

Q3 2017 Earnings Release

14 November 2017

Telecom Egypt (te) (Ticker: ETEL.CA; TEEG.LN), today announced its results for the third quarter to 30 September 2017.

9M 17 key highlights

- **Consolidated revenues** came in at EGP 13,261m up from EGP 9,657m in 9M 16 representing a growth of 37%.
- **EBITDA** grew 32% yoy to reach EGP 3,924m delivering a margin of 30%.
- **Employee costs** reached 25% of revenue down from 32% last year thanks to the strong top-line growth.
- **Net profit after tax** was EGP 3,547m vs. 3,181m last year, a yoy growth of 12% representing a net profit margin of 27%.
- **Earnings per Share (EPS)** reached EGP 2.08 for 9M 17 compared to 1.86 in 9M 16, reflecting an improvement of 12% on the comparative 9M 16.
- **CapEx** excluding license fees for 9M 17 amounted to EGP 3.3bn compared to 1.6bn last year.
- **Net Debt** stood at EGP 5,605m as of 30 Sep. 2017 compared to EGP 2.1bn as of December 2016, representing an annualized net debt to EBITDA of 1.1x vs. 0.6x last year.
- **Total fixed broadband customers** grew 14% yoy and 5% qoq to reach 3.8 million.
- **Fixed voice customers** reached 6.9m in Q3 2017 up 10% yoy and 4% qoq.
- **Mobile customers** closed the quarter at 352 thousand and currently reached 1.6 million.

Ahmed El Beheiry, Group Chief Executive, commented:

“Telecom Egypt delivered a strong performance in Q3 2017, total consolidated revenue grew 34% yoy to EGP 4,433m and normalized revenue grew 9% yoy on the continuation of data services growth, which pushed retail revenue 26% higher yoy. We are very excited to build on this exceptional performance in the mobile segment, which we launched on 18 September 2017.

The launch of "WE" as a network and brand marked te's transformation to the first total telecom operator in Egypt. We are focused on delivering diversified mobile offerings to the market, with our unique brand identity emphasizing our proximity to the customer and building on our already existing historical presence across Egypt. We have since launch revamped both our customer service call centres and our website to become even closer to our target market and promote our customer experience. We are confident of the huge opportunity we see in the mobile space and are more assured of our long-standing vision with the achievement of 1 million customers in a month from launch. "We" is a long-awaited vision becoming real; we thank all Telecom Egypt customers: we appreciate your trust and support.”

Main events in the quarter

- ✓ Telecom Egypt signed two agreements for (1) national roaming on Etisalat's 2G, 3G and 4G network as part of its mobile launch and (2) an international voice services for Etisalat Misr, which will enable Etisalat to use te's international gateway (IGW). Both agreements are for a period of five years and follow the recent Memorandum of Understanding (MOU) between te and Etisalat relating to these services.
- ✓ Launch of mobile services and the updated brand identity "We" with new logo & corporate website. With the new slogan "We All One", Telecom Egypt launched its mobile operation as the first fully-integrated operator in Egypt.
- ✓ The application of a 14% VAT on fixed broadband starting August 2017. The tax was fully passed on to customers.

Subsequent events to the quarter

- ✓ "We" reached 1 million customers as of 25 October 2017 and since then the customer base increased to 1.6 million.
- ✓ The renewal of the international and transmission wholesale services agreement with Vodafone Egypt for an expected total value of EGP 12bn over 5 years to 2022.
- ✓ te priced up its fixed voice services by EGP 3 per monthly subscription up from EGP 12 per month. The price up will be effective starting October 2017.

Customer Base

EGPm	3Q 17	3Q 16	Δ %yoy	2Q 17	Δ % qoq
Fixed Line					
Voice	6.913	6.311	10%	6.671	4%
Data	3.839	3.355	14%	3.652	5%
Mobile	352	N/A	N/A		

Revenue breakdown

EGPm	9M 17	9M 16	Δ % yoy	3Q 17	3Q 16	Δ % yoy	2Q 17	Δ % qoq
Home Services	4,017	3,097	30%	1,421	1,088	31%	1,331	7%
Enterprise Solutions	1,852	1,622	14%	581	500	16%	718	-19%
Domestic Wholesale	2,571	2,301	12%	815	766	6%	868	-6%
Int'l Carriers Affairs	3,795	2,075	83%	1,283	687	87%	1,326	-3%
Int'l Customers & Networks	1,026	564	82%	333	258	29%	394	-15%

