



# Telecom Egypt

## Earnings Release Q1 2015

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## Telecom Egypt Announces Q1 2015 Consolidated Results

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### Highlights & CEO Statement

#### Highlights

- Consolidated Revenues for Q1 2015 were EGP 2,761 million, up from EGP 2,564 in Q1 2014.
- EBITDA was EGP 694 million, delivering a margin of 25.1%.
- Net Profit After Tax was EGP 604 million, a year-on-year growth of 9.9%, and representing a net profit margin of 21.9%.
- Earnings Per Share (EPS) for the period was EGP 0.35.
- Retail ADSL market share of 67.3% with net ads of 220 thousands subscribers for the first 3 months of the year.
- Capex for the period of EGP 440 million.
- Net cash position of EGP 2,916 million, as at 31 March 2015.

#### Chief Executive Officer's Statement

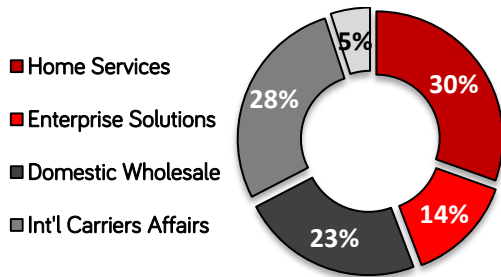
"Today's results are a reflection of management's orientation and understanding of its customer's growing telecommunication needs, evidently having impact on customer satisfaction levels across all lines of business.

In line with management's announced expectations, we secured the company's top and bottom-line performance with a sound growth of 7.7% and 9.9%, respectively.

Retail revenues continues its growth story, with data revenues offsetting the inevitable decline in traditional voice revenues, which again was the catalyst for te's massive investment plan to upgrade its infrastructure from copper-based technologies to today's state-of-the-art fiber-based technologies. A deployment that will enable us to carry more and higher capacity traffic of a better quality, and the foundation for tomorrow's mobile and 4G operations".



## Revenues by Lines of Business:



## Home Services Business Unit:

HS BU (In EGP Millions)	Q1 2015	Q1 2014	Change%	Q1 2015	Q4 2014	Change%
Voice	386	434	-11.1%	386	395	-2.1%
Data	455	330	37.9%	455	399	14.2%
<b>Total</b>	<b>841</b>	<b>764</b>	<b>10.1%</b>	<b>841</b>	<b>793</b>	<b>6.1%</b>

Operational KPI	Unit	YoY Analysis		QoQ Analysis	
		Q1 2015	Q1 2014	Q1 2015	Q4 2014
Home Fixed Line Subscribers	Mn	5.15	5.73	5.15	5.28
Home ADSL Subscribers	000's	2,063	1,645	2,063	1,868
Home ARPU	EGP/Month	24,54	25,28	24,54	24,09

Home Business Unit continues its growth story recording an increase of 6.1% quarter-on-quarter and a 10.1% year-on-year, mainly driven by the increasing demand for data services, accelerating customer additions and accordingly elevating data revenues, offsetting the decline in traditional national voice revenues.

## Enterprise Solutions Business Unit:

ES BU (In EGP Millions)	Q1 2015	Q1 2014	Change%	Q1 2015	Q4 2014	Change%
Voice	234	267	-12.1%	234	345	-32.1%
Data	130	120	8.3%	130	126	3.0%
Others	15	6	161.7%	15	19	-23.8%
<b>Total</b>	<b>379</b>	<b>393</b>	<b>-3.4%</b>	<b>379</b>	<b>491</b>	<b>-22.7%</b>



Operational KPI	Unit	YoY Analysis		QoQ Analysis	
		Q1 2015	Q1 2014	Q1 2015	Q4 2014
Enterprise Fixed Line Subscribers	Mn	1.05	1.06	1.05	1.20
Enterprise ADSL Subscribers	000's	135	112	135	109
Enterprise ARPU	EGP/Month	53,96	71,69	53,96	53,11

The revenue drop on comparative periods was mainly due to some revenue reclassifications that came into effect during Q1 2015 and the Business Unit's discounted promotional activities during the quarter in the attempt to increase its customer base count and their dependence on te's enterprise solutions and services.

