



Telecom Egypt

Earnings Release Q2 2016

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Highlights & CEO Statement

Highlights for the Second Quarter 2016 period include:

- Consolidated Revenues were EGP 3,294 million, up from EGP 3,025 million in Q2 2015, representing an increase of 8.9% year-on-year.
- EBITDA was EGP 1,066 million up 21% on Q2 2015 and delivering a solid margin of 32%.
- Net Profit After Tax was EGP 1,039 million, a year-on-year growth of 175%, and representing a net profit margin of 32%.
- Earnings Per Share (EPS) for the period was EGP 0.61, while EPS for H1 2016 stood at EGP 1.36, reflecting an improvement of 148% over the comparative period in 2015.
- Retail ADSL subscribers up 30% year-on-year standing over 3,183 thousand reflecting a market share of 76%
- Capex for the H1 2016 period was EGP 1,002 million.
- Net Cash position was 2,586 million as at 30 June 2016.

Chief Executive Officer's Statement

"Our results for the second quarter show excellent progress against our strategic plan.

"Total Consolidated Revenues for the quarter grew 9% year-on-year, consistent with the year-on-year growth we reported in the first quarter. Retail services are once again the real driving force behind our growth as our broadband services continue to set the standard in the market.

"The financial and strategic impact of our fiber upgrade is clear. It is already contributing to our ability to grow revenues and improve margin.

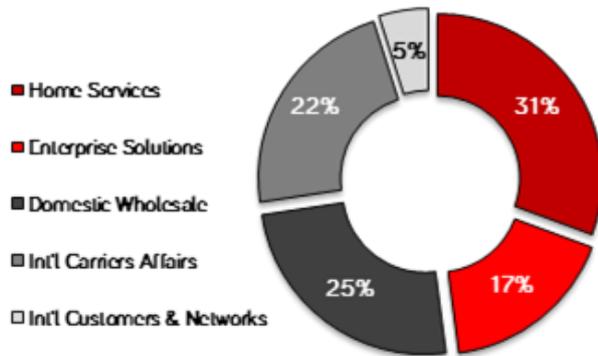
"The business I report on is in good financial shape and our strategic investments are also making positive contributions to our financial performance. The Net Profit result is extremely encouraging for our investors.

"As a leadership team, we are positive about the ongoing recovery of the Egyptian economy under the stewardship of the current government and are suitably proud of the role we are playing in powering Egypt's potential.

"We look forward to continuing to deliver the best possible service experience to all our customers."



Revenues by Lines of Business:



Home Services Business Unit:

HS BU (In EGP Millions)	H1 2016	H1 2015	Change%	Q2 2016	Q2 2015	Change%
Voice	694	781	-11.1%	339	394	-14.0%
Data	1,315	937	40.3%	670	482	39.0%
Total	2,009	1,718	16.9%	1,009	877	15.2%

	Unit	YoY Analysis		QoQ Analysis	
		H1 2016	H1 2015	Q2 2016	Q2 2015
Home Fixe Line Subscribers	mn	5.16	5.57	5.16	5.57
Home ADSL Subscribers	000's	3,001	2,298	3,001	2,298
Home ARPU	EGP/mn	21.46	23.82	21.72	24.37

The Home Business Unit continued its trend to date of sustained growth driven by growing demand for data and broadband services. Data revenues have grown by almost 39% year-on-year as a direct consequence of te's fibre rollout and more than compensating for the decline in Home segment voice revenues.

Total Home revenues for the second quarter were EGP 1,009 million, up 15.2% year on year from EGP 877 million.

Enterprise Solutions Business Unit:

ES BU (In EGP Millions)	H1 2016	H1 2015	Change%	Q2 2016	Q2 2015	Change%
Voice	716	565	26.6%	365	331	10.5%
Data	357	277	29.1%	189	146	28.8%
Others	49	49	0.8%	16	34	-52.7%
Total	1,122	890	26.0%	570	511	11.5%



Operational KPI	Unit	YoY Analysis		QoQ Analysis	
		H1 2016	H1 2015	Q2 2016	Q2 2015
Enterprise Fixed Line Subscribers	mn	1.11	1.08	1.11	1.08
Enterprise ADSL Subscribers	000's	181	147	181	147
Enterprise ARPU	EGP/mn	65.28	57.62	60.11	58.59

The Enterprise Solutions business continues to perform well with revenues of EGP 570 million this quarter, up 11.5% from EGP 511 million during the same period last year. Revenues for the first six months of 2016 increased 26% over the comparative period in 2015.

