



RAYA CORPORATION
Earnings Release
Third Quarter 2006

Chairman & CEO Message to Shareholders, Employees and Stakeholders

The Third quarter of 2006 witnessed significant strategic moves for our group that we believe will positively shape our future. We undertook a number of restructuring initiatives to streamline operating costs and improve our returns.

Our consolidated revenues grew by 9% to EGP 1,251.2 million, retail and distribution line of business revenue reached EGP 963.4 million, an increase of 5%, while Telecom line of business turnover grew to 50.8 million. Our IT line of business came aligned with our expectations with revenues growing by 19% to reach EGP 257.1 million, capitalizing on our newly awarded contracts in both the local and regional markets.

This quarter witnessed a landmark in the telecom industry as we joined forces with Vodafone by signing a contract upon which Vodafone acquired 51% of Raya Telecom for EGP 104 million. I am confident that this partnership will help us take advantage of the upcoming business opportunities in the sector, as well as drive synergies between the businesses across the board.

The proceeds will be directed to expand our call center outsourcing business to serve both the national and international markets, capitalize on the huge potential growth in the e-payment infrastructure business in partnership with the financial sector. Moreover, we will continue to further enforce our leadership position in the retail, distribution, and maintenance markets in both Egypt and Algeria.

A handwritten signature in black ink, appearing to read "Medhat Khalil".

Medhat Khalil
Chairman & Chief Executive Officer

OPERATIONAL REVIEW

RETAIL & DISTRIBUTION LINE OF BUSINESS

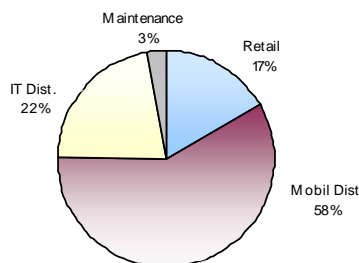
- Revenue up 5%** ▲ The retail & distribution line of business turnover increased by 5% reaching EGP 963.4 million up from EGP 919.3 million.
- Handset sales up 9%** ▲ Handset sales grew to 1,234 thousand units 9M06 compared to 1,132 thousand units in the same period of the previous year, a 9% increase.
- Average handset prices drop 13%** ▲ The more than proportional increase in handsets compared to revenues was driven by a 13% drop in the average mobile prices compared to same period of last year, following the market trend towards lower price-point segments. Mobile operators reported that 9M06 net active additions represented around 66% of those of the comparable period in 2005.
- Gross Profit down 5%** ▲ Gross profit levels decreased to EGP 104.1 million, with gross profit margins around 11%.

EGP mil.	YTD Q3 05	YTD Q3 06
Revenues	919.3	963.4
Gross profit	109.6	104.1
GP%	12%	11%

Results (in million EGP)	YTD Q3 05	YTD Q3 06	Growth
Handsets (in thousand)	1,132	1,234	9%
Retail	165	161	-2%
Mobile Distribution	595	563	-5%
IT Distribution	142	212	49%
Total Distribution	737	775	5%
Maintenance	18	28	54%
Total Revenue	919	963	5%

Maintenance up 54%

Retail & Distribution Revenue Breakdown - YTD Q3 2006



IT Distribution up 49%

- ▲ Maintenance revenues grew by 54% reaching EGP 28 million up from EGP 18 million in 9M05, as the number of handsets serviced increased to 193 thousand, a 26% increase over same period last year. Revenue increase was also affected by a significant increase in the average maintenance invoice value.
- ▲ Revenue from IT Distribution in 9M06 represented around 22% of total Retail & Distribution LOB revenue, a significant 7% points increase from 15% in 9M05. This increase was across the board; mainly driven by Intel component sales, as well as other brands including Dell, HP, Xerox, & 3COM.

INFORMATION TECHNOLOGY LINE OF BUSINESS

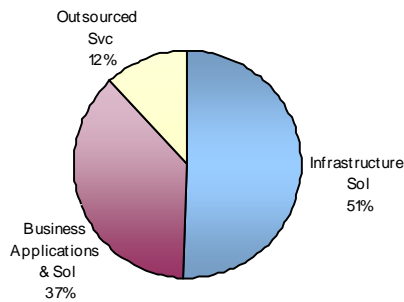
- Revenue up 19%** ▲ IT revenue increased by 19% to EGP 257.1 million up from EGP 216.2 million over the same period of last year, capitalizing on the volume of business on hand and newly awarded contracts in Egypt & the region. Current business on hand reached EGP 280 million.
- Gross Profit up 13%** ▲ Gross profit increased by 13% to EGP 52.0 million compared to EGP 46.2 million in 9M05. Gross profit margin amounted to 20% representing a balanced mix of services and infrastructure related projects.

EGP mil.	YTD Q3 05	YTD Q3 06
Revenues	216.2	257.1
Gross profit	46.2	52.0
GP%	21%	20%

of services and infrastructure related

- IT revenue mix in 9M06 represented 51% infrastructure solutions & services, 37% business applications & solutions, and 12% outsourced services.

