



# Telecom Egypt

## Earnings Release 3Q 2015

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# Telecom Egypt Announces 3Q 2015 Consolidated Results

Cairo, November 16 2015: Telecom Egypt (te) (Ticker: ETEL.CA; TEEG.LN), today announced its consolidated financial results for the third quarter, ending 30 September 2015. The financial statements have been prepared in accordance with Egyptian Accounting Standards.

## Highlights & CEO Statement

Highlights for the third Quarter 2015 include:

- Consolidated Revenues were EGP 2,933 million, up from EGP 2,717 in Q3 2014, reflecting growth of 8.0%.
- EBITDA was EGP 794 million, delivering a solid margin of 27.1%, reflecting a 22.5% growth over Q3 2014.
- Net Profit After Tax was EGP 1,203 million, a year-on-year growth of 359.8%. Earnings Per Share (EPS) for the third quarter reached EGP 0.70 reflecting an improvement of 359.8% over the comparative period in 2014.
- Retail ADSL market share of 71.9% with net ads of 174 thousands customers and EGP 73.7 ARPU.
- Capex of EGP 1.6 billion, as at 30 September 2015.
- Net cash position of EGP 2,218 million, as at 30 September 2015.

### Chief Executive Officer's Statement

"Today we have reported a strong set of results showing a robust financial and operational performance for the third quarter 2015. Our performance continues to reflect the trend of economic recovery being experienced in Egypt, despite the external challenges facing the wider region, as we continue to serve the evolving telecommunications needs of our customers and fulfil our customer-centric approach.

"Our performance in the third quarter has been healthy, and one that we should be proud of. Most notably, we experienced a significant increase in net profit, which was primarily attributable to amendments to the Corporate Tax Law relating to the taxation of dividends as well as lowering the corporate tax rate retroactively as of January 1, 2015 from 30% to 22.5%. As a result, the company had to reverse a deferred tax liability amounting to EGP 613 million, and recognized a lower corporate tax for the period by EGP 371 for the nine month period 2015.

"We continue to benefit from the increasing demand for data services, not least spurred on by the youthful demographic we find in the Egyptian market. As a result, our intention remains to continue to upgrade our infrastructure, turning our attention to the modernization of our network as we pave the way for the future of mobile.

"The Wholesale business remained resilient against the pressures exerted on it. Regional unrest has had an understandable impact, as international incoming calls decreased with the flow of the Egyptians working abroad returning home.

"As always, our customers are our primary concern. Our intention to enter the mobile space through acquiring 4G spectrum is still a top strategic priority for Telecom Egypt, with the goal of meeting the needs of our customers with a single bundled telecommunications service."

### Revenues by Lines of Business:



### Home Services Business Unit:

HS BU (In EGP Millions)	9M 2015	9M 2014	Change%	Q3 2015	Q3 2014	Change%
Voice	1,162	1,281	-9.3%	381	420	-9.5%
Data	1,458	1,055	38.2%	521	372	40.0%
<b>Total</b>	<b>2,619</b>	<b>2,335</b>	<b>12.1%</b>	<b>901</b>	<b>792</b>	<b>13.8%</b>

Operational KPI	Unit	9 Month Period		Quarter Comparison	
		9M 2015	9M 2014	Q3 2015	Q3 2014
Home Fixed Line Customers	Mn	5,49	5,56	5,49	5,56
Home ADSL Customers	000's	2,465	1,814	2,465	1,814
Home Voice ARPU	EGP/Month	23,80	25,19	22,80	24,99
Home ADSL ARPU	EGP/Month	73,89	67,78	72,00	69,00

The Home Services Business Unit once again performed strongly, driven by ongoing demand for data. Total revenues for the quarter were EGP 901 million, up 13.8% year on year from EGP 792 million. Data revenues increased 40% to EGP 521 million in Q3 2015.

Net Home ADSL customers' additions in the third quarter 2015 were 70.8% higher than that achieved in Q3 2014. This resilient growth in data services made a significant contribution during the third quarter. This compensated for any pressure on our retail voice business, which resulted from aggressive mobile competition.

