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**Moderator:** Nermeen Abdel Khalek

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Operator: Good day and welcome to the Telecom Egypt fourth quarter, 2017 results conference call. Today's conference is being recorded. At this time, I would like to turn the conference over to Mr. Omar Maher with EFG Hermes. Please go ahead sir.

Omar Maher: Thank you. Good morning and good afternoon everyone, this is Omar Maher from EFG Hermes. I'm very pleased to welcome everyone to Telecom Egypt's 4Q 2017 results conference call. From Telecom Egypt, we have with us, Mr. Ahmed El Beheiry Chief Executive Officer – Managing Director, and Chief Executive Officer. Mr. Mohamed Shamroukh Chief Financial Officer and Mrs. Sarah Shabayek, Senior Director of Investor Relations. As usual, the conference will begin with key highlights of the period, and this will be followed by a brief Q&A session and without further ado, I'll pass the call on to, Sarah. Please go ahead.

Sarah Shabayek: Thank you, Omar and thanks to EFG Hermes for hosting the conference call. Good afternoon and welcome to our fourth quarter earnings call. As part of our promise to constantly improve our disclosure and transparency, in January we have revamped our investor relations portal to include all the information that the investor and analyst community would need. I highly encourage you to check our new portal. In addition to the fact book that we have introduced last quarter, this quarter, we have put together a results presentation to guide you through the significant trends of the results, as well as help you follow this call. If you have not received a link to the presentation this morning, you can find it under the quarterly result section our financial information tab on ir.te.eg.

Without further delay, I would like to draw your attention to our safe harbour statement. We may make some forward-looking statements in the course of this conference call. These statements will be based on the information available to us as of today and you should therefore not assume in the future, that we continue to hold these views. We do not commit to notify you if our views change. We refer to our public filings for some factors that may cause forward-looking statements to defer from actual future events or results. I will now hand over the call to, Mr Ahmed El Beheiry.

Ahmed El Beheiry: Thank you, Sarah. Good day, everyone. Thank you for joining us today. For me, it's a very special investor call because it marks the fourth quarter since I took over the executive role of managing director of Telecom Egypt. For me, it completes the first phase of our transformation. I will go through the things that, thanks to Sarah, have been presented in details with numbers and charts. However, I would like to take you with me through a brief journey on how I looked at the company when I started end of March last year.

Everyone had their focus on the mobile, and everyone was questioning how and when we will launch. Then, when we launched the questions changed to what product offerings will we launch and how will we launch them, there were lots of questions. However, I looked at the organisation and saw many opportunities that were mismanaged, and we made a few changes, yet the impact was major especially on the higher management level. We put together a very strong team, including old staff, complemented by new additions from the mobile industry. Such unique blend has the characteristics of the huge force that government entities posses, and the fast moves that private entities are capable of doing.

This blend was put together carefully to produce a team that I am very proud to manage today and that was able to complete our first phase of transformation, and I'm proud to manage a company that every quarter is coming with news. Telecom Egypt is now an interesting company to, at least, look at. I'm not saying that it's an interesting company to invest in, this is at the end, a view that's entitled for everyone on his own. However, I'm sure that everybody would agree that we are now an interesting company to look at and that every quarter we are coming with big news and big hits.

So, let me start by reviewing what we did after we created the team. We started moving fast in our mobile preparations. While going there, we entered the market with confidence, created a new brand, and we knew where we'll be putting our feet. We chose to work on the national–emotional aspect of brand equity, a place that was left uncharted for and was left a no man's land after Mobinil left it and rebranded to Orange. We introduced a vanilla prepaid tariff, and delivered good results, ending the year with 2.3 million subscribers. We started this year with strong campaigns on our prepaid recharge card platform "Agda3 Kart", and although since then we have stopped our promotions and we have managed our positioning well vis-à-vis Etisalat, Orange and Vodafone, and I think we are doing quite well in the prepaid segment.

Last year was not only transformative in terms of building a new brand and putting a mobile operation into force, it was more transformative in the way we look at our customers. Mid of July, we created a customer centric organization and appointed a VP for customer care for the first time. . Mid-September 2017, and again this is in a two months period, we welcomed 400 new customer care agents that became operational immediately. Customers who called 111 on the 18th of September, the date that we launched, were replied to by agents who were not even interviewed on mid July 2017. Today, our customer care team is more than 800 reps, and looking ahead for the second transformative phase that I'll give you a hint about at the end of the call.

