



# Telecom Egypt

## Earnings Release FY 2015

Cairo, March 7 2015: Telecom Egypt (te) (Ticker: ETEL.CA; TEEG.LN), today announced its audited consolidated financial results for the full year, ending 31 December 2015. The financial statements have been prepared in accordance with Egyptian Accounting Standards.



## Telecom Egypt Announces FY 2015 Consolidated Results

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### Highlights & CEO Statement

Highlights for the Full Year 2015 period include:

- Consolidated Revenues were EGP 12,184 Million, up from EGP 12,158 Million in FY 2014.
- EBITDA was EGP 3,442 Million, delivering a margin of 28.2%.
- Net Profit after Tax was EGP 2,997 Million, representing a net profit margin of 24.6%.
- Earnings Per Share (EPS) for the period were EGP 1.48.
- Retail ADSL market share increase significantly by 8.8% y-o-y, with net ads of 831 thousands customers and EGP 75, 6 ARPU.
- Capex of EGP 3,159 Million.
- Net Cash position of EGP 2,197 Million, as at 31 December 2015.

#### Chief Executive Officer's Statement

"Today's results reflect a good year for our business, a year that was characterised by on-going operational improvements and a solid financial performance. This has been achieved against the background of a number of external challenges in the wider region and is testament to our customer-centric approach at both the consumer and business level.

The fourth quarter maintained the momentum that we had seen building with accelerating growth in data traffic for both home and business users. A decline in home voice traffic is inevitable in any business in our sector, particularly one in a market with a young population and where the economy continues to grow. Our response has been to invest actively in infrastructure and services as well as in a new decentralised sales strategy in 2015, one which has contributed more than a quarter of new sales.

The environment for our wholesale business has been challenging in a year when most of the Egyptians working in neighbouring troubled countries returned home. We have also seen an impact in the traffic that would normally be generated by tourism. That having been said, we are satisfied with the performance here and are also pleased to see the renewed momentum in our International Customers & Networks business in the final quarter of the year.

Overall the financial performance of our business has been good on a recurring basis. Tax changes



have benefitted the bottom line too. This is a strong and ambitious business confident for 2016 and beyond.”

#### Revenues by Lines of Business:

Business Unit for the FY 2015	(%) of Revenue Contribution
Home Services	29%
Enterprise Solutions	16%
Domestic Wholesale	24%
International Carrier Affairs	24%
International Customers & Networks	7%

#### Home Services Business Unit:

HS BU (In EGP Millions)	FY 2015	FY 2014	Change%	Q4 2015	Q4 2014	Change%
Voice	1,530	1,675	-8.7%	368	395	-6.6%
Data	2,038	1,453	40.2%	580	399	45.5%
<b>Total</b>	<b>3,568</b>	<b>3,129</b>	<b>14.0%</b>	<b>948</b>	<b>793</b>	<b>19.6%</b>

Operational KPI	Unit	FY 2015	FY 2014	Q4 2015	Q4 2014
Home Fixed Line Customers	Mn	5.48	5.28	5.48	5.28
Home ADSL Customers	000's	2,644	1,868	2,644	1,868
Home Voice ARPU	EGP/Month	23.50	25.30	22.11	24.10
Home ADSL ARPU	EGP/Month	74.08	68.25	74.67	69.67

The Home Services Business Unit continues to be a strong performer for the business. Total revenues were EGP 3,568 million, which is an increase of 14% year on year from EGP 3,129 million in 2014. Quarter on quarter; revenues increased by almost 20% from EGP 793 million to EGP 948 million.

The increasing demand for data services continues to be a strong driver for this growth, with revenues for this service line up by 40.2% year on year from EGP 1,453 million to EGP 2,038 million.

Net Home ADSL subscriber additions of 776k for the full year 2015 were 150% higher than those achieved in 2014. A key driver of this growth was the commencement of services to a new region with MSAN. This was also due to the new decentralized sales strategy with the regional sales team contributing significantly to new sales.



