



Telecom Egypt

Earnings Release FY 2016

Cairo, March 13 2017: Telecom Egypt (te) (Ticker: ETEL.CA; TEEG.LN), today announced its consolidated financial results for the full year, ending 31 December 2016. The financial statements have been prepared in accordance with Egyptian Accounting Standards.

Telecom Egypt Announces FY 2016 Consolidated Results

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Highlights & CEO Statement

Highlights for the Full Year 2016 include:

- Consolidated Revenues were EGP 14,133 million, up from EGP 12,184 million in FY 2015, representing growth of 16.0%.
- EBITDA was EGP 3,733 million, delivering a margin of 26.4%, reflecting year-on-year growth of 8.4%.
- NPAT was EGP 2,670 million in 2016, a year-on-year decrease of 10.9%.
- Earnings Per Share (EPS) for period stood at EGP 1.20.
- Retail ADSL market share of 76.2% with Net Ads of 573 thousand customers and an ARPU of EGP 82.7.
- CAPEX was EGP 10,025 million (includes EGP 5,294 million for Mobile License and Spectrum Fees), as at 31 December 2016.

Chief Executive Officer's Statement

"2016 was a considerable milestone in our businesses transition to a total telecom operator, however, away from the headlines the Telecom Egypt team has continued to work quietly to deliver another exceptional year in financial and operational terms.

"Revenue performance has once again been driven by significant demand for data services, both in retail services and through our domestic wholesale business. The strategic investment to modernize our network backbone that began in 2014 is paying off and playing a critical role in the revenues we generate today.

"It is clear that our customer centric strategy and our commitment to an integrated, regional operating model are delivering considerable value.

"We enjoyed a dynamic top line growth 2016, but we saw a slight decrease in profitability as management decided to consider prudent accounting treatments that impacted the cost elements, especially in the last quarter of 2016."

"The strong financial position of the business enabled the management to recommend a dividend of 1 Egyptian Pound per share; yet to be approved by the general assembly towards the end of the month, an increase from EGP 0.75. From that position we are looking forward to the coming year with ambition and confidence."

Revenues by Lines of Business:

| Business Unit for FY 2016 | (%) of Revenue Contribution |
|------------------------------------|-----------------------------|
| Home Services | 30.0% |
| Enterprise Solutions | 16.9% |
| Domestic Wholesale | 22.4% |
| International Carrier Affairs | 22.7% |
| International Customers & Networks | 8.0% |

Home Services Business Unit:

| HS BU (In EGP Millions) | FY 2016 | FY 2015 | Change% | Q4 2016 | Q4 2015 | Change% |
|-------------------------|--------------|--------------|--------------|--------------|------------|--------------|
| Voice | 1,391 | 1,530 | -9.1% | 344 | 368 | -6.7% |
| Data | 2,849 | 2,038 | 39.8% | 800 | 580 | 37.8% |
| Total | 4,240 | 3,568 | 18.9% | 1,143 | 948 | 20.5% |

| Operational KPI | Unit | FY 2016 | FY 2015 | Q4 2016 | Q4 2015 |
|---------------------------|-----------|---------|---------|---------|---------|
| Home Fixed Line Customers | Mn | 5.34 | 5.48 | 5.34 | 5.48 |
| Home ADSL Customers | 000's | 3,182 | 2,644 | 3,182 | 2,644 |
| Home Voice ARPU | EGP/Month | 21.11 | 23.50 | 21.30 | 22.11 |
| Home ADSL ARPU | EGP/Month | 78.38 | 74.08 | 81.50 | 74.67 |

The Home Services Business Unit once again enjoyed a solid growth of 20.5% to EGP 1,143 million in Q4 2016. This is attributed to a 37.8% increase in revenues from our Data Services during the quarter, driven by the continuing customer demand for all-data experience.

The ongoing performance of the segment is reflected in the 18.9% increase in revenues to EGP 4,240 million in 2016. This is a testimony to our strategic commitment to become an all-data services provider, compensating decline in traditional voice services.