Moreover, we looked at the macro environment of the telco industry as a whole, and saw many conflicts between companies, and we started to try to cross the bridges and close the gaps. We finalised the legal cases with both Orange and Etisalat, especially Etisalat's was important as it would have had a huge impact on our healthy financial statements. We are pleased as an executive team, to have settled 10 years of miscalculated interconnection strategy with Etisalat. Our fourth quarter was hit with a one-off$48 million, which we were happy to take to conclude all disputes with the mobile operators. Our net profit was affected, as well, but again, we're happy to take it because we wanted to start 2018 fresh and ready for growth just, like our new brand "WE". This was the first phase of transformation, and in the core of it is the transformation of how we have managed our CapEx and increased our efficiency. If we had launched the mobile network with more of the same, we would have at least doubled or even tripled our investment of last year.

So, moving to the numbers and leaving the story, Telecom Egypt's full year 2017 revenue grew 33% year-over-year to reach a total of EGP18.6bn. This was definitely aided by the currency floatation, which positively impacted our wholesale revenue growth, yet if you put the foreign currency impact aside, we would have grown by 13%. We reported a solid EBITDA of EGP5.2bn. Our net profit came in at EGP3.2bn. Just imagine how the year would have ended if we were not hit by Etisalat's fourth quarter settlement. Such financial performance enabled us to work more comfortably on mitigating upcoming challenges of next year.

As a result of these financial KPIs, we recommended a dividend distribution of EGP 1 per share, similar to 2016. What is very interesting is that everyone was questioning the reason why we were launching our mobile network. The reason is to become a total telecom provider with 7 million subscribed to fixed voice, 4 million to fixed data, and 2.3 million to mobile. It's a growth story and the numbers will keep on growing.

If you go to slide three, it will give you some highlights on the operations of last year. We had 2.3 million subscribers in mobile, enterprise ARPU grew by 11%, and now we launched, WE "Agda3 Kart". There are a lot of interesting stuff happening, but really, the most important part for me you will find it in the middle; customer care focus yieldingNPS results in the mobile segment above international benchmark. What I am really proud of the most is creating the customer care concept and call centres because it was done in no time, and this and will change the way Telecom Egypt will look at its customers.

Slide four demonstrates the financial impact of the deals with Etisalat and Orange. Let's agree on the fact that we were not only closing our legal disputes with other players in the market to prepare for a nice future, but also because it would have been a disaster if we didn't do so. In the case of Etisalat, many of you already know that just three days after finishing the settlement, we had a verdict in a legal case against us and the total cost would have been disastrous to pay. Thus, we are very happy that we succeeded to mitigate this risk end of last year, although it was a major hit to our yearly financials.

If you go to slide five, this is what we discussed about the customer care. We changed how we look at our customers, and this is what every operator and service provider in the Telco do all over the world, however it was not previously adopted in Telecom Egypt. Using our NPS score you could now benchmark us to other operators, and we would love to be benchmarked now, because we think that our customers care NPS is very competitive. Lastly, one of the things that I'm very pleased about is that I was asked at the beginning of my journey about how we were going to build this network and people will only concerned about the time. My main focus at the time and the main risk was that I knew that we couldn't do it with more of the same, because the CapEx of Telecom Egypt was very highly inefficient.

Looking at slide six, we spent less and built way moreI said to the team, 2017 was the year of the CapEx, and 2018 will be our year of OpEx. I'm really sorry if I took long time, it was a bit emotional for me, with that I conclude my operational remarks and hand over the call to our beloved Mohamed Shamroukh for the financial highlights.

Mohamed Shamroukh: Thank you Ahmed, and thank you everybody. Good afternoon and good morning. I will walk you through some of the highlights of our quarter performance. If you look at slide number seven, it shows a summary of quarterly and annual KPI's but let me walk you through the business units performance, and then we will discuss the results of Q4 in more. If you look at slide number eight, for the business unit performance, home revenue grew by 45%, which was supported by higher data services whose customers grew by 21% yea-ron-year and their ARPU grew by 19%. Enterprise service revenue grew across all segments, mainly due to the growth in managed access service in 2017, and on a quarterly basis the jump in Q4 was related to the completion of infrastructure project in new urban community.

