



Earnings Release

Q3 2014

Cairo, November 12 2014: Telecom Egypt (te) (Ticker: ETEL.CA; TEEG.LN), today announced its consolidated interim financial results for the third quarter, ending 30 September 2014. The financial statements have been prepared in accordance with Egyptian Accounting Standards.



Telecom Egypt Announces Q3 2014 Consolidated Results

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Highlights & CEO Statement

Highlights

- Total Consolidated Revenues were EGP 9,149 million up from EGP 8,356 million in 9M 2013.
- EBITDA was EGP 3,181 million, delivering a margin of 35%.
- Net Profit After Tax was EGP 1.794 million, representing a net profit margin of 20%.
- Earnings Per Share (EPS) for the period were EGP 1.01.
- Retail ADSL market share of 65% delivering record nine month revenues of EGP 1,437 million.
- Capex for the period of EGP 1,120 million.
- Net cash position of EGP 2,254 million, as at 30 September 2014.

Chief Executive Officer's Statement

"In the third quarter 2014, we experienced continued revenue growth across most of our business units, in particular our core retail business units. The management maintained decisive control, successfully steering the business forwards as we await the final mobile award.

"Importantly, the growth trend in our broadband offering was exceptional. Broadband services made a significant contribution to te's retail revenues for the period and reached a record levels of subscribers. This reinforces our ongoing efforts to become a total telecom operator and redresses the balance between our wholesale and retail revenues.

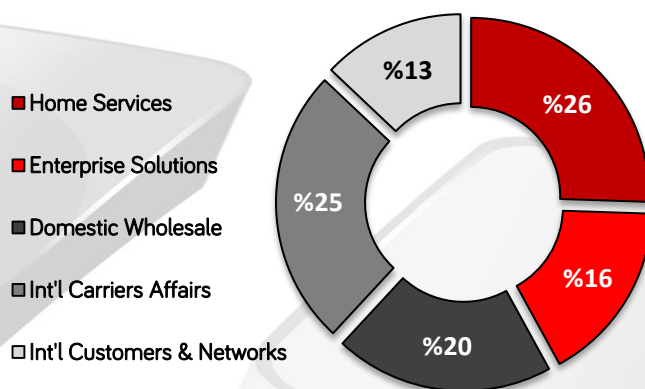
"Our Wholesale business experienced another good quarter, with revenue growth year-on-year from both our Domestic Wholesale and International Carriers Affairs. While our International Customers & Networks revenues are lower than the previous quarter, year-to-date performance has exceeded



management's expectations. The nature of this business is that there is no specific quarterly trend that can be followed, and the completion of specific projects in individual quarters, such as the AAE1 and SMW5 submarine cable projects in Q2 2014, will always create an uneven distribution of recognized revenues throughout the course of any given year..

“We remain committed to our customer-centric approach, purposefully orientating our business to the way in which our customers use telecommunications services. This approach continues to prove commercially beneficial and is having a positive impact on customer satisfaction levels across our home, enterprise and wholesale segments.”

Revenues by Lines of Business:



Home Services Business Unit:

(In EGP Millions)	9M 2014	9M 2013	Change%	Q3 2014	Q3 2013	Change%
HS BU	2,335	2,228	4.8%	792	764	3.7%

KPI	Unit	9 Month Period Ending Sept.		Quarter Comparison	
		9M 2014	9M 2013	Q3 2014	Q3 2013
Home Voice Revenue Growth	%	-16.8	-18.4	-16.8	-15.1
Home Data Revenue Growth	%	29.8	27.7	25.8	32.2
Home Fixed Line Subscribers	Mn	5.56	5.74	5.56	5.74
Home ADSL Subscribers	000's	1,814	1,448	1,814	1,448
Home ARPU	EGP/ Month	25.04	26.32	24.99	26.71



The Home Services business unit reported a 3.7% year on year increase in revenues for the third quarter 2014, and a 4.8% rise when compared to the nine month period in 2013. The increase is primarily attributable to growing demand for broadband services.

The business unit achieved its target for the period, largely due to the successful rollout of its modern fiber technologies replacing the deployed copper-based cable technologies, which had a direct impact on revenues.

Through closely working with its regional offices to respond to customers' needs, the business unit was able to positively affect the expansion of its access network, increasing sales and market share.

The business unit continued the broadband growth momentum achieved in the first six months of the year. During the quarter there were 98 thousand net ADSL subscriber additions, taking te's retail ADSL market share to a record 64.8% as at 30 September 2014, when te's ADSL subscriber base – across both home and enterprise segments – stood at 1.93 million.

