

Full Year 2017 Earnings Release

5 March 2018

Telecom Egypt (Ticker: ETEL.CA; TEEG.LN), today announced its results for the year ending 31 December 2017.

Full year 2017 key highlights

- **Consolidated revenue** came in at EGP 18.6bn growing 33% yoy. Organic growth excluding the fx impact came in at 13% yoy.
- **EBITDA** grew 36% yoy to reach EGP 5.2bn delivering a margin of 28%.
- **Net profit after tax** reached EGP 3.2bn vs. 2.7bn last year, a yoy growth of 18% representing a net profit margin of 17%. Excluding one-offs net profit would have reached EGP 4.8bn.
- **Earnings per Share (EPS)** reached EGP 1.4 for FY 17 compared to 1.2 in FY 16, reflecting an improvement of 19% yoy.
- **In-service CapEx** including license fees for FY 17 amounted to EGP 10.7bn compared to 10.0bn last year and cash CapEx reached 7.5bn compared to 8.6bn in FY 16.
- **Net Debt** stood at EGP 6.7bn in FY 17 compared to EGP 2.2bn in FY 16, representing an annualized net debt to EBITDA of 1.3x vs. 0.6x last year.
- **Employee costs** decreased to 27% of revenue from 33% last year thanks to the strong top-line growth.
- **Total fixed broadband customers** grew 20% yoy to reach 4.1m.
- **Fixed voice customers** reached 7.1m in FY 2017 up 11% yoy.
- **Mobile customers** closed the year at 2.3m.
- Management proposed a **dividend of EGP 1 per share** for FY 17 in line with FY 16 .

Ahmed El Beheiry, Group Chief Executive, commented:

“Telecom Egypt delivered a strong operational and financial performance in FY 2017 delivering double digit growth across the P&L. Total consolidated revenue grew 33% yoy to EGP 18.6bn and normalized revenue grew 13% yoy on the continuation of fixed data services growth of 42% leading retail revenue to grow by 28% yoy. Telecom Egypt also reported an 18% growth in net profit in spite of the P&L impact of the settlements with Orange and Etisalat. Excluding such impact net profit would have grown even higher by 31% yoy.

The year was marked by several strategic milestones including the launch of our new brand identity “WE”, the new focus on customer care and the creation of a new call centre, the settlement of all legacy legal disputes with mobile operators and the closing of several long-term agreements to secure our wholesale revenue streams. We have also continued to invest in our fixed infrastructure along with our new investments in mobile in order to provide our customers with the best data quality across all technologies with the aim of becoming the customer’s first choice for total telecom services.”

Telecom Egypt in 12 Months

Main events in Q4 2017

- ✓ “We” reached 1 million mobile customers as of 25 October 2017 and the customer base increased to 2.3 million by end of year.
- ✓ Telecom Egypt priced up its fixed voice services by EGP 3 per monthly subscription up from EGP 12 per month. The price became effective starting October 2017.
- ✓ The renewal of the international voice services wholesale agreement with Vodafone Egypt in November 2017 for an expected total value of EGP 12bn over 5 years to 2022.
- ✓ Telecom Egypt and Etisalat Misr signed a site sharing agreement in November 2017 for a period of 10 years.
- ✓ Telecom Egypt and Orange Egypt signed a final settlement agreement ending all legal disputes between both companies in November 2017. The agreement had a net positive cash flow impact of EGP 74m, however the company incurred total impairments of receivables of EGP 250m in Q4 2017.
- ✓ “WE” introduced end of December 2017 its new mobile recharge platform to promote best value for customers under the slogan “Agda3 Kart”. The word “Agda3” in Egyptian Arabic usually refers to a trustworthy and reliable person and the campaign is an extension of “WE” brand, which was introduced at the time of launch.
- ✓ Telecom Egypt closed two international capacity mega deals with PCCW, a Hong Kong based global company with interests in telecom, media and IT solutions, and Saudi Telecom Company, the leading and incumbent telecom operator in Saudi Arabia.