### Enterprise Solutions Business Unit:

ES BU (In EGP Millions)	9M 2015	9M 2014	Change%	Q3 2015	Q3 2014	Change%
Voice	845	971	-12.9%	280	310	-9.7%
Data	437	367	19.2%	161	125	28.6%
Others	64	56	13.4%	15	20	-23.9%
<b>Total</b>	<b>1,347</b>	<b>1,394</b>	<b>-3.4%</b>	<b>456</b>	<b>456</b>	<b>0.2%</b>

Operational KPI	Unit	9 Month Period		Quarter Comparison	
		9M 2015	9M 2014	Q3 2015	Q3 2014
Enterprise Fixed Line Subscribers	Mn	1.07	1.08	1.07	1.08
Enterprise ADSL Subscribers	000's	154	116	154	116

The Enterprise Business Unit experienced a minor increase in revenues year on year versus Q3 2014. This was buoyed by a 28.6% increase in data, while subscriber numbers decreased across the Fixed Line.

The ADSL customer base increased 33.6% on the previous period. Q3's performance was backed by successful deals completed with the Egyptian banking sector in Egypt.

The Enterprise Business Unit continues to work towards delivering on its regional-based strategy, which focuses on SMEs with customized, full-fledged portfolios, whilst also enhancing the customer experience through regional operational experience.

#### Domestic Wholesale Business Unit:

DW BU <i>(In EGP Millions)</i>	9M 2015	9M 2014	Change%	Q3 2015	Q3 2014	Change%
Domestic	1,447	1,168	23.8%	503	379	32.8%
International Outgoing	592	665	-11.0%	196	217	-9.5%
<b>Total</b>	<b>2,038</b>	<b>1,834</b>	<b>11.2%</b>	<b>699</b>	<b>596</b>	<b>17.4%</b>

Operational KPI	Unit	9 Month Period		Quarter Comparison	
		9M 2015	9M 2014	Q3 2015	Q3 2014
International Outgoing Minutes	%	-9.1%	-12.2%	-8.5%	-2.0%

The Domestic Wholesale Business Unit experienced an increase in total revenues, rising 17.4% year on year versus Q3 2014 to EGP 699 million. The Business Unit reported revenues for the nine month 2015 period of just over EGP 2 billion, an increase on 11.2% on the first nine months 2014.

This growth was predominantly driven by the main revenue stream of national transmission services. As in previous quarters, there remains a healthy demand from local licensed mobile operators for infrastructure services, driven by the continued growth experienced across both mobile and data services.

te's extensive digital modernized Network, principally through transmission and access services, positively impacts some 93 million mobile customers and over three million broadband users in Egypt.

## International Carriers Affairs Business Unit:

ICA BU <i>(In EGP Millions)</i>	9M 2015	9M 2014	Change%	Q3 2015	Q3 2014	Change%
International Settlement	2,264	2,302	-1.7%	729	751	-2.9%
<b>Total</b>	<b>2,264</b>	<b>2,302</b>	<b>-1.7%</b>	<b>729</b>	<b>751</b>	<b>-2.9%</b>

Operational KPI	Unit	9 Month Period		Quarter Comparison	
		9M 2015	9M 2014	Q3 2015	Q3 2014
International Incoming Minutes	%	-14.4%	-11.3%	-15.1%	-0.7%

The International Carriers Affairs Business Unit experienced a small decrease in revenues in comparison to the previous year, falling 2.9% versus Q3 2014 and 1.7% versus the nine months to 30 September 2014, largely due to the ongoing impact of the spread of OTT applications on the international wholesale voice business.

The Business Unit was also impacted by the Holy Month of Ramadan, which fell during the third quarter period. It is clear that the Business Unit continues to operate in a challenging environment. Revenues for the third quarter were impacted by the decline in traffic volumes during summer vacations, reduced tourism, as well as the ongoing phenomena of illegal traffic channels. We also continue to work hard to eliminate illegal traffic through commercial deals to local MNOs.

