

Telecom Egypt Announces HY 2006 Results

Cairo, 15 August, 2006: Telecom Egypt (TE) (Ticker: ETEL.CA; TEEG.LN), today announced its standalone financial results for the six months ended 30 June, 2006. Financial Statements have been prepared in accordance with Egyptian Accounting Standards.

First half 2006 highlights include:

- 10.63 million fixed-line subscribers, up 9 percent on HY 2005
- Fixed line penetration reached 14.8%
- Substantial growth in number of ADSL subscribers – from 16k in June 2005 to 48k in June 2006
- Revenues up 9% on HY 2005, reaching EGP 4.4 billion
- HY 2006 EBITDA increased by 6% year-on-year to reach EGP 2.5 billion
- 56 percent EBITDA margin remains one of the industry's highest
- Net Profit before Tax up 3% on HY 2005 to reach at EGP 1.4 billion
- HY 2006 Net Profit after Tax up 7 percent year-on-year to EGP 1.1 billion
- Capex related cash flows reduced by 38 percent year-on-year to EGP 920 million
- Earnings per Share (EPS) increased by 7 percent to EGP 0.65 compared to EGP 0.60 in 2005
- Monthly ARPU¹ stable at EGP 55.8 for six months ended June 2006

¹ ARPU calculation has been changed effective from Q1 2006 to only include recurring revenues driven by TE's subscriber base.
Monthly ARPU = (Subscription + Local + Long Distance + Fixed to International + Fixed to Mobile + Prepaid Calling Cards² + Mobile to Fixed Interconnection + Incoming International Calls Revenues) / average number of subscribers during the period

² Prepaid Calling Cards revenue included in others under Retail Services

Chairman's statement

Commenting on Telecom Egypt's first half 2006 results, Akil Beshir, Chairman of Telecom Egypt, said:

"During the first six months of 2006 we continued to experience steady operating conditions in the domestic market. Our subscriber base has expanded, albeit as expected at a more moderate pace, reaching 10.6 million fixed line subscribers in the first six months of 2006. This means that over twelve months between June 2005 and June 2006 we added more than 834 thousand subscribers and retain our position as the largest fixed line telecommunications provider in the MENA region. The emphasis of our activities will now begin to shift to subscriber segments where demand for additional telecommunications services is intensifying. These are segments that we believe will ultimately be more profitable.

"Once again, we have delivered stable revenue growth of 9 percent year-on-year and have successfully maintained a very healthy EBITDA margin, which continues to be one of the highest in the sector.

"The strategy to ease back investment in our extensive network as management targets for coverage and capacity are attained, has resulted in substantial reductions in Capex related cash flows. We believe that the stability of our subscriber base and the technical scope of our infrastructure positions us well to embrace the growing demand among existing customers for a greater variety of telecommunications services and convergent technology, which is ultimately our focus for the future.

"We continue to capitalize on the rapid growth in demand for Internet access through our retail Internet business, TE Data, which has again performed exceptionally well. TE Data's broadband market share has already increased to 38.5%, with subscriber numbers growing by almost a quarter since my last report on the first quarter of 2006. We fully expect a similar rate of organic growth to continue during the remainder of 2006.

"Our investment in Vodafone Egypt has again delivered a strong financial result for our company as the mobile market continues to develop strongly, providing further support for our decision to be firm on price in respect of the auction for the third mobile license in Egypt. We are already collaborating with Vodafone to ensure maximum benefit is derived from this strategic stake. Commercial sensitivities aside, I look forward to updating you on this work towards the end of the year."

Financial Review

Revenues

Total operating revenues for the six months ended 30 June 2006 rose 9 percent to EGP 4.4 billion, compared to EGP 4.0 billion for the first half 2005.

Retail Services

During the first half of 2006, 70 percent of TE's total operating revenues were derived from retail services, consisting of access and voice. While access revenues from connections and subscriptions reduced slightly year-on-year, total voice revenue, including local, long distance, fixed to international and fixed to mobile interconnection, made strong progress increasing by 15 percent year-on-year to EGP 1.8 billion.