#### Domestic Wholesale Business Unit:

DW BU (In EGP Millions)	Q1 2015	Q1 2014	Change%	Q1 2015	Q4 2014	Change%
Domestic	443	335	32.1%	443	651	-32.0%
International	197	211	-6.2%	197	212	-6.8%
<b>Total</b>	<b>640</b>	<b>546</b>	<b>17.3%</b>	<b>640</b>	<b>863</b>	<b>-25.8%</b>

Operational KPI	Unit	YoY Analysis		QoQ Analysis	
		Q1 2015	Q1 2014	Q1 2015	Q4 2014
International Outgoing Minutes	%	-8.2%	-16.2%	-8.2%	-5.7%

On the comparable period last year, revenue growth was mainly due to the growing demand from local licensed mobile operators for infrastructure services derived from the dynamic growth in both mobile and data services.

While the decline in revenues on the previous comparative period, Q4 2014, was due to many seasonality considerations, making it an unfair indication for performance.

#### International Carriers Affairs Business Unit:

ICA BU (In EGP Millions)	Q1 2015	Q1 2014	Change%	Q1 2015	Q4 2014	Change%
International Settlement	761	731	4.1%	761	764	-0.4%
<b>Total</b>	<b>761</b>	<b>731</b>	<b>4.1%</b>	<b>761</b>	<b>764</b>	<b>-0.4%</b>



Operational KPI	Unit	YoY Analysis		QoQ Analysis	
		Q1 2015	Q1 2014	Q1 2015	Q4 2014
International Incoming Minutes	%	-11.0%	-25.6%	-11.0%	-7.0%

The Business Unit's performance is showing healthy indicators of growth when it comes to year-on-year comparison and after normalizing the Saudi retail activities impact, demonstrating a climbing pattern in the international inbound and transit activities volumes and related revenues.

A positive sign in the middle of sever global challenges and changes facing the international wholesale voice business from the spread of OTT applications and the growing solid bypass activities which are gradually eating up the traditional voice business when comparing quarter-on-quarter performance.

#### International Customers & Networks Business Unit:

IC&N BU (In EGP Millions)	Q1 2015	Q1 2014	Change%	Q1 2015	Q4 2014	Change%
Revenue Growth	139	130	6.6%	139	97	42.5%

Revenue Breakdown	Unit	YoY Analysis		QoQ Analysis	
		Q1 2015	Q1 2014	Q1 2015	Q4 2014
Cable Projects		0	0	0	0
Ancillary Services (O&M)	Mn	40	43	40	39
Capacity Sales	Mn	71	54	71	27
International Customer Support	Mn	28	33	28	32

The growth in IC&N revenues was boosted, on all comparative periods, by the growing demand for International Capacity Sales, driven by the introduction of a competitive new pricing scheme for Capacity and IP Transit services to the international market.



## te Financial Highlights:

### Income Statement – Summary:

<i>(In EGP Millions exclude Per share Data)</i>	Q1 2015	Q1 2014	Change%	Q1 2015	Q4 2014	Change%
<b>Sales Revenue</b>	<b>2,761</b>	<b>2,564</b>	<b>7.7%</b>	<b>2,761</b>	<b>3,009</b>	<b>-8.2%</b>
Home Services	841	764	10.1%	841	793	6.1%
Enterprise Solutions	379	393	-3.4%	379	491	-22.7%
Domestic Wholesale	640	546	17.3%	640	863	-25.8%
Int'l Carriers Affairs	761	731	4.1%	761	764	-0.4%
Int'l Customers & Networks	139	130	6.6%	139	97	42.5%
<b>EBITDA</b>	<b>694</b>	<b>805</b>	<b>-13.7%</b>	<b>694</b>	<b>660</b>	<b>5.2%</b>
EBITDA Margin %	25.1%	31.4%		25.1%	21.9%	
<b>EBIT</b>	<b>609</b>	<b>590</b>	<b>3.2%</b>	<b>609</b>	<b>489</b>	<b>24.4%</b>
EBIT Margin %	22.0%	23.0%		22.0%	16.3%	
<b>NPAT</b>	<b>604</b>	<b>549</b>	<b>9.9%</b>	<b>604</b>	<b>236</b>	<b>155.4%</b>
NPAT Margin %	21.9%	21.4%		21.9%	7.9%	
<b>EPS</b>	<b>0.35</b>	<b>0.32</b>	<b>9.9%</b>	<b>0.35</b>	<b>0.06</b>	<b>461.7%</b>

### Costs:

te retains a very careful approach to cost management. However, the increase in costs during the period was due to the 10% annual salary increase which came into effect as of 1<sup>st</sup> of January, 2015, the structured incentive rewards program, and the increasing interconnection costs.