### Enterprise Solutions Business Unit:

ES BU (In EGP Millions)	FY 2015	FY 2014	Change%	Q4 2015	Q4 2014	Change%
Voice	1,229	1,316	-6.6%	383	345	11.0%
Data	588	487	20.6%	150	120	24.9%
Others	89	76	17.2%	25	19	28.3%
<b>Total</b>	<b>1,905</b>	<b>1,879</b>	<b>1.4%</b>	<b>558</b>	<b>485</b>	<b>15.2%</b>

Operational KPI	Unit	FY 2015	FY 2014	Q4 2015	Q4 2014
Enterprise Fixed Line Customers	Mn	1.07	1.05	1.07	1.05
Enterprise ADSL Customers	000's	165	109	165	109

Total revenues for FY 2015 were EGP 1,905 million for the Enterprise Solutions Business Unit, a minor increase year on year of 1.4%. Growth was impacted, in part, by a small decline in revenues for voice services to EGP 1,229 million down 6.6% on FY 2014.

Quarter on quarter, however, revenues grew more significantly at 15.2% from EGP 485 million in Q4 2014 to EGP 558 million in Q4 2015, led by an almost 25% increase in data services revenues, and a solid 11% growth in voice services revenues. It is worth mentioning that te has managed to develop its solid relationship and good reputation in both banking and Governmental Sectors due to its success in the past years in delivering major projects with high quality and competitive prices.

Enterprise ADSL Customers continue to lead in terms of numbers of new subscribers, with a 51% increase year on year. This was predominantly driven by the attractive offers and loyalty programs.

### Domestic Wholesale Business Unit:

DW BU (In EGP Millions)	FY 2015	FY 2014	Change%	Q4 2015	Q4 2014	Change%
Domestic	2,142	1,820	17.7%	696	651	6.9%
International Outgoing	784	883	-11.2%	192	218	-11.8%
<b>Total</b>	<b>2,927</b>	<b>2,703</b>	<b>8.3%</b>	<b>888</b>	<b>869</b>	<b>2.2%</b>

Operational KPI	Unit	FY 2015	FY 2014	Q4 2015	Q4 2014
International Outgoing Minutes	%	-10.8%	-10.7%	-16.1%	-5.7%

For the full year 2015 revenues for the Domestic Wholesale Business Unit were EGP 2,927 million, representing a consistent 8.3% growth against FY 2014 from EGP 2,703 million and 2.2% on 4Q2014.

This increase was largely driven by the continuing and increasing demand from the telecommunications companies operating in the Egyptian telecom market for infrastructure and backhauling services.



For many companies, using te's advanced infrastructure proves to be an effective commercial alternative to building their own infrastructure network. Notably, during 2015, te managed to secure longer term revenues by signing an agreement with Mobinil & VEF for the provision of international communications and infrastructure services.

#### International Carriers Affairs Business Unit:

ICA BU (In EGP Millions)	FY 2015	FY 2014	Change%	Q4 2015	Q4 2014	Change%
International Settlement	2,977	3,067	-2.9%	713	764	-6.6%
<b>Total</b>	<b>2,977</b>	<b>3,067</b>	<b>-2.9%</b>	<b>713</b>	<b>764</b>	<b>-6.6%</b>

Operational KPI	Unit	FY 2015	FY 2014	Q4 2015	Q4 2014
International Incoming Minutes	%	-14.8%	-10.3%	-16.0%	-7.0%

For the full year 2015, The International Carriers Affairs Business Unit experienced a decline in revenues from EGP 3,067 million down to EGP 2,977 million, a 2.9% decrease in comparison to 2014. Looking quarter on quarter, revenues were down by 6.6% to EGP 713 million in Q4 2015 in comparison to a figure of EGP 764 million at Q4 2014.

The decrease in revenues is largely impacted by the decline in international incoming minutes. Its percentage contribution in FY 2015 fell by 4.5 percentage points to -14.8% in comparison with the same period last year. This was due to the ongoing impact of OTT applications on the international voice business and traffic being terminated in key markets, as well as the continued effects of a lower tourism into Egypt during the year and the return of most Egyptians working in troubled neighboring countries.

