

Announces Second Quarter 2012 Consolidated Results

Cairo, 8 August 2012: Telecom Egypt (TE) (Ticker: ETEL.CA; TEEG.LN), today announced its interim consolidated financial results for the second quarter ending 30 June 2012. Financial statements have been prepared in accordance with Egyptian Accounting Standards.

Highlights for the Second Quarter of 2012 include:

- Total Consolidated Revenues for the period of EGP 2,388 million.
- EBITDA of EGP 900 million.
- Net Profit After Tax of EGP 613 million, representing a net profit margin of 26%.
- Earnings Per Share (EPS) for the period was EGP 0.36.
- Positive contribution of share of profits from Vodafone Egypt of EGP 235 million.
- Strong balance sheet with EGP 4.0 billion of net cash.
- As at 30 June 2012, total fixed line subscribers of 7.6 million, of which 2.0 million are higher yielding double-play subscribers.
- Retail ADSL subscribers increased 18.5% (net), delivering a 48.3% increase in internet and data revenues compared to the second quarter of 2011.

Chief Executive Officer's statement

Commenting on the second quarter results of 2012, Tarek Aboualam, Chief Executive Officer and Managing Director of Telecom Egypt (TE), said:

"The Egyptian market continues to undergo significant political and social change, with Presidential elections falling during the period under review. With this backdrop, TE has once again delivered an incredibly robust financial result and made significant steps towards our strategic objectives.

"The rapidly developing Egyptian broadband market is the first of these priorities. TE Data's broadband service continues to lead the market and increase its prominence in TE's overall revenue breakdown. Having grown 48% compared to the same period last year, broadband now accounts for almost 28% of the revenues we generate from retail customers. Our double-play subscriber base has now reached 2.0 million. The average revenue per user for our double-play subscribers is nearly double that of standard subscribers. We will therefore benefit from this higher yielding customer base in the near term, while building a strong platform for growth.

"With the bias towards a young demographic in Egypt, consumer demand for mobile services also continues to grow. TE already benefits from this in two ways: our domestic wholesale business and our investment in Vodafone Egypt (VFE).

"With 37.6 million customers, VFE continues to set the standard in the Egyptian mobile market. During the period under review VFE reported record voice minutes of 22.4 billion, a 22.1% increase on the same period 2011/2012.

"It is notable that we are minimizing the effects of political, social and economic change that have dampened the performance of other Egyptian companies and continue to outperform our peers in the telecom sector. Total consolidated revenues are lower this quarter, primarily driven by the timing of international cable projects revenue recognition, and our cost base has been affected by a restructuring and annual increase of salary arrangements. Despite this, we continue to generate significant free cash flow, which gives us an extremely strong balance sheet and secure financial position."

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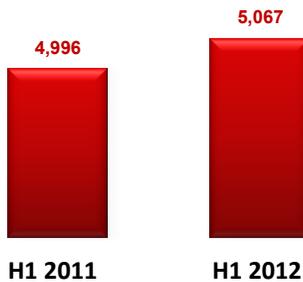
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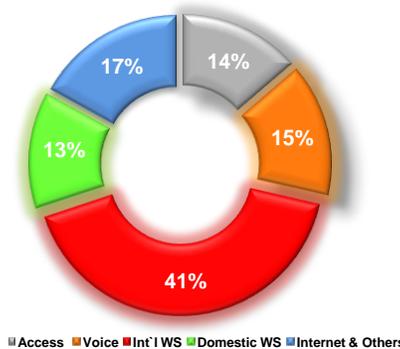
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Revenues
(EGP Million)



Revenue Analysis
(Percentage %)



Revenue Breakdown
(Percentage %)



Financial Review

Revenues

Total consolidated revenues for the first half 2012 were up 1.4% to EGP 5,067 million, from EGP 4,996 million during the same period in 2011. In Q2 2012, total consolidated revenues for the quarter dropped to EGP 2,388 million, a decrease of 7.9% when compared to Q2 2011. However, it should be noted that both comparative periods were exceptionally strong as a result of sizeable contributions from international cable projects, which distort any like for like comparison between the periods.

