

Full Year 2021 Earnings Release

3 March 2022

Telecom Egypt today announces its FY 2021 results ending 31 December 2021.

FY 2021 key highlights

- **Consolidated revenue** grew 16% YoY, landing at EGP 37.1bn. The growth was mainly driven by a 30% YoY increase in data revenues, constituting 67% of top line growth, and a 26% YoY increase in infrastructure revenue.
- **Customer base** grew on all fronts with fixed voice and broadband growing 12% and 16% YoY, respectively, and mobile customers growing 28% YoY, reaching 9.4mn.
- **EBITDA** came in at EGP 14.2bn with a strong margin of 38% on an improved revenue mix.
- **Operating profit** grew 42% YoY thanks to a high margin revenue mix and continued cost containment efforts, despite a 19% YoY growth in D&A.
- **Net profit** reached EGP 8.4bn, growing 74% YoY driven by strong operational performance and higher investment income from Vodafone (+52% YoY).
- **In-service CapEx** reached EGP 10.1bn, representing 27% of total revenue, while **cash CapEx** reached EGP 13.6bn (37% of sales).
- **Net debt to EBITDA** declined 0.9x, compared to 1.6x last year, while the effective interest rate declined to 5.3% vs. 5.9% in FY 2020.
- **Operating cash flows** doubled YoY, reaching an all-time high of EGP 16bn.
- **Dividend distribution** proposed by the BoD is EGP 1/share (+33%YoY).

Adel Hamed, Managing Director and Chief Executive Officer, commented:

"I am very proud of our FY 2021 results that reflect Telecom Egypt's outstanding performance across the board. Our top line grew 16% YoY, mainly attributable to a 30% YoY spike in data revenue, while EBITDA climbed 28% YoY, recording a strong margin of 38%. Our net profit has hit a record-high EGP 7.7bn, organically up 52%. Our full year results clearly demonstrate that the strategy we adopted to reach financial and operational excellence is already bearing fruit, as we continue to see our growing margins translate to strong organic free cash flows of EGP 3bn, after excluding special dividends from Vodafone Egypt of around EGP 4bn.

Our remarkable performance is credited to our unique and valuable product offerings that cater to all customer segments, our internal system upgrades, and our ability to capitalize on our distinctive infrastructure that spans both Egypt and the region. Additionally, Telecom Egypt continued to contribute strongly to national digitization projects, including the new phase of the digital transformation initiative that involves connecting nationwide governmental buildings with fiber, in addition to the first phase of Hayah Karima, which involves connecting about 1,400 villages with Fiber to the Home (FTTH) technology.

Strategically, we have resumed our efforts to deleverage and decrease our cost of debt by utilizing our higher operating cash flows and the special dividends we received from Vodafone Egypt, which was a result of the new modified shareholders' agreement with Vodafone Egypt, which provides us with visibility on our investment and expected returns going forward.

To conclude, 2021 is evidence that Telecom Egypt is a forward-focused company committed to maximizing shareholder returns and enabling Egypt's sustainable development strategy. We look forward to continue delivering on our strategic goals throughout 2022."

Telecom Egypt Latest Events

Main events in Q4 2021

- ✓ In October, Telecom Egypt secured a new USD 500mn medium-term syndicated loan to be used to support its capital expenditure and refinance existing short-term facilities. First Abu Dhabi Bank PJSC ("FAB") and Mashreq Bank PSC ("Mashreq") were mandated as Joint Coordinators, Underwriters, Bookrunners, and Initial Mandated Lead Arrangers of the facility, similar to the medium-term syndicated loan obtained in October 2018.
- ✓ In November, Vodafone Egypt (VFE) management informed Telecom Egypt (TE) that Vodafone Group (VFG) has received an initial offer from Vodacom for the transfer of VFG's stake in Vodafone Egypt to Vodacom. The current modified shareholders' agreement signed on 7 June 2021 by VFE's shareholders grants TE enhanced rights and benefits and allows VFG to transfer its shareholding in VFE within the broader Vodafone Group (as has been disclosed earlier). The latter is conditional on the new shareholder submitting a deed of adherence to the new amended shareholders agreement, which Vodafone Egypt management has confirmed that Vodacom has committed to with Vodafone Group.

Subsequent events to Q4 2021

- ✓ In mid-February, Telecom Egypt and GRID Telecom, a subsidiary of the Independent Power Transmission Operator (IPTO) in Greece, signed a strategic Memorandum of Understanding (MoU) to connect Greece and Egypt using submarine cable infrastructure.
- ✓ In late February, Telecom Egypt announced that it is extending its reach through the Southeast Asia-Middle East-Western Europe 6 (SEA-ME-WE 6) subsea cable, as part of the cable's consortium. The new cable will cross Egypt over the company's distinctive infrastructure through trans-Egypt's new geo diversified crossings and landing points from the other cables in the SEA-ME-WE family.

