

## Telecom Egypt Announces 9M 2006 Consolidated Results

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

Highlights for the first nine months of 2006 include:

- 10.7 million fixed-line subscribers, up 4.7% on 9M 2005
- Fixed line penetration reached 14.9%
- Substantial growth in number of ADSL subscribers – from 21.7k in Sept 2005 to 68.6k in Sept 2006
- Revenues up 7.9% on 9M 2005, reaching EGP 6.9 billion
- 54.5% EBITDA margin remains one of the industry's highest
- 9M 2006 EBIT decreased by 16.4% year-on-year to EGP 2.1 billion, as a result of several non-cash items
- Non-cash items impacted net profit before tax and minority interest - down 14.3% on 9M 2005 to EGP 1.9 billion
- Effect of non-cash items also causes net profit after tax to fall 17.2% in comparison with 2005 to EGP 1.5 billion
- Capex related cash flows<sup>1</sup> reduced by 35.7% year-on-year to EGP 1.2 billion
- Earnings per share (EPS) decreased from EGP 1.07 for 9M 2005 to EGP 0.89 for 2006
- Monthly ARPU<sup>2</sup> increased 4.6% year-on-year to EGP 57.7 for nine months ended September 2006

<sup>1</sup> Capex calculation has been amended and no longer includes repayment of old debts related to acquisition of property, plant and equipment

<sup>2</sup> ARPU calculation is calculated to include recurring revenues driven by TE's subscriber base.

Monthly ARPU = (Subscription + Local + Long Distance + Fixed to International + Fixed to Mobile + Prepaid Calling Cards + Mobile to Fixed Interconnection + Incoming International Calls Revenues) / average number of subscribers during the period

### Chairman's statement

Commenting on Telecom Egypt's nine months 2006 results, Akil Beshir, Chairman of Telecom Egypt, said:

"Our fixed line customer base continues to be one of the largest and most stable in the region and for the first time the effects of tariff rebalancing are worthy of note, increasing subscription and local call revenues by 22% and 14% respectively versus the comparative period in 2005. The overall effect is a higher monthly ARPU, which we view as a very pleasing trend and one which is in line with the medium and long term objective of shifting our focus to subscriber segments where demand for additional telecommunications services is intensifying. These are the segments which we believe will ultimately be more profitable and where the technical scope of our infrastructure positions us well to embrace the growing demand among existing retail and wholesale customers for greater capacity and services.

"During the first nine months of 2006 we have, once again, delivered top line growth of 8% year-on-year while maintaining a very healthy EBITDA margin. In comparison with 2005, reported net profits have been negatively impacted by several non-cash items during the period under review, however, when one examines the underlying financial performance more closely, stripping out these items, this in fact masks a very positive underlying trend.

"Ultimately our focus for the future is on a greater range of telecommunications services which are, in reality, becoming increasingly convergent. Demand for internet access and services is already intensifying in Egypt and TE Data's ability to capture broadband market share shows no signs of slowing; rising to more than 41% by the end of September 2006. Even in the last quarter, ADSL subscribers grew by 44% and we fully expect a similar rate of organic growth to continue during the remainder of 2006.

"We have provided several recent updates to you in respect of our investment in Vodafone Egypt (VE), which continues to deliver a strong financial result for TE. Our increased stake in VE simply serves to underline the strategic importance of this initiative. Following the successful outcome of TE's tender for VE shares, launched during the third quarter of 2006, we have further cemented our relationship with the overall Vodafone Group in entering into a strategic, co-operation agreement. I would echo the comments made by Vodafone Group, that this partnership holds great promise and allows both companies to benefit from one another's knowledge, reach and technical prowess."

## Financial Review

### Revenues

Total consolidated operating revenues for the nine months ended 30 September, 2006 rose 7.9% to EGP 6.9 billion, compared to EGP 6.4 billion for the first nine months of 2005.

#### ***Retail Services***

TE continues to derive the majority (69.9%) of its total operating revenues from retail services, consisting of access and voice. During the first nine months of 2006, access revenue increased year-on-year by 4.4%. This increase in access revenue was recorded, despite lower connection revenues, as a result of the notable increase in subscription revenues up 22.0%, which more than offset the decrease. Similarly, total voice revenue, made up of local, long distance, fixed to international and fixed to mobile interconnection, increased by 5.6% year-on-year to EGP 2.8 billion.

Local call revenues have increased 14.1% year-on-year to EGP 1.4 billion as a result of higher volumes of billable voice traffic and the net effects of tariff rebalancing.