Enterprise Solutions Business Unit:

| ES BU (In EGP Millions) | FY 2016 | FY 2015 | Change% | Q4 2016 | Q4 2015 | Change% |
|-------------------------|--------------|--------------|--------------|------------|------------|--------------|
| Voice | 1,497 | 1,229 | 21.8% | 504 | 383 | 31.5% |
| Data | 782 | 588 | 33.0% | 230 | 150 | 53.0% |
| Others | 117 | 89 | 31.3% | 29 | 25 | 16.6% |
| Total | 2,395 | 1,905 | 25.7% | 763 | 558 | 36.6% |

| Operational KPI | Unit | FY 2016 | FY 2015 | Q4 2016 | Q4 2015 |
|---------------------------------|-------|---------|---------|---------|---------|
| Enterprise Fixed Line Customers | Mn | 1.12 | 1.07 | 1.12 | 1.07 |
| Enterprise ADSL Customers | 000's | 199 | 165 | 199 | 165 |

The Enterprise Solutions business continued to grow strongly in the last quarter of the year, reaching EGP 763 million of revenues, up 36.6 % versus Q4 2015.

Growth in this segment was fueled by our ability to capture the growing demand for data services, namely through fiber optic cable rollout in newly developed areas and our competitive regional positioning.

The business line grew 25.7% to EGP 2,395 million in the twelve-month period, supported by a 33% growth in Data Services in 2016.

Domestic Wholesale Business Unit:

| DW BU <i>(In EGP Millions)</i> | FY 2016 | FY 2015 | Change% | Q4 2016 | Q4 2015 | Change% |
|--------------------------------|--------------|--------------|-------------|------------|------------|--------------|
| Domestic | 2,392 | 2,142 | 11.6% | 665 | 696 | -4.5% |
| International Outgoing | 776 | 784 | -1.0% | 203 | 192 | 5.4% |
| Total | 3,168 | 2,927 | 8.2% | 867 | 888 | -2.3% |

| Operational KPI | Unit | FY 2016 | FY 2015 | Q4 2016 | Q4 2015 |
|--------------------------------|------|---------|---------|---------|---------|
| International Outgoing Minutes | % | -6.9% | -10.8% | -3.8% | -16.1% |

The Domestic Wholesale Business Unit produced revenues of EGP 3,168 million in 2016, an 8.2% increase over the full year 2015. The growth throughout 2016 reflects the constant demand from local licensed Operators for infrastructure services to serve their customers, reflecting the evolution of the data market in Egypt.

International Carriers Affairs Business Unit:

| ICA BU <i>(In EGP Millions)</i> | FY 2016 | FY 2015 | Change% | Q4 2016 | Q4 2015 | Change% |
|---------------------------------|--------------|--------------|-------------|--------------|------------|--------------|
| International Settlement | 3,203 | 2,977 | 7.6% | 1,129 | 713 | 58.2% |
| Total | 3,203 | 2,977 | 7.6% | 1,129 | 713 | 58.2% |

| Operational KPI | Unit | FY 2016 | FY 2015 | Q4 2016 | Q4 2015 |
|--------------------------------|------|---------|---------|---------|---------|
| International Incoming Minutes | % | -16.1% | -14.8% | -15.6% | -16.0% |

The International Carriers Affairs Business Unit grew significantly in the fourth quarter 2016, boosted by a positive forex effect, resulting from the currency floatation. Revenues reached EGP 1,129 million, a 58.2% increase over Q4 2015.

This business segment reached EGP 3,203 million in revenues in 2016, reflecting a 7.6% increase in comparison with 2015.

