

Telecom Egypt's Consortium Not Awarded the Third Mobile License in Egypt

Cairo, 5 July 2006: Telecom Egypt (TE) (Ticker: ETEL.CA; TEEG.LN) announced today that its consortium was not awarded the third mobile license in Egypt.

Telecom Egypt announced in May that it had formed a consortium with Telecom Italia, with TE as the majority owner, to participate in the tender. The two companies worked closely in preparing a joint technical and financial proposal.

After a competitive financial auction consisting of nine consortia, the National Telecommunications Regulatory Authority (NTRA) in Egypt awarded the license to Etisalat's consortium. The license, which has a term of 15 years, was acquired for a fee of LE 16.7 billion in addition to an annual royalty fee of 6% of gross revenue.

The minimum bidding value was originally set by the NTRA at LE 2.5 billion in addition to an annual royalty fee based at 3 per cent of gross revenue, but which rises by 0.2 per cent for each LE100 million increase in the bid value up to a cap of 6%.

Commenting on the auction, Chairman of Telecom Egypt, Akil Beshir, said:

"While we are disappointed not to have won the auction, I am confident that our decision to be firm on price is in the best interests of our shareholders. The mobile market is growing strongly, but entry into that market has to make good financial sense, especially given our existing investment in Vodafone Egypt, which is already achieving strong financial results for TE.

"Furthermore, I would also like to stress that while our commitment to developing the Egyptian telecommunications market is unwavering, mobile is not our only option for growth. Good progress has also been made towards our strategy to look both within and outside of Egypt for future growth prospects. Our regional expansion strategy has already taken its first small steps with moves into Algeria and Jordan and we will continue to rigorously explore other opportunities as they arise.

"In addition, Telecom Egypt has the resources to develop rapidly the range of high bandwidth data products required more and more by developing service industries in Egypt. Through our existing

customer relationships and our internet subsidiary TE Data, which is performing exceptionally well and is already one of the leading access providers in a highly competitive market, Telecom Egypt will increasingly provide tailored full service solutions for companies and individuals in Egypt. With that said, Internet penetration remains in single digits, and our progress to date is just the tip of the iceberg.

"Telecom Egypt currently participates in the growing mobile segment in Egypt through its strategic 25.5% shareholding stake in Vodafone Egypt (VE), one of the two Egyptian mobile operators. We see ourselves as the natural partner to Vodafone Egypt following the recent announcements by Vodafone of its intention to develop convergent offers to Global and Local customers. We already provide the fixed line infrastructure to the entire VE network and, subject to all normal regulatory restrictions, both companies can successfully build on the cooperation already established."

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Notes to Editors:

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 10.5 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.

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.

About Telecom Italia Group

The Telecom Italia Group is one of Europe's telecommunications industry leaders. Group activities span the entire advanced communications services chain including fixed and mobile telephony, internet, media and innovative business solutions and systems through TIM, Telecom Italia Media and Olivetti. TIM, the mobile telephony unit, has long been a lead technological innovator in Italy and worldwide. TIM has brought to market third generation technologies, the EDGE-UMTS platform, new high-speed multimedia services and wireless and Internet data transmission. The Group also promotes research and innovation through the laboratories of Telecom Italia lab, which develop technologies that improve and enhance the competitiveness of the services the Group provides.