



Telecom Egypt

Earnings Release

Q3 2013

Cairo, November 13 2013: Telecom Egypt (te) (Ticker: ETEL.CA; TEEG.LN), today announced its interim consolidated financial results for the Third quarter, ending 30 September 2013. The financial statements have been prepared in accordance with Egyptian Accounting Standards

Highlights & CEO Statement

Highlights

- Consolidated revenues for Q3 2013 were EGP 2,862 million, an increase of 16% on Q3 2012.
- EBITDA of EGP 1,131 million for Q3 2013.
- Net Profit After Tax of EGP 650 million, representing a net profit margin of 23%.
- Earnings Per Share (EPS) for the period of EGP 0.38.
- Net cash position of EGP 4,478 million, as at 30 September 2013.
- Positive contribution from Vodafone Egypt (VFE) of EGP 218 million.
- Home and Enterprise ADSL subscribers reached 1.5 million, representing a 62% market share.

Chief Executive Officer's Statement

Presenting te's third quarter 2013 results, Mohamed Elnawawy, Managing Director and Chief Executive Officer of Telecom Egypt (te), said:

"This strong set of financial and operational results is testament to our unwavering commitment to customers. Despite the impacts of seasonality and the challenges of disruptive events in Egypt during the third quarter, our revenue growth and EBITDA margin remain within management expectations for the first nine months of the year.

"While Egypt has faced a challenging environment, we are confident that the fundamental market dynamics – a diversified economy, a growing and young population and Egypt's unique location – continue to offer significant potential for our company.

"Most importantly, we see evidence of a future growth opportunity in our market. With fixed broadband and mobile data usage currently sitting at relatively low levels, revenues from these services are steadily increasing and offsetting the decline we see in voice from fixed to mobile substitution.

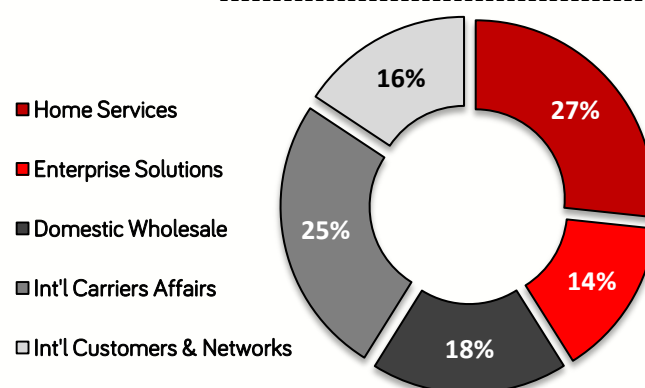
"Looking even further forward, the Egyptian telecommunications market is beginning to undergo a significant shift in mobile data usage where data services, such as Viber or Skype, now supersede voice communications. te's is well positioned to take advantage of this shift, once we have received the total telecommunications license from the NTRA.

"Our international cable business serves us well, leveraging Egypt's unique geographic location, and we continue to invest in projects which offer significant revenue and profitability. Combined with our extensive bilateral agreements across 55 countries and five continents, plus a domestic wholesale business benefitting from mobile voice traffic, te's outlook as a whole is positive.

"We remain focused on building compelling offers and delivering high quality, exciting services that are tailored to meet our customers. It is this very focused customer-centric approach that differentiates us - and points towards a very prosperous future for the company and more importantly for our customers."

Revenues by Lines of Business

Revenue Contribution Q3 2013



Home Services

(In EGP Millions)	9M 2013	9M 2012	Change%	Q3 2013	Q3 2012	Change%
HS BU	2,228	2,272	-1.9%	764	755	1.1%

KPI	Unit	9M 2013	9M 2012	Q3 2013	Q3 2012
Home Voice Revenue Growth	%	-18.4%	-16.8%	-15.1%	-15.6%
Home Data Revenue Growth	%	27.7%	23.2%	32.2%	25.9%
Home Fixed Line Subscribers	Mn	5.74	6.42	5.74	6.42
Home ADSL Subscribers	000's	1,448	1,161	1,448	1,161
Home ARPU	EGP/Month	26.04	27.21	26.45	27.18

The 1.1% increase in revenues for Home Services for the third quarter reflects increased demand for broadband services with faster speeds. The growth in internet household penetration of 39.4% continues to play an important role in offsetting the decline in voice revenues. These services generated 38.7% of revenues during the period.

