

Telecom Egypt Announces Full Year 2005 Results

Cairo, 15 March, 2006: Telecom Egypt (TE) (Ticker: ETEL.CA; TEEG.LN), today announced its financial results for the year ended 31 December, 2005. Financial Statements have been prepared in accordance with Egyptian Accounting Standards.

Full year 2005 highlights include:

- Total number of fixed-line subscribers up 10 percent on 2004 to 10.4 million
- Teledensity reached 14.6 percent in December 2005 compared to 13.6 percent in 2004
- Revenues reached EGP 8.4 billion, an increase of 8 percent on 2004
- EBITDA reached EGP 4.7 billion, up from EGP 4.4 billion in 2004
- EBITDA margin in 2005 was 55.8 percent
- Net Profit before Tax up 60 percent to EGP 2.3 billion
- Net Profit after Tax up from EGP 1.0 billion in 2004 to EGP 1.8 billion in 2005
- Earnings per Share (EPS)¹ increased by 82 percent to reach EGP 1.03 vs. EGP 0.48 in 2004
- Monthly ARPU² was EGP 70.2, down from EGP 71 in the same period in 2005

¹EPS calculated after deduction of employees' share in dividends and board of directors' bonus subject to the approval of the annual general assembly meeting

²ARPU is calculated as total revenue divided by average number of subscribers during the year

Chairman's statement

Commenting on the full year results, Mr Akil Beshir, Chairman of Telecom Egypt, said:

"2005 was a busy and successful year for Telecom Egypt. Operationally we have continued to deliver strong results in our home market, with subscriber numbers in Egypt growing by almost one million, taking total subscribers to close to 10.4 million by year end. This is the largest number of fixed line subscribers in the Arab World, Middle East and Africa.

Financially, too, the company performed well. We have now delivered four consecutive years of underlying revenue growth, reaching EGP 8.4 billion in 2005, while at the same time our EBITDA margins, at 55.8, continue to be amongst the highest in the sector.

While our operational and financial performance in 2005 is reflective of our own efforts, the buoyant Egyptian economy has contributed positively to consumer spending, service penetration levels in both voice telephony and Internet and increased levels of service usage.

Our large and well established fixed-line subscriber base continues to grow and has risen 10 percent in the course of 2005. Since 2002, we have focused our efforts on increasing coverage and reducing waiting lists.

Good progress has also been made towards our strategy to look both within, and outside, of Egypt for further growth prospects. Our regional expansion strategy took its first steps with moves into Algeria and Jordan. Meanwhile, our Internet business, TE Data, performed exceptionally well in a rapidly growing sector, trebling the number of ADSL subscribers during the course of 2005. We fully expect the market for Internet, and particularly for ADSL services, to continue to grow strongly and intend to be one of the broadband market leaders in Egypt.

2005 has also been a year to prepare for change. In particular, we have focused on ensuring that we are well positioned to manage the impact of international liberalization. We have worked hard to ensure it is economically attractive for local and international operators to continue to use TE's international telecommunications gateway.

Given our profitability, the strength of our customer base and network and new growth opportunities in broadband services and internationally, TE is well positioned to deliver sustained growth in the future. I am particularly pleased to announce a full year proposed dividend, subject to the approval of the annual general assembly, of EGP 0.41 per share, which is 83 percent higher than last year. This shows our continued commitment to improving shareholder returns whilst building for the future".

Summary

TE benefits from a unique position at the heart of the telecommunications market in Egypt. Although the fixed-line voice segment has been open to competition since 1998, and the international access segment of the market was opened to competition on 1 January, 2006, TE remains Egypt's sole full service fixed-line telecommunications provider.

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 broadband capacity leasing to ISPs, and national and international interconnection services.

TE 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.

Furthermore, Internet and data services are well positioned to be one of the fastest growing businesses segments within TE, driven by the attractive demographics of the Egyptian market, the proliferation of personal computers and the increasing sophistication of consumer needs. Telecom Egypt's retail Internet and data services include Internet broadband and dial-up services, data transmission services, and leased lines provided through its 95 percent owned subsidiary, TE Data.

In December 2005, 20 percent of the company's shares were sold by the Egyptian government, represented by the Ministry of Communications and Information Technology, to retail investors in Egypt and to institutional investors across Egypt, the Middle East and internationally. The offering, which is the biggest international offering out of the Middle East and North Africa region to date, expanded TE's shareholder base to include over 250,000 investors across Egypt, the Middle East, Europe and the US.

Financial Review

Revenues

Fixed Line

Overall revenues increased by 8 percent, to EGP 8.4 billion for the year ended 31 December 2005, from EGP 7.7 billion for the same period in 2004. New connections and the resulting increased call usage levels, subscription fees, incoming international calls and fixed-to-international traffic have been drivers of TE's revenue growth.

Revenues derived from retail telecommunication services, including access, local, long distance and international voice, Internet and data, and other services, during the year ended 31 December 2005 accounted for 73 percent of total revenues. Meanwhile, wholesale revenues derived from other operators using TE's extensive infrastructure accounted for 27 percent of total revenues.

In line with our strategy, the net growth in the number of subscribers and users of value-added services has meant that revenues from subscription based services increased by 22 percent to EGP 1.4 billion in 2005.

