



Telecom Egypt

Earnings Release Q1 2017

Cairo, May 15 2017: Telecom Egypt (te) (Ticker: ETEL.CA; TEEG.LN), today announced its consolidated financial results for the first quarter, ending 31 March 2017. The financial statements have been prepared in accordance with Egyptian Accounting Standards.

Telecom Egypt Announces Q1 2017 Consolidated Results

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Highlights & CEO Statement

Highlights for the first three months of 2017 include:

- Consolidated Revenues for Q1 2017 were EGP 4,191 million, up from EGP 3,065 million in Q1 2016, representing an increase of 37% year-on-year.
- EBITDA was EGP 1,385 million, delivering a margin of 33%, reflecting year-on-year growth of 41%.
- Net Profit after Tax was EGP 1,340 million, a year-on-year growth of 5%. This represents a net profit margin of 32%.
- Earnings per Share (EPS) for the period stood at EGP 0.78.
- Leading Retail ADSL market share of 75.3%, with total subscribers of 3.4 million customers and an ARPU of EGP 96.3.
- Capex for the period was EGP 501 million, as at 31 March 2017.

Chief Executive Officer's Statement

"We have made an excellent start to the year and, as the results for the first quarter of 2017 show, we are making positive progress across the business.

"Total consolidated revenue grew 36.7% year-on-year to EGP 4,191 million. Growth was once again driven by the strong demand for data services in the Retail segment and strong Domestic Wholesale demand and the realized effect of the currency floatation of the Egyptian pound on the diversified segments of the Wholesale lines of business that are hard currency intensive.

"Net Profit and EBITDA margins are at the top end of management expectations.

"While we are confident in our ability to continue to deliver solid financial results for the rest of the year, we continue to work hard behind the scenes to ensure the commercial and operational transition of the business to a Total Telecom Operator. "

Revenues by Lines of Business:

Business Unit for Q1 2017	(%) of Revenue Contribution
Home Services	30.2%
Enterprise Solutions	13.2%
Domestic Wholesale	21.2%
International Carrier Affairs	28.3%
International Customers & Networks	7.1%

Home Services Business Unit:

HS BU (In EGP Millions)	Q1 2017	Q1 2016	Change%	Q1 2017	Q4 2016	Change%
Voice	354	355	-0.2%	354	344	3.0%
Data	911	645	41.3%	911	800	14.0%
Total	1,265	1,000	26.6%	1,265	1,143	10.7%

Operational KPI	Unit	Q1 2017	Q1 2016	Q1 2017	Q4 2016
Home Fixed Line Customers	Mn	5.54	5.11	5.54	5.34
Home ADSL Customers	000's	3,177	2,820	3,177	3,182
Home Voice ARPU	EGP/Month	21.21	22.04	21.21	21.30
Home ADSL ARPU	EGP/Month	96.13	74.40	96.13	81.50

The Home Services Business Unit grew 26.6% year-on-year, generating EGP 1,265 million in the first quarter of 2017. This performance was fueled by a 41.3% year-on-year increase in Data Services, underpinned by the ongoing demand for all-data solutions in the Egyptian market.

The increasing demand for all-data services had also driven growth by 10.7% in the business segment over the strong performance in Q4 2016.

Enterprise Solutions Business Unit:

ES BU (In EGP Millions)	Q1 2017	Q1 2016	Change%	Q1 2017	Q4 2016	Change%
Voice	283	350	-19.1%	283	504	-43.8%
Data	243	169	43.9%	243	230	5.5%
Others	28	33	-16.0%	28	29	-4.4%
Total	554	552	0.3%	554	763	-27.4%

Operational KPI	Unit	Q1 2017	Q1 2016	Q1 2017	Q4 2016
Enterprise Fixed Line Customers	Mn	1.09	1.10	1.09	1.12
Enterprise ADSL Customers	000's	201	173	201	199

The Enterprise Solutions business remained flat compared to the same quarter last year, with EGP 554 million of revenues in Q1 2017. The last quarter in 2016 registered one-off non-recurrent revenues relating to infrastructure agreements to service new urban developments. This translated in 27.4% decline quarter-on-quarter.

Domestic Wholesale Business Unit:

DW BU <i>(In EGP Millions)</i>	Q1 2017	Q1 2016	Change%	Q1 2017	Q4 2016	Change%
Domestic	675	540	25.1%	675	665	1.6%
International Outgoing	212	182	16.8%	212	203	4.8%
Total	888	721	23.0%	888	867	2.3%

Operational KPI	Unit	Q1 2017	Q1 2016	Q1 2017	Q4 2016
International Outgoing Minutes	%	8.0%	-10.3%	8.0%	-3.8%

The Domestic Wholesale Business Unit experienced a solid growth of 23% year-on-year reaching 888 million in the first quarter 2017. This represents a 2.3% increase against Q4 2016.

The segment continues to be supported by increasing demand for infrastructure services from local licensed Operators to serve their customers, reflecting the growing progression of the data market in Egypt.

International Carriers Affairs Business Unit:

ICA BU <i>(In EGP Millions)</i>	Q1 2017	Q1 2016	Change%	Q1 2017	Q4 2016	Change%
International Settlement	1,186	646	83.6%	1,186	1,129	5.1%
Total	1,186	646	83.6%	1,186	1,129	5.1%

Operational KPI	Unit	Q1 2017	Q1 2016	Q1 2017	Q4 2016
International Incoming Minutes	%	-18.6%	-17.9%	-18.6%	-15.6%

The International Carriers Affairs Business Unit registered a significant year-on-year growth of 83.6% in the first quarter 2017.