Main events in the 9 months ending September 2021

- ✓ In January, Telecom Egypt signed an agreement with Google to provide it with a first of its kind, layer three meshed solution on multiple redundant Egypt crossing routes owned by Telecom Egypt. As part of the agreement, Google will also be provided capacity on Telecom Egypt's Mediterranean submarine cable, TE North. The project is expected to go live in H1 2021.
- ✓ In the same month, Telecom Egypt and the Ministry of Social Solidarity signed an agreement to provide telecom services to the Ministry and the beneficiaries of social protection programs, namely "Takaful and Karama." According to the agreement, Telecom Egypt will provide 3.5mn mobile SIMs to the beneficiaries of the program, including a bundle of minutes, text messages, and megabytes per month at a nominal cost.
- ✓ Also in January, Telecom Egypt's fixed network was deservedly named the fastest fixed network in North Africa for the third and fourth quarters of 2020 for reaching average internet speeds of 32.66 Mbps, according to Ookla®, a world leader in measuring and evaluating internet speeds. Evaluations are based on a careful analysis of tests that are run by users through Speedtest®.
- ✓ In March, Telecom Egypt announced its plans to launch Hybrid African Ring Path (HARP) by 2023, a new subsea system that will outline the African continent, forming the shape of a harp. It will connect coastal and landlocked African countries to Europe through TE's widespread terrestrial and subsea infrastructure.
- ✓ Also in March, Vodafone Egypt's OGM approved a dividend of EGP 2bn, of which Telecom Egypt's share amounts to cEGP 0.9bn. Accordingly, Telecom Egypt's BoD has proposed raising its dividend for FY 2020 to EGP 0.75 per share instead of EGP 0.50 per share.
- ✓ In April, the NTRA enforced new rules on the customer life cycle, effective 1st of April, limiting the line validity to 90 days active for prepaid customers and 180 days for postpaid customers. The impact of such was visible in Q2 2021.
- ✓ In June, Telecom Egypt and Vodafone Group signed a modified shareholders' agreement. The agreement includes changes to Vodafone Egypt's dividend policy, whereby VFE will pay a one-time dividend of EGP10bn to its shareholders during the 2021 calendar year, EGP 2bn of which was paid in March and EGP 8bn in July. The parties have also agreed on a minimum dividend payout ratio of 60% of free cash flow going forward. TE maintains its existing rights in the agreement and has obtained certain enhanced minority rights including access to information.
- ✓ In July, TE launched voice over LTE (VoLTE) service in Egypt through its 4G network in cooperation with key technology players and handsets providers. The new technology offers a high quality and convenient voice service that can connect up to five times faster than conventional voice calls, and allows users to make calls while using 4G data services at the same time without affecting the quality of the calls nor the data connection speed.
- ✓ In August, the 2Africa consortium comprised of China Mobile International, Facebook, MTN GlobalConnect, Orange, stc, Telecom Egypt, Vodafone and WIOCC, announced the addition of four new branches to the 2Africa cable. The branches will extend 2Africa's connectivity to

Seychelles, the Comoros Islands, and Angola, and bring new landing to southeast Nigeria. The new branches join the recently announced extension to the Canary Islands.

- ✓ In September, the 2Africa consortium, comprised of China Mobile International, Facebook, MTN GlobalConnect, Orange, stc, Telecom Egypt, Vodafone and WIOCC, announced the addition of a new segment - the 2Africa PEARLS branch - extending to the Arabian Gulf, India, and Pakistan.

Customer Base

(000's)	4Q 21	4Q 20	Δ %yoy	3Q 21	Δ % qoq
Fixed Line					
Voice	11,014	9,850	12%	10,579	4%
Data	8,027	6,947	16%	7,690	4%
Mobile	9,365	7,342	28%	7,711	21%

Revenue breakdown

EGPm	FY 21	FY 20	Δ % yoy	4Q 21	4Q 20	Δ % yoy	3Q 21	Δ % qoq
Home & Consumer	18,133	14,380	26.1%	4,786	3,864	23.9%	4,718	1.4%
Enterprise	4,699	3,933	19.5%	1,253	1,016	23.3%	1,125	11.4%
Domestic Wholesale	5,847	4,670	25.2%	1,615	1,061	52.2%	1,536	5.1%
International Carriers	4,244	4,396	-3.5%	1,110	1,057	5.0%	985	12.7%
International Customers & Networks	4,165	4,535	-8.2%	1,945	2,566	-24.2%	642	203.0%

