



Telecom Egypt

Earnings Release FY 2014

Cairo, March 10 2015: Telecom Egypt (te) (Ticker: ETEL.CA; TEEG.LN), today announced its consolidated financial results for the full year, ending 31 December 2014. The financial statements have been prepared in accordance with Egyptian Accounting Standards.



Telecom Egypt Announces FY2014 Consolidated Results

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Highlights & CEO Statement

Highlights

- Consolidated Revenues for FY 2014 were EGP 12,158 million, up from EGP 11,138 million in FY 2013.
- EBITDA was EGP 3,841 million, delivering a margin of 32%.
- Net Profit After Tax was EGP 2,031 million, representing a net profit margin of 17%.
- Earnings Per Share (EPS) for the period were EGP 0.89.
- Retail ADSL market share of 65% delivering record FY revenues of EGP 1,962 million.
- Capex for the period of EGP 2,523 million.
- Net cash position of EGP 2,448 million, as at 31 December 2014.

Chief Executive Officer's Statement

“Representing te’s full year 2014 results, Mohamed Elnawawy, Managing Director and Chief Executive Officer of Telecom Egypt (te), said:

“Our performance for the year was exceptional with a top-line growth of 9%, in line with management’s expectations and well-ahead of market estimates. The growth was across most of our business units operations, in particular our core retail line of business, redressing the balance between our wholesale and retail revenues.

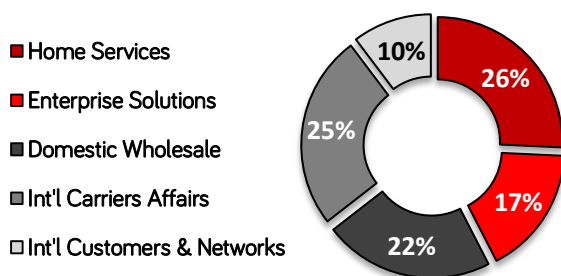
The increasing demand for higher broadband traffic speeds and capacities, the growing data service strength and a leading 65.3% market share in fixed broadband, with more than 310 thousand net additions, has more than offset the decline in voice revenues, and created a new retail growth story for the company.

The Enterprise division was prudent in signing off and executing a number of agreements within the banking and government sectors, expanding regional operations with focus on SMEs and SOHOs and rolling out public Wi-Fi hotspots, all with the focus on the value chain and putting milestones nationwide to reinforce our ongoing efforts to serve the glorious, young and growing market by being its first total telecom operator.



Substantial progress was done on diverting the business once again to focus on our core retail line of business, while maintaining the natural growth on the wholesale business. The growth in wholesale is a reflection of management efforts through the years to diversify its revenue stream, capturing all it can from potential opportunities to serve all licensed operators in the Egyptian market and expand its footprint globally”.

Revenues by Lines of Business:



Home Services Business Unit:

HS BU (In EGP Millions)	FY 2014	FY 2013	Change%	Q4 2014	Q4 2013	Change%
Voice	1,675	1,861	-10.0%	395	446	-11%
Data	1,453	1,123	29.4%	399	311	28%
Total	3,129	2,984	4.8%	793	756	4.8%

Operational KPI	Unit	FY 2014	FY 2013	Q4 2014	Q4 2013
Home Fixed Line Subscribers	Million	5,28	5,72	5,28	5,72
Home ADSL Subscribers	000's	1,868	1,558	1,868	1,558
Home ARPU	EGP/Month	25,14	25,97	24,09	25,89

The Home Services (HS) business unit reported a 4.8% year-on-year increase in revenues recording EGP 3,129 million. The increase is primarily attributable to the growing demand for broadband services reflecting an increase of 20% in ADSL subscriber base on 2013, and growth in data revenues by 29.4%, offsetting the decline in voice revenues.

The business unit is building a new growth story, capitalizing on the well-developed regional operational model and te's regional presence to challenge a decade of market disruption mainly causing a growing grey market from the line sharing phenomena, with customized below-the-line data offerings in response to its customers' needs.



Enterprise Solutions Business Unit:

ES BU (In EGP Millions)	FY 2014	FY 2013	Change%	Q4 2014	Q4 2013	Change%
Voice	1,316	1,093	20.4%	345	277	24.5%
Data	509	445	14.4%	126	102	23.5%
Others	206	244	-15.6%	51	64	-20.3%
Total	2,031	1,782	14.0%	523	442	18.2%

Operational KPI	Unit	FY 2014	FY 2013	Q4 2014	Q4 2013
Enterprise Fixed Line Subscribers	Million	1,20	1,06	1,20	1,06
Enterprise ADSL Subscribers	000's	109	110	109	110
Enterprise ARPU	EGP/Month	59,66	70,98	53,11	64,70

Enterprise (ES) business unit revenues increased by 14% on FY 2013 to reach EGP 2,031 million. The growth was mainly due to the increasing demand for broadband connectivity and managed enterprise solutions, pursuing its prominent customers in the banking sector and nationwide government entities.