International Customers & Networks Business Unit:

| IC&N BU (In EGP Millions) | FY 2016 | FY 2015 | Change% | Q4 2016 | Q4 2015 | Change% |
|---------------------------|---------|---------|---------|---------|---------|---------|
| Revenue | 1,126 | 807 | 39.5% | 563 | 356 | 58.0% |

| Operational KPI | Unit | FY 2016 | FY 2015 | Q4 2016 | Q4 2015 |
|--------------------------------|------|---------|---------|---------|---------|
| Cable Projects | Mn | 62 | 47 | 15 | 23 |
| Ancillary Services (O&M) | Mn | 236 | 165 | 79 | 38 |
| Capacity Sales | Mn | 655 | 467 | 403 | 259 |
| International Customer Support | Mn | 173 | 128 | 66 | 36 |

The International Customers and Networks Business Unit experienced an exceptional 58% growth in revenues versus Q4 2015, climbing to EGP 563 million in the last quarter. Revenues of EGP 403 million from Capacity Sales agreements, up 55.7% over the same period 2015, contributed to the topline in the last quarter 2016.

The segment generated EGP 1,126 million in the full year 2016, a 39.5% increase over 2015.

This positive performance is the result of our strategic decision to collaborate with operators/consortiums around the world and to position te at the forefront of the international cable industry. These initiatives are now bearing fruit and making significant financial contribution.

te Financial Highlights:

Income Statement – Summary:

| (In EGP Millions exclude Per share Data) | FY 2016 | FY 2015 | Change% | Q4 2016 | Q4 2015 | Change% |
|--|----------------|---------------|---------------|--------------|--------------|----------------|
| Sales Revenue | 14,133 | 12,184 | 16.0% | 4,465 | 3,465 | 28.9% |
| Home Services | 4,240 | 3,568 | 18.9% | 1,143 | 948 | 20.5% |
| Enterprise Solutions | 2,395 | 1,905 | 25.7% | 763 | 558 | 36.6% |
| Domestic Wholesale | 3,168 | 2,927 | 8.2% | 867 | 888 | -2.3% |
| Int'l Carriers Affairs | 3,203 | 2,977 | 7.6% | 1,129 | 713 | 58.2% |
| Int'l Customers & Networks | 1,126 | 807 | 39.5% | 563 | 356 | 58.0% |
| EBITDA | 3,733* | 3,442 | 8.4% | 758 | 1,072 | -29.3% |
| EBITDA Margin % | 26.4% | 28.2% | | 17.0% | 30.9% | |
| EBIT | 2,277 | 2,630 | -13.4% | -959 | 1,009 | -195.0% |
| EBIT Margin % | 16.1% | 21.6% | | -21.5% | 29.1% | |
| NPAT | 2,670** | 2,997 | -10.9% | -513 | 863 | -159.5% |
| NPAT Margin % | 18.9% | 24.6% | | -11.5% | 24.9% | |
| EPS | 1.20 | 1.40 | -13.9% | -0.39 | 0.42 | -193.8% |

*EBITDA would have been EGP 4,190 million representing a Margin of 29.6% if the impact of a non-recurring transaction (i.e.: Employee Pension Fund) amounting for EGP 457 million was normalized – management's decision to implement this in the fourth quarter of the year.

** NPAT would have been EGP 3,681 million representing a Margin of 26.0%, if the above-mentioned transaction and the impact of exceptional provisions formed to meet potential tax liabilities were normalized.

Costs:

Total costs during 2016 were up 15.5% year-on-year, mainly attributed to employee costs and the removal of government subsidies on utility costs.

EBITDA/EBIT:

EBITDA for 2016 amounted to EGP 3,733 million EGP, up 8.4% on the same period of 2015.

EBIT reached EGP 2,277 million in 2016 a 13.4% decrease versus full year 2015. The EBIT margin stood at 16.1% for the 12-month period

Income from Investments:

Total income from te's investments, for 2016 was EGP 669 million. The majority of that income was generated by te's stake in Vodafone Egypt (VFE).

During the period under review, VFE generated revenues of EGP 12,879 million, representing an increase of 16.9% on the same period last year.

As at 31 December 2016, VFE Closing customers stood at 40,264 million, 4% increase on the same period last year.