Local call revenues have increased 27 percent year-on-year as a result of higher billable voice traffic and tariff rebalancing. Revenue from fixed to international calls rose 26 percent to end the half year at EGP 198 million.

Wholesale services

Total wholesale services revenues, both domestic and international, increased 17 percent in the first half of 2006 compared with the same period in 2005. Total domestic wholesale revenues rose 25 percent year-on-year to reach EGP 220 million at the end of June 2006. Total wholesale revenues were also boosted by 15 percent year-on-year increase in incoming international call revenue as well as 16 percent year-on-year increase in mobile to international revenue.

EBITDA/EBIT

EBITDA for the first half of 2006 reached EGP 2.5 billion, a 6 percent increase on the same period in 2005. TE's continued financial control allowed it to maintain one of the highest EBITDA margins in the telecommunications market, at 56 percent for the six months ended 30 June 2006.

EBIT for the six months ended 30 June 2006 was slightly down on the previous year, reaching EGP 1.5 billion. This slight decline in EBIT was mainly driven by FX losses of EGP 83mn in the first six months in 2006 versus an FX gain of 301 million for the comparative period in 2005. EBIT performance was however 3 percent up on the first quarter of 2006.

Income from Investments

The Egyptian mobile market continues to grow strongly and our investment in the mobile segment is delivering significant benefit to the company. Compared with the first half of 2005, dividend income increased by 154 percent to EGP 350 million, mainly driven by the increase in the dividend income from Vodafone Egypt..

Net profit

Net profit increased by 7 percent to EGP 1.1 billion for the six months ended 30 June 2006 compared to EGP 1.0 billion for the first half 2005. Net profit margin for the six months ended June 2006 was 25.3%.

When taken in isolation net profit in the second quarter 2006 rose 6% reaching EGP 568 million in 2Q 2006 versus EGP 536 million in 1Q 2006

Investments in infrastructure

TE's strategy to ease back its investment in the company's extensive network gradually as its targets for coverage and capacity are attained, resulted in Capex related cash flows reducing by 38 percent to EGP 920 million from EGP 1.5 billion for the same period in 2005.

Debt

Net debt has been reduced by EGP 1.3 billion during the twelve months between 30 June 2005 and 30 June 2006, standing at EGP 3.3 billion at the end of the first half 2006.

Operational Highlights

	6 Months Period Ending June			Previous Quarter Comparison		
	June 2006	June 2005	% Change	Q2 2006	Q1 2006	% Change
Number of Fixed Line Subscribers	10,628,349	9,793,845	9%	10,628,349	10,485,586	1.4%
ARPU (EGP/Month)	55.8	55.6	0.3%	56.8	54.8	3.7%
Number of ADSL Subscribers	47,740	16,193	195%	47,740	38,799	23.0%
Retail ADSL Market Share	38.5%	28.4%	36%	38.5%	35.2%	9%

Financial Highlights

In EGP 000's (Except Per Share Data)	6 Months Period Ending June			Previous Quarter Comparison		
	June 2006	June 2005	% Change	Q2 2006	Q1 2006	% Change
Sales Revenue	4,368,868	4,026,591	9%	2,241,888	2,126,980	5%
EBITDA	2,458,768	2,324,025	6%	1,224,642	1,234,126	-1%
EBITDA Margin	56.3%	57.7%		54.6%	58.0%	
EBIT	1,490,135	1,527,235	-2%	754,385	735,750	3%
EBIT Margin	34.1%	37.9%		33.6%	34.6%	
Profit Before Taxes	1,365,863	1,325,007	3%	697,805	668,058	4%
Net Profit	1,104,385	1,029,703	7%	568,172	536,213	6%
Net Profit Margin	25.3%	25.6%		25.3%	25.2%	
EPS (EGP)	0.65	0.60	7%	0.33	0.31	6%

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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 10.6 million subscribers as at the end of June 2006 representing a teledensity of 14.8 percent.

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 current operations in Egypt, Jordan, and Dubai and has ambitious plans in other parts of the MENA region.

TE currently participates in the mobile segment in Egypt by providing mobile interconnectivity and through its current 25.5 percent holding in Vodafone Egypt, one of the two 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.