Subsequent events to the quarter

- ✓ A new investor relations portal was launched adapting the “WE” approach in January 2018.
- ✓ Telecom Egypt and Etisalat Misr signed a final settlement agreement in regards to a dispute on international calls services in January marking the end of all historical legal disputes with the domestic mobile operators. Based on the settlement, Telecom Egypt will pay USD 48mn to Etisalat Misr to mitigate an exposure of more than USD 140mn. Prior to signing Telecom Egypt had already booked in Q4 2017 EGP 1bn in provisions relating to the court case.
- ✓ Telecom Egypt renewed its transmission and infrastructure services agreement with Vodafone Egypt in February 2018. The agreement takes effect starting January 2018 for three years. The new agreement raises Vodafone Egypt’s minimum committed revenue to Telecom Egypt to EGP 2.37bn over the period of the agreement.
- ✓ Telecom Egypt signed an agreement with Orange Data to provide bitstream services for three years. The agreement formalizes the existing relationship with Orange Data to use Telecom Egypt’s fibre network through a new pricing mechanism based on capacity utilization that allows TE to capitalize on the expected growth in the data market.

Main events in the 9 months ending September 2017

- ✓ **March 2017:** Mr. Ahmed El Beheiry joined Telecom Egypt as Managing Director and Chief Executive Officer.
- ✓ **April 2017:** Telecom Egypt signed a Memorandum of Understanding (MoU) with Orange Egypt in regards to a national roaming agreement.
- ✓ **May 2017:** Telecom Egypt signed a MoU with Etisalat Misr regarding national roaming and international voice services.
- ✓ **June 2017:** Telecom Egypt signed two commercial agreements with Etisalat Misr formalizing the MoUs mentioned above. The agreements span a period of 5 years ending 2022.
- ✓ **September 2017:** Telecom Egypt launched its mobile operation under the new brand “WE”.

Customer Base

EGPm	4Q 17	4Q 16	Δ %yoy	3Q 17	Δ % qoq
Fixed Line					
Voice	7,145	6,465	11%	6,913	3%
Data	4,070	3,382	20%	3,839	6%
Mobile	2,300	n/a	n/a	352	n/m

Revenue breakdown

EGPm	FY 17	FY 16	Δ % yoy	4Q 17	4Q 16	Δ % yoy	3Q 17	Δ % qoq
Home Services	5,662	4,228	34%	1,654	1,140	45%	1,418	17%
Enterprise Solutions	2,791	2,389	17%	944	772	22%	579	63%
Domestic Wholesale	3,304	3,004	10%	855	827	3%	776	10%
Int'l Carriers Affairs	4,868	3,203	52%	1,073	1,129	-5%	1,283	-16%
Int'l Customers & Networks	1,942	1,126	72%	916	563	63%	333	175%

Income statement summary

EGPm	FY 17	FY 16	Δ %	4Q 17	4Q 16	Δ % yoy	3Q 17	Δ % qoq
Revenue	18,567	13,950	33%	5,442	4,431	23%	4,389	24%
EBITDA	5,184	3,801	36%	1,261	758	66%	1,145	10%
Income from investments	2,337	668	250%	561	-469	n/m	602	-7%
NPAT	3,150	2,670	18%	-396	-511	-22%	1,008	-139%
EPS	1.4	1.2	19%	-0.3	-0.4	-14%	0.5	-169%
Margins								
EBITDA Margin %	28%	27%	67 bps	23%	17%	608 bps	26%	(292 bps)
NPAT Margin %	17%	19%	(217 bps)	-7%	-12%	424 bps	23%	(3,024 bps)

Vodafone Egypt

EGPm	FY 17	FY 16	Δ % yoy	4Q 17	4Q 16	Δ % yoy	3Q 17	Δ % qoq
Customers	44,082	39,622	11.3%	44,082	39,622	11.3%	42,132	4.6%
Postpaid %	7.2%	7.0%	21 bps	7.2%	7.0%	21 bps	7.4%	(17 bps)
Service revenue	18,524	16,600	11.6%	4,902	4,473	9.6%	4,840	1.3%
Operating profit	5,631	4,397	28.1%	1,564	1,216	28.6%	1,629	-4.0%
Margin %	30.4%	26.5%	391 bps	31.9%	27.2%	472 bps	33.7%	(176 bps)
Net profit	5,201	1,422	265.8%	1,248	-1,043	n/m	1,339	-6.8%
Margin %	28.1%	8.6%	1,951 bps	25.5%	-23.3%	n/m	27.7%	(221 bps)