Income statement summary

EGPm	FY 21	FY 20	Δ % yoy	4Q 21	4Q 20	Δ % yoy	3Q 21	Δ % qoq
Revenue	37,088	31,912	16%	10,709	9,565	12%	9,006	19%
EBITDA	14,193	11,126	28%	3,882	3,609	8%	3,583	8%
EBIT	11,688	7,882	48%	2,981	2,448	22%	2,927	2%
NPAT	8,417	4,850	74%	2,319	1,318	76%	2,227	4%
EPS	4.34	2.31	88%	1.36	0.77	76%	1.30	4%
Margins								
EBITDA Margin %	38.3%	34.9%	341 bps	36.2%	37.7%	-149 bps	39.8%	-354 bps
EBIT Margin %	31.5%	24.7%	681 bps	27.8%	25.6%	224 bps	32.5%	-467 bps
NPAT Margin %	22.7%	15.2%	750 bps	21.7%	13.8%	787 bps	24.7%	-307 bps

Results discussion

Q4 2021:

- **Total revenue** grew 12% YoY on higher retail revenue (+24% YoY) owed to a growing customer base and enhanced ARPU.
- **Retail revenue** increased by 24% YoY on a 25% YoY growth in data revenue, followed by other enterprise revenue due to a EGP 208mn hike in digital transformation revenue.
- **Wholesale** came in flat YoY as a 52% YoY hike in Domestic revenue was offset by a 24% YoY decline in IC&N, the latter is a result of the base effect from a one-off revenue of EGP 1.9bn from 2-Africa last year.
- **EBITDA** recorded a strong margin of 36.2% driven by the contribution of high margin data and cable revenues.
- **Adjusted Net profit** came at EGP 1.9bn, growing 30% YoY on strong top line performance, supported by higher income from Vodafone and lower interest expenses (+19%, and -20%, respectively).

FY 2021:

- **Consolidated revenue** climbed 16% YoY driven by data and infrastructure revenues, making up 67% and 22% of top line growth, respectively, on increased demand for data services.
- **Home & consumer** grew 26% YoY due to higher data and voice revenues (+30% and +14%, respectively) backed by customer base growth and healthy ARPU.
- **Enterprise** grew 19% YoY mainly on increased managed data services and revenue from subsidiaries. Additionally, EGP 208mn coming from continued work in the digital transformation project were recognized in Q4 2021.
- **Wholesale** reported a 5% YoY increase, supported by a 25% YoY growth in domestic revenue that offset an 8% YoY decrease in **IC&N** revenue due to the base effect of the one-off revenue of EGP 1.9bn from 2-Africa last year and a 3% YoY drop in **ICA**, in line with the global decline in traffic.
- **EBITDA** grew 28% YoY, recording a strong margin of 38% on an improved revenue mix.
- **Normalized net profit** reached EGP 7.7bn, growing 52% YoY driven by strong operational performance and higher investment income from Vodafone, offsetting the 19% YoY increase in D&A.

Balance sheet summary

EGPm	FY 21	FY 20	Δ %
Current Assets	17,292	17,689	-2%
Net Fixed Assets	43,465	38,141	14%
Long Term Investments	11,011	12,381	-11%
Other Long Terms Assets	18,916	16,212	17%
Total Assets	90,684	84,423	7%
Current Liabilities (Excl. STD)	21,649	17,643	23%
CPLTD	5,333	17,009	-69%
LTD	10,988	3,278	235%
Other Non-Current Liabilities	8,385	7,731	8%
Total Liabilities	46,355	45,661	2%
Total Shareholder Equity	44,330	38,761	14%
Total Liabilities & Shareholder Equity	90,684	84,423	7%

Cash flow summary

EGPm	FY 21	FY 20	Δ %
Net Cash Provided By Operating Activities	16,015	8,297	93%
Net Cash Flows from Investing Activities	-9,835	-11,092	-11%
Net Cash Flows from Financing Activities	-5,188	3,419	-252%
Net Change In Cash & Cash Equivalents	993	624	59%
Translation Differences of Foreign entities	-7	1	-664%
Beginning of period cash	1,937	1,311	48%
End of period cash	2,923	1,937	51%

– End –

Please refer to Telecom Egypt's full financial statements that can be downloaded from the website ir.te.eg

For more information, contact:

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About Telecom Egypt

Telecom Egypt is the first total telecom operator in Egypt providing all telecom services to its customers including fixed and mobile voice and data services. Telecom Egypt has a long history serving Egyptian customers for over 160 years maintaining a leadership position in the Egyptian telecom market by offering its enterprise and consumer customers the most advanced technology, reliable infrastructure solutions and the widest network of submarine cables. Aside from its mobile operation "WE", the company owns a 45% stake in Vodafone Egypt. Telecom Egypt's shares and GDRs (Ticker: ETEL.CA; TEEG.LN) are traded on The Egyptian Exchange and the London Stock Exchange. Please refer to Telecom Egypt's full financial disclosure on ir.te.eg