The business unit also leveraged te's nationwide footprint, with its 50 thousand human capital, targeting national SMEs and SOHOs and expanding its operations in new urban development communities

Domestic Wholesale Business Unit:

DW BU (In EGP Millions)	FY 2014	FY 2013	Change%	Q4 2014	Q4 2013	Change%
Domestic	1,820	1,372	32.6%	651	402	61.9%
International	862	886	-2.7%	212	224	-5.4%
Total	2,681	2,258	18.7%	863	627	37.7%

Operational KPI	Unit	12 Month Period Ending Sept		Quarter Comparison	
		FY 2014	FY 2013	Q4 2014	Q4 2013
International Outgoing Minutes	%	-10.7	-14.6	-5.7	-20.5

Domestic wholesale (DW) business unit revenues increased 18.7% on FY 2013 to record EGP 2,681 million in 2014, compared to EGP 2,258 million in 2013 due to the increasing demand for national transmission services from local licensed operators, created by the dynamic growth in both mobile and data services and the vast penetration and growing domination of smartphones in the local market.



The business unit did put all its efforts in studying the market conditions and dynamics to take forward a compelling commercial offerings securing long-term agreements with the two largest licensed mobile operators in the local market, worth around EGP 15,000 million.

International Carriers Affairs Business Unit:

ICA BU <i>(In EGP Millions)</i>	FY 2014	FY 2013	Change%	Q4 2014	Q4 2013	Change%
International Settlement	3,067	3,142	-2.4%	764	723	5.7 %
Total	3,067	3,142	-2.4%	764	723	5.7 %

Operational KPI	Unit	12 Month Period Ending Sept		Quarter Comparison	
		FY 2014	FY 2013	Q4 2014	Q4 2013
International Incoming Minutes	%	-10.3	5.3	-7.0	-19.0

The international Carriers Affairs business unit showed a healthy growth of 6% quarter-on-quarter, positively impacted by a slight climbing pattern in the revenues of international, inbound and transit activities volumes and related revenues, despite the trivial year-on-year revenue drop due to the announced Saudi market impact we witnessed in Q1 2014 – which is coming to normalize.

The business unit's performance is a good sign in the middle of the ongoing and growing threats of illegal bypass combined with the uprising heat of over-the-top (OTT) applications taking a sizable share of the international wholesale voice business.

The unit's key driver lies in the fact of being the “exclusive” international gateway, the amazing and diversified footprint of its customer base and the consistent approach of securing special traffic streams and segments by consistently creating a win-win environment.

International Customers & Networks Business Unit:

IC&N BU <i>(In EGP Millions)</i>	FY 2014	FY 2013	Change%	Q4 2014	Q4 2013	Change%
Revenue Growth	1,250	971	28.7%	66	234	-72.0%

Revenue Breakdown <i>(In EGP Millions)</i>	12Month Period Ending Sept		Quarter Comparison	
	FY 2014	FY 2013	Q4 2014	Q4 2013
Cable Projects	881	339	0	0
Ancillary Services (O&M)	161	225	39	117
Capacity Sales	207	407	27	117

2014 was an exceptional year of progress for the International Customers & Networks (IC&N)



business unit. IC&N witnessed considerable growth bringing its revenues to 1,250 billion, up 28.7% when compared with FY 2013. The growth was a return of the two major transactions recognized in the second quarter of 2014, providing crossing services to SMW-5 and AAE1 submarine cable systems.

Emerging dynamics in the industry landscape are reshaping realities for the IC&N business. Adopting a new strategy, that will focus on gaining autonomy from retail by connecting international nodes; will help te further extend the reach of its global services and intercontinental network access provided to carriers. Internationally, Telecom Egypt is becoming a key global communications and data hub between Asia, Africa, and Western Europe. The robust and diverse Egypt transit route has been the preference of international carriers.

te Financial Highlights:

Income Statement – Summary:

<i>(In EGP Millions exclude Per share Data)</i>	FY 2014	FY 2013	Change%	Q4 2014	Q4 2013	Change%
Sales Revenue						
Home Services	3,129	2,984	4.8%	793	756	4.8%
Enterprise Solutions	2,031	1,782	14.0%	523	442	18.2%
Domestic Wholesale	2,681	2,258	18.7%	863	627	37.7%
Int'l Carriers Affairs	3,067	3,142	-2.4%	764	723	5.7%
Int'l Customers & Networks	1,250	971	28.7%	66	234	-72.0%
EBITDA	3,841	3,687	4.2%	660	767	-13.9%
EBITDA Margin %	31.6%	33.1%		21.9%	27.6%	
EBIT	2,707	3,080	-12.1%	489	591	-17.3%
EBIT Margin %	22.3%	27.7%		16.3%	21.3%	
NPAT	2,031	2,958	-31.4%	236	555	-57.4%
NPAT Margin %	16.7%	26.6%		7.9%	19.9%	
EPS	0.89	1.43	-37.8	0.06	0.25	-75%

Costs:

Costs increased year-on-year by EGP 866 million, or 12%, this was mainly due to a number of one-offs and a other natural operational costs. A delayed settlement one-off for license fees paid to the Regulator amounting for an additional EGP 201 million on the previous year 2013; and a one-off for some seasonal costs associated to advertisement campaigns, in the holy month of Ramadan and the company's 160th Anniversary falling within the third quarter;

As for, other natural operational cost increases during the year were related to the annual cumulative increase, on 2013, in interconnection costs and volume call and transmission discounts extended to



local operators of more than 190 million Egyptian Pounds; and the mounting up of salaries and wages following the 10% annual salary increase and the newly structured incentive rewards program, both of which came into effect as of the first quarter 2014, amounting for a difference of more than 280 million Egyptian Pounds on 2013.