Voice traffic was negatively impacted by the unforeseen events in the domestic market, along with seasonality pressures (Ramadan in July/August). The business unit has also suffered from the ongoing impact of cable thefts.

Despite these factors, te retained its customer-centric commercial focus offering tailored products to meet customers' needs during the quarter – Kalamy 15, Kalamy 30 and Kalamy 60. Each product targeted a specific customer segment with free minutes in return for the subscription fees, with the purpose of increasing call volumes and retaining existing customers. These offers are ongoing, and initial take-up has been positive. During the quarter, te also introduced 'Tal2a', aimed at targeting the illegal broadband line sharing phenomena, with speeds up to 8 Megs and limited download capacities at affordable prices.

In July te launched its rebranding campaign “New Beginning”. The campaign includes the renovation of te's nationwide outlets and exchanges, plus a training and development program for te's customer facing functions to enhance the customer experience.

Enterprise Services

<i>(In EGP Millions)</i>	9M 2013	9M 2012	Change%	Q3 2013	Q3 2012	Change%
ES BU	1,326	1,341	-1.1%	412	498	-17.3%

KPI	Unit	9M 2013	9M 2012	Q3 2013	Q3 2012
Enterprise Voice Revenue Growth	%	-14.6%	-12.9%	-25.0%	-5.6%
Enterprise Data Revenue Growth	%	18.9%	21.9%	21.4%	13.0%
Other Subsidiary Revenue Growth	%	-1.7%	7.5%	-21.9%	28.6%
Enterprise Fixed Line Subscribers	Mn	1.06	1.08	1.06	1.08
Enterprise ADSL Subscribers	000's	94	95	94	95
Enterprise ARPU	EGP/Month	72.02	76.35	70.51	80.80

Recent events in Egypt have limited business activity resulting in fewer voice calls. Further technological advancements across the market have increased the level of competition for te's fixed line phone services as end users increasingly communicate through data applications, such as Skype and WhatsApp. This caused a decline in voice revenues. Meanwhile the growing mobile penetration and the ongoing occurrence of stolen cables has had a negative impact on business.

Year-on-year growth in broadband revenues by 21.4% continues to mitigate the decline in traditional voice only services, with Enterprise ADSL subscribers growing year-on-year by 8.9%. This ongoing growth reflects the increasing demand and opportunity for internet services in Egypt.

Enterprise services extended its successful promotion enabling business customers to secure a new line for only EGP 50, in addition to the “Premium Extra” promotion, offering customers free outgoing calls and the lowest mobile to landline rates via the bundled service package that best suits their needs.

During the quarter, te initiated the ‘E-Zone Project’ which aims to capitalize on te's regional arms to increase market share. The project targets the acquisition of new business opportunities in previously unreachable and remote markets: the SME and Small Office–Home Office (SOHO) segments.

Domestic Wholesale

<i>(In EGP Millions)</i>	9M 2013	9M 2012	Change%	Q3 2013	Q3 2012	Change%
DW BU	1,642	1,548	6.0%	510	563	-9.4%

KPI	Unit	9M 2013	9M 2012	Q3 2013	Q3 2012
Domestic Revenue Growth	%	6.5%	11.1%	-3.7%	24.6%
International Revenue Growth	%	5.3%	-10.2%	-17.1%	-3.6%
International Outgoing Minutes	%	-12.6%	0.8%	-26.3%	-0.8%

The decrease in revenues for Domestic Wholesale during the quarter was from a decline in outgoing international traffic, due to the unrest across Egypt. This caused a slowdown in business as well as a significant drop off in tourism to the country.

Infrastructure services experienced some stability during the third quarter, as demand within the domestic wholesale market was buoyed by continued growth in international transmission revenues, due to an increase in internet usage.