#### International Customers & Networks Business Unit:

IC&N BU (In EGP Millions)	FY 2015	FY 2014	Change%	Q4 2015	Q4 2014	Change%
Revenue	807	1,380	-41.5%	356	97	265.8%

Revenue Breakdown	Unit	FY 2015	FY 2014	Q4 2015	Q4 2014
Cable Projects		47	881	23	0
Ancillary Services (O&M)	Mn	165	161	38	39
Capacity Sales	Mn	467	207	259	27
International Customer Support	Mn	128	130	36	32

Looking specifically at the International Customers & Networks Business Unit, revenues suffered a decline of 41.5% to EGP 807 million in comparison with FY 2014. This decline was attributable to the Business Unit having reported an exceptional second quarter in 2014, resulting from the conclusion of two major irregular transactions with the SMW-5 cable system and AAE1 cable system respectively; with an amount of EGP 881M. Excluding the impact of these projects would result in a growth in year on year revenues of 52%.



Looking only at the fourth quarter in insolation, performance was much stronger with an increase in revenues of EGP 356 million, which represented a considerable 265.8% increase in comparison with the same quarter last year

Looking further at the business units, it is clear that Capacity Sales was a strong performer, with a 125,4% increase in revenues to EGP 467 million in comparison to 2014. Looking only at the quarter, Capacity Sales experienced an increase which contributed to the overall strong quarter on quarter performance.

## te Financial Highlights:

### Income Statement – Summary:

<i>(In EGP Millions exclude Per share Data)</i>	FY 2015	FY 2014	Change%	Q4 2015	Q4 2014	Change%
<b>Sales Revenue</b>	<b>12,184</b>	<b>12,158</b>	<b>0.2%</b>	<b>3,465</b>	<b>3,009</b>	<b>15.2%</b>
Home Services	3,568	3,129	14.0%	948	793	19.6%
Enterprise Solutions	1,905	1,879	1.4%	558	485	15.2%
Domestic Wholesale	2,927	2,703	8.3%	888	869	2.2%
Int'l Carriers Affairs	2,977	3,067	-2.9%	713	764	-6.6%
Int'l Customers & Networks	807	1,380	-41.5%	356	97	265.8%
<b>EBITDA</b>	<b>3,442</b>	<b>3,841</b>	<b>-10.4%</b>	<b>1,072</b>	<b>657</b>	<b>63.1%</b>
EBITDA Margin %	28.2%	31.6%		30.9%	21.8%	
<b>EBIT</b>	<b>2,630</b>	<b>2,707</b>	<b>-2.8%</b>	<b>1,009</b>	<b>486</b>	<b>107.3%</b>
EBIT Margin %	21.6%	22.3%		29.1%	16.2%	
<b>NPAT</b>	<b>2,997</b>	<b>1,417</b>	<b>111.6%</b>	<b>863</b>	<b>393</b>	<b>119.7%</b>
NPAT Margin %	24.6%	11.7%		24.9%	13.0%	
<b>EPS</b>	<b>1.48</b>	<b>0.53</b>	<b>180.0%</b>	<b>0.44</b>	<b>0.15</b>	<b>182.1%</b>

### Costs:

Cost control is more and more becoming a competitive factor for Telecom Egypt. The company seeks to evaluate all opportunities for optimizing costs as part of an ongoing review.

The two major factors pushing the cost higher are increased fuel & power costs by 55.4% when compared with the same period last year, as well as the company's social insurance contribution that witness an uplift of 32.6% after applying a new family health insurance plan.

### EBITDA:

For the full year 2015 EBITDA was EGP 3,442 Million, delivering a margin of 28.2%, which remains in line with management's expectations.



Adj. EBITDA, after setting aside the effect of irregular stream of revenues, grew by 9% year-on-year, reflecting a margin of 29.3 % ( FY 2014: 28.5%).

Looking at Q4 2015 versus the Q4 2014, EBITDA was EGP 1,072 million up 63.1% from EGP 657 million.

EBIT was up significantly quarter on quarter by 107.3% from EGP 486 million in Q4 2014 to EGP 1,009 million in Q4 2015.

Adj. EBIT grows 34.3% year-on-year, a margin of 25.1 % ( FY 2014: 19.8%), due to provisions of EGP322M made for an arbitration case.

### Income from Investments:

Total income from te's investments, for the full year was EGP 1,118 million, representing te's stake in Vodafone Egypt (VFE).

During the period under review, VFE generated revenues of EGP 11 billion, representing an increase of 8.3% on the previous period in 2014.

As at 31 December 2015 VFE Closing customers stood at 38,725 million, a 0.2% increase on Q2 2015/16.

