



Telecom Egypt

Earnings Release Q2 2017

Cairo, August 15 2017: Telecom Egypt (te) (Ticker: ETEL.CA; TEEG.LN), today announced its consolidated financial results for the second quarter, ending 30 June 2017. The financial statements have been prepared in accordance with Egyptian Accounting Standards.



Telecom Egypt Announces Q2 2017 Consolidated Results

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Highlights & CEO Statement

Highlights for the Second Quarter 2017 period include:

- Consolidated Revenues were EGP 4,637 million, up from EGP 3,294 million in Q2 2016, representing an increase of 41% year-on-year.
- EBITDA was EGP 1,479 million up 39% on Q2 2016 and delivering a solid margin of 32%.
- Net Profit after Tax was EGP 1,268 million, a year-on-year growth of 22%, and representing a net profit margin of 27%.
- Earnings per Share (EPS) for the period were EGP 0.74, translating to an EPS of EGP 1.53 for H1 2017, reflecting an improvement of 13% on the comparative first half of 2016.
- Leading Retail ADSL market share of 77%, with total subscribers of 3.7 million customers
- CapEx for the period was EGP 1,282 million.
- Net Debt was EGP 4,753 million, as at 30 June 2017.

Chief Executive Officer's Statement

"Our second quarter results demonstrate a continued momentum across the business with revenue growth and improved EBITDA. The company's consolidated revenue grew 41% year-on-year to EGP 4,637 million and EBITDA margin of 32%.

"Retail services are once again the real driving force behind our top-line growth as our fixed broadband services and offerings continue to set the standard in the market.

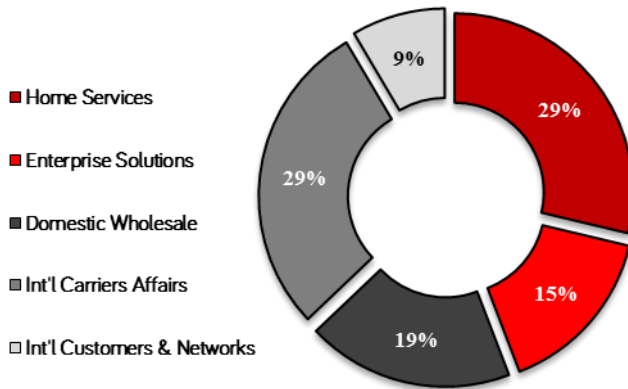
"Management paved the way to mobile launch in the second half of 2017 with the crucial milestone of signing the national roaming agreement and currently finalizing its operational readiness.

"According to our conservative five year business plan, we expect to grow the Company's service revenues by a 5-year (2018-2022) CAGR of 11%, with an increasing contribution from mobile services reaching 16% by 2022. The Company's EBITDA Margin is projected to be in the vicinity of mid to high-20s percentage, and a yearly CapEx to revenue ratio averaging 15%.

"We are confident in our ability to become a Total Telecom Operator, as management continues to perform incredibly well and I am excited about the opportunities ahead for Telecom Egypt."



Revenues by Lines of Business:



Home Services Business Unit:

HS BU (In EGP Millions)	H1 2017	H1 2016	Change%	Q2 2017	Q2 2016	Change%
Voice	716	694	3.2%	362	339	6.7%
Data	1,880	1,315	43.0%	969	670	44.6%
Total	2,596	2,009	29.2%	1,331	1,009	31.8%

	Unit	YoY Analysis		QoQ Analysis	
		H1 2017	H1 2016	Q2 2017	Q2 2016
Home Fixed Line Subscribers	mn	5.53	5.16	5.53	5.16
Home ADSL Subscribers	000's	3,441	3,001	3,441	3,001
Home Voice ARPU	EGP/mn	21.50	21.46	21.41	21.72
Home Data ARPU	EGP/mn	88.50	77.20	97.30	76.70

The Home Services Business Unit continued its growing trend mainly driven by the increasing data revenues, conforming with the increasing subscriber base and management's constant focus on initiatives to upsell new offerings for high speed data bundles.

Total data revenues for the second quarter under-review were EGP 969 million up by 44.6% from EGP 670 million in Q2 2016.