At the wholesale side, domestic wholesale continued to grow on increased demand for infrastructure raising surface and for ICA in 2017 due to the currency floatation. However, on a normalized basis, it declined by 13% year-over-year, as a result of lower traffic due to the impact of over the top and the illegal bypass. Lastly, ICN, grew by 72% due to currency floatation again, and the recognition of cable project in Q4 2017 on a quarter basis in addition to the cable project, there was a hike in capacity still.

Now, in slide nine, the highlight and accounting statement or restatement that we have done in Q4 2017 and resulted in the re-statement of 2016 full results and 2017. We have started to account for revenues net of discounts, getting to customers towards slower revenue recognized there is no impact on the EBITDA level. I will now skip slide number 10 including the quarterly highlights, and walk you through the complete income statement on slide number 11, which includes annual and quarterly performance. We have talked about revenue for quite a bit, so I will move now on the expenses side. It's very important to note that we keep on monitoring employees expenses with an effort to control the cost, while also rewarding our employees for their extra achievements. Total employees cost declined as a percentage of revenue from 33% to reach 27%, thanks definitely to the growth of revenue. On a quarterly basis, employee costs are higher due to the one-off bonus related to the mobile launch, which is not recurring anymore. The contribution to the employees pension fund, which also is one-off accounted for EGP260 million, in addition to the normal annual bonus.

For call costs, it has increased year-on-year, due to the currency floatation. However, Q4 witnessed a change in the trend where outgoing international call costs were significantly reduced due to the amendments we had with both of the licensed mobile operators (Vodafone and Mobinil) to mitigate the risk of devaluation and as such, there is a decline of 4% on quarter, for quarter on quarter basis, in spite of mobile related costs including national roaming and interconnection. On the EBITDA levels, inspite of the raising cost, margins on a normalised basis recorded an improvement of almost 350 basis points year-over-year, reaching 30% and again thanks to the recognition of higher margin revenue in both enterprise and cable segments. Other expenses in Q4, the impact of the settlement of Etisalat and Orange, which accounted for more than EGP1.35bn. The financial impact of the settlements were summarized it as has been mentioned before in slide number four.

On the depreciation and amortisation side, both rose especially due to the launch of the mobile service. Q4 is the first quarter that faced the full impact of the new mobile network depreciation cost. On the investment side, the income from Vodafone increased, getting that – the full year 2016 included foreign exchange losses at Vodafone side, but also because Vodafone increased the operating profit by 28% in 2017. Net losses were recognised in Q4 as a result of the settlement and the one-off that we mentioned before, resulted in net losses of EGP400 million, but if you adjusted the impact of settlement and one offs, it would have been EGP1.4bn on that quarter.

Finally, we are very cautious in managing and improving our cash flow, so if you look at slide number 12, it shows how the improvement in our cash from operating activity which improved not only because of the higher revenue but also because of the improvement in the collection, especially at the wholesale side. For the CapEx, total CapEx expenses including licence fees in 2017 amounted for EGP7.5bn. In addition, we have paid EGP1.3bn dividends, so which will lead to a total of EGP9.2bn. Nevertheless, our net debt increased only by EGP4.5bn since the beginning of the year, as a result of the strong cash flow from operation which amounted to EGP4.6bn in 2017.

If you move to slide number 13, it shows our net debt position, which we are all proud of. By the end of 2017, the net debt stood at EGP6.7bn, translating into a net debt of EBITDA of 1.3x. We are restlessly working to balance between CapEx spent and leverage with the aim of deploying CapEx in areas where, as we mentioned before, have a positive return on investment. Additionally, we have been successfully converting a big portion of our debt into U.S. dollars which we introduced a lower interest expenses.

To sum up, looking at slide number 14, we have then been able to achieve our guidance across all boards, with revenue coming on the higher end of the guidance and EBITDA margin on the lower end of the guidance. For 2018, just to recap our guidance again that we have announced earlier, we guide for a high to low double digit revenue growth, EBITDA margins, in the mid to high 20s and CapEx to sales of range 30 to 35%. This concludes my financial highlights, I will now hand the call back to operator to open the lines for your questions. Operator, go on.