Mobile

The increase in mobile penetration in Egypt resulted in an increase of 11 percent in TE's revenues from fixed-to-mobile calls to EGP 1 billion in 2005 from EGP 0.9 billion in 2004, and to a rise in wholesale revenues from mobile-to-fixed call interconnection by 9 percent to EGP 208 million for the twelve months ended 31 December 2005, from EGP 191 million in 2004.

Internet

The Government-sponsored programme to provide personal computers at affordable prices and flexible payment terms to the public, initiated in 2004, has continued to have a highly positive impact on access to the Internet in Egypt. By the year ended 31 December 2005, TE Data, TE's wholly-owned subsidiary, established a 30 percent retail ADSL market share, having trebled its ADSL subscriber base to 27,343. TE Data revenues for the full year 2005 grew 53% to EGP 121.6 million.

EBITDA/EBIT

TE remains focused on financial discipline and while we continue to demonstrate superior revenue and subscriber growth, we are careful not to do this at the expense of profitability. EBITDA reached EGP 4.7 billion compared with EGP 4.4 billion in 2004, a rise of 6 percent. 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. At 31 December, 2005, TE's EBITDA margin was 55.8 percent.

EBIT for the year ended 31 December was positively impacted by two non-operational items and ended the year up 44 percent on 2004 at EGP 2.6 billion. Firstly, the strength of the Egyptian pound resulted in foreign exchange gains of EGP 335 million, compared to foreign exchange losses of EGP 149 million in 2004. In addition, dividends received from TE's increased holding in Vodafone Egypt rose from EGP 27 million to EGP 133 million. The result translates to an EBIT margin of 31.5 percent up from 23.6 percent in 2004.

Share of profit of associates

TE recognises that mobile telephony is expected to be one of the fastest growing segments of the telecommunications market in Egypt. In 2005, TE increased its holding in Vodafone Egypt, one of the two licensed Egyptian mobile operators, to 25.5 percent from the 8.6 percent held in 2004. The share of profit of associates resulting from this investment increased to EGP 133 million for the twelve months ended 31 December 2005, from EGP 27 for the full year 2004.

Net profit

Net profit increased by 82 percent to EGP 1.8 billion for the twelve months ended 31 December 2005 from EGP 1 billion for the full year 2004. The increase was primarily the result of the 5 percent increase in gross profit; the increase in income from investments resulting from net gains on the disposal of investments and the EGP 106 million increase in dividends received from Vodafone Egypt; as well as an increase foreign exchange gains and release of unused provisions.

Investments in infrastructure

TE's existing digital fixed-line network is extensive, with more than 22,000 kilometres of fibre optic cables covering ninety-five percent of populated areas in Egypt.

During 2005 TE invested heavily in its network to expand coverage and switching capacity as it worked to grow its subscriber base to 10.4 million. Also in 2005, TE continued to make technical enhancements to its network to address the growing demand for high bandwidth, value-added services. Capex-related cash outflows reached EGP 3 billion, in line with management assumptions. Management expects this figure to fall slightly to EGP 2.9 billion in 2006 as the network build out and enhancement is completed with a sharper decline in capex figure expected in 2007.

Debt

In February 2005, TE completed an EGP 2 billion bond issue consisting of 20 million negotiable, callable bonds (not convertible into shares) at a par value of EGP 100 each. The bond is rated "AA" (national scale rating) by Meris, the local affiliate of Moody's, and is currently one of the largest and highest rated corporate bonds in the market. Proceeds of the bond offering were used to refinance more expensive outstanding debts existing prior to the bond issuance.

TE's management maintains a conservative approach to leverage, reducing net debt by EGP 0.8 billion to EGP 4.1 billion at the end of 2005, compared to EGP 4.9 billion in 2004.

Outlook

With the ongoing liberalization of the telecommunications market, TE has begun the implementation of a cost-based tariff rebalancing in order to enable it to compete more effectively in an open and fully liberalized market. This process is well underway and TE will continue to update the market on its progress during 2006.

The telecommunications market in Egypt is developing rapidly, and 2005 was an important stage in positioning TE financially, with its bond issue and public offering, for the next phase of growth. The company's strategic focus for 2006 is to further increase penetration and to enable the expansion of new services expected in 2007.

While TE anticipates a continued growth in its fixed-line subscriber base in 2006, and has a target of 11.4 million subscribers, from 2007 onwards its focus will shift to higher spending customer segments.

TE Data is working hard in the development of the broadband segment in Egypt and is already one of the leading access providers in a highly competitive market. By the year end December 2005, TE Data had trebled its subscriber base compared to 2004. The demand for data services is growing strongly, and TE Data's tailored solutions, delivering choice in multiple access technologies, is proving exceptionally popular.

While TE's commitment to developing the Egyptian telecommunications market is unwavering, in the future it will continue to pursue selective opportunities to expand its footprint in the Middle East and North African region. Our 50 percent participation in Consortium Algerien De Telecommunications (CAT), the alternative fixed line network in Algeria, evidences our ability to transplant operational experience overseas. Algeria represents an attractive market opportunity and voice and data services have just been launched in Algiers. An update on the progress of this operation will follow later in 2006.

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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 call 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 more than 10.4 million subscribers as at the end of December 2005 representing a teledensity of 14.6 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.

Telecom Egypt's shares and GDRs (Ticker: ETEL.CA; TEEG.LN) are traded on the Cairo and Alexandria Stock Exchanges and the London Stock Exchange.