## International Customers & Networks Business Unit:

IC&N BU <i>(In EGP Millions)</i>	9M 2015	9M 2014	Change%	Q3 2015	Q3 2014	Change%
Revenue	451	1,283	-64.8%	147	122	20.4%

Revenue Breakdown	Unit	9 Month Period		Quarter Comparison	
		9M 2015	9M 2014	Q3 2015	Q3 2014
Cable Projects		23	881	23	0
Ancillary Services (O&M)	Mn	127	123	42	36
Capacity Sales	Mn	209	180	48	52
International Customer Support	Mn	92	99	34	34

The International Customers and Networks Business Unit experienced an increase in revenues versus Q3 2014 of 20.4%, climbing to EGP 147 million for the quarter. This was driven by a significant increase in revenues from IRU services on cable system versus Q3 2014.

Additionally there is the expected year on year increase in Ancillary Services, which increased 16.6% versus Q3 2014. This represented the stable revenues associated with the cables post-delivery services.

We reasonably expect new projects to be finalized in the final quarter, which will again provide a significant uplift to FY 2015 revenues. We have always stated that revenues from our cable projects

would be much more uneven on a quarterly basis and it should not detract from the attractiveness of this business line.

## te Financial Highlights:

### Income Statement – Summary:

<i>(In EGP Millions exclude Per share Data)</i>	9M 2015	9M 2014	Change%	Q3 2015	Q3 2014	Change%
<b>Sales Revenue</b>	<b>8,720</b>	<b>9,149</b>	-4.7%	<b>2,933</b>	<b>2,717</b>	<b>8.0%</b>
Home Services	2,619	2,335	12.1%	901	792	13.8%
Enterprise Solutions	1,347	1,394	-3.4%	456	456	0.2%
Domestic Wholesale	2,038	1,834	11.2%	699	596	17.4%
Int'l Carriers Affairs	2,264	2,302	-1.7%	729	751	-2.9%
Int'l Customers & Networks	451	1,283	-64.8%	147	122	20.4%
<b>EBITDA</b>	<b>2,370</b>	<b>3,183</b>	-25.6%	<b>794</b>	<b>649</b>	<b>22.5%</b>
EBITDA Margin %	<i>27.2%</i>	<i>34.8%</i>		<i>27.1%</i>	<i>23.9%</i>	
<b>EBIT</b>	<b>1,621</b>	<b>2,220</b>	-27.0%	<b>490</b>	<b>412</b>	<b>19.0%</b>
EBIT Margin %	<i>18.6%</i>	<i>24.3%</i>		<i>16.7%</i>	<i>15.2%</i>	
<b>NPAT</b>	<b>2,135</b>	<b>1,024</b>	<b>108.5%</b>	<b>1,203</b>	<b>262</b>	<b>359.8%</b>
NPAT Margin %	<i>24.5%</i>	<i>11.2%</i>		<i>41.0%</i>	<i>9.6%</i>	
<b>EPS</b>	<b>1.25</b>	<b>0.56</b>	<b>123.3%</b>	<b>0.70</b>	<b>0.15</b>	<b>359.8%</b>

### Costs:

te continues to retain a considered approach to cost management. The company seeks to evaluate all opportunities for increased cost optimization as part of an ongoing review. However, we still see an increase in costs mainly attributable to increased employee costs (7%) when compared with the same period last year.

### EBITDA:

EBITDA for the third quarter 2015 amounted to EGP 794 million, an increase of 22.5% year on year, directly attributable to higher revenues.

The EBITDA margin for Q3 2015 was 27.08%, which remains in line with management's expectations and the guidance announced previously for mid to late-20s.

EBIT reached EGP 490 million for the quarter, an increase of 19.0% year on year, delivering an EBIT margin of 16.7%.

## Income from Investments:

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Total income from te's investments, for the third quarter was EGP 306 million, representing te's stake in Vodafone Egypt (VFE).

