



Earnings Release

Q2 2014

Cairo, August 13 2014: Telecom Egypt (te) (Ticker: ETEL.CA; TEEG.LN), today announced its consolidated financial results for the Second quarter, ending 30 June 2014. The financial statements have been prepared in accordance with Egyptian Accounting Standards.



Telecom Egypt Announces Q2 2014 Consolidated Results

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Highlights & CEO Statement

Highlights

- Q2 2014 consolidated EGP 3,868 million in revenues.
- EBITDA of EGP 1,730 million for Q2 2014 versus EGP 805 million in Q1 2014.
- Net Profit After Tax of EGP 1.024 million up from EGP 519 million in Q1 2014, representing a net profit margin of 26.5%.
- Earnings Per Share (EPS) for the period of EGP 0.60, up 97.2% from Q1 2014.
- Home and Enterprise ADSL subscribers up 24.5% year-on-year standing over 1.8 million.
- Interim cash dividend proposed under the account of profits for the year ending 31 December 2014 of US 5 Cent per normal share.

Chief Executive Officer's Statement

“Our performance in the second quarter of 2014 tells a story of keen commercial execution and focused delivery against our five year business plan. We have taken positive management action on the areas of the business within our control, while we await the final mobile award.

“Every one of our business units has delivered revenue growth when compared to both the previous year and the previous quarter, allowing us to record the highest quarterly revenue result in the history of the company.

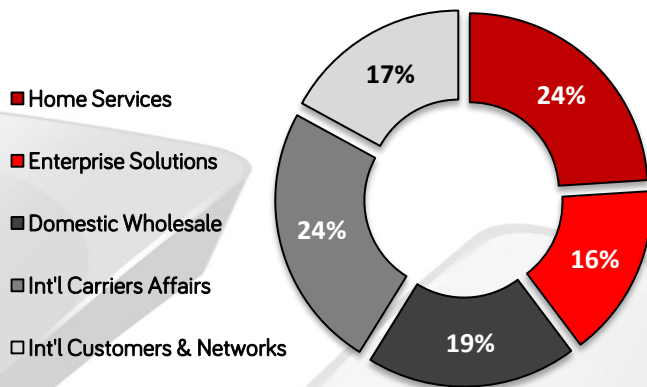
“After just a few years of full operations, in Q2 2014 our International Customers & Networks business has made its most significant contribution to te’s overall quarterly performance to date; delivering 25.8% of total sales revenues. Our medium term plans as a total telecoms operator will once again extend our reach into retail services and redress the wholesale bias that has developed in our business.”



“Critically, we have grown top line performance without sacrificing our profitability. The improvement in revenues has been achieved while improving our EBITDA margin, when compared with the first three months of the year, to arrive at 44.7%.

“Finally, the significant progress made during the period, alongside management’s confidence in the performance being delivered, has led the management to propose to the company’s Board of Directors a US 5 Cent per normal share interim cash dividend under the account of profits for the year ending 31 December 2014, and now it is subject to shareholder approval at the Ordinary General Assembly of the Company.”

Revenues by Lines of Business:



Home Services Business Unit:

(In EGP Millions)	H1 2014	H1 2013	Change%	Q2 2014	Q2 2013	Change%
HS BU	1,543	1,543	5.4%	779	742	5.0%

KPI	Unite	6 Month Period Ending June		Quarter Comparison	
Home Voice Revenue Growth	%	-16.9%	-19.9%	-20.3%	-18.6%
Home Data Revenue Growth	%	32.1%	25.3%	33.0%	24.6%
Home Fixed Line Subscribers	Mn	5.59%	5.95%	5.59	5.95
Home ADSL Subscribers	000's	1,717	1,368	1,717	1,368
Home ARPU	EGP/Month	25.18	25.99	25.02	26.42



The Home Services business unit reported a 5.0% year-on-year increase in revenues for the second quarter 2014, and a 5.4% increase when compared to H1 2013.

Q2 2014 has been a period of continued promotional activity: including te's new fixed line promotion priced at EGP 50; its Kalamy product, benchmarked with its successful and rewarding performance.

Customer demand for broadband continued the momentum experienced in the first three months of the year, with 75 thousand net ADSL subscriber additions taking te's retail ADSL market share to 63.8% in the second quarter 2014. At the half year point – 30 June 2014 – te's ADSL subscriber base stands at more than 1.8 million, as the broadband business benefits from te's ability to offer higher speeds at affordable prices.