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

### Vodafone Egypt Financial Highlights:-

<i>(In EGP Millions)</i>	Third Quarter Ending Dec.			Previous Quarter Comparison		
	Dec.2015	Dec.2014	%Change	Q3 15/16	Q2 15/16	% Change
Total Revenue	11,014	10,170	8.3%	3,694	3,750	-1.5%
Net Profit	2,088	1,506	38.6%	849	666	27.4%
CAPEX	2,433	2,370	2.7%	715	823	-13.2%

### Vodafone Egypt Operational Highlights:-

	Third Quarter Ending Dec.			Previous Quarter Comparison		
	Dec. 2015	Dec. 2014	% Change	Q3 15/16	Q2 15/16	% Change
Closing Customers (000's)	38,725	39,549	-2.1%	38,725	38,666	0.2%
Net Adds (000's)	(1,485)	(2,524)	41.2%	59	(840)	107.0%
Total Voice Minutes (millions)	80,351	71,076	13.0%	27,451	26,693	2.8%



## Net Profit:

Consolidated Net Profit After Tax for the full year 2015 was EGP 2,997 million which represented a significant increase of 111.6% against the full year 2014. This was due to the amendments to the corporate income tax law, mainly lowering the corporate income tax rate from 30% to 22.5% retroactively as of January 1<sup>st</sup> 2015 and changing the basis of taxation on dividends. These changes resulted in recognising a lower corporate income tax for the period and reversing deferred tax liability, additionally the increase of income from investment by 35% y-o-y contributed positively to the bottom line.

Consequently te delivered a 180.0% increase on its EPS, up from 0.53 in FY 2014 to 1.48 for FY 2015.

## Balance Sheet – Summary:

<i>(In EGP Millions)</i>	FY 2015	FY 2014	Change%
Current Assets	9,167	9,494	-3.4%
Net Fixed Assets	11,839	11,070	7.0%
Long Term Investments	10,561	9,474	11.5%
Other Long Terms Assets	3,011	2,256	33.5%
<b>Total Assets</b>	<b>34,578</b>	<b>32,293</b>	<b>7.1%</b>
Current Liabilities (Excl. STD)	5,207	4,498	15.8%
CPLTD	62	84	-25.2%
LTD	327	383	-14.5%
Other Non-Current Liabilities	7	555	-98.7%
<b>Total Liabilities</b>	<b>5,603</b>	<b>5,519</b>	<b>1.5%</b>
<b>Total Shareholder Equity</b>	<b>28,974</b>	<b>26,774</b>	<b>8.2%</b>
<b>Total Liabilities &amp; Shareholder Equity</b>	<b>34,578</b>	<b>32,293</b>	<b>7.1%</b>





## Cash Flow – Summary:

<i>(In EGP Millions)</i>	FY 2015	FY 2014	Change%
Net Cash Provided By Operating Activities	1,597	1,796	-11.1%
Net Cash Flows from Investing Activities	-1,458	-2,298	-36.5%
Net Cash Flows from Financing Activities	-436	-2,439	-82.1%
<b>Net Change In Cash and Cash Equivalents during the Period</b>	<b>-297</b>	<b>-2,942</b>	<b>-89.9%</b>
Translation Differences of Foreign entities	2	-4	-158.8%
Cash & Cash Equivalents at the Beginning of the Period	2,699	5,644	-52.2%
<b>Cash and Cash Equivalents at the End of the Period</b>	<b>2,404</b>	<b>2,699</b>	<b>-10.9%</b>

## Investment in Infrastructure / Capital Expenditure:

Capital expenditure (Capex) for FY 2015 reached EGP 3,159 million, representing 26% of total revenues. The increase in Capex spend during the period was in line with management plans. This came successively with te's plan to replace copper cables with fiber optic cables, to raise the network efficiency and provide high-quality communication services.

## Net Cash Position:

te continues to enjoy a comfortable cash position, at its disposal to keep up with technological demands. For the year ended 31 December 2015, The Company reported a net cash of EGP 2.2 billion, a reflection of its ability to generate cash.

To download a complete copy of te's FY 2015 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 FY 2015 Standalone Financial Results Statements and notes to these statements, please refer to the attached pdf: <http://ir.te.eg/EarningRelease>

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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 December 2015.

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.