 June 2008 rose 2.5 percent, reaching EGP 1.5 billion with voice revenues increasing 4.5%.

"In just three and a half years, the rise in mobile and third party operators has transformed our business. Wholesale revenues now comprise 40 percent of our total revenue base as other operators in the market direct increasing amounts of traffic over TE's state-of-the-art infrastructure. When TE went public in December 2005 wholesale revenues represented just 29 percent of total consolidated operating revenues.

"By broadening the base from which our revenues are comprised we can limit the impact of competition, as wholesale revenues and increasing revenue contributions from Internet and data services offset any short term pressures we experience on our retail voice revenues. This diversification strategy is central to our vision for the future.

"Internet and data again demonstrated significant growth as TE Data – our 95 percent owned subsidiary – further advanced its leading position. Having added around 80 thousand subscribers in the first six months of 2008, TE Data now boasts a 56 percent market share of the overall retail ADSL market in Egypt and is on track to fulfill year-end targets.

"In a rapidly evolving and challenging market, context profitability is key. During the first six months of 2008, net profit and Earnings per Share have increased by 24%, and we retain a healthy EBITDA margin (Before Provisions) of 50 percent. We continue to keep a close reign on costs, although these were impacted in the first half by increases in employee costs in January and May 2008.

"No discussion of the mobile market in Egypt would be complete without mention of our investment in Vodafone Egypt which is a significant contributor to net profit; which rose 20% to reach EGP 607 million in June 2008.

Vodafone Egypt has maintained its leading position in terms of share of total mobile operators EBITDA and net profit”

Financial Review

Revenues

Total consolidated operating revenues for the first six months of 2008 were EGP 4.8 billion, compared to EGP 4.9 billion in June 2007, as a direct result of the effects of substitution reported in the first quarter of 2008.

When viewed quarter-on-quarter, total consolidated operating revenues showed a 1 percent increase, reaching EGP 2.4 billion for the three months ended June 2008.

Notably, any impact on TE's voice revenues is partially offset by the corresponding increase in wholesale revenues, as other operators in the market direct increasing amounts of traffic over TE's state-of-the-art infrastructure, and an increased contribution from Internet & data services.

Retail services

Total retail revenues for the first half were EGP 2.9 billion, compared to EGP 3 billion in the first half of 2007.

Total access revenues, comprising connections and subscriptions were EGP 916 million, compared to EGP 936 million for the first half of 2007. These figures reflect the seasonality of new connections, as the first half of the year is typically a slower period for customer additions. In 2007, more than half of TE's net subscriber additions came in the final three months of the year.

Total voice revenues reached EGP 1.5 billion for the first half of 2008, compared to EGP 1.6 billion for the same period in 2007. When observed quarter-on-quarter, total voice revenues increased 4.5 percent on March 2008, as a result of customer usage beginning to return to TE's local and fixed-to-international call types.

Revenues from Internet and data demonstrated continued growth, with an increase of over 31 percent year-on-year, totaling EGP 255 million. The majority of Internet and data revenues are derived from TE Data's ADSL services.

In the first six months of the year, TE Data added around 80 thousand subscribers and now boasts a 56 percent market share of the retail ADSL market. At the end of June 2008, in total, TE Data had more than 300 thousand ADSL subscribers – more than double its subscriber base in June 2007.

Wholesale services

TE's revenue mix has evolved significantly over the past few years, with wholesale revenues now comprising 40 percent of the total revenue base.

Total wholesale revenues for the first half of 2008 were EGP 1.9 billion, compared to EGP 1.8 billion during the same period in 2007, fuelled by demand from other telecoms operators for access to TE's network. This represents a year-on-year rise of 4 percent.

Heightened promotional activities of third party operators have resulted in a stellar performance for TE's domestic wholesale service, up 21 percent year-on-year, to reach EGP 546 million for the period ended 30 June 2008. Within this, the rising contribution from infrastructure leasing was notable; rising 27 percent year on year.

At EGP 1.4 million in the first six months of 2008, total international wholesale revenues reached similar levels to the same period in 2007. While the mobile-to-international segment showed a notable increase, seasonality effects are in evidence in this category as traffic from international wholesale services is typically greater in the second half of the year.

EBITDA/EBIT

Consolidated EBITDA before provisions for the first half of 2008 was EGP 2.4 billion, a decline of 12 percent on the same period in 2007. This decrease is mainly due to the increased employee costs as a result of a one-off employee bonus in the first quarter as well as the pay increase in May 2008. EBITDA margin before provisions remains within management expectations at 50 percent for the first half of 2008.

Meanwhile, EBIT before FX gains and losses for the first six months of the year increased 6 percent in comparison to the same period last year, to EGP 1.7 billion.