Operator: Thank you. If you would like to ask a question, please signal by pressing star one on your telephone keypad. If you are using a speakerphone, please make sure your mute function is turned off to allow your signal to reach our equipment. Again, press star one to ask a question, and we'll pause for a moment to allow everyone an opportunity to signal for questions. And we'll take our first question from Baha Makarem with Arqaam Capital.

Baha Makarem: Hi, thank you for the call. I have a couple of questions. My first one with regards to the cable one-off, can you give us a quantification of how much this impacted your financials, how much of a one-off was it, and if you could also give us the margins on that impact, that would be very helpful. The second question, with regard to the mobile business. I guess this is now accounted for in the home segment, but can you give us an idea of what mobile revenues looked like during the quarter or ARPU or any other additional information you can give us on the mobile segment. Thank you.

Mohamed Shamroukh: Okay, again I can give you highlights on several projects that we recognised in Q4, it's a huge one of almost $26 million which we just recognised $13 million of it in Q4, and there's also a one big project which accounted for almost $10 million. These are two big project, and you can assume very high and attractive margins for both. It is an asset that Telecom Egypt already owns and sold to one of the biggest international carrier. Regarding the revenue of the mobile, unfortunately, we are not in a position to disclose the mobile revenue separately in our financial statements. However, as you mentioned, it's recognised under home revenue, and by the start of our post-paid and enterprise during March we willstart recognising the portion related to the enterprise and the post paid in the home and the enterprise respectively. For the ARPU, what I can assure you is that our ARPU is within the market average and it's doing well. We are quite sure that our ARPU will be maintained getting our commercial proposition to market right now, thank you.

Baha Makarem: Okay, thank you. If I can follow up just quickly regarding – you mentioned your debt, you're switching it over to USD denomination, can you give us an idea of what percentage of this is complete? So all your debt has been shifted it to USD or is it only partially completed?

Mohamed Shamroukh: Currently, you can assume that 40%, 40% plus of our debt converted already into dollars, and so the remaining 60% we are working on it to reduce the interest expenses. Our expectation was to plot the Egyptian portion by 2018, but as management recommended dividends of EGP1 per share, we might end up with lets say 60% of our debt or 60 plus, 65% of our cut will be converted into dollar portion.

Baha Makarem: That's very helpful, thank you.

Mohamed Shamroukh: Thank you, welcome.

Operator: Well take our next question from Hassan Abdelgelil with CI Capital.

Hassan Abdelgelil: Hello ladies and gentlemen, actually, my question has been asked by Baha and thank you.

Omar Maher: Operator, is there any question from any other participant? Hello?

Operator: And our next question is from Emen Maree from Arab African International Securities.

Emen Maree: Hello, I have a question concerning mobile operation. I want to know the cost component for mobile operation, meaning what's the percentage of national roaming cost as percentage of interconnection cost, thank you.

Mohamed Shamroukh: If you are currently talking about the mobile segment and the interconnections and just to ensure my understanding, if I was talking about interconnection including national roaming?

Emen Maree: I need to know the percentage of interconnection cost that is related to national roaming cost. I need some clearance concerning national roaming cost, which is paid by Telecom Egypt to mobile operators.

Mohamed Shamroukh: What I can assure you that our gross margins on the voice segment is profitable. On the data side as you know, we might have higher cost, but again, it's not a long-term trend the cost base is stretched as we continue working on the data side of national roaming. We are deploying our 4G network, and now we are accommodating for around 8% - 10% of the traffic. We have a plan to increase this percentage up to 25% to accommodate for the data traffic by end of 2018, which will reduce the national cost expenses for data revenue. For voice, I think it's a national roaming cost that we are getting is a good offer, and it's corresponding to the depreciation and network of course, if we would have decided to build our network. So again, on the voice, we are assuring you that we are making good and a positive gross margins. For the data, yes, it is hurting that the national roaming cost is high but again, our plan is not to continue working with national roaming on data. We will build our network that now accounts for 8% - 10% of the traffic coming into our network, given the fact we just started to roll out less than one year ago. Our plan is to end up 2018 to accommodate for 25% of the total traffic, and it will increase over time to have less dependency on national roaming.

Emen Maree: Okay, thank you.

