

Telecom Egypt Announces FY 2006 Consolidated Results

Cairo, 13 March, 2007: Telecom Egypt (TE) (Ticker: ETEL.CA; TEEG.LN), today announced its consolidated financial results for the twelve months ending 31 December, 2006. Financial statements have been prepared in accordance with Egyptian Accounting Standards.

Highlights for the twelve months to 31 December 2006 include:

- Revenues reached EGP 9.5 billion, an increase of 11% on 2005
- EBITDA reached EGP 5.4 billion, up from EGP 4.7 billion in 2005
- EBITDA margin rises to 57%, up from 55.2% in 2005
- Net profit increased 16% to EGP 2.4 billion
- Earnings per share (EPS) increased 16% from 2005 to EGP 1.36
- Monthly ARPU increased 6.1% to EGP 58.7
- Capex related cash flows reduced by 22% year-on-year to EGP 1.9 billion
- 10.8 million fixed-line subscribers, up 4% on FY 2005
- Fixed line penetration reached 15%
- Retail ADSL market share rises to 45%, from 30% in 2005

Chairman's statement

Commenting on Telecom Egypt's full year 2006 results, Akil Beshir, Chairman of Telecom Egypt, said:

"Telecom Egypt has delivered an impressive performance in 2006. The Company's ability to evolve within the fast-changing telecommunications environment, coupled with a strict approach to fiscal discipline, has resulted in a healthy and prosperous set of figures.

"The implementation of our tariff rebalancing programme has had a demonstrable effect on local call and subscription revenues, producing an 11 percent increase in revenue over the year and significantly boosting monthly ARPU by 6 percent to EGP 58.7 for the year. Driven by our cost-based tariff rebalancing initiative, this incremental increase in revenue comes without an associated cost, positively impacting EBITDA margins.

"Our retail Internet business, TE Data, performed exceptionally well during 2006, with a threefold increase in its ADSL subscriber base since 31 December 2005 and reaffirming its position as the broadband market leader with 45 per cent market share. Internet and data revenues have grown at a CAGR of 87 per cent over the past four years and we fully expect strong organic growth to continue in the future.

"Telecom Egypt witnessed substantial benefits from strong growth in the mobile market in Egypt. Our increased investment in Vodafone Egypt, a stake which now represents 44.66 per cent, and the strategic cooperation agreement we have signed with them are both highly positive developments. Vodafone Egypt is delivering on its strategy and outperforming its competitors in terms of its share of mobile revenues and EBITDA margins.

"Meanwhile, optimising network capacity to meet the growing demands of other operators has had significant positive impact on revenues derived from wholesale services, which represent a growing percentage of our total revenue mix. This represents a key opportunity for TE in the coming year."

Financial Review

Revenues

Total consolidated operating revenues for the twelve months ended 31 December, 2006 rose 11 percent to EGP 9.5 billion, compared to EGP 8.5 billion for the same period in 2005, boosted by the net effects of tariff rebalancing and increased demand from other operators for interconnection.

Retail services

TE continues to derive the majority (69%) of its total operating revenues from retail services, consisting of access and voice. Local voice revenues represented one of the major growth segments, with an increase of 24 percent year-on-year to EGP 1.97 billion as a result of the net effects of cost based tariff rebalancing. The customer base has responded well and no real decline in usage has been recorded. Furthermore, increases in local call revenues and subscriptions have more than offset the decline in connection fees.

Internet & Data

Internet penetration and demand for services has accelerated in 2006, with penetration ending 2006 at 11.3 percent. By the year ended 31 December 2006, TE Data, TE's 95 percent owned subsidiary, established a 45 percent retail ADSL market share, having increased its ADSL subscriber base threefold to 92,332. Internet and Data revenues for the full year 2006 grew to EGP 184 million.

Wholesale services

Wholesale revenues derived from other operators using TE's extensive infrastructure account for an increasing percentage of total revenues – 30 percent in 2006 compared to 27 percent in 2005. The success of TE's deployment of interconnection services and heightened demand from other operators has delivered a strong result for the company. Compared with the same period in 2005, total wholesale services revenues, both domestic and international, increased 23 percent to EGP 2.8 billion during 2006.

EBITDA/EBIT

Consolidated EBITDA before provisions for the twelve months ended 31 December 2006 reached EGP 5.3 billion, a gain of 16 percent on the same period in 2005. Tight cost controls and a rigorously pre-qualified investment programme have enabled the company to sustain EBITDA margins of above 50 percent for the last three years, among the industry's highest margins.