Total Home revenues for the second quarter were EGP 1,331 million, up 31.8% year on year from EGP 1,009 million.

Enterprise Solutions Business Unit:

ES BU (In EGP Millions)	H1 2017	H1 2016	Change%	Q2 2017	Q2 2016	Change%
Voice	715	716	-0.1%	432	365	18.2%
Data	502	357	40.5%	259	189	37.5%
Others	54	49	10.9%	27	16	66.6%
Total	1,272	1,122	13.3%	718	570	25.9%



Operational KPI	Unit	YoY Analysis		QoQ Analysis	
		H1 2017	H1 2016	Q2 2017	Q2 2016
Enterprise Fixed Line Subscribers	mn	1.14	1.11	1.14	1.11
Enterprise ADSL Subscribers	000's	212	181	212	181

The Enterprise Solutions Business Unit continues to perform well benefitting from the growing demand for data services.

During the quarter revenues reached EGP 718 million, up 25.9% from EGP 570 million during the same period last year. Revenues for the first six months of 2017 increased 13.3% over the comparative period in 2016.

Domestic Wholesale Business Unit:

DW BU (In EGP Millions)	H1 2017	H1 2016	Change%	Q2 2017	Q2 2016	Change%
Domestic	1,309	1,155	13.4%	634	615	3.0%
International	446	379	17.7%	234	198	18.5%
Total	1,756	1,534	14.4%	868	813	6.8%

Operational KPI	Unit	YoY Analysis		QoQ Analysis	
		H1 2017	H1 2016	Q2 2017	Q2 2016
International Outgoing Minutes	%	11.5%	-8.7 %	14.9%	-7.1%

The Domestic Wholesale business unit revenues increased by 6.8% on Q2 2016 to EGP 868 million, and reporting a year-on-year growth of 14.4% to EGP 1,756 million for the first half year period, driven by the growing demand from local licensed mobile operators for te's infrastructure services.

International Carriers Affairs Business Unit:

ICA BU (In EGP Millions)	H1 2017	H1 2016	Change%	Q2 2017	Q2 2016	Change%
International Settlement	2,512	1,388	81.0%	1,326	742	78.6%
Total	2,512	1,388	81.0%	1,326	742	78.6%

Operational KPI	Unit	YoY Analysis		QoQ Analysis	
		H1 2017	H1 2016	Q2 2017	Q2 2016
International Incoming Minutes	%	-17.4%	-17.3%	-16.2%	-16.7%

The International Carrier Affairs Business Unit's revenues marked an exceptional 81.0% year-on-year growth in the first half of 2017 on the comparative period in 2016, mainly driven by the currency floatation.



The business experienced a 78.6% increase in revenues year-on-year from EGP 742 million in Q2 2016 to EGP 1,326 million in Q2 2017.

International Customers & Networks Business Unit:

IC&N BU (In EGP Millions)	H1 2017	H1 2016	Change%	Q2 2017	Q2 2016	Change%
Revenue Growth	693	306	126.4%	394	160	146.4%

Revenue Breakdown	Unit	YoY Analysis		QoQ Analysis	
		H1 2017	H1 2016	Q2 2017	Q2 2016
Cable Projects		59	23	42	23
Ancillary Services (O&M)	mn	146	88	75	47
Capacity Sales	mn	300	127	178	51
International Customer Support	mn	188	68	100	39

Revenues from the International Customers and Networks Business Unit remarkably increased by 146.4% from EGP 160 million in Q2 2016 to EGP 394 million in Q2 2017, mainly driven by the successful positioning of te as a global carrier providing end to end services on international assets to our customers and partners.

te Financial Highlights:

Income Statement – Summary:

