



Telecom Egypt

Earnings Release Q1 2016

Cairo, May 09 2016: Telecom Egypt (te) (Ticker: ETELCA; TEEG.LN), today announced its consolidated financial results for the first quarter, ending 31 March 2016. The financial statements have been prepared in accordance with Egyptian Accounting Standards.



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Highlights & CEO Statement

Highlights for the first three months of 2016 include:

- Consolidated Revenues for Q1 2016 were EGP 3,065 million, up from EGP 2,761 million in Q1 2015, representing an increase of 11% year-on-year.
- EBITDA was EGP 987 million, delivering a margin of 32.2%.
- Net Profit After Tax was EGP 1,196 million, a year-on-year growth of 115.9%, and representing a net profit margin of 39%.
- Earnings Per Share (EPS) for the period was EGP 0.70.
- Retail ADSL market share of 74.8% with net ads of 184 thousand customers.
- Capex for the period was EGP 353 million.
- Net Cash position was EGP 2,669 million as at 31 March 2016.

Chief Executive Officer's Statement

"We are proud to announce today an exceptional first quarter performance, as we continue to serve the evolving telecommunications needs of our client base through our customer-centric approach."

Our success this quarter is once again driven by strong growth in our core Retail business line, which has continued to be a strong contributor to the top line. In line with management's strategic goals, the Retail business grew 27.1% compared to the first quarter of 2015, with Retail exceeding the revenue contribution of the wholesale business, 50.6% and 49.4% respectively. The principal driver has been the very significant and ever-growing demand for broadband services in both the Home Services and Enterprise Solutions segments. This contributed directly to healthier margins through the quarter and, we expect, going forward.

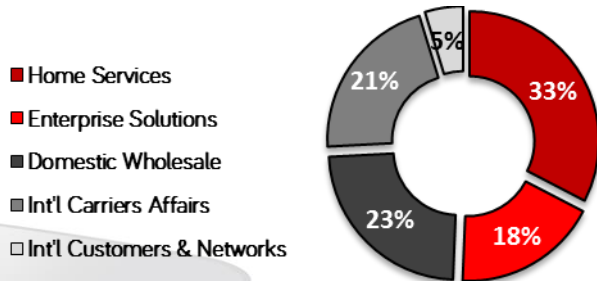
This growth in the Retail business had a direct contribution to the growth in the overall top line of 11% year-on-year, which was the catalyst for te's sizable investment plan to modernize its infrastructure using state-of-the-art fiber-based technologies, to better serve its wide range of customers. This investment will enable us to carry more and higher capacity traffic of a better quality, and lays the foundation for tomorrow's 4G operations.



The management's strategic focus on the wholesale lines of business remains unchanged. It remains an important revenue stream for te. However, it is clear that the changing nature of this segment means that there is no real specific quarterly trend that can be predicted, given the ongoing technological advances which may impact upon potential growth.

I also hope in the near future to have commenced operations in the mobile space, encouraged by the recent Government communications regarding the award of a new mobile license for 4G spectrum and we remain fully ready to capitalize on this opportunity once awarded, to the benefit of Egypt's young population and the wider telecommunications market."

Revenues by Lines of Business:



Home Services Business Unit:

HS BU (In EGP Millions)	Q1 2016	Q1 2015	Change%	Q1 2016	Q4 2015	Change%
Voice	355	386	-8.2%	355	368	-3.7%
Data	645	455	41.7%	645	580	11.2%
Total	1,000	841	18.8%	1,000	948	5.4%

Operational KPI	Unit	YoY Analysis		QoQ Analysis	
		Q1 2016	Q1 2015	Q1 2016	Q4 2015
Home Fixed Line Subscribers	Mn	5.11	5.15	5.11	5.48
Home ADSL Subscribers	000's	2,820	2,063	2,820	2,644
Home ARPU	EGP/Month	22.04	24.54	22.04	22.11

The Home Business Unit continues to drive growth with an increase of 18.8% in revenues year-on-year to EGP 1,000 million in Q1 2016 from EGP 841 million in Q1 2015. Quarter-on-quarter this represents an increase of 5.4% from EGP 948 million in Q4 2015.

This has been mainly driven by the increasing demand for broadband and data services from the young and growing Egyptian consumer market, improving margins overall for the business unit.

te's broadband footprint leads the market, with Net Home ADSL customers' additions in the first quarter 2016 of 176k.



Enterprise Solutions Business Unit:

ES BU (In EGP Millions)	Q1 2016	Q1 2015	Change%	Q1 2016	Q4 2015	Change%
Voice	350	234	49.5%	350	383	-8.6%
Data	169	130	29.5%	169	150	12.2%
Others	33	15	123.5%	33	25	32.8%
Total	552	379	45.5%	552	558	-1.2%

Operational KPI	Unit	YoY Analysis		QoQ Analysis	
		Q1 2016	Q1 2015	Q1 2016	Q4 2015
Enterprise Fixed Line Subscribers	Mn	1.10	1.05	1.10	1.07
Enterprise ADSL Subscribers	000's	173	135	173	165
Enterprise ARPU	EGP/Month	69.95	57.84	69.95	57.83

Enterprise Solutions continues to perform well year-on-year with revenues up by 45.5% to EGP 552 million in Q1 2016 from EGP 379 million in Q1 2015, as te continues to capitalize on its nationwide coverage and modern access network to build stronger relationships with its enterprise customers by offering customized fully-fledged portfolios.