Sarah Shabayek: Just to add, I just would like to highlight one thing, mobile obviously, because it's a start-up operation, it will have some losses at the beginning, and it will incur some expenses. However, management took a commitment on itself, through the budget exercise as we guided before, that the other segments will compensate or try to as much as possible to compensate for the pressure from mobile, so as you can see in Q4 for instance, what you're asking about is national roaming and interconnection which is part of call cost. And if you look at Q4 specifically, call cost was lower, because the other segment, which in that case is the domestic wholesale segment, they were able to extract an efficiency with the help of the mobile operators, and reduce their interconnection cost which also is part of the bigger cost item, call cost.

Operator: Again, press star one to ask a question, and we'll take our next question from Hassan Abdelgelil with CI Capital.

Hassan Abdelgelil: Hello again, I just have a quick question regarding the total liabilities excluding debt, as they grew by 40% year over year, that's mainly because of the creditors and other current balances going from 6.5bn to 10.6bn. What's the reason for this, and if this is the new trend that we can – that we should expect to continue going forward? Thanks.

Mohamed Shamroukh: Thank you for the question, because I need to highlight this point. Actually, as management announced, we are very conscious in managing our cash flow especially at this point as we have a huge demand for deploying CapEx for mobile and fixed. We are managing the relationships with our suppliers in a more advanced way. We have completely changed our payment terms with our suppliers to become long-term payment terms through reducing down payments, having grace periods for payments. This resulted in increasing our liability, as has been mentioned from your side. Yes, we are expecting this trend to continue till we complete our CapEx needs for both mobile and fixed and then it should return to the normal trend that we used to have.

Hassan Abdelgelil: Okay, thank you, just a follow-up question, I know that you have been asked this a lot, but when can we see more clarity on the mobile segment in terms of revenue and ARPU. Is it within this year, or – because I remember in the last quarter we had more clarity on that revenue, even though that they were still small, they had a small magnitude and total revenues. So going forward, are we going to see this changing, or should it be like this forever.

Mohamed Shamroukh: Okay, thank you, I know that everyone needs more disclosure on some mobile numbers, but again, I just want to put things in the right perspective. Now, telecom operators are not looking at service revenue coming per SIM, they're looking at the customer that's why we are adapting the customer centricity model. We look at the customers and say what's the ARPU coming from each service, customers are generating ARPU from fixed voice and from fixed data as well. We're looking at the customers' entire revenue generated across segments and services..

We have home,which currently has fixed voice fixed data and mobile as well, and the same would be for the enterprise. I advise all of you to not look at the mobile that's not because we are shy of the numbers that we are getting from mobile, but that's how people are looking at telecom operation right now. You should look at the customers and consider that what would have been the situation if we didn't have our mobile operations in place. The situation will be totally different because actually, the growth that we are showing right now with fixed data would have not have been continued as it is because actually other operators have introduced fixed broadband as well. With the introduction of higher speeds, filling of more spectrum, and the competition on the price side for the retail especially for the mobile data the differentiation in terms of quality and in terms of price between mobile data and fixed data will not be that big, and again what happened to fixed voice would have happened to mobile or fixed data.

The reasons for introducing mobile was very clear from a strategy perspective, because actually, you have to be a total telecom operator to your customers, and you have to offer total services to ensure that the customers will continue with you. If I am a customer and I am getting 90% of my needs from one operator and just only 10% from another, definitely I will change to get the total needs of my demand for telecom service from the operator that is offering me 90% of my demand. Currently, customers are getting 90% of their demand for telecom service from mobile operators and just 10% for the fixed data I would say. Strategically, Telecom Egypt decided to take the mobile operation to have this total telecom offering, to sustain the current growth of fixed data and to ensure that we'll continue smoothly in the enterprise segment without being handicapped, as well as, the home and consumer segment. Yet, we might consider giving some highlights in the future, but again, I will emphasize my view on that and the companies view on that, that we should look at the customer segments and consider the profits and the revenues generated from these segment and such customers not only the service ARPU, or the service revenue. Thank you.

Hassan Abdelgelil: Thank you so much.

Operator: Once again, that is star one to ask a question. It appears there are no further questions at this time. I would like to turn the conference back to our presenters for any additional closing remarks.

Sarah Shabayek: Thank you all for taking the time today to join our call, and we're looking forward to update you on our progress in the Q1 results call possibly in May. In the meantime, if you have any further queries, please feel free to get in touch with the investor relations team. Thank you and good-bye.

Operator: And that concludes today's conference, thank you for your participation, you may now disconnect.