### EBITDA:

EBITDA for the first quarter 2015 amounted to EGP 694 million, a decrease of 13.7% compared Q1 2014, directly attributable to higher costs.

EBIT reached EGP 609 million for the period, an increase of 3.2% on the first quarter of 2014.

### Income from Investments:

Total Income from investments, mainly representing te's stake in Vodafone Egypt (VFE), rose to EGP 259 million, up 67.9% year-on-year and 12.3% quarter-on-quarter.



During the period under review, VFE generated revenues of EGP 4,164 million, an increase of 21.97% quarter-on-quarter. Closing customers as at 31 March stood at 40,209 million, up 1.67% on previous quarter.

*(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. 2015	Mar. 2014	% Change	Q4 14/15	Q3 14/15	% Change
Total Revenue	14,334	13,331	7.5%	4,164	3,414	22.0%
Net Profit	2,082	1,852	12.4%	576	513	12.3%
CAPEX	3,748	2,506	49.5%	1,377	952	44.6%

#### Vodafone Egypt Operational Highlights:-

	Full Year Ending March			Previous Quarter Comparison		
	Mar. 2015	Mar. 2014	% Change	Q4 14/15	Q3 14/15	% Change
Closing Customers (000's)	40,209	42,073	-4.4%	40,209	39,549	1.7%
Net Adds (000's)	-1,864	3,817	-148.8%	661	-129	610.8%
Total Voice Minutes (millions)	95,891	90,359	6.1%	24,815	24,508	1.3%

#### Net Profit:-

te's consolidated Net Profit After Tax for Q1 2015 reached EGP 604 million versus EGP 549 million in Q1 2014, increasing by 9.9%. This represents a healthy NPAT margin of 21.9%.



## Balance Sheet – Summary:

<i>(In EGP Millions)</i>	Q1 2015	FY 2014	Change%
Current Assets	9,540	9,493	0.5%
Net Fixed Assets	11,181	11,070	1.0%
Long Term Investments	9,733	9,474	2.7%
Other Long Terms Assets	2,218	2,318	-4.3%
<b>Total Assets</b>	<b>32,672</b>	<b>32,355</b>	<b>1.0%</b>
Current Liabilities (Excl. STD)	5,057	4,498	12.4%
CPLTD	79	84	-5.1%
LTD	332	383	-13.2%
Other Non-Current Liabilities	1	3	-78.4%
<b>Total Liabilities</b>	<b>5,468</b>	<b>4,967</b>	<b>10.1%</b>
<b>Total Shareholder Equity</b>	<b>27,203</b>	<b>27,388</b>	<b>-0.7%</b>
<b>Total Liabilities &amp; Shareholder Equity</b>	<b>32,672</b>	<b>32,355</b>	<b>1.0%</b>

## Cash Flow – Summary:

<i>(In EGP Millions)</i>	Q1 2015	Q1 2014	Change%
Net Cash Provided By Operating Activities	938	1,362	-31.1%
Net Cash Flows from Investing Activities	-482	-142	-239.0%
Net Cash Flows from Financing Activities	-43	-54	20.7%
<b>Net Change In Cash and Cash Equivalents during the Period</b>	<b>413</b>	<b>1,166</b>	<b>-64.6%</b>
Translation Differences of Foreign entities	-3	0	-819.7%
Cash & Cash Equivalents at the Beginning of the Period	2,897	5,644	-48.7%
<b>Cash and Cash Equivalents at the End of the Period</b>	<b>3,307</b>	<b>6,810</b>	<b>-51.4%</b>





## Investment in Infrastructure / Capital Expenditure:

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Capital expenditure for Q1 2015 reached EGP 440 million an increase of 47.5% on Q1 2014 and in line with management expectations, representing 15.9% of total revenues.

## Net Debt Position:

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te continues to boast a very healthy balance sheet, with a net cash position of EGP 2,916 million at Q1 2015, a reflection of the cash generative nature of te's business.

To download a complete copy of te's Q1 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 Q1 2015 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:

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 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.