(EGP m) excluding EPS	H1 2017	H1 2016	Change%	Q2 2017	Q2 2016	Change%
Sales Revenue	8,828	6,359	38.8%	4,637	3,294	40.7%
Home Services	2,596	2,009	29.2%	1,331	1,009	31.8%
Enterprise Solutions	1,272	1,122	13.3%	718	570	25.9%
Domestic Wholesale	1,756	1,534	14.4%	868	813	6.8%
Int'l Carriers Affairs	2,512	1,388	81.0%	1,326	742	78.6%
Int'l Customers & Networks	693	306	126.4%	394	160	146.4%
EBITDA	2,864	2,054	39.4%	1,479	1,066	38.7%
EBITDA Margin %	32.4%	32.3%		31.9%	32.4%	
EBIT	3,283	2,214	48.2%	1,553	1,129	37.6%
EBIT Margin %	37.2%	34.8%		33.5%	34.3%	
NPAT	2,608	2,315	12.6%	1,268	1,039	22.0%
NPAT Margin %	29.5%	36.4%		27.3%	31.5%	
EPS	1.53	1.36	12.6%	0.74	0.61	22.0%



Costs:

Costs during the quarter were up 59.1% year-on-year due to the annual increase in employee costs, following the annual salaries increase at record levels of 15 % to compensate inflation rates in the country and the advanced incentive program, and the increase in energy costs due to the gradual removal of subsidies on utility services in line with the Government's reform program.

EBITDA:

EBITDA for the second quarter of 2017 was EGP 1,479 million reflecting an increase of 38.7% over Q2 2016, largely driven by the sustainable growth of the retail business segment.

EBITDA for the first six months of the year grew 39.4% over the comparative period in 2016. This represents a 32% margin for H1 2017.

EBIT reached EGP 1,553 million in Q2 2017, reflecting an increase of 37.6% year-on-year from EGP 1,129 million in Q2 2016.

Income from Investments:

Total Income from investments grew by 65.5% year-on-year, amounting to EGP 1,201 million during H1 2017, driven by share of profit of equity accounted investees, mainly representing te's stake in Vodafone Egypt (VFE).

Net Profit:-

te's consolidated Net Profit after Tax for Q2 2017 stood at EGP 1,268 million, a year-on-year growth of 22% from EGP 1,039 million in Q2 2016. The increase is a strong reflection of the top-line growth of the business and its ability to generate healthy margins.

The Net Profit margin for the period was 27% and this translates to an EPS of EGP 0.74.



Balance Sheet – Summary:

<i>(EGP m)</i>	H1 2017	FY 2016	Change%
Current Assets	9,485	8,488	11.8%
Net Fixed Assets	14,742	14,238	3.5%
Long Term Investments	10,682	9,534	12.0%
Other Long Terms Assets	12,884	9,228	39.6%
Total Assets	47,793	41,488	15.2%
Current Liabilities (Excl. STD)	8,113	7,648	6.1%
CPLTD	6,414	2,716	136.2%
LTD	611	626	-2.4%
Other Non-Current Liabilities	2,610	753	246.8%
Total Liabilities	17,748	11,742	51.1%
Total Shareholder Equity	30,045	29,745	1.0%
Total Liabilities & Shareholder Equity	47,793	41,488	15.2%

Cash Flow – Summary:

<i>(EGP m)</i>	H1 2017	H1 2016	Change%
Net Cash Provided By Operating Activities	2,165	2,484	-12.8%
Net Cash Flows from Investing Activities	-3,051	-745	-309.5%
Net Cash Flows from Financing Activities	1,948	-1,332	246.3%
Net Change In Cash and Cash Equivalents during the Period	1,063	407	160.9%
Translation Differences of Foreign entities	-5	5	-200.8%
Cash & Cash Equivalents at the Beginning of the Period	1,101	2,404	-54.2%
Cash and Cash Equivalents at the End of the Period	2,159	2,816	-23.3%



Investment in Infrastructure / Capital Expenditure:

Capital expenditure for Q2 2017 reached EGP 1,282 million versus EGP 649 million in Q2 2016, representing 28% of total revenues for the period, translating to a total CAPEX spend for the six month period in 2017 amounted to EGP 1,783 million.

Net Debt Position:

Net financial debt as at 30 June, 2017 stood at EGP 4,753 million, with a generative cash position of EGP 2,273 million.

To download a complete copy of te's Q2 2017 Consolidated Financial Results Statements and notes to these statements, please refer to the attached pdf:

To download a complete copy of te's Q2 2017 Standalone Financial Results Statements and notes to these statements, please refer to the attached pdf:

- Ends -

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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 6.7 million subscribers as at 30 June 2017.

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.