EBITDA:

EBITDA was EGP 3,841 million, an increase of 4.2% on FY2013. FY2014 revealed its positive performance, with the increase in total revenues and high profitability, leading to a healthy EBITDA margin of 31.6%.

Income from Investments:

Total Income from investments, mainly representing te's stake in VFE, reached EGP 231 million, a decline of 14.2% year-on-year and 13.1% quarter-on-quarter.

During the period under review, VFE generated revenues of EGP 3,414 million, flat year-on-year. Closing customers as at December stood at 39,5 million, down 0.3% on previous quarter.

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

Vodafone Egypt Financial Highlights:

<i>(In EGP Millions)</i>	Third Quarter Ending 31 December			Previous Quarter Comparison		
	2014	2013	% Change	Q3 14/15	Q2 14/15	% Change
Total Revenue	10,170	10,052	1.2%	3,414	3,379	1.0%
Net Profit	1,506	1,509	-0.2%	513	507	1.2%
CAPEX	2,369	1,715	38.1%	952	780	22.1%

Vodafone Egypt Operational Highlights:

	Third Quarter Ending 31 December			Previous Quarter Comparison		
	2014	2013	% Change	Q3 14/15	Q2 14/15	% Change
Closing Customers (000's)	39,549	41,912	-5.6%	39,549	39,679	-0.3%
Net Adds (000's)	-2,524	3,656	-169.1%	-130	2,259	-94.2%
Total Voice Minutes (millions)	71,259	68,191	4.5%	24,508	23,448	4.5%



Net Profit:

Net Profit After Tax for the year recorded EGP 2,031 versus EGP 2,958 million in FY 2013. The decline was mainly attributable to a number of one-offs. The additional EGP 149 million for provisions formed to hedge for future sales taxes, on FY 2013, another EGP 113 million deducted during the year for tax reviews with the local tax authorities for delayed settlements.

The additional 5% increase in corporate taxes by law with a noticeable EGP 70 million impact, and the hike in Deferred Taxes for contingent liabilities associated with taxes on dividends amounting for an additional EGP 308 million.

Balance Sheet – Summary:

<i>(In EGP Millions)</i>	FY 2014	FY 2013	Change%
Current Assets	9,493	11,067	-14.2%
Net Fixed Assets	11,070	11,151	-0.7%
Long Term Investments	9,474	8,693	9.0%
Other Long Terms Assets	2,318	1,765	31.3%
Total Assets	32,355	32,675	-1.0%
Current Liabilities (Excl. STD)	4,498	3,764	19.5%
CPLTD	84	107	-22.0%
LTD	383	475	-19.5%
Other Non-Current Liabilities	3	12	-75.8%
Total Liabilities	4,967	4,359	13.9%
Total Shareholder Equity	27,388	28,316	-3.3%
Total Liabilities & Shareholder Equity	32,355	32,675	-1.0%



Cash Flow – Summary:

<i>(In EGP Millions)</i>	FY 2014	FY 2013	Change%
Net Cash Provided By Operating Activities	1,796	2,083	-13.8%
Net Cash Flows from Investing Activities	-2,100	-418	403.0%
Net Cash Flows from Financing Activities	-2,439	-2,353	3.7%
Net Change In Cash and Cash Equivalents during the Period	-2,744	-687	299.5%
Translation Differences of Foreign entities	-4	6	-169.0%
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	2,897	5,644	-48.7%

Investment in Infrastructure / Capital Expenditure:

In tandem with te's aggressive plan to pursue growth in its retail line of business, on-top of the increasing demand for broadband services, the went for upgrading its nationwide access network from copper-based to fiber-based technologies, investing EGP 2,523 million, or 21% of sales revenue

Net Debt Position:

te continues to boast a very healthy balance sheet, with a net cash position of EGP 2,448 million at FY 2014, a reflection of the cash generative nature of te's business

To download a complete copy of te's Q3 2014 Consolidated Financial Results Statements and notes to these statements, please refer to the attached pdf: <http://ir.te.eg/FinancialStatements>

To download a complete copy of te's Q3 2014 Standalone Financial Results Statements and notes to these statements, please refer to the attached pdf: <http://ir.te.eg/EarningRelease>

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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 6.49 million subscribers as at 31 December 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.

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.