Income from Investments

Total income from TE's investments for the period was EGP 615 million, including income from Vodafone Egypt, versus EGP 468 million for the first half of 2007, a rise of 37 percent.

TE's strategy to capitalize on increased demand for mobile services, via its investment in Vodafone Egypt (VE), has continued to reap significant benefits. As one of three operators in the market, VE increased the number of customers by 38 percent year-on-year to 15.2 million subscribers at the end of June 2008, while total voice minutes increased by 48 percent year-on-year. The company generated revenues of EGP 2.8 billion in the 3 months ending 30 June 2008 (Vodafone Egypt financial year is from April 1st to March 31st), a 17 percent increase in comparison with the same period in 2007.

Net profit

Consolidated Net Profit for the six months to end of June 2008 was EGP 1.2 billion, a 24 percent increase compared to 2007. This translates to EPS of EGP 0.73, compared to EGP 0.58 in June 2007.

Investments in infrastructure

Capex related cash flows remained on track during the first half, reaching EGP 456 million a reduction of 4 percent in comparison with the first half of 2007 in accordance with TE's capex rationalization program.

Debt

TE's total debt position as of 30 June 2008 was EGP 4.1 billion, compared to EGP 5.0 billion as at 31 December 2007. This represents a reduction of EGP 930 million during the first six months of 2008.

TE Financial Highlights

In EGP 000's (Except Per Share Data)	6 Months Period Ending June			Previous Quarter Comparison		
	June 2008	June 2007	% Change	Q2 2008	Q1 2008	% Change
Sales Revenue	4,804,403	4,876,458	-1.5%	2,417,742	2,386,661	1%
EBITDA Before Provisions Margin	2,416,264 50.3%	2,747,512 56.3%	-12.1%	1,206,699 49.9%	1,209,565 50.7%	-0.2%
EBITDA After Provisions Margin	2,304,773 48.0%	2,470,043 50.7%	-6.7%	1,120,099 46.3%	1,184,674 49.6%	-5%
EBIT Before FX Gains or Losses Margin	1,675,394 34.9%	1,575,628 32.3%	6.3%	882,692 36.5%	792,702 33.2%	11%
EBIT EBIT Margin	1,608,059 33.5%	1,555,282 31.9%	3.4%	865,402 35.8%	742,657 31.1%	17%
Profit Before Taxes & Minority Interest	1,453,329	1,261,097	15.2%	788,623	664,706	19%
Consolidated Net Profit Net Profit Margin	1,238,065 25.8%	998,476 20.5%	24.0%	681,186 28.2%	556,879 23.3%	22%
EPS (EGP)	0.73	0.58	24.0%			

TE Operational Highlights

	6 Months Period Ending June			Previous Quarter Comparison		
	June 2008	June 2007	% Change	Q2 2008	Q1 2008	% Change
Number of Fixed Line Subscribers	11,266,904	10,958,248	3%	11,266,904	11,254,897	0.1%
Fixed Line Subscribers Net Additions	38,055	150,570	-75%	12,007	26,048	-54%
ARPU (EGP/Month)	48.5	55.2	-12.2%	47.8	49.2	-2.9%
Capex (EGP 000's)	455,664	474,564	-4.0%	223,796	231,868	-3.5%
Number of ADSL Subscribers	300,070	134,873	122%	300,070	259,713	15.5%
ADSL Subscribers et Additions	77,904	42,541	83%	40,357	37,547	7.5%
Retail ADSL Market Share	56.0%	47.7%	17%	56.0%	53.8%	4%

Vodafone Egypt Financial Highlights

In EGP mn (Except Per Share Data)	3 Months Period Ending June			Previous Quarter Comparison		
	June 2008	June 2007	% Change	Q1 08/09	Q4 07/08	% Change
Total Revenue	2,838	2,428	17%	2,838	2,692	5%
Net Profit	737	699	5%	737	618	19%
Capex	368	668	-45%	368	1,065	-65%

Vodafone Egypt Operational Highlights

	3 Months Period Ending June			Previous Quarter Comparison		
	June 2008	June 2007	% Change	Q1 08/09	Q4 07/08	% Change
Closing Customers (000's)	15,202	10,983	38%	15,202	14,073	8%
Net Adds (000's)	1,129	1,331	8%	1,129	740	52%
Total Voice Minutes (millions)	7,112	4,794	48%	7,112	6,398	11%

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For further information:

Investor Relations Contacts

Ahmed Fathallah
Director of Investments, Financial Planning & IR
Tel: +202 31316699
Fax: +202 31316115

Alia A. Allouba
Investor Relations Manager
Tel: +202 31315217
Fax: +202 31316116

E-mail: investor.relations@telecomegypt.com.eg

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 11.27 million subscribers as at the end of June 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.