Despite foreign exchange losses in 2006 of 125 million compared with a foreign exchange gain of 335 million in 2005, EBIT still increased 13 percent on the previous year, reaching EGP 3.3 billion.

Income from Investments

In 2006, TE increased its holding in Vodafone Egypt, one of the two licensed Egyptian mobile operators, to 44.66 percent from the 25.5 percent held in 2005. Correspondingly, this stake 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 twelve months ended 31 December 2006, investment income increased 58 percent to reach EGP 609 million.

Net profit

Consolidated net profit increased by 16 percent to EGP 2.4 billion for the twelve months ended 31 December 2006. The increase was primarily the result of the solid increase in revenues and 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, with more than 25,000 kilometers of fiber optic cables covering 95 percent of populated areas in Egypt.

During 2006 TE invested in its network to upgrade transmission capacity further to cater for increasing demand from mobile operators and internet service providers. Switching capacity now stands at 13.4 million lines. Capex-related cash outflows reached EGP 1.9 billion, slightly above management guidance but lower than 2005 figures by 22 percent.

Debt

TE's management has 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 up from EGP 4 billion in 2005. As a result, net debt to equity ratio has reached 28 percent by the end of 2006 versus 18 percent in 2005.

Outlook

The telecommunications market in Egypt is developing rapidly, and 2006 was an important year, in particular in mobile and data services.

2006 results provide the first tangible illustration of what can be achieved as a result of the Company's medium and long term strategy of shifting its focus to subscriber segments where demand for additional telecommunications services is intensifying. TE believes that it is these segments which will ultimately be more profitable for the Company, securing maximum long term shareholder value for our investors. The Company's strategic focus for 2007 is the expansion of new services and it looks forward to working together with Vodafone Egypt to develop propositions for customers shared by TE Data and Vodafone Egypt.

Significant excess network capacity built into our infrastructure mean that the Company's Capex rationalization plans can continue into 2007, freeing up free cash flow for shareholders or strategic investments.

The technical scope of TE's infrastructure already positions it well to embrace the growing demand among existing retail and wholesale customers for greater capacity and services. In 2007, TE will take further steps to capitalize on the opportunity to build and expand its successful interconnection wholesale services specifically.

Operational Highlights

	12 Months Period Ending December			Previous Quarter Comparison		
	Dec. 2006	Dec. 2005	% Change	Q4 2006	Q3 2006	% Change
Number of Fixed Line Subscribers	10,807,678	10,396,148	4%	10,807,678	10,720,603	1%
Fixed Line Subscribers Net Additions	411,530	936,001	-56%	87,075	92,254	-6%
ARPU (EGP/Month)	58.7	55.3	6.1%	61.7	61.2	1%
Number of ADSL Subscribers	92,332	27,343	238%	92,332	68,550	35%
Retail ADSL Market Share	45%	30%	47%	45%	41%	9%

Financial Highlights

In EGP 000's (Except Per Share Data)	12 Months Period Ending December			Previous Quarter Comparison		
	Dec. 2006	Dec. 2005	% Change	Q4 2006	Q3 2006	% Change
Sales Revenue	9,488,413	8,547,714	11%	2,566,851	2,450,546	5%
EBITDA Before Provisions Margin	5,349,743 56.4%	4,593,781 53.7%	16%	1,429,974 55.7%	1,380,497 56.3%	4%
EBITDA After Provisions Margin	5,410,141 57.0%	4,716,504 55.2%	15%	1,640,856 63.9%	1,279,240 52.2%	28%
EBIT Before FX Gains or Losses Margin	3,388,306 35.7%	2,565,579 30.0%	32%	1,151,785 44.9%	656,742 26.8%	75%
EBIT EBIT Margin	3,264,572 34.4%	2,897,814 33.9%	13%	1,124,710 43.8%	642,306 26.2%	75%
Profit Before Taxes & Minority Interest	2,897,825	2,532,853	14%	955,574	568,036	68%
Consolidated Net Profit Net Profit Margin	2,426,877 25.6%	2,097,275 24.5%	16%	910,770 35.5%	404,528 16.5%	125%
EPS (EGP)*	1.34	1.17	15%			

* After deducting employees' share in profit & board of directors remuneration

- 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 10.8 million subscribers as at the end of December 2006 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.