



Telecom Egypt Announces Second Quarter 2013 Consolidated Results

Cairo, August 14 2013: Telecom Egypt (te) (Ticker: ETELCA; TEEG.LN), today announced its interim consolidated financial results for the second quarter, ending 30 June 2013. The financial statements have been prepared in accordance with Egyptian Accounting Standards.

Highlights for Second Quarter of 2013 include:

- Consolidated revenues were EGP 2,773 million, up 16% from EGP 2,388 million in Q2 2012.
- EBITDA of EGP 840 million.
- Net Profit After Tax of EGP 896 million, representing a net profit margin of 32%.
- Earnings Per Share (EPS) for the period of EGP 0.52.
- Positive contribution from Vodafone Egypt (VFE) of EGP 258 million.
- Fixed line subscribers of 7 million, of which 2.4 million are higher yielding double-play subscribers.
- Retail ADSL subscribers reached 1.5 million, representing a 61.6% market share.
- Net cash position of EGP 4,574 million, as at 30 June 2013.

Chief Executive Officer's Statement

Commenting on the second quarter 2013 results, Mohamed Elnawawy, Managing Director and Chief Executive Officer of Telecom Egypt (te), said:

"te saw strong revenue performance in the second quarter of 2013, a direct result of our focused commercial approach to identifying and developing market-leading solutions. Meanwhile, demand for data and connectivity across Egypt continues unabated, with smart phone usage and internet penetration steadily rising year after year. te is exclusively well-placed to meet the demands of this sophisticated, connected and mobile population.

"Revenues showed strong growth compared with the same period last year and demonstrate the value diversity of our business. In Retail this was largely a result of increasing demand for data services, plus project revenues related to the construction of new residential developments.

"Meanwhile, our Wholesale business, which contributed 57% of total revenues during the quarter, saw significant year-on-year increases in international wholesale traffic, a direct result of the bilateral agreements we have secured. We now have exclusivity agreements with over 70 telecommunications operators around the region, securing a significant and ongoing revenue stream to our wholesale business.

"While our revenue performance has been strong, increased interconnection costs plus the impact of two salary increases since the same period last year have had a demonstrable impact on our EBITDA. During the period we have benefitted from the reversal of impairments associated to the reassessment of



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mobile interconnection disputes, plus the increase in foreign exchange, resulting in a Net Profit of EGP 896 million.

“We remain fully committed to our goal of becoming a total telecommunications provider in Egypt. We are focused on building compelling offers and delivering high quality, exciting services that are tailored to meet each of our customer segments. It is this approach that differentiates us and points towards a very prosperous future for te, and its customers.”

Financial Review

As announced in May 2013, te will now be changing the presentation of its revenues to reflect more closely the way in which its operations are run. This change will take effect from Q3 2013 onwards and will be arranged around the following business units:

Home Services: the provision of traditional voice services and high speed Internet (ADSL) through home landlines.

Enterprise Solutions: This includes High Speed Internet Services (ADSL) and Enterprise Integrated applications solutions for both private companies and Governmental organizations and institutions.

Domestic Wholesale: This business unit encompasses versatile wholesale services including infrastructure leasing, as well as data transfer for mobile companies and internet providers.

International Carriers Affairs: Includes revenues from international voice operations that result from te's bilateral relations with international carriers and companies.

International Customers and Networks: Focused on servicing Egypt's unique geography, connecting Euro-Asian and Euro-E-African customers through te's unique global network.

Revenues

Total consolidated revenues for the second quarter were EGP 2,773 million, versus EGP 2,388 million in Q2 2012.

Retail Services

Retail revenues totaled EGP 1,194 million for Q2 2013, representing an increase of 4.1% compared to Q2 2012. This primarily reflects revenue growth from TE Data and project revenues related to new residential developments.

Comprising connections and subscriptions, total access revenues, stood at EGP 322 million for Q2 2013, versus EGP 341 million in Q2 2012. The decline was in part due to the slower take-up in connections compared to the first half of 2012, during which period te launched a promotion with a reduced price for fixed line subscribers.