There was a slight decline of 1.2% quarter-on-quarter from EGP 558 million in Q4 2015 to EGP 552 million in Q1 2016. This small decrease was due to recognized one-time revenues for infrastructure projects in New Urban Developments during Q4 2015 in which such projects are mostly booked in the last quarter of each year.

Overall, strong revenue growth for both the home services and enterprise solutions business units was driven by a number of planned strategic initiatives for the Retail Business which are continuing to have a positive impact on margins and the bottom line. The business unit has benefited from the continued decentralized regional approach to customer service, which has improved overall customer engagement and facilitated better sales.

Domestic Wholesale Business Unit:

DW BU (In EGP Millions)	Q1 2016	Q1 2015	Change%	Q1 2016	Q4 2015	Change%
Domestic	540	443	21.8%	540	696	-22.5%
International	182	197	-8.0%	182	192	-5.5%
Total	721	640	12.6%	721	888	-18.8%

Operational KPI	Unit	Q1 16/15	Q1 15/14	Q1 16/15	Q4 15/14
International Outgoing Minutes	%	-10.3%	-8.2%	-10.3%	-16.1%



Revenues for the Domestic Wholesale business unit have increased by 12.6% year-on-year to EGP 721 million in Q1 2016 from EGP 640 million in Q1 2015. This was mainly due to network growth for both MNO&ISP along with market users.

Quarter-on-quarter, revenues declined by 18.8% from EGP 888 million in Q4 2015 to EGP 721 million in Q1 2016. This was due to the nonrecurring revenue streams and one off projects experienced in previous quarters.

Looking at the operational KPIs, international outgoing voice traffic shows continual decline as a result of market convergence towards the low cost OTT mobile applications.

International Carriers Affairs Business Unit:

ICA BU (In EGP Millions)	Q1 2016	Q1 2015	Change%	Q1 2016	Q4 2015	Change%
International Settlement	646	761	-15.2%	646	713	-9.5%
Total	646	761	-15.2%	646	713	-9.5%

Operational KPI	Unit	Q1 16/15	Q1 15/14	Q1 16/15	Q4 15/14
International Incoming Minutes	%	-17.9%	-11.0%	-17.9%	-16.0%

The International Carriers Affairs Business Unit has experienced a 15.2% decline in year-on-year revenues from EGP 761 million in Q1 2015 to EGP 646 million in Q1 2016. Quarter-on-quarter this translates to a 9.5% decrease.

This decline in operational and financial performance was as a result of a number of factors including the slowdown of retail activities related to long-distance calls in major strategic Arab markets, mainly Saudi Arabia and Jordan, the ongoing pressures on margins as a result of continued and growing bypass activities, and the market's convergence towards the low cost Over-the-Top mobile applications.

International Customers & Networks Business Unit:

IC&N BU (In EGP Millions)	Q1 2016	Q1 2015	Change%	Q1 2016	Q4 2015	Change%
Revenue Growth	146	139	5.3%	146	356	-59.0%

Revenue Breakdown	Unit	YoY Analysis		QoQ Analysis	
		Q1 2016	Q1 2015	Q1 2016	Q4 2015
Cable Projects	Mn	0	0	0	23
Ancillary Services (O&M)	Mn	41	40	41	38
Capacity Sales	Mn	76	71	76	259
International Customer Support	Mn	29	28	29	36



Revenue growth has been positive year-on-year for the IC&N business units to EGP 146 million in Q1 2016 up from EGP 139 million in Q1 2015. The increase reflects capacity leasing and ancillary services revenues associated with the cables systems post-delivery, as the business unit continues to become more diversified, positioning te as a global carrier and providing end to end services on international assets.

Revenues declined by 59% quarter-on-quarter mainly due to some seasonality impacts on the line of business and the Capacity Sales revenue streams strong performance last quarter related to IRU services mostly recognized towards year end.

te Financial Highlights:

Income Statement – Summary:

<i>(In EGP Millions exclude Per share Data)</i>	Q1 2016	Q1 2015	Change%	Q1 2016	Q4 2015	Change%
Sales Revenue	3,065	2,761	11.0%	3,065	3,465	-11.5%
Home Services	1,000	841	18.8%	1,000	948	5.4%
Enterprise Solutions	552	379	45.5%	552	558	-1.2%
Domestic Wholesale	721	640	12.6%	721	888	-18.8%
Int'l Carriers Affairs	646	761	-15.2%	646	713	-9.5%
Int'l Customers & Networks	146	139	5.3%	146	356	-59.0%
EBITDA	987	694	42.2%	987	1,072	-7.9%
EBITDA Margin %	32.2%	25.1%		32.2%	30.9%	
EBIT	1,006	609	65.3%	1,006	1,009	-0.3%
EBIT Margin %	32.8%	22.0%		32.8%	29.1%	
NPAT	1,196	554	115.9%	1,196	863	38.7%
NPAT Margin %	39.0%	20.1%		39.0%	24.9%	
EPS	0.70	0.32	115.9%	0.70	0.51	38.7%

Costs:

Telecom Egypt continues to retain a careful and proactive approach to cost management. The business has undertaken a number of initiatives to improve cost management and improve margins, including reviewing employee related costs, improvement in terms of payment with suppliers and increasing utilization rates of current assets.

