

Telecom Egypt Announces Q1 2006 Results

Cairo, 15 May, 2006: Telecom Egypt (TE) (Ticker: ETEL.CA; TEEG.LN), today announced its standalone financial results for the three months ended 31 March, 2006. Financial Statements have been prepared in accordance with Egyptian Accounting Standards.

First quarter 2006 highlights include:

- Total number of fixed-line subscribers up 10 percent on Q1 2005 to reach 10.49 million
- Fixed line penetration rate reached 14.7% compared to 13.7% penetration rate in March 2005
- Revenues reached EGP 2.1 billion, an increase of 7 percent on Q1 2005
- Q1 2006 EBITDA increased by 3% to reach EGP 1.23 billion
- EBITDA margin remains one of the industry's highest at 58 percent
- Net Profit before Tax up 14 percent year-on-year to EGP 668 million at end Q1 2006
- Net Profit after Tax up 44 percent to EGP 536 million in Q1 2006 from EGP 373 million in Q1 2005
- Capex related cash flows reduced by 22 percent to EGP 500 million
- Earnings per Share (EPS) increased by 44 percent to EGP 0.31 compared to EGP 0.22 in 2005
- Monthly ARPU¹ stabilized at EGP 54.83

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 quarter results, Mr. Akil Beshir, Chairman of Telecom Egypt, said:

"The first quarter of 2006 has been a successful start to the year for Telecom Egypt. Operationally, we performed well, maintaining growth levels in our fixed-line subscriber base and at the same time monthly ARPU was also stabilized, despite the impact of our tariff rebalancing measures having not yet taken effect. TE's second phase of tariff rebalancing became effective from 1st April 2006 and is designed to enable us to compete more effectively in Egypt's fully liberalized telecommunications market. Its effects will be reflected in TE's results for the second quarter 2006, and beyond.

"The company's financial performance has been in line with managements expectations. We have delivered stable revenue growth of 7 percent and have successfully maintained a very healthy EBITDA margin, which continues to be one of the highest in the sector.

"The telecommunications market in Egypt continues to present exciting growth opportunities for which TE is well poised to embrace. Our strategy for 2006 remains to focus on increasing penetration and enabling the expansion of new services expected in 2007.

"Our retail Internet business, TE Data, performed exceptionally well in a rapidly growing sector. ADSL subscribers actually increased by over 200 percent relative to first quarter 2005 and we fully expect the market for Internet, and particularly for ADSL services, to continue growing strongly. TE Data will continue to focus during the remainder of 2006 on developing the broadband segment in Egypt while working on further expanding its existing foothold.

"While our investment in Vodafone Egypt has again delivered a strong financial result for our company, we have recently announced our intention to bid for the third mobile license in Egypt. We have formed what we view as, a very strong consortium with Telecom Italia and will continue to update you on this as news on the license award become available."

Financial Review

Revenues

Total operating revenues for the three months ended 31 March 2006 rose 7 percent in accordance with management expectations ending the first quarter at EGP 2.1 billion, compared to EGP 1.9 billion for the first quarter 2005.

Retail Services

During the first quarter of 2006, 70 percent of total operating revenues were derived from retail services. Connection revenues have decreased to EGP 40 million in Q1 2006, from EGP 85 million for the same period in 2005. However this decrease was partially offset by the corresponding increase in subscription revenues in Q1 2006 up 10 percent to reach EGP 347 million.

Voice

During the three months ended 31 March 2006, total revenues derived from voice services, including local, long distance, fixed to international and fixed to mobile interconnection accounted for 60 percent of total revenue from retail services. Total voice revenues increased by 6 percent to reach EGP 891 million, from EGP 842 million for the same period in 2005.

Increases in both voice traffic and dial-up Internet usage, have resulted in a 15 percent year-on-year increase in revenues from local calls to LE 439 million for the first three months of 2006. The growing fixed-line penetration has also resulted in more subscribers having access to domestic long-distance services, with revenues from long distance calls up 4 percent on Q1 2005.

Wholesale services

Total wholesale services revenues, both domestic and international, increased 20 percent on those achieved in the first quarter of 2005. In Q1 2006, total revenues from domestic wholesale services were boosted by increase in incoming international call revenue as well as mobile to international revenue.

EBITDA/EBIT

TE's robust financial controls allowed it to maintain one of the highest EBITDA margins in the telecommunications market, at 58 percent for the three months ended 31 March 2006. EBITDA for the first quarter of 2006 stood at EGP 1.2 billion, a 3 percent increase on the same period in 2005.

EBIT for the three months ended 31 March 2006 was also increased, reaching EGP 736 million, up 6 percent on the same period in 2005. This consistency resulted in an EBIT margin of 34.6 percent, compared to 35.1 percent in the first quarter in 2005.

Income from Investments

In line with TE's expectations, exposure to the mobile segment within Egypt is delivering significant benefit to the company. Income from investments reached EGP 165 million representing a growth of over 540% relative to the first quarter of 2005 mainly driven by increase in dividend income from Vodafone Egypt.

Net profit

Net profit increased by 44 percent to EGP 536 million for the three months ended 31 March 2006 compared to EGP 373 million for the first quarter 2005. Increasing operating profits, up 14 percent on first quarter 2005, were positively impacted by a significant increase in income from investments, as well as a reduction in the corporate tax rate which reduced current tax expense by 38 percent.

Investments in infrastructure

TE exerted tight controls on capital expenditures made during the three months ended 31 March 2006. Capex decreased by 22 percent to EGP 500 million from EGP 644 million for the same period in 2005. This reduction reflects TE's strategy to ease back its investment in the company's extensive network gradually as its targets for coverage and capacity are attained.

Debt

Total debt has been reduced by 1.2 billion during the twelve months between 31 March 2005 and 31 March 2006, standing at EGP 4.3 billion at the end of the first quarter 2006.

- Ends -

For further information:

Investor Relations Contacts

Tarek Tantawy, CFA

Director - Investment, Treasury & Investor Relations

Telephone: +202 5788111

Fax: +202 5789314

Eman Anis

Assistant Manager - Investor Relations

Telephone: +202 5788787

Fax: +202 5789314

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 10.5 million subscribers as at the end of March 2006 representing a teledensity of 14.7 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.