IT Revenue Breakdown - YTD Q3 2006



Volume of Business On Hand	YTD Q3 06
Backlog from 2005	228
YTD Q3 06 Sales	309
YTD Q3 06 Revenue	257
Business On Hand	280

TELECOMMUNICATIONS LINE OF BUSINESS

Revenue up 26%

- Revenue has increased to EGP 50.8 million compared to EGP 40.4 million in the same period of the previous year, driven by significant growth in both Internet and Network Connectivity.

EGP mil.	YTD Q3 05	YTD Q3 06
Revenues	40.4	50.8
Gross profit	14.7	26.9
GP%	36%	53%

Gross Profit up 83%

- Gross Profit has increased to EGP 26.9 million compared to EGP 14.7 million in 9M05. This can be attributed to a remarkable growth in the dial-up business, as well as international VPN revenues both with average margins higher than the overall telecom margin.

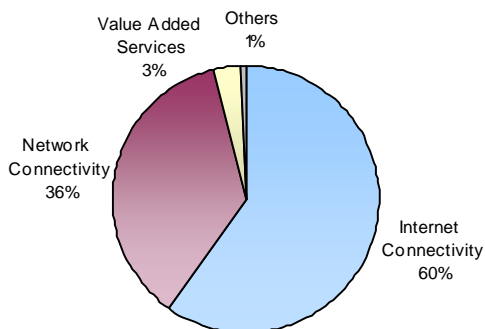
Dialup turnover up 112%

- Internet Connectivity services continued to grow, increasing by 41% representing 60% of total Telecom turnover. Dial-up revenues increased by 112% reflecting the growth in our dial-up market share.

International Connectivity up 342%

- Network Connectivity segment has experienced considerable growth of 116%, mainly attributed to almost four fold increase in international connectivity services to reach EGP 10.6 million, driven by Raya's partnerships with British Telecom & Telecom Malaysia.

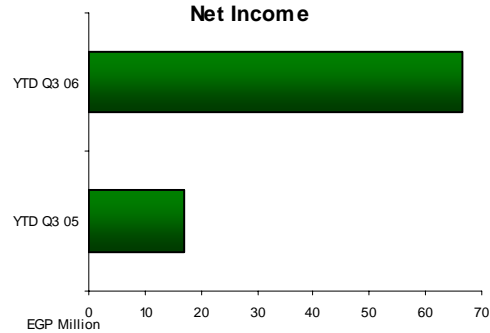
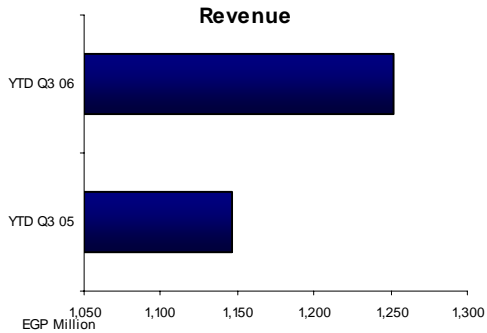
Telecom Revenue Breakdown - YTD Q3 2006



Results (in million EGP)	YTD Q3 05	YTD Q3 06	Growth
Internet connectivity	21.6	30.4	41%
Network connectivity	8.5	18.4	116%
Value added services	2.2	1.7	-23%
Others	8.1*	0.3	
Total Revenue	40.4	50.8	26%

* YTD Q3 05 includes one-time H/W delivery of EGP 5.6M

FINANCIAL REVIEW



Revenue up 9% ▲ The group's consolidated revenues amounted to EGP 1,251.2 million, a 9% increase over those of 9M05. Gross profit increased by 7% to EGP 183 million from EGP 170.5 million in comparable period 05.

EGP mil	YTD Q3 05	YTD Q3 06	Growth
Retail & Dist. Revenues	919.3	963.4	5%
IT Revenues	216.2	257.1	19%
Telecom Revenues	40.4	50.8	26%
Intercompany sales	(30.1)	(20.1)	
Total net sales	1,145.9	1,251.2	9%
Gross profit	170.5	183.0	7%
GPM	15%	15%	
EBITDA	54.8	59.4	8%
Gain from Investment Sold	-	66.6	
Provisions	(5.6)	(9.1)	
EBT	18.8	77.4	312%
Net income	17.1	66.5	289%

G&A to Revenue 9.8% ▲ General & administrative expenses increased 7% to EGP 123.6 million up from EGP 115.7 million in 9M05 mainly due to investments in Raya e-Finance, SAMA Trading, and Raya Algeria, all representing EGP 15 million. Accordingly, our comparable general & administrative expenses, decreased by 6%, as we continue our initiatives to control our cost structure. Our G&A to Revenue recorded 9.8%, a 4% improvement from H106.

EBITDA up 8% ▲ EBITDA increased to EGP 59.4 million compared to EGP 54.8 million the previous year, an increase of 8%.

Premium from RT deal 64% ▲ The highlight of this quarter was the 51% sale of Raya Telecom to Vodafone Egypt in a total deal value of EGP 104 million. We realized a one-time capital gain from this deal amounting to EGP 66.6 million.