EBITDA:

EBITDA for the first quarter of 2016 was EGP 987 million which was an increase of 42.2% year-on-year up from EGP 694 million in Q1 2015 representing the strong year on year growth in the business and delivering a margin of 32.2%.



Adjusted EBITDA, after setting aside the effect of some revenues with low margin, would reflect a better EBITDA margin of 33.4%.

EBIT reached EGP 1,006 million for the period an increase of 65.3% year-on-year from EGP 609 million in Q1 2015.

Income from Investments:

Total Income from investments, mainly representing te's stake in Vodafone Egypt (VFE), increased to EGP 372 million, up 43.7% year-on-year on Q1 2015.

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

Vodafone Egypt Financial Highlights:-

<i>(In EGP Millions)</i>	Full Year Ending March			Previous Quarter Comparison		
	Mar. 2016	Mar. 2015	% Change	Q4 15/16	Q3 15/16	% Change
Total Revenue	14,771	14,334	3.0%	3,757	3,694	1.7%
Net Profit	2,850	1,972	44.5%	762	849	-10.2%
CAPEX	3,597	3,748	-4.0%	1,164	715	62.9%

Vodafone Egypt Operational Highlights:-

	Full Year Ending March			Previous Quarter Comparison		
	Mar. 2016	Mar. 2015	% Change	Q4 15/16	Q3 15/16	% Change
Closing Customers (000's)	38,952	40,209	-3.1%	38,952	38,725	0.6%
Net Adds (000's)	-1,257	-1,864	-32.6%	228	59	287.9%
Total Voice Minutes (millions)	108,325	95,891	13.0%	27,974	27,451	1.9%



Net Profit:-

TE's consolidated Net Profit After Tax for Q1 2016 was EGP 1,196 a year-on-year growth of 115.9% from EGP 554 million in Q1 2015. The increase is a strong reflection of the top-line growth with healthier margins as the business converts back to its core retail business stream.

The net profit margin for the period was 39%; this translates to an increased EPS of EGP 0.70.

Balance Sheet – Summary:

<i>(In EGP Millions)</i>	Q1 2016	FY 2015	Change%
Current Assets	9,888	9,167	7.9%
Net Fixed Assets	12,049	11,839	1.8%
Long Term Investments	10,933	10,561	3.5%
Other Long Terms Assets	2,704	3,011	-10.2%
Total Assets	35,573	34,578	2.9%
Current Liabilities (Excl. STD)	6,832	5,207	31.2%
CPLTD	72	62	15.6%
LTD	341	327	4.4%
Other Non-Current Liabilities	29	7	309.0%
Total Liabilities	7,274	5,603	29.8%
Total Shareholder Equity	28,299	28,974	-2.3%
Total Liabilities & Shareholder Equity	35,573	34,578	2.9%



Cash Flow – Summary:

<i>(In EGP Millions)</i>	Q1 2016	Q1 2015	Change%
Net Cash Provided By Operating Activities	1,313	938	39.9%
Net Cash Flows from Investing Activities	-641	-482	33.0%
Net Cash Flows from Financing Activities	-38	-43	-12.6%
Net Change In Cash and Cash Equivalents during the Period	634	413	53.4%
Translation Differences of Foreign entities	7	-3	-363.1%
Cash & Cash Equivalents at the Beginning of the Period	2,404	2,897	-17.0%
Cash and Cash Equivalents at the End of the Period	3,045	3,307	-7.9%

Investment in Infrastructure / Capital Expenditure:

Capital expenditure for Q1 2016 reached EGP 353 million versus EGP 440 million in Q1 2015, down 20%, representing 12% of total revenues for the period, and this is due to some factors related to the devaluation of the local currency putting some pressure on suppliers to remodel their processes, leading to some minor delays, and in other cases owed to efficient project executions on budgets.

Net Debt Position:

te continues to boast a healthy balance sheet, with a net cash position of EGP 2,669 million at Q1 2016, a reflection of the cash generative nature of te's business.

To download a complete copy of te's Q1 2016 Consolidated Financial Results Statements and notes to these statements, please refer to the attached pdf:

To download a complete copy of te's Q1 2016 Standalone Financial Results Statements and notes to these statements, please refer to the attached pdf:

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**For Further Information:
Investor Relations Contacts**

Mohamed Kamal
Director Media & Investor Relations
Tel: +202 3131 5219
Fax: +202 3131 6115
E-mail: investor.relations@te.eg

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 6.2 million subscribers as at 31 March 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 operator te’s shares and GDRs (Ticker: ETEL.CA; TEEG.LN) are traded on The Egyptian Exchange and the London Stock Exchange.