The Domestic Wholesale team successfully negotiated a number longer term commitments to revenues during the period. The most recent of these was with Etisalat Misr, for the supply of infrastructure services granting the right to use domestic transmission services across te's extensive network.

The outlook for the domestic wholesale market remains positive as the growth in internet access for both fixed and mobile broadband subscribers continues, supported by increased smart phone use, leading to greater internet and data usage.

International Carriers Affairs

<i>(In EGP Millions)</i>	9M 2013	9M 2012	Change%	Q3 2013	Q3 2012	Change%
ICA BU	2,419	1,767	36.9%	728	577	26.2%

KPI	Unit	9M 2013	9M 2012	Q3 2013	Q3 2012
International Settlement Revenue Growth	%	36.9%	8.3%	26.2%	5.3%
International Incoming Minutes Growth	%	15.6%	15.5%	-0.7%	12.1%

Continued strong growth in International Carrier Affairs revenues reflects te's successful strategy of securing bilateral agreements with international telecoms operators covering 55 countries and five continents.

The business unit continues to work hard to provide the best service to customers, in line with te's customer-centric approach. During the quarter, te successfully secured special traffic segments through the activation of trilateral commercial agreements.

Revenues for the business unit during the third quarter were impacted by a small decline in traffic volumes during the holy month of Ramadan, minor forex losses, as well as the ongoing phenomena of illegal traffic channels. te continues to work hard to eliminate illegal traffic through commercial incentives to local MNOs or through the deployment of detection systems.

International Customers & Networks

<i>(In EGP Millions)</i>	9M 2013	9M 2012	Change%	Q3 2013	Q3 2012	Change%
IC&N BU	737	616	19.7%	449	84	433.5%

KPI	Unit	9M 2013	9M 2012	Q3 2013	Q3 2012
IC&N Revenues Growth					
- Asset Transfer/IRU	%	8.4%	17.2%	1101.4%	0.0%
- Ancillary Services (O&M)	%	19.5%	49.9%	6.4%	34.0%
- Capacity Sales	%	36.5%	69.1%	220.1%	-67.7%

The International Customers & Networks business continues to capitalize on the growth of broadband demand and mobile penetration that leads to increased internet and international capacity demand. Egypt's unique geographic location and our track record in successfully building and delivering submarine cables, positions te to deliver capacity to international providers throughout the region and beyond.

During Q3 2013 te delivered a new back-up route, running across Egypt, serving four submarine cable systems which now link countries across Africa, Asia and Europe. It is a terrestrial, multi-fiber optical route that runs between the landing station in Zaafarana (Red Sea Coast) and the landing point in Abu Talat (Mediterranean Coast), with the ability to carry hundreds of terabytes of data. The delivery of this route has led to a one-off recognition of EGP 339 million in Asset Transfer revenues.

te Financial Highlights

Income Statement -Summary

(In EGP Millions exclude Per share Data)	9M 2013	9M 2012	Change%	Q3 2013	Q3 2012	Change%
Sales Revenue	8,352	7,544	10.7%	2,862	2,477	15.6%
Home Services	2,228	2,272	-1.9%	764	755	1.1%
Enterprise Solutions	1,326	1,341	-1.1%	412	498	-17.3%
Domestic Wholesale	1,642	1,548	6.0%	510	563	-9.4%
Int'l Carriers Affairs	2,419	1,767	36.9%	728	577	26.2%
Int'l Customers & Networks	737	616	19.7%	449	84	433.5%
EBITDA	2,918	3,210	-9.1%	1,131	915	23.7%
EBITDA Margin %	34.9%	42.6%		39.5%	36.9%	
EBIT	2,490	2,350	6.0%	845	655	29.1%
EBIT Margin %	29.8%	31.2%		29.5%	26.4%	
NPAT	2,404	2,165	11.0%	650	636	2.3%
NPAT Margin %	28.8%	28.7%		22.7%	25.7%	
EPS	1.41	1.27	11.0%	0.38	0.37	2.3%

Costs

te retains a very careful approach to cost management. However, the increase in costs during the quarter was due to the 39% increase in interconnection costs when compared with last year, as a result of the three year commercial agreements with Vodafone Egypt and Mobinil, for the provision of international voice communication and infrastructure services.