During the period under review, VFE generated revenues of EGP 3.8 billion, representing an increase of 5% on the previous quarter.

As at 30 September 2015 VFE Closing customers stood at 38,666 million, 2.1% on Q1 2015/16.

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

## Vodafone Egypt Financial Highlights-

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<i>(In EGP Millions)</i>	Second Quarter Ending Sept.			Previous Quarter Comparison		
	Sep. 2015	Sep. 2014	% Change	Q2 15/16	Q1 15/16	% Change
Total Revenue	7,320	6,756	8.3%	3,750	3,570	5.0%
Net Profit	1,239	993	24.8%	666	573	16.2%
CAPEX	1,718	1,418	21.2%	823	895	-8.0%

## Vodafone Egypt Operational Highlights:-

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	Second Quarter Ending Sept.			Previous Quarter Comparison		
	Sep. 2015	Sep. 2014	% Change	Q2 15/16	Q1 15/16	% Change
Closing Customers (000's)	38,666	39,678	-2.6%	38,666	39,506	-2.1%
Net Adds (000's)	-1,543	-2,395	-35.6%	-840	-703	19.4%
Total Voice Minutes (millions)	52,900	46,751	13.2%	26,693	26,207	1.9%

## Net Profit:-

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Te's Consolidated Net Profit After Tax for Q3 2015 reached EGP 1.2 billion versus EGP 262 million in Q3 2014 and EGP 2.1 billion for the nine month period 2015, an increase of 359.8% and 108.5% respectively. This translates to an EPS of EGP 1.25 for the nine-month period 2015 and a net profit margin of 24.5%.

Balance Sheet – Summary:

<i>(In EGP Millions)</i>	9M 2015	FY 2014	Change%
Current Assets	8,841	9,493	-6.9%
Net Fixed Assets	11,222	11,070	1.4%
Long Term Investments	10,176	9,474	7.4%
Other Long Terms Assets	2,571	2,318	10.9%
<b>Total Assets</b>	<b>32,810</b>	<b>32,355</b>	<b>1.4%</b>
Current Liabilities (Excl. STD)	4,278	4,498	-4.9%
CPLTD	75	84	-10.8%
LTD	344	383	-10.1%
Other Non-Current Liabilities	0	3	-91.0%
<b>Total Liabilities</b>	<b>4,697</b>	<b>4,967</b>	<b>-5.4%</b>
<b>Total Shareholder Equity</b>	<b>28,113</b>	<b>27,388</b>	<b>2.6%</b>
<b>Total Liabilities &amp; Shareholder Equity</b>	<b>32,810</b>	<b>32,355</b>	<b>1.4%</b>

Cash Flow – Summary:

<i>(In EGP Millions)</i>	9M 2015	9M 2014	Change%
Net Cash Provided By Operating Activities	929	1,203	-22.8%
Net Cash Flows from Investing Activities	-862	-1,776	-51.4%
Net Cash Flows from Financing Activities	-414	-2,344	-82.3%
<b>Net Change In Cash and Cash Equivalents during the Period</b>	<b>-348</b>	<b>-2,917</b>	<b>-88.1%</b>
Translation Differences of Foreign entities	3	-1	-298.0%
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>2,354</b>	<b>2,726</b>	<b>-13.6%</b>



## Investment in Infrastructure / Capital Expenditure:

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Capital expenditure (Capex) for Q3 2015 reached EGP 576 million representing 20% of total revenues. The increase in Capex spend during the quarter can be attributable to the previously announced investments being made to upgrade te's nationwide access network, from copper-based technologies to modern fiber-based technologies.

## Net Cash Position:

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te continues to enjoy a positive cash flow, backed by a strong balance sheet. The company reported a net cash position of EGP 2.2 billion a reflection of the cash generative nature of te's business.

To download a complete copy of te's Q3 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 Q3 2015 Standalone Financial Results Statements and notes to these statements, please refer to the attached pdf: <http://ir.te.eg/EarningRelease>

- 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 6.6 million subscribers as at 30 September 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.