#### ***Wholesale services***

Compared with the same period in 2005, total wholesale services revenues, both domestic and international, increased 21.5% to EGP 2 billion during the first nine months of 2006. Similarly to the second quarter of 2006, total domestic wholesale revenues rose 26.2% year-on-year to reach EGP 341 million at the end of September 2006. However, the main boost to wholesale revenues came from the international segment (mobile to international and incoming international calls) which experienced growth of 20.6% year-on-year, rising to EGP 1.7 billion.

### EBITDA/EBIT

Consolidated EBITDA for the first nine months of 2006 reached EGP 3.8 billion, a 2.1% decline on the same period in 2005. Meanwhile, EBIT for the nine months ended 30 September 2006 was 16.4% down on the previous year, reaching EGP 2.1 billion. This decline in EBITDA and EBIT was as a result of several non-cash items.

At the EBITDA level, provisions and impairments of EGP 205 million masked the company's solid financial performance during the period versus the nine months ended September 2005, which included a non-recurring positive effect as a result of the unused provisions for EGP 260 million. At the EBIT level the consolidated result was compounded by foreign exchange losses of EGP 97 million versus a gain of EGP 294 million in the first nine months of 2005.

### Income from Investments

TE has made significant progress in further defining its mobile strategy; during the quarter TE announced the launch of a tender offer for an additional stake of up to 24.4% in Vodafone Egypt S.A.E, one of the two existing mobile operators. This transaction closed in October and it is important to note that today's report is based on the original 25.5% stake. **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.** This stake continues to deliver significant benefit to the company and leaves TE well positioned to capitalize on growth in the Egyptian mobile segment. For the nine months ended 30 September 2006, investment income from Vodafone Egypt reached EGP 450 million.

### Net profit

Consolidated net profit decreased by 17.2% to EGP 1.5 billion for the nine months ended 30 September 2006, as the effect of the non-cash items described above was felt.

### Investments in infrastructure

Having reduced its network investment during 2006, as its targets for coverage and network capacity are met, TE has substantially reduced capex related cash flows from EGP 1.8 billion in the first nine months of 2005 to EGP 1.2 billion for the same period in 2006.

It is important to note that TE's method of calculating capex has been amended and no longer includes repayment of old debts related to acquisition of property, plant and equipment.

## Debt

Over the 12 months between 30 September 2005 and 30 September 2006, net debt has been reduced by EGP 1.2 billion, standing at EGP 2.8 billion at the end of the first nine months of 2006.

## Operational Highlights

	9 Month Period Ending September			Previous Quarter Comparison		
	Sept. 2006	Sept. 2005	% Change	Q3 2006	Q2 2006	% Change
Number of Fixed Line Subscribers	10,720,603	10,240,547	4.7%	10,720,603	10,628,349	0.9%
Fixed Line Subscribers Net Additions	324,455	780,400	-58.4%	92,254	142,763	-35.4%
ARPU (EGP/Month)	57.7	55.1	4.6%	61.2	56.8	7.8%
Number of ADSL Subscribers	68,550	21,673	216.3%	68,550	47,740	43.6%
Retail ADSL Market Share	41.2%	29.8%	38.3%	41.2%	38.5%	7.1%

## Financial Highlights

In EGP 000's (Except Per Share Data)	9 Month Period Ending September			Previous Quarter Comparison		
	Sept. 2006	Sept. 2005	% Change	Q3 2006	Q2 2006	% Change
Sales Revenue	6,921,562	6,415,546	7.9%	2,450,546	2,298,270	6.6%
EBITDA	3,769,285	3,848,917	-2.1%	1,279,240	1,235,465	3.5%
EBITDA Margin	54.5%	60.0%		52.2%	53.8%	
EBIT	2,139,862	2,560,038	-16.4%	642,306	762,641	-15.8%
EBIT Margin	30.9%	39.9%		26.2%	33.2%	
Profit Before Taxes & Minority Interest	1,942,251	2,265,616	-14.3%	568,036	706,198	-19.6%
Consolidated Net Profit	1,516,107	1,831,619	-17.2%	404,528	576,093	-29.8%
Net Profit Margin	21.9%	28.5%		16.5%	25.1%	
EPS (EGP)	0.89	1.07	-17.2%	0.24	0.34	-29.8%

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For further information:

### Investor Relations Contacts

**Tarek Tantawy, CFA**

Director of Investment, Treasury & Investor Relations

Telephone: +202 5788111

Fax: +202 5789314

**Eman Anis**

Investor Relations Manager

Telephone: +202 5788787

Fax: +202 5789314

E-mail: [investor.relations@telecomegypt.com.eg](mailto: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 10.7 million subscribers as at the end of September 2006 representing a teledensity of 14.9 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 active operations in Egypt and Jordan.

TE currently participates in the mobile segment in Egypt by providing mobile interconnectivity through its current, increased 48.97% 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.