Enterprise Solutions Business Unit:

<i>(In EGP Millions)</i>	H1 2014	H1 2013	Change%	Q2 2014	Q2 2013	Change%
ES BU	1,013	922	9.9%	583	479	21.7%

KPI	Unite	6 Month Period Ending June		Quarter Comparison	
Enterprise Service Revenue Growth	%	-9.8%	-9.3%	-11.3%	-5.4%
Enterprise Data Revenue Growth	%	13.3%	17.5%	14.4%	12.7%
Other Subsidiary Revenue Growth	%	-20.2%	10.7%	-3.1%	4.9%
Enterprise Fixed Line Subscribers	Mn	1.06	1.08	1.06	1.08
Enterprise ADSL Subscribers	000's	115	104	115	104
Enterprise ARPU	EGP/Month	67.07	73.57	62.77	71.97

During the second quarter of 2014, te's Enterprise business unit, which primarily services the Egyptian SME sector, public sector bodies and financial industries, experienced a significant uplift in revenues. Second quarter revenues have increased by EGP 153 million or 36% versus Q1 2014. Revenues were 9.9% up on H1 2013 and EGP 104 million or 21.7% up versus Q2 2013, as the business unit progressed with commercializing new urban developments. Notably, te continued to target the



Egyptian banking sector and its requirement for high speed and heavy applications with both voice and video capabilities. This followed the success experienced with new deals on fiber models in this area during the first three months of the year.

Domestic Wholesale Business Unit:

<i>(In EGP Millions)</i>	H1 2014	H1 2013	Change%	Q2 2014	Q2 2013	Change%
DW BU	1,228	1,124	9.2%	687	553	24.1%

KPI	Unite	6 Month Period Ending June		Quarter Comparison	
Domestic Revenue Growth	%	20.0%	12.2%	36.2%	21.1%
International Revenue Growth	%	-5.9%	16.7%	5.7%	19.2%
International Outgoing Minutes	%	-16.4%	-5.3%	-16.6%	-4.5%

Revenues rose to EGP 1,228 million for the half year 2014, up 9.2% on the same period in 2013. Revenues increased 26.9% versus Q1 2014 and 24.1% for the quarter year-on-year, as demand for international infrastructure services and transmission, primarily relating to data services, increased. Outgoing international call traffic showed some volume decline as the effects of free mobile calling applications was felt. However, we managed to derive positive revenues by modeling the distribution of traffic patterns among different zones and tiered volumes.

International Carriers Affairs Business Unit:

<i>(In EGP Millions)</i>	H1 2014	H1 2013	Change%	Q2 2014	Q2 2013	Change%
ICA BU	1,552	1,692	-8.3%	820	804	2.1%

KPI	Unite	6 Month Period Ending June		Quarter Comparison	
International Settlement Revenue Growth	%	-8.3%	42.1%	2.1%	33.6%
International Incoming Minutes Growth	%	-15.5%	23.8%	-2.8%	8.3%



Despite a decrease in revenues between H1 2013 and H1 2014 due to the slowdown in retail activities in neighboring markets, in the second quarter the International Carriers Affairs (ICA) business unit reported an increase compared to the first three months of the year. The business benefited from a positive trend for revenues relating to international inbound call volumes terminating in Egypt, met by the terms for effective blended selling rates, translating to just 2.1% growth when compared with the same period in 2013.

The ICA business unit currently serves 70+ long-term bilateral customers across all international wholesale voice activities. The business is working hard to commercialize its new "Role-Sale" approach, a mix between retail and wholesale, and to introduce new lines of business and explore new markets, capitalizing on its global footprint and variety of international customers.

International Customers & Networks Business Unit:

<i>(In EGP Millions)</i>	H1 2014	H1 2013	Change%	Q2 2014	Q2 2013	Change%
IC&N BU	1,096	288	280.6%	999	195	412.4%

KPI	Unite	6 Month Period Ending June		Quarter Comparison	
IC&N Revenues Growth					
– Cable Projects	%	–	--	-100.0%	–
– Ancillary Services (O&M)	%	17.0%	26.7%	21.0%	9.2%
– Capacity Sales	%	-40.1%	13.4%	-53.4%	28.6%

The International Customers & Networks (IC&N) business unit has reported a truly exceptional quarter.

This performance is driven by the conclusion of two major transactions with the SMW-5 cable system and AAE1 cable system respectively. Both cable systems were demand created by te management and show that te's terrestrial transit corridor infrastructure has become a carrier-of-choice for the submarine cable industry in routing from Asia to Europe.



IC&N reported a 281% and 412.4% increase in revenues when compared with H1 2013 and Q2 2013 respectively, representing record quarterly revenue levels for this business unit of almost EGP 1 billion.

te Financial Highlights:

Income Statement – Summary:

<i>(In EGP Millions exclude Per share Data)</i>	H1 2014	H1 2013	Change%	Q2 2014	Q2 2013	Change%
Sales Revenue	6,432	5,490	17.2%	3,868	2,773	39.5%
Home Services	1,543	1,464	5.4%	779	742	5.0%
Enterprise Solutions	1,013	922	9.9%	586	484	21.1%
Domestic Wholesale	1,228	1,124	9.2%	684	549	24.6%
Int'l Carriers Affairs	1,552	1,692	-8.3%	820	804	2.1%
Int'l Customers & Networks	1,096	288	280.6%	999	195	412.4%
EBITDA	2,535	1,787	41.9%	1,730	840	105.9%
EBITDA Margin %	39.4%	32.5%		44.7%	30.3%	
EBIT	1,809	1,645	9.9%	1,219	900	35.4%
EBIT Margin %	28.1%	30.0%		31.5%	32.5%	
NPAT	1,543	1,753	-12.0%	1,024	896	14.3%
NPAT Margin %	24.0%	31.9%		26.5%	32.3%	
EPS	0.90	1.03	-12.0%	0.60	0.52	14.3%

Costs:

te retains a very careful approach to cost management. Operating expenditure excluding employee costs increased broadly in line with year-on-year revenue gains. Cost increases during the period related primarily to the 10% annual salary increase and the structured incentive rewards program, both of which came into effect as of the first quarter 2014.