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Voice revenues for Q2 2013 dropped 15.2% to EGP 318 million from EGP 375 million in Q2 2012, as the number of people relying on local phone calls further fell in light of the continued trend of fixed-to-mobile substitution. In contrast, long distance call revenues increased 9.6% compared with Q2 2012, as a result of a long-standing price promotion enabling te customers to make long distance phone calls at local prices.

Fixed to international call revenues decreased 11% compared to Q2 2012, attributable to the continued drop off in general business activity in Egypt.

Reflecting changing communications trends in Egypt, and te's continued focus on higher value dual-play customers, the drop in voice revenues was mostly offset by the positive growth in revenues from TE Data, which saw a 17.5% increase on Q2 2012. This increase resulted from the growth of te's sales network across Egypt. In anticipation of varying levels of regional accessibility, TE Data built out regional service offerings to be able to best meet its customers' requirements.

Demand for high-quality ADSL internet connections continues to grow. Net ADSL subscriber additions of 58,318 for the second quarter 2013 were 29.1% higher than the net increase achieved in the same period in 2012. TE Data continues to lead the way and remains Egypt's most successful broadband provider with a subscriber base now standing at 1.5 million, representing a 61.6% market share.

During the second quarter te benefitted from revenues related to new housing developments, where the administrative authority commissions te to connect new residences to its national network.

Under the new reporting structure, effective from Q3 2013, the retail revenues for Q2 2013 would appear as follows:

Business Unit	Line of Business	Q2 2013 In EGP Millions	Q2 2012 In EGP Millions	H1 2013 In EGP Millions	H1 2012 In EGP Millions
Home Services	Retail	742	760	1,464	1,517
Enterprise Solutions	Retail	476	409	914	842

Wholesale Services

te's wholesale business comprises revenue from domestic and international services to operators who use te's international gateway and extensive digital infrastructure, principally for collocation and transmission services and infrastructure leasing. Year on year, total wholesale revenues have increased 27.2%, to EGP 1,579 million.

The Egyptian mobile market continues to strengthen and te is well placed to benefit from this, with its wholesale division providing the backbone to the three mobile network operators in Egypt (Vodafone Egypt, Mobinil and Etisalat).



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Domestic wholesale revenues were EGP 357 million for Q2 2013, compared to EGP 313 million in Q2 2012. The increase of 14.3% was primarily driven by the continuing increase in mobile traffic across te's extensive fibre network.

International wholesale revenues increased 31.6% to EGP 1,222 million, from EGP 929 million in Q2 2012. This significant increase was primarily due to te's ongoing bilateral agreements with regional telecommunication operators. These exclusivity agreements have resulted in the delivery of better rates to customers, while ensuring all traffic is routed through te's international gateway. This segment also recognized a slight gain due to foreign exchange movements.

TE's international capacity sales business reported revenues of EGP 213 million over the second quarter, a 36.1% increase on Q2 2012. The increase in revenue is entirely due to capacity sales and revenues relating to operation and maintenance of the cables.

Under the new reporting structure, effective from Q3 2013, the wholesale revenues for Q2 2013 would appear as follows:

Business Unit	Line of Business	Q2 2013 In EGP Millions	Q2 2012 In EGP Millions	H1 2013 In EGP Millions	H1 2012 In EGP Millions
Domestic Wholesale	Wholesale	555	460	1,129	986
International Carriers Affairs	Wholesale	805	602	1,694	1,191
International Customers & Networks	Wholesale	195	157	288	531

EBITDA

EBITDA for the second quarter 2013 amounted to EGP 840 million, a reduction of 7.1% compared to Q2 2012. The decline during the period was driven by three main cost increases: two 8% annual increase in salaries, the first which came into effect in July 2012 and the second in January 2013, following a salary restructure process announced during the first half of 2012; the back dating of interconnection costs due to the Mobinil agreement; and the renewal of Vodafone Egypt's (VFE) interconnection agreement.

Noticeable reversal of impairments/provisions was in progress this quarter, following the reassessment of provisions countered towards the disputes with domestic mobile operators, reflecting management's acute confidence.

EBIT increased to EGP 900 million from EGP 673 million in Q2 2012, primarily as a result of the reversal of impairment.