During the period, te has focused on a number of initiatives to service new urban developments, contributing in both customer additions and revenues.

Domestic Wholesale Business Unit:

DW BU (In EGP Millions)	H1 2016	H1 2015	Change%	Q2 2016	Q2 2015	Change%
Domestic	1,155	943	22.5%	615	500	23.0%
International	379	396	-4.1%	198	198	-0.4%
Total	1,534	1,339	14.6%	813	699	16.4%

Operational KPI	Unit	YoY Analysis		QoQ Analysis	
		H1 2016	H1 2015	Q2 2016	Q2 2015
International Outgoing Minutes	%	-8.7 %	-9.4%	-7.1%	-10.6%

Revenues for the Domestic Wholesale business unit have increased by 16.4% year-on-year to EGP 813 million in Q2 2016, or 25% of total revenue. This was boosted by related network growth for both mobile network operators and internet service providers.

International Carriers Affairs Business Unit:

ICA BU (In EGP Millions)	H1 2016	H1 2015	Change%	Q2 2016	Q2 2015	Change%
International Settlement	1,388	1,535	-9.6%	742	774	-4.1%
Total	1,388	1,535	-9.6%	742	774	-4.1%

Operational KPI	Unit	YoY Analysis		QoQ Analysis	
		H1 2016	H1 2015	Q2 2016	Q2 2015
International Incoming Minutes	%	-17.3%	-14.1%	-16.7%	-17.2%

The International Carriers Affairs Business Unit has experienced a 4.1% decline in year-on-year revenues from EGP 774 million in Q2 2015 to EGP 742 million in Q2 2016.



The slowdown of retail activities related to long-distance calls in major strategic Arab markets, the ongoing and growing illegal bypass activities, and the use of Over-the-Top mobile applications have combined to pressure revenue performance at the business unit.

International Customers & Networks Business Unit:

IC&N BU (In EGP Millions)	H1 2016	H1 2015	Change%	Q2 2016	Q2 2015	Change%
Revenue Growth	306	304	0.6%	160	165	-3.3%

Revenue Breakdown	Unit	YoY Analysis		QoQ Analysis	
		H1 2016	H1 2015	Q2 2016	Q2 2015
Cable Projects		23	0	23	0
Ancillary Services (O&M)	mn	88	86	47	46
Capacity Sales	mn	127	161	51	90
International Customer Support	mn	68	57	39	30

Revenues from the International Customers and Networks Business Unit reached EGP 160 million a year-on-year decline of 3.3%, mainly due to capacity-related pricing pressures.

te Financial Highlights:

Income Statement – Summary:

(EGP m) excluding EPS	H1 2016	H1 2015	Change%	Q2 2016	Q2 2015	Change%
Sales Revenue	6,359	5,786	9.9%	3,294	3,025	8.9%
Home Services	2,009	1,718	16.9%	1,009	877	15.2%
Enterprise Solutions	1,122	890	26.0%	570	511	11.5%
Domestic Wholesale	1,534	1,339	14.6%	813	699	16.4%
Int'l Carriers Affairs	1,388	1,535	-9.6%	742	774	-4.1%
Int'l Customers & Networks	306	304	0.6%	160	165	-3.3%
EBITDA	2,054	1,576	30.3%	1,066	881	21%
EBITDA Margin %	32.3%	27.2%		32.4%	29.1%	
EBIT	2,214	1,132	95.7%	1,129	523	115.8%
EBIT Margin %	34.8%	19.6%		34.3%	17.3%	
NPAT	2,315	932	148.4%	1,039	378	175.0%
NPAT Margin %	36.4%	16.1%		31.6%	12.5%	
EPS	1.36	0.55	148.4%	0.61	0.22	175.0%



Costs:

Total costs were contained during the second quarter 2016 – down 0.6% year-on-year - as te maintained stringent procurement and payment practices. As a percentage of sales, costs remain well within management targets.