(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 Sept. | | | Previous Quarter Comparison | | |
|--------------------------|----------------------------|-----------|----------|-----------------------------|---------|----------|
| | Dec. 2016 | Dec. 2015 | % Change | Q3 16/17 | Q216/17 | % Change |
| Total Revenue | 12,879 | 11,014 | 16.9% | 4,579 | 4,344 | 5.4% |
| Net Profit | 660 | 2,088 | -68.4% | -1,044 | 937 | -211.4% |

Vodafone Egypt Operational Highlights:-

| | Second Quarter Ending Sept. | | | Previous Quarter Comparison | | |
|--------------------------------|-----------------------------|-----------|----------|-----------------------------|----------|----------|
| | Dec. 2016 | Dec. 2015 | % Change | Q3 16/17 | Q2 16/17 | % Change |
| Closing Customers (000's) | 40,264 | 38,725 | 4.0% | 40,264 | 40,164 | 0.2% |
| Net Adds (000's) | 1,311 | -1,485 | -188.3% | 99 | 665 | -85.1% |
| Total Voice Minutes (millions) | 90,415 | 80,351 | 12.5% | 30,342 | 30,359 | -0.1% |

Net Profit:

The business generated net profit of EGP 2,670 million in 2016, which is 10.9% lower than in 2015.

The decline primarily relates to events, which occurred in Q4 2016 relating to higher employee related costs (Pension Fund contribution), decline in income from our Vodafone Egypt stake due to currency devaluation and exceptional provisions made to meet potential tax liabilities.

(If we maintained the above-mentioned VFE effect, while adjusting only the higher employee related costs and the Provisions formed, the Q4 2016 NPAT would have been EGP 498 million).

This translates to an EPS of EGP 1.20 for the full year 2016 and a net profit margin of 18.9%

Balance Sheet – Summary:

| <i>(In EGP Millions)</i> | FY 2016 | FY 2015 | Change% |
|---|---------------|---------------|--------------|
| Current Assets | 8,488 | 9,167 | -7.4% |
| Net Fixed Assets | 14,386 | 11,839 | 21.5% |
| Long Term Investments | 9,534 | 10,561 | -9.7% |
| Other Long Terms Assets | 9,080 | 3,361 | 170.1% |
| Total Assets | 41,488 | 34,929 | 18.8% |
| Current Liabilities (Excl. STD) | 7,648 | 5,207 | 46.9% |
| CPLTD | 2,716 | 62 | 4246.6% |
| LTD | 626 | 327 | 91.6% |
| Other Non-Current Liabilities | 753 | 358 | 110.3% |
| Total Liabilities | 11,742 | 5,954 | 97.2% |
| Total Shareholder Equity | 29,745 | 28,974 | 2.7% |
| Total Liabilities & Shareholder Equity | 41,488 | 34,929 | 18.8% |

Cash Flow – Summary:

| <i>(In EGP Millions)</i> | FY 2016 | FY 2015 | Change% |
|--|---------------|--------------|---------------|
| Net Cash Provided By Operating Activities | 4,414 | 1,597 | 176.4% |
| Net Cash Flows from Investing Activities | -7,005 | -1,458 | 380.3% |
| Net Cash Flows from Financing Activities | 1,230 | -436 | 382.4% |
| Net Change In Cash and Cash Equivalents during the Period | -1,361 | -297 | 357.8% |
| Translation Differences of Foreign entities | 58 | 2 | 2469.7% |
| Cash & Cash Equivalents at the Beginning of the Period | 2,404 | 2,699 | -10.9% |
| Cash and Cash Equivalents at the End of the Period | 1,101 | 2,404 | -54.2% |

Investment in Infrastructure / Capital Expenditure:

Capital expenditure (CAPEX) in FY 2016 reached EGP 4,731 million, 33.5% of total revenues and excluding the payment made for the 4G License of EGP 5,294 million.

This predominantly comprises the initial CAPEX outlay to modernize our infrastructure in anticipation of venturing into the mobile space.

Net Debt Position:

Net financial debt as at December 2016 stood at EGP 2,085 million, versus EGP 2,197 million net cash as at 31 December 2015).

In FY 2016, te generated EGP 4,414 million operating cash inflow (versus EGP 1,597 million in FY 2015).

To download a complete copy of te's FY 2016 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 2016 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 6.5 million subscribers as at 31 December 2016.

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.