FY 17 results discussion

- Total consolidated revenue for the FY 2017 grew 33% yoy on higher wholesale revenue mainly resulting from the devaluation of the EGP against the USD. Normalizing for the fx impact, revenue would have still shown a double digit growth of 13% yoy boosted by a 28% growth in retail revenue.
- The growth in retail stems from the continuation of data services growth in both the home and enterprise segments, which increased by 43% and 31% yoy, respectively pushed by the growth in fixed data customers by 20% yoy.
- EBITDA for FY 2017 amounted to EGP 5.2bn an increase of 36% yoy on higher wholesale revenue.
- EBITDA margin came in at 28% in line with management's full year guidance.
- Opex excluding D&A during the year grew by 32% mainly due to the rise in international interconnection cost as a result of the EGP devaluation. Telecom Egypt continues to monitor and contain employee costs, which have grown by 9% yoy, yet declined as a percentage of revenue to 27% down from 33% last year. The employee cost was elevated in Q4 as a result of two one-off payments related to an employee incentive of EGP 150m as a result of the successful launch of mobile services and another one-off payment to the employee pension fund of EGP 260m.
- Income from Investments related to Vodafone Egypt (VFE) grew substantially to 2.4bn compared to 667m last year. The rise is mainly due to a 28% yoy growth in operating profit driven by a 12% yoy growth in service revenue. Additionally, 2016 was impacted by a significant foreign exchange loss in Q4 2016.
- Telecom Egypt's consolidated net profit after tax for FY 17 stood at EGP 3.2bn translating into a yoy growth of 18%. The increase is a strong reflection of the top-line growth and aided by the exceptional growth in investment income from VFE. Excluding the one-offs including the impact of settlements net profit would have reached 4.8bn recording a margin of 26%.
- In service capital expenditure excluding license fees in FY 17 amounted to EGP 7.4bn representing 40% of revenue in line with management's full year guidance, while cash CapEx represented 32% of revenue .
- Net Debt for 2017 stood at EGP 6.7bn representing an annualized net debt to EBITDA of 1.3x.
- Net cash flow from operations in the FY 17 stood at EGP 4.6bn compared to EGP 4.3bn last year.

Balance sheet summary

EGPm	FY 17	FY 2016	Δ %
Current Assets	8,558	8,488	1%
Net Fixed Assets	17,496	14,238	23%
Long Term Investments	11,824	9,534	24%
Other Long Terms Assets	14,506	9,228	57%
Total Assets	52,383	41,488	26%
Current Liabilities (Excl. STD)	12,436	7,648	63%
CPLTD	6,679	2,716	146%
LTD	614	626	-2%
Other Non-Current Liabilities	2,066	753	175%
Total Liabilities	21,795	11,743	86%
Total Shareholder Equity	30,588	29,745	3%
Total Liabilities & Shareholder Equity	52,383	41,488	26%

Cash flow summary

EGPm	FY 17	FY 16	Δ %
Net Cash Provided By Operating Activities	4,649	4,338	7%
Net Cash Flows from Investing Activities	-7,360	-7,005	5%
Net Cash Flows from Financing Activities	2,190	1,230	78%
Net Change In Cash & Cash Equivalents	-520	-1,437	-64%
Translation Differences of Foreign entities	2	58	-97%
Beginning of period cash	1,025	2,404	-57%
End of period cash	507	1,025	-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, the leading and most profitable mobile operator in Egypt.

Telecom Egypt's shares and GDRs (Ticker: ETEL.CA; TEEG.LN) are traded on The Egyptian Exchange and the London Stock Exchange.