EBITDA:

EBITDA for the second quarter of 2016 was EGP 1,066 million which was an increase of 21% over the Q2 2015, largely driven by strong performance in our higher margin retail business.

EBITDA for the first six months of the year grew 30.3% over the comparative period in 2016. This represents a 32.3% margin for H1 2016.

EBIT reached EGP 1,129 million for the period, reflecting an increase of 115.8% year-on-year from EGP 523 million in Q2 2015.

Income from Investments:

Total Income from investments, mainly representing te's stake in Vodafone Egypt (VFE), grew 104.6% year-on-year, declined 7.5% % QoQ amounting to EGP 716 million during H1 2016. The solid contribution from Vodafone Egypt impacted the bottom line positively.

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

Vodafone Egypt Financial Highlights:-

(EGP M)	Full Year Ending March			Previous Quarter Comparison		
	June. 2016	June. 2015	% Change	Q1 16/17	Q4 15/16	% Change
Total Revenue	3,955	3,570	10.8%	3,955	3,757	5.3%
Net Profit	766	573	33.7%	766	762	0.6%
CAPEX	446	895	-50.1%	446	1,164	-61.6%

Vodafone Egypt Operational Highlights:-

	Full Year Ending March			Previous Quarter Comparison		
	June. 2016	June. 2015	% Change	Q1 16/17	Q4 15/16	% Change
Closing Customers (000's)	39,499	39,506	0.0%	39,499	38,952	1.4%
Net Adds (000's)	547	-703	-177.8%	547	228	140.3%
Total Voice Minutes (m)	29,714	26,207	13.4%	29,714	27,974	6.2%



Net Profit:-

TE's consolidated Net Profit After Tax for Q2 2016 was EGP 1,039 a year-on-year growth of 175% from EGP 378 million in Q2 2015. The primary driver is higher total revenues, and an increase in income from investments, primarily attributable to Vodafone Egypt,

The net profit margin for the period was 36.4%; this translates to an increased EPS of EGP 1.36.

Balance Sheet – Summary:

<i>(EGP m)</i>	H1 2016	H1 2015	Change%
Current Assets	9,723	9,167	6.1%
Net Fixed Assets	12,632	11,839	6.7%
Long Term Investments	9,592	10,561	-9.2%
Other Long Terms Assets	2,519	3,011	-16.3%
Total Assets	34,466	34,578	-0.3%
Current Liabilities (Excl. STD)	4,625	5,207	-11.2%
CPLTD	67	62	7.9%
LTD	324	327	-1.0%
Other Non-Current Liabilities	201	7	2755.6%
Total Liabilities	5,217	5,603	-6.9%
Total Shareholder Equity	29,249	28,974	0.9%
Total Liabilities & Shareholder Equity	34,466	34,578	-0.3%



Cash Flow – Summary:

<i>(EGP m)</i>	H1 2016	H1 2015	Change%
Net Cash Provided By Operating Activities	2,484	321	674.2%
Net Cash Flows from Investing Activities	-745	-720	-3.5%
Net Cash Flows from Financing Activities	-1,332	-393	-239.2%
Net Change In Cash and Cash Equivalents during the Period	407	-792	151.4%
Translation Differences of Foreign entities	5	0	1147.9%
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	2,816	2,106	33.7%

Investment in Infrastructure / Capital Expenditure:

Capital expenditure for H1 2016 reached EGP 1,002 million versus EGP 1,007 million in HY 2015. This represented 16% of total revenues for the period.

Net Cash Position:

te's net cash position as at 30 June 2016 was EGP 2,586 million, a year-on-year increase of 24.8%, a reflection of the company's strong cash generation.

To download a complete copy of te's Q2 2016 Consolidated Financial Results Statements and notes to these statements, please refer to the attached pdf:

To download a complete copy of te's Q2 2016 Standalone Financial Results Statements and notes to these statements, please refer to the attached pdf:

- Ends -



**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 6.3 million subscribers as at 30 June 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: ETELCA; TEEG.LN) are traded on The Egyptian Exchange and the London Stock Exchange.