Enterprise Solutions Business Unit:

<i>(In EGP Millions)</i>	9M 2014	9M 2013	Change%	Q3 2014	Q3 2013	Change%
ES BU	1,508	1,340	12.6%	495	418	18.5%

KPI	Unit	9 Month Period Ending Sept.		Quarter Comparison	
		9M 2014	9M 2013	Q3 2014	Q3 2013
Enterprise Service Revenue Growth	%	-6.6	-14.6	1.0	-25.0
Enterprise Data Revenue Growth	%	11.4	20.1	7.9	25.2
Other Subsidiary Revenue Growth	%	-13.9	-1.7	0.5	-21.9
Enterprise Fixed Line Subscribers	Mn	1.08	1.06	1.08	1.06
Enterprise ADSL Subscribers	000's	116	94	116	94
Enterprise ARPU	EGP/ Month	65.46	73.24	62.76	71.37

During the third quarter 2014, te's Enterprise business unit, which primarily services the Egyptian SME sector, public sector bodies and financial industries, experienced a year-on-year increase in revenues of 18.5%.

The negative variance with Q2 2014 of 15.1% is primarily attributable to a one-time recognition of EGP 181 million in Q2 2014, attributable to the business unit's progression with commercializing new urban developments.



The business unit continued to capitalize on the requirement for high speed and heavy applications with both voice and video capabilities. Total ES-BU revenue from data increased when compared with Q2 2014, driven by new fiber models now installed in many Egyptian banks. Furthermore, a number of other new urban community development projects were finalized during the quarter under review, realizing around EGP 73 million.

Domestic Wholesale Business Unit:

<i>(In EGP Millions)</i>	9M 2014	9M 2013	Change%	Q3 2014	Q3 2013	Change%
DW BU	1,818	1,632	11.5%	590	507	16.3%

KPI	Unit	9 Month Period Ending Sept		Quarter Comparison	
		9M 2014	9M 2013	Q3 2014	Q3 2013
Domestic Revenue Growth	%	20.5	6.5	21.6	-3.7
International Revenue Growth	%	-1.8	3.7	7.9	-18.1
International Outgoing Minutes Growth	%	-12.2	-12.6	-2.0	-26.3

Revenues for the Domestic Wholesale business unit rose year on year by 16.3%, to EGP 590 million for the third quarter 2014. When compared to Q3 2013, the increase was driven by the rise in demand for national transmission services for MNOs and domestic ISPs.

Revenues for the third quarter versus Q2 2014 fell from EGP 687 to EGP 590 million, a decline of 14%. This was due to a number of factors, most notably a drop in the outgoing traffic due to the rapid growth of free mobile calling applications in Egypt and discounts offered to ISPs.

International Carriers Affairs Business Unit:

<i>(In EGP Millions)</i>	9M 2014	9M 2013	Change%	Q3 2014	Q3 2013	Change%
ICA BU	2,302	2,419	-4.8%	751	728	3.2 %

KPI	Unit	9 Month Period Ending Sept		Quarter Comparison	
		9M 2014	9M 2013	Q3 2014	Q3 2013
International Settlement Revenue Growth	%	-4.8	36.9	3.2	26.2
International Incoming Minutes Growth	%	-11.3	15.6	-0.7	-0.7

Revenues for the International Carriers Affairs (ICA) business unit increased 3.2% compared with Q3 2013, but saw a decline of 8.4% when compared with the previous quarter in 2014.



The drop in quarter on quarter revenues was primarily due to the ongoing effects of illegal bypass, which is reaching a critical trend. This phenomenon has had a very negative impact, particularly when combined with the active rise of OTTs taking a sizeable share of the traditional business.

International Customers & Networks Business Unit:

<i>(In EGP Millions)</i>	9M 2014	9M 2013	Change%	Q3 2014	Q3 2013	Change%
IC&N BU	1,184	737	60.7%	88	449	-80.4%

KPI	Unit	9 Month Period Ending Sept		Quarter Comparison	
		9M 2014	9M 2013	Q3 2014	Q3 2013
IC&N Revenue Growth					
Cable Projects	%	160.2	8.4	-100.0	1101.4
Ancillary Services (O&M)	%	13.0	19.5	4.3	6.4
Capacity Sales	%	-37.8	36.5	-31.5	220.1

The nature of the International Customers & Networks (IC&N) business unit revenues, particularly as they relate to wholesale capacity sales, is highly dynamic. IC&N results for the cumulative nine month period exceed management targets for the period, with 60.7% year on year revenue growth.

The IC&N-BU reported decline in the third quarter when compared to either the previous quarter or the comparable quarter last year as there were no new Cable Projects recognized during the quarter, other than the growing and recurring Capacity Sales and Ancillary Services (O&M) revenues. All new cable projects year-to-date were recorded in the first half of the year.