The 8% annual increase in salaries and the newly structured incentive rewards program, both of which came into effect as of the first quarter 2013, had an impact on costs, with a net quarterly increase of 13.3% when compared with the same period last year.

EBITDA / EBIT

EBITDA for the third quarter 2013 was EGP 1,131 million, an increase of 23.7% compared to Q3 2012, mainly due to the increase in revenues between the comparative periods. The EBITDA margin remains within management's expectations and guidance.

EBIT increased to EGP 845 million from EGP 655 million in Q3 2012.



Income from Investments

Total Income from investments, mainly representing te's stake in VFE, for Q2 2013/2014 was EGP 218 million. During the period, VFE generated revenues of EGP 3,272 million, an increase of 2.1 % compared with the same period last year.

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

Vodafone Egypt Financial Highlights

In EGP Millions - (Except Per Share Data)	Second Quarter Ending September			Previous Quarter Comparison		
	Sept. 2013	Sept. 2012	% Change	Q2 13/14	Q1 13/14	% Change
Total Revenue	6,713	6,291	6.7%	3,272	3,441	-4.9%
Net Profit	1,054	1,037	1.7%	485	569	-14.7%
CAPEX	873	729	19.8%	667	206	224.4%

Vodafone Egypt Operational Highlights

	Second Quarter Ending September			Previous Quarter Comparison		
	Sept. 2013	Sept. 2012	% Change	Q2 13/14	Q1 13/14	% Change
Closing Customers (000's)	41,512	38,454	8.0%	41,512	40,608	2.2%
Net Adds (000's)	3,256	1,252	160.1%	904	2,352	-61.6%
Total Voice Minutes (millions)	45,954	44,818	2.5%	22,167	23,787	-6.8%

Net Profit

te's Consolidated Net Profit after tax for Q3 2013 reached EGP 650 million versus EGP 636 million in Q3 2012, an increase of 2.3%. This translates to an EPS of EGP 0.38. The net profit margin for the third quarter 2013 was 22.7%.

Balance Sheet -Summary

<i>(In EGP Millions)</i>	9M 2013	FY 2012	Change%
Current Assets	10,233	10,573	-3.2%
Net Fixed Assets	11,510	12,423	-7.3%
Long Term Investments	8,442	7,769	8.7%
Other Long Terms Assets	1,532	1,570	-2.4%
Total Assets	31,717	32,335	-1.9%
Current Liabilities (Excl. STD)	3,351	3,605	-7.0%
CPLTD	107	127	-16.1%
LTD	480	509	-5.7%
Other Non Current Liabilities	69	76	-9.1%
Total liabilities	4,008	4,318	-7.2%
Total Shareholder Equity	27,709	28,017	-1.1%
Total liabilities & Shareholder Equity	31,717	32,335	-1.9%

Cash Flows –Summary

<i>(In EGP Millions)</i>	9M 2013	9M 2012	Change%
Net Cash Provided By Operating Activities	1,170	1,965	-40.5%
Net Cash Flows from Investing Activities	(129)	566	-122.8%
Net Cash Flows from Financing Activities	(2,324)	(2,562)	-9.3%
Net Change In Cash and Cash Equivalents During the Period	(1,283)	(30)	4119.1%
Translation Differences of Foreign entities Cash & Cash Equivalents at the Beginning of the Period	5	0	3390.8%
	6,325	5,588	13.2%
Cash and Cash Equivalents at the End of the Period	5,047	5,557	-9.2%

Investments in Infrastructure / Capital Expenditure

Capital expenditure for Q3 2013 reached EGP 100 million versus EGP 127 million in Q2 2013. The drop in Capex spend during the period was mainly due to the ongoing political unrest in the country, leading to delays experienced through some of te's major supplier contracts.

Net Debt

te continues to boast a very healthy balance sheet, with a prudent net cash position of EGP 4,478 million at Q3 2013, a reflection of the cash generative nature of te's business.

For Further Information:

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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, 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 the largest provider of fixed-line services in the Middle East and Africa with 6.8 million subscribers as at 30 September 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.