Retail services

Retail revenues totaled EGP 1,147 million for Q2 2012, representing a decrease of 4.4% compared to Q2 2011 and a decrease of 1.3% on Q1 2012. The decline in voice revenues was, in part, offset by the strong growth in revenues from TE Data.

Comprising connections and subscriptions, access revenues declined by 14.6% year on year and by 2.6% quarter on quarter to reach EGP 341 million. The decline is directly attributable to our ongoing program of selective disconnections to improve overall credit quality which has reduced overall subscriber numbers and promotional activity aimed at securing higher margin double play customers.

Total voice revenues for Q2 2012 were EGP 375 million, down 1.9% and 13.6% compared to Q1 2012 and Q2 2011 respectively. The decline was experienced across all voice revenue segments as a result of reduced subscriber numbers and some seasonality effects.

Partially offsetting these declines, revenues from TE Data grew by 48% year on year and by 14% quarter on quarter, as demand for high-quality ADSL internet connections continues to strengthen. TE Data added 45,180 net new customers during Q2 2012, resulting in a 60.5% market share.

Wholesale services

Telecom Egypt's wholesale business is made up of revenue from domestic and international services to operators who use Telecom Egypt's international gateway and extensive digital infrastructure, principally for co-location and transmission services and infrastructure leasing.

After strong growth in the first quarter of the year, Telecom Egypt's underlying wholesale services business has shown a robust performance in the second quarter of 2012, recording revenues of EGP 1,241 million. The decline when compared with previous periods can be attributed to no new project deliveries during the period in the submarine cable projects business, a revenue stream which has always been uneven.

Total wholesale revenues accounted for 52% of total consolidated revenues for the second quarter 2012.

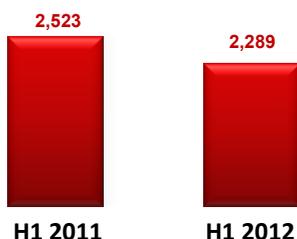
Domestic wholesale revenues were EGP 313 million in Q2 2012 compared to EGP 307 million in Q2 2011. The increase was driven in part by strong demand for infrastructure leasing as mobile consumer demand continues to grow.

Internationally, our wholesale business remains strong with total international wholesale revenues of EGP 929 million for the second quarter 2012,

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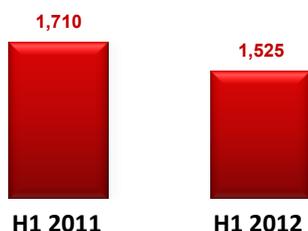
EBITDA

(EGP Million)



Net Profit

(EGP Million)



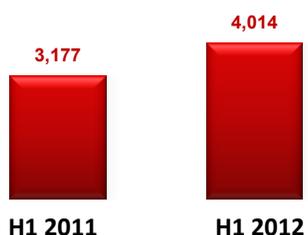
CAPEX

(EGP Million)



Net Cash Position

(EGP Million)



representing 75% of Telecom Egypt's wholesale revenues. Worthy of note were higher incoming international calls which grew by 10.9% year on year, driven by our bi-lateral agreements and promotions with operators in key regional markets.

While submarine cable projects revenue did not contribute to this quarter's performance, the more stable, long term revenues associated with capacity sales and service and maintenance of cables did and grew substantially.

EBITDA

EBITDA for the period amounted to EGP 900 million, a reduction of 27% compared to the same period in 2011. The decline during the period was driven by lower revenues reported during the period, coupled with the combined effect of a restructuring and annual increase of salary arrangements.

The EBITDA margin for H1 2012 was 45.2%, which remains in line with management's expectations.

Income from Investments

Total Income from investments, mainly representing Telecom Egypt's stake in Vodafone Egypt (VFE), for Q2 2012 was EGP 236 million.