EBITDA:

EBITDA for the second quarter 2014 was EGP 1,730 million, an increase of 105.9% compared to the Q2 2013, directly attributable to higher revenues and careful control of operating expenditures.

Income from Investment:

Total Income from investments, mainly representing te's stake in VFE, was EGP 218 million. During the period under review, VFE generated revenues of EGP 3,377 million, a decline of 1.9% compared with the same period in 2013. Closing customers as at 30 June stood at 41.9 million.

(Note: Vodafone Egypt's financial year is from 1 April to 31 March).

Vodafone Egypt Financial Highlights:-

<i>(In EGP Millions)</i>	First Quarter Ending June			Previous Quarter Comparison		
	Jun. 2014	Jun. 2013	% Change	Q114/15	Q4 13/14	% Change
Total Revenue	3,377	3,441	-1.9%	3,377	3,279	3.0%
Net Profit	486	569	-14.6%	486	343	41.9%
CAPEX	637	206	209.4%	637	791	-19.4%

Vodafone Egypt Operational Highlights:-

	First Quarter Ending June			Previous Quarter Comparison		
	Jun. 2014	Jun. 2013	% Change	Q114/15	Q4 13/14	% Change
Closing Customers (000's)	41,938	40,608	3.3%	41,938	42,073	-0.3%
Net Adds (000's)	-135	2,352	-105.8%	-135	162	-183.8%
Total Voice Minutes (millions)	23,303	23,787	-2.0%	23,303	22,169	5.1%



Net Profit:-

Although, corporate taxes by law increased by 5% starting from Q2 2014 and will be accounted for retroactively from 1st of January 2014, te's consolidated Net Profit After Tax for Q2 2014 reached EGP 1,024 million versus EGP 519 million in Q1 2014, a 97.2% rise. Year-on-year this represents an increase of 14.3% and a NPAT margin of 26.5%. This translates to an increased EPS of EGP 0.60.

Balance Sheet – Summary:

<i>(In EGP Millions)</i>	H1 2014	FY 2013	Change%
Current Assets	10,585	11,030	-4.0%
Net Fixed Assets	10,893	11,243	-3.1%
Long Term Investments	9,016	8,693	3.7%
Other Long Terms Assets	1,915	1,672	14.5 %
Total Assets	32,409	32,638	-0.7%
Current Liabilities (Excl. STD)	4,280	3,727	14.8%
CPLTD	85	107	-20.9%
LTD	431	475	-9.2%
Other Non-Current Liabilities	8	12	-37.9%
Total Liabilities	4,803	4,322	11.1%
Total Shareholder Equity	27,606	28,316	-2.5%
Total Liabilities & Shareholder Equity	32,409	32,638	-0.7%



Cash Flow – Summary:

<i>(In EGP Millions)</i>	H1 2014	H1 2013	Change%
Net Cash Provided By Operating Activities	1,068	1,296	-17.6%
Net Cash Flows from Investing Activities	-887	-146	505.6%
Net Cash Flows from Financing Activities	-1,777	-2,324	-23.5%
Net Change In Cash and Cash Equivalents During the Period	-1,596	-1,175	35.9%
Translation Differences of Foreign entities	1	3	-76.8%
Cash & Cash Equivalents at the Beginning of the Period	5,644	6,325	-10.8%
Cash and Cash Equivalents at the End of the Period	4,049	5,154	-21.4%

Investment in Infrastructure / Capital Expenditure:

Capital expenditure for Q2 2014 reached EGP 376 million versus EGP 143 million in Q1 2014, up 163.8%. This represented 10.5% of total revenues for the period. Capital expenditure for the quarter is higher than the previous quarter reflecting our investments to upgrade our nationwide access network, from copper-based technologies to modern fiber-based technologies (across four million ports), a deployment which will enable us to carry more and higher capacity traffic of a better quality.

Net Debt Position:

te continues to boast a very healthy balance sheet, with a net cash position of EGP 3,549 million at Q2 2014, a reflection of the cash generative nature of te's business.



To download a complete copy of te's Q2 2014 Consolidated Financial Results Statements and notes to these statements, please refer to the attached pdf:

To download a complete copy of te's Q2 2014 Standalone Financial Results Statements and notes to these statements, please refer to the attached pdf:

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Notes to Editors:

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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 Financial Supervisory Authority or The Egyptian 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:

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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 6.7 million subscribers as at 30 June 2014.

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. te'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 44.95% holding in Vodafone Egypt, one of the three existing Egyptian mobile operators.

TE's shares and GDRs (Ticker: ETEL.CA; TEEG.LN) are traded on The Egyptian Exchange and the London Stock Exchange.