Income statement summary

EGPm	9M 17	9M 16	Δ %	3Q 17	3Q 16	Δ %
Revenue	13,261	9,657	37.3%	4,433	3,298	34.4%
EBITDA	3,924	2,973	32.0%	1,148	919	24.9%
EBIT	4,478	3,234	38.5%	1,284	1,019	25.9%
NPAT	3,547	3,181	11.5%	1,008	866	16.4%
EPS	2.08	1.86	11.5%	0.59	0.51	16.4%
Margins						
EBITDA Margin %	29.6%	30.8%	-120bps	25.9%	27.9%	-200bps
EBIT Margin %	33.8%	33.5%	30bps	29.0%	30.9%	-190bps
NPAT Margin %	26.7%	32.9%	-620bps	22.7%	26.3%	-360bps

Results discussion

- Total consolidated revenue for the nine months grew 37% yoy on higher wholesale revenue mainly resulting from the devaluation of the EGP against the USD. Normalizing for the fx impact, revenue would have still shown double digit growth of 11% yoy boosted by a 24% growth in retail revenue.
- The growth in retail stems from the continuation of data services growth in both the home and enterprise segments, which increased by 30% and 14% yoy, respectively pushed by the growth in fixed data customers by 14% yoy.
- EBITDA for the nine months amounted to EGP3,924m, an increase of 32% yoy on higher wholesale revenue.
- EBITDA margin came in at 30% in line with management's full year guidance.
- Total Opex during the nine months grew by 38% as a result of the rise in outgoing international interconnection cost that is impacted by the EGP devaluation. Telecom Egypt continues to monitor and contain employee costs, which have grown by 7% yoy, yet declined as a percentage of revenue to 25% down from 32% last year.
- Income from Investments grew by 57% yoy, amounting to EGP 1.8bn during 9M 17 on growth in investment income from te's stake in Vodafone Egypt (VFE). The rise is mainly non-operational and relates to an fx gain reported by VFE.
- te started incurring interest expense on its loans starting September 2017.
- te's consolidated net profit after tax for 9M 17 stood at EGP3,5bn translating into a yoy growth of 11.5%. The increase is a strong reflection of the top-line growth and aided by the exceptional growth in investment income from VFE.
- Capital expenditure for 9M 17 amounted to EGP 6,612m, of which license fees and capitalized interest of EGP 3,340m. Capex excluding license fees and interest amounted to 25% of revenue in line with management's full year guidance.
- Net Debt as at 30 September 2017 stood at EGP 5,605m representing an annualized net debt to EBITDA of 1.1x.
- Net cash flow from operations in the 9M 17 stood at EGP 3,563 million compared to EGP 3,481m last year.

Balance sheet summary

EGPm	9M 17	FY 2016	Δ %
Current Assets	8,134	8,488	-4.2%
Net Fixed Assets	15,398	14,238	8.1%
Long Term Investments	11,280	9,534	18.3%
Other Long Terms Assets	13,386	9,228	45.1%
Total Assets	48,199	41,488	16.2%
Current Liabilities (Excl. STD)	9,010	7,648	17.8%
CPLTD	5,694	2,716	109.7%
LTD	620	626	-1.0%
Other Non-Current Liabilities	1,892	753	151.4%
Total Liabilities	17,216	11,742	46.6%
Total Shareholder Equity	30,982	29,745	4.2%
Total Liabilities & Shareholder Equity	48,199	41,488	16.2%

Cash flow summary

EGPm	9M 17	9M 16	Δ %
Net Cash Provided By Operating Activities	3,563	3,481	2.4%
Net Cash Flows from Investing Activities	-5,307	-5,938	10.6%
Net Cash Flows from Financing Activities	1,227	1,016	20.8%
Net Change In Cash & Cash Equivalents	-516	-1,440	64.2%
Translation Differences of Foreign entities	-5	7	-168.0%
Beginning of period cash	1,101	2,404	-54.2%
End of period cash	580	970	-40.2%

- End -

Please refer to te's full financial statements that can be downloaded from the website: ir.te.eg

For more information, contact:

The investor relations team

Email: investor.relations@te.eg

About Telecom Egypt

Telecom Egypt (te), Egypt's incumbent telecom operator, started its operations in 1854 with the first telegraph line in Egypt. te was corporatized in 1998 to replace the former Arab Republic of Egypt National Telecommunication Organization (ARENTO). 2017 marks a new milestone for the company as it transforms into a fully integrated telecom operator through the long awaited launch of mobile services on 19 September 2017.

te provides consumer and enterprise telecom services including fixed plus mobile voice and data services and has been able to gain 1m customers in its first month of mobile launch. te also maintains its market leadership position in the fixed broadband market with a market share of 78%. The company also provides wholesale services including bandwidth capacity leasing to ISPs, and national and international interconnection services.

Aside from its own mobile operations, the company owns a 45% stake in Vodafone Egypt, the leading and most profitable mobile operator in Egypt.

te's shares and GDRs (Ticker: ETEL.CA; TEEG.LN) are traded on The Egyptian Exchange and the London Stock Exchange.