Income from Investments

Total Income from investments, mainly representing te's stake in VFE, for Q2 2013 was EGP 258 million. For the first quarter 2013/2014, VFE generated revenues of EGP 3,441 million, an increase of 11.5 % compared with the same period last year.

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



Net Profit

te's Consolidated Net Profit after tax for Q2 2013 reached EGP 896 million versus EGP 616 million in Q2 2012, an increase of 45.5%. This translates to an EPS of EGP 0.52. The net profit margin for the second quarter 2013 was 32.3%. The primary reasons for this significant increase were the reversal of impairment, plus a foreign exchange gain of EGP 137 million.

Investments in Infrastructure

Capital expenditure for Q2 2013 reached EGP 127 million versus EGP 74 million in Q1 2013. The increase in Capex spend during the period was in line with management plans to meet the increasing customer demand for broadband services, where te successfully signed a number of network upgrade contracts which came into effect during the second quarter.

Net Cash

te continues to boast a very healthy balance sheet, with a prudent net cash position of EGP 4,574 million at Q2 2013, compared to EGP 4,014 million at Q2 2012, a reflection of the cash generative nature of te's business.



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te Financial Highlights

In EGP Millions (Except Per Share Data)

Second Quarter Ending June 2013

	6 Months Period Ending June			Quarter Comparison		
	H1 2013	H1 2012	% Change	Q2 2013	Q2 2012	% Change
Sales Revenue	5,490	5,067	8.3%	2,773	2,388	16.1%
EBITDA	1,787	2,296	(22.2%)	840	904	(7.1%)
Margin	32.5%	45.3%		30.3%	37.9%	
EBIT	1,645	1,695	(2.9%)	900	673	33.9%
Margin	30.0%	33.5%		32.5%	28.2%	
Profit Before Taxes & Minority Interest	2,183	1,876	16.3%	1,104	738	49.7%
Consolidated Net Profit	1,753	1,530	14.6%	896	616	45.5%
Net Profit Margin	31.9%	30.2%		32.3%	25.8%	
EPS (EGP)	1.03	0.90	14.6%	0.52	0.36	45.5%



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te Operational Highlights

	6 Months Period Ending June			Quarter Comparison		
	H1 2013	H1 2012	% Change	Q2 2013	Q2 2012	% Change
¹ ARPU (EGP/Month)	36.8	37.0	(0.6%)	37.2	36.6	1.8%
CAPEX (EGP 000's)	201,272	215,576	(6.6%)	127,397	124,753	2.1%
TE Data						
- Number of ADSL Subscribers	1,471,945	1,205,881	22.1%	1,471,945	1,205,881	22.1%
- ADSL Subscribers Net Additions	109,877	94,658	16.1%	58,318	45,180	29.1%
- Retail ADSL Market Share	61.6%	60.5%	1.7%	61.6%	60.5%	1.7%

Vodafone Egypt Financial Highlights

In EGP Millions (Except Per Share Data)

	First Quarter Ending June			Previous Quarter Comparison		
	June. 2013	June. 2012	% Change	Q1 13/14	Q4 12/13	% Change
Total Revenue	3,441	3,086	11.5%	3,441	3,100	11.0%
Net Profit	596	521	14.4%	596	480	24.1%
CAPEX	438	262	67.0%	438	669	(34.6%)

¹ ARPU includes all te's service revenues related to Voice, Subscription and VAS.



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Vodafone Egypt Operational Highlights

	First Quarter Ending June			previous Quarter Comparison		
	June. 2013	June. 2012	% Change	Q1 13/14	Q4 12/13	% Change
Closing Customers (000's)	40,608	37,621	7.9%	40,608	38,256	6.1%
Net Adds (000's)	2,352	419	461.0%	2,352	(1,977)	219.0%
Total Voice Minutes (millions)	23,787	22,424	6.1%	23,787	23,515	(1.2%)

To download a complete copy of te's Q2 2013 Consolidated Financial Results Statements and notes to these statements, please refer to the attached pdf:

To download a complete copy of te's Q2 2013 Standalone Financial Results Statements and notes to these statements, please refer to the attached pdf:

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Notes to Editors:

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,



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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

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 7.0 million subscribers as at 30 June 2013.

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 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.