▲ Provisions in 9M06 amounted to EGP 9.1 million compared to EGP 5.6M same period of last year, resulting from applying more strict accounts receivables and inventory provision policies. Depreciation & Amortization expenses increased by EGP 3 million over the period to reach EGP 22.7 million, of which 66% relates to Telecom infrastructure investments and 20% representing our investments in the retail & distribution line of business; and Algeria operations.

EGP mil.	YE 05	YTD Q3 06	Growth
Long Term Assets	236.8	246.4	4%
Net Working Capital	191.5	293.7*	53%
Long Term Debt	27.6	56.3	104%
Shareholders' equity	402.6	466.6	16%

* Working Capital in 06 includes EGP 104 million from Raya Telecom sale (non-cash)



Earnings Release Third Quarter 2006

- Interest Expense up 24%** ^ Interest expense increased by 24% to EGP 20.1 million, up from EGP 16.2 million, to support our multi-brand strategy and market expansions.
- Net income EGP 66.5 million** ^ Earnings before tax amounted to EGP 77.4 million an increase of 312% compared to same period last year; while the group recorded net income of EGP 66.5 million up from EGP 17.1 million, an increase of 289% compared to 9M05.

Note:

As of Q406 Raya Telecom will be reported in investment income and will not be fully consolidated in Raya results.

BUSINESS UPDATES

- Raya deal with Vodafone** ▲ In a step to explore the opportunities and synergies between both companies, Vodafone Egypt and Raya signed a contract by which Vodafone Egypt acquired 51% of Raya Telecom for EGP 104 million. This new partnership will enable both companies to have a key role in the plan set by the Egyptian government for telecommunications.
- IT Projects and Outsourcing Services** ▲ Raya became a partner in the most complex e-government initiative. Teaming up with the Ministry of Finance, Raya will help the income tax authority to launch its innovative pilot for more safety and efficiency in the administration of tax revenues. In addition, Piraeus bank has signed with Raya Contact Center to expand its scope of operations to include in-sourced 24/7 customer service center to the bank.
- Maintenance L4 Tender** ▲ Raya submitted to Maintenance Level 4 tender offered by Nokia, the winner will be able to serve Level 4 exclusively in Egypt and 14 other North Western African countries.
- Raya Algeria Partnership with Nedgma** ▲ Raya Algeria recently partnered with "Nedgma" Wataney group, the 3rd mobile operator in Algeria for mobile distribution & retail. Raya Algeria retail & distribution business grew significantly in its first year of operations with 5 Raya shops in addition to 11 shop-in-shop outlets.
- Raya Saudi IT Services Projects** ▲ Raya Saudi completed the implementation of phase II of Oracle Financials and HRMS systems for Mobily, the 2nd mobile operator in KSA. Implemented projects also included an Oracle disaster recovery solution for Saudi Telecom Company, and Oracle CRM solution for the Ministry of Water & Electricity.
- Awards & Partnerships** ▲ Raya received multiple awards and partnerships, including; the CISCO Outstanding Customer Intimacy Award, the Oracle Partner of the Year Award, the SUN Microsystems Fastest Growing Partner in the MENA Award, the D-Link Middle East Distributor of the Year Award, the 3com Best Distributor Award, the Symantec Platinum Partnership and the Raya Academy and Intel Middle East Partnership.
- Raya Moves to New Head Quarters** ▲ Raya is planning to move to a new head quarters in 6th of October city by end of this year. The new state-of-the-art building will provide enhanced communications for the group as well as expected savings in rent and general & administrative expenses. Raya currently operates from more than 20 different locations.



FORWARD-LOOKING STATEMENT

DISCLAIMER *This release may contain forward looking statements that constitutes Raya's beliefs and expectations about future performance. Except for historical information, any forward looking statement based on current expectations, assumptions and projections about future events are subject to certain economic and market risks and uncertainties that could turn out actual results to differ materially or may not occur.*

About RAYA

Based in Cairo, Raya Holding is a pioneer in the field of Information Technology and Telecommunications in the Middle East. Through its branches in Saudi Arabia and United Arab Emirates, Algeria & USA and its partners in the region, Raya, with a group of employees of around 2700 professionals, provides technological solutions and world-class value-added services. The company has succeeded in introducing several mega-projects in the fields of finance, industry, telecommunications, government and different services.

Listing

- Raya Holding is listed in Cairo & Alexandria stock exchange. RIC: RAYA.CA

Capital Structure

- Authorized Capital: EGP 1,000,000,000
- Issued & Paid-in Capital: EGP 284,923,800 (56,984,760 shares @ EGP 5 per share)

Investor Relations Contact	Dalia Moustafa Kamel
Title	Investor Relations & Corporate Audit Director
E-mail	investor_relations@rayacorp.com
Tel	(+202) 749 6353
Fax	(+202) 749 6343
Mobile	(+2010) 340 7291
Address	10, El-Gomhoria El-Motaheda Sq. Dokki, Giza, Egypt