The business is focused on building greater market share of the International capacity market where competition is intensifying. The company is in talks with several international operators to establish new cable projects.



te Financial Highlights:

Income Statement – Summary:

<i>(In EGP Millions exclude Per share Data)</i>	9M 2014	9M 2013	Change%	Q3 2014	Q3 2013	Change%
Sales Revenue						
Home Services	2,335	2,228	4.8%	792	764	3.7%
Enterprise Solutions	1,508	1,340	12.6%	495	418	18.5%
Domestic Wholesale	1,818	1,632	11.5%	590	507	16.3%
Int'l Carriers Affairs	2,302	2,419	-4.8%	751	728	3.2%
Int'l Customers & Networks	1,184	737	60.7%	88	449	-80.4%
EBITDA	3,181	2,920	8.9%	646	1,134	-43.0%
EBITDA Margin %	34.8%	34.9%		23.8%	39.6%	
EBIT	2,218	2,489	-10.9%	409	844	-51.5%
EBIT Margin %	24.2%	29.8%		15.1%	29.4%	
NPAT	1,794	2,403	-25.3%	251	650	-61.4%
NPAT Margin %	19.6%	28.8%		9.2%	22.7%	
EPS	1.01	1.41	-28.2%	0.15	0.38	-61.4%

Costs:

Costs increased year-on-year by EGP 338 million, or 20%. This was due to a number of factors. During the third quarter an additional amount of EGP 140 million was paid to the NTRA, over and above the regular annual fee as a result of delayed settlements for license fees. Advertising expenses linked to campaigns during the Holy Month of Ramadan and te's 160th anniversary also had an impact on the cost base. Interconnection costs and volume call and transmission discounts extended to local operators amounted for an additional EGP 89 million in cost. Furthermore, there was a statutory accumulated cost increase of EGP 101 million during the period, which related to the 10% annual salary increase and the newly structured incentive rewards program, both of which came into effect as of the first quarter 2014.



EBITDA:

EBITDA for the third quarter 2014 was EGP 646 million, a decrease of 43.0% compared to the Q3 2013, directly attributable to lower revenues and higher costs. Margins on annual basis are still in line with management's expectations and the guidance announced earlier for mid-30s.

Income from Investments:

Total Income from investments, mainly representing te's stake in VFE, rose to EGP 228 million, up 4.5% year-on-year and 4.3% quarter-on-quarter.

During the period under review, VFE generated revenues of EGP 3,379 million, flat year-on-year. Closing customers as at 30 September stood at 39.7 million, down 5.4% 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>	Second Quarter Ending Sep.			Previous Quarter Comparison		
	Sep. 2014	Sep. 2013	% Change	Q214/15	Q1 14/15	% Change
Total Revenue	6,756	6,713	0.64%	3,379	3,377	0.1%
Net Profit	993	1,054	-5.82%	507	486	4.3%
CAPEX	1,417	873	62.26%	780	637	22.4%

Vodafone Egypt Operational Highlights:-

	Second Quarter Ending Sep.			Previous Quarter Comparison		
	Sep. 2014	Sep. 2013	% Change	Q214/15	Q1 14/15	% Change
Closing Customers (000's)	39,679	41,512	-4.4%	39,679	41,938	-5.4%
Net Adds (000's)	-2,394	3,256	-173.5%	-2,259	-135	1567.1%
Total Voice Minutes (millions)	46,568	45,954	1.3%	23,265	23,303	-0.2%



Net Profit:-

Directly attributable to lower sales revenues and higher costs, te's consolidated Net Profit After Tax for Q3 2014 reached EGP 251 million versus EGP 650 million in Q3 2013, an 61.4% decline. This represents a NPAT margin of 9.2%.

Balance Sheet – Summary:

<i>(In EGP Millions)</i>	9M 2014	FY 2013	Change%
Current Assets	10,093	11,030	-8.5%
Net Fixed Assets	10,882	11,243	-3.2%
Long Term Investments	9,244	8,693	6.3%
Other Long Terms Assets	1,818	1,672	8.7%
Total Assets	32,037	32,638	-1.8%
Current Liabilities (Excl. STD)	4,370	3,727	17.3%
CPLTD	84	107	-21.7%
LTD	405	475	-14.8%
Other Non-Current Liabilities	5	12	-56.9%
Total Liabilities	4,864	4,322	12.6%
Total Shareholder Equity	27,173	28,316	-4.0%
Total Liabilities & Shareholder Equity	32,037	32,638	-1.8%



Cash Flow – Summary:

<i>(In EGP Millions)</i>	9M 2014	9M 2013	Change%
Net Cash Provided By Operating Activities	1,203	1,345	-10.6%
Net Cash Flows from Investing Activities	-1,776	-305	483.1%
Net Cash Flows from Financing Activities	-2,344	-2,324	0.9%
Net Change In Cash and Cash Equivalents during the Period	-2,917	-1,283	127.3%
Translation Differences of Foreign entities	-1	5	-128.9%
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	2,726	5,047	-46.0%

Investment in Infrastructure / Capital Expenditure:

Capital expenditure for Q3 2014 reached EGP 445 million an increase of 18.4% on the previous quarter Q2 2014 and in line with management expectations. Taken over a cumulative nine month period, capital expenditure in 2014 totals EGP 1,120 million, representing 12.23% of total revenues. The higher level of capital expenditure is primarily attributable to the previously announced investments being made to upgrade te's nationwide access network, from copper-based technologies to modern fiber-based technologies.

Net Debt Position:

te continues to boast a very healthy balance sheet, with a net cash position of EGP 2,254 million at Q3 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>

- Ends -

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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 6.64 million subscribers as at 30 September 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.