During the first quarter of 2012/2013, VFE generated revenues of EGP 3,086 million, an increase of 3.9% on the same period in 2011/2012. VFE had 419,000 net new customers during its first quarter to 30 June 2012, bringing total customers up to 37.6 million, an increase of 10.3% compared to the same period in 2011.

(Note: Vodafone Egypt's financial year is from 1 April to 31 March).

Net profit

Telecom Egypt's Consolidated Net Profit for Q2 2012 reached EGP 613 million versus EGP 912 million in Q1 2012 and EGP 813 million for Q2 2011, a drop of 32.7% and 24.6% respectively. This translates to an EPS of EGP 0.36.

The net profit margin for H1 2012 was 30.1%.

Investments in infrastructure

Capital expenditure (capex) in Q2 2012 reached EGP 125 million versus EGP 205 million in Q2 2011. Network upgrades are underway, but lower capex spend during the three month period can be attributed to timing of supplier negotiations.

Net Cash

Telecom Egypt continues to boast a very healthy balance sheet with a prudent net cash position. For Q2 2012, Telecom Egypt recorded a net cash position of EGP 4.0 billion.

TE Financial Highlights

In EGP Millions (Except Per Share Data)

Six months Ending June 30, 2012						
	6 Months Period Ending June			Previous Quarter Comparison		
	H1 2012	H1 2011	% Change	Q2 2012	Q1 2012	% Change
Sales Revenue	5,067	4,996	1.4%	2,388	2,679	-10.9
EBITDA	2,289	2,523	-9.3%	900	1,388	-35.2%
<i>Margin</i>	45.2%	50.5%		37.7%	51.8%	
EBIT	1,690	1,818	-7.1%	669	1,021	-34.4%
<i>Margin</i>	33.3%	36.4%		28.0%	38.1%	
Profit Before Taxes & Minority Interest	1,872	2,026	-7.6%	736	1,136	-35.2%
Consolidated Net Profit	1,525	1,710	-10.8%	613	912	-32.7%
<i>Net Profit Margin</i>	30.1%	34.2%		25.7%	34.0%	
EPS (EGP)	0.89	1.00	-10.8%	0.36	0.53	-32.7%

Operational Highlights

	6 Months Period Ending June			Previous Quarter Comparison		
	H1 2012	H1 2011	% Change	Q2 2012	Q1 2012	% Change
ARPU (EGP/Month)	57.7	55.7	3.5%	57.6	56.7	1.6%
CAPEX (EGP 000's)	215,576	350,902	-38.6%	124,753	90,823	37.4%
TE Data						
- Number of ADSL Subscribers	1,205,881	1,017,647	18.5%	1,205,881	1,160,701	3.9%
- ADSL Subscribers Net Additions	94,658	134,476	-29.6%	45,180	49,478	-8.7%
- Retail ADSL Market Share	60.5%	63.4%	-4.6%	60.5%	61.2%	-1.2%

Vodafone Egypt Financial Highlights

In EGP Millions

	First Quarter Ending June			Previous Quarter Comparison		
	H1 2012	H1 2011	% Change	Q1 12/13	Q4 11/12	% Change
Total Revenue	3,086	2,971	3.9%	3,086	3,045	1.4%
Net Profit	521	518	0.5%	521	429	21.4%
CAPEX	268	234	14.9%	268	795	-66.2%

Vodafone Egypt Operational Highlights

	First Quarter Ending June			Previous Quarter Comparison		
	H1 2012	H1 2011	% Change	Q1 12/13	Q4 11/12	% Change
Closing Customers (000's)	37,621	34,106	10.3%	37,621	37,202	1.1%
Net Adds (000's)	419	1,888	-77.8%	419	400	4.8%
Total Voice Minutes (Millions)	22,424	18,364	22.1%	22,424	21,737	3.2%

- 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 Financial Supervisory Authority or The Egyptian 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 7.6 million subscribers as at 30 June 2012.

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 Exchange and the London Stock Exchange.