Revenue in this segment reached EGP 1,186 million in Q1 2017, up 5.1% over Q4 2016, boosted significantly by positive forex effect of currency devaluation in 2016.

International Customers & Networks Business Unit:

IC&N BU <i>(In EGP Millions)</i>	Q1 2017	Q1 2016	Change%	Q1 2017	Q4 2016	Change%
Revenue	299	146	104.5%	299	563	-46.9%

Operational KPI	Unit	Q1 2017	Q1 2016	Q1 2017	Q4 2016
Cable Projects	Mn	17	0	17	15
Ancillary Services (O&M)	Mn	71	41	71	79
Capacity Sales	Mn	122	76	122	403
International Customer Support	Mn	89	29	89	66

The International Customers and Networks Business Unit experienced an exceptional 105% year-on-year growth in revenues to EGP 299 million.

The increase reflects the successful positioning of te as a global carrier providing end to end services on international assets.

Revenue declined 47% over Q4 2016, due to the seasonality in the segment as most Capacity Sales agreements occur in the second half of the year.

te Financial Highlights:

Income Statement – Summary:

<i>(In EGP Millions exclude Per share Data)</i>	Q1 2017	Q1 2016	Change%	Q1 2017	Q4 2016	Change%
Sales Revenue	4,191	3,065	36.7%	4,191	4,465	-6.1%
Home Services	1,265	1,000	26.6%	1,265	1,143	10.7%
Enterprise Solutions	554	552	0.3%	554	763	-27.4%
Domestic Wholesale	888	721	23.0%	888	867	2.3%
Int'l Carriers Affairs	1,186	646	83.6%	1,186	1,129	5.1%
Int'l Customers & Networks	299	146	104.5%	299	563	-46.9%
EBITDA	1,385	985	40.6%	1,385	758	82.7%
EBITDA Margin %	33.0%	32.1%		33.0%	17.0%	
EBIT	1,730	1,085	59.3%	1,730	-959	280.5%
EBIT Margin %	41.3%	35.4%		41.3%	-21.5%	
NPAT	1,340	1,276	5.0%	1,340	-513	361.2%
NPAT Margin %	32.0%	41.6%		32.0%	-11.5%	
EPS	0.78	0.75	5.0%	0.78	-0.39	301.1%

Costs:

Costs during Q1 2017 were up 49.1% year-on-year due to annual salaries increase at record levels of 15 % to compensate inflation rates in the country, the increased interconnection costs reflecting higher usage and the increase in energy costs due to the Government's reform program gradually removing subsidies from utility services.

EBITDA/EBIT:

EBITDA for the first quarter of 2017 was EGP 1,385 million. This is a 40.6% year-on-year increase from EGP 985 million in Q1 2016 and delivers a 33% margin for the quarter.

EBIT reached EGP 1,730 million for the period an increase of 59.3% year-on-year, and of notable 280.5% increase over the previous quarter.

Income from Investments:

Total Income from investments, mainly representing te's stake in Egypt (VFE), reached EGP 675 million in Q1 2017, up 81.4% year on year. VFE's contribution this quarter normalized following the negative forex effect last quarter.

Net Profit:

te's consolidated Net Profit for Q1 2017 stood at EGP 1,340 million, a year-on-year growth of 5% from EGP 1,276 million in Q1 2016. The increase is a strong reflection of the top-line growth of the business and its ability to generate healthy margins.

The Net Profit margin for the period was 32% and this translates to an increased EPS of EGP 0.78.

Balance Sheet – Summary:

<i>(In EGP Millions)</i>	Q1 2017	FY 2016	Change%
Current Assets	8,259	8,488	-2.7%
Net Fixed Assets	14,694	14,238	3.2%
Long Term Investments	10,209	9,534	7.1%
Other Long Terms Assets	9,180	9,228	-0.5%
Total Assets	42,342	41,488	2.1%
Current Liabilities (Excl. STD)	9,393	7,648	22.8%
CPLTD	2,946	2,716	8.5%
LTD	600	626	-4.2%
Other Non-Current Liabilities	636	753	-15.5%
Total Liabilities	13,575	11,742	15.6%
Total Shareholder Equity	28,767	29,745	-3.3%
Total Liabilities & Shareholder Equity	42,342	41,488	2.1%

Cash Flow – Summary:

<i>(In EGP Millions)</i>	Q1 2017	Q1 2016	Change%
Net Cash Provided By Operating Activities	1,824	1,313	39.0%
Net Cash Flows from Investing Activities	-1,691	-641	-163.6%
Net Cash Flows from Financing Activities	208	-38	655.0%
Net Change In Cash and Cash Equivalents During the Period	341	634	-46.2%
Translation Differences of Foreign entities	-3	7	-148.1%
Cash & Cash Equivalents at the Beginning of the Period	1,101	2,404	-54.2%
Cash and Cash Equivalents at the End of the Period	1,439	3,045	-52.7%

Investment in Infrastructure / Capital Expenditure:

Capital expenditure (CAPEX) in Q1 2017 reached EGP 501 million, 12% of total revenues.

Net Debt Position:

Net financial debt as at 31 March 2017 stood at EGP 1,989 million, (versus EGP 2,669 million net cash as at 31 March 2016).

In Q1 2017, te generated EGP 1,824 million operating cash inflow (versus EGP 1,313 million in Q1 2016).

To download a complete copy of te's Q1 2017 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 Q1 2017 Standalone Financial Results Statements and notes to these statements, please refer to the attached pdf: <http://ir.te.eg/FinancialStatements>

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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 6.6 million subscribers as at 31 March 2017.

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.