



Telecom Egypt

Earnings Release 3Q 2016

Cairo, November 10 2016: Telecom Egypt (te) (Ticker: ETEL.CA; TEEG.LN), today announced its consolidated financial results for the third quarter, ending 30 September 2016. The financial statements have been prepared in accordance with Egyptian Accounting Standards.

Telecom Egypt Announces 3Q 2016 Consolidated Results

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Highlights & CEO Statement

Highlights for the Third Quarter 2016 include:

- Consolidated Revenues were EGP 3,309 million, up from EGP 2,933 million in Q3 2015, reflecting growth of 13%.
- EBITDA was EGP 921 million, delivering a solid margin of 28%, reflecting year-on-year growth of 16%, and a nine-month margin of 31%.
- Net Profit after Tax was EGP 868 million in Q3 2016, NPAT increased 49% to EGP 3,183 million in the nine-month 2016 period over the same period last year.
- Earnings Per Share (EPS) for the 3Q 2016 stood at EGP 0.51 or for nine-month 2016 period at EGP 1.86.
- Retail ADSL market share of 76% with net ads of 172 thousand customers and an ARPU of EGP 80.72.
- Capex of EGP 6,852 million, as at 30 September 2016, due to a one off payment for the mobile license and granted 4G spectrum.

Chief Executive Officer's Statement

"Today we are reporting on another three months of strong financial and operational performance. Across the first nine months of the year we have now recorded solid growth in both the top and bottom line.

"Total consolidated revenues in the third quarter grew 12.8% year-on-year, in line with the growth reported so far this year. This continues to be powered by demand for our retail data services and the strength of our wholesale service proposition.

"Over the first nine months of the year, Net Profit has grown 49.1% to reach EGP 3,183 million or earnings per share of EGP 1.86, as we keep a careful control of costs and work hard on the efficiency of our business.

"As we move towards year end, I am confident that our business is in good financial shape and customer satisfaction is high. We now look to the future, to 2017 and beyond, and focus on our efforts to build a successful mobile proposition. Our commercial preparations are advancing well and our technical team has made significant progress in laying the foundations needed as we await the spectrum from the Egyptian authorities. I look forward to providing further updates when we report year end."

Revenues by Lines of Business:

Business Unit for Q3 2016	(%) of Revenue Contribution
Home Services	33%
Enterprise Solutions	15%
Domestic Wholesale	23%
International Carrier Affairs	21%
International Customers & Networks	8%

Home Services Business Unit:

HS BU (In EGP Millions)	9M 2016	9M 2015	Change%	Q3 2016	Q3 2015	Change%
Voice	1,047	1,162	-9.8%	353	381	-7.2%
Data	2,050	1,458	40.6%	735	521	41.2%
Total	3,097	2,619	18.3%	1,088	901	20.7%

Operational KPI	Unit	9 Month Period		Quarter Comparison	
		9M 2016	9M 2015	Q3 2016	Q3 2015
Home Fixed Line Customers	Mn	5.21	5.49	5.21	5.49
Home ADSL Customers	000's	3,167	2,465	3,167	2,465
Home Voice ARPU	EGP/Month	21.50	23.80	22.45	22.80
Home ADSL ARPU	EGP/Month	78.00	73.89	79.10	72.00

The Home Services Business Unit once again performed strongly. It was driven by the ongoing demand for data as customers' needs converge towards an all-data experience. In the third quarter 2016, this translated into a 41.2% year-on-year increase in revenues from Data Services. This solid growth reflects our strategic focus to transform our business into an all-data services provider, offsetting pressures on traditional voice services.

Net Home ADSL new customers in the third quarter 2016 grew by 28.5% compared with the same period last year.

Total Home revenues for the quarter were EGP 1,088 million, up 20.7% year-on-year from EGP 901 million. The contribution of the Retail business to the total consolidated revenues remains constant at 48.3%.

Enterprise Solutions Business Unit:

ES BU (In EGP Millions)	9M 2016	9M 2015	Change%	Q3 2016	Q3 2015	Change%
Voice	993	845	17.4%	277	280	-1.1%
Data	552	437	26.1%	195	161	21.0%
Others	88	64	37.0%	39	15	150.7%
Total	1,632	1,347	21.2%	510	456	11.8%

Operational KPI	Unit	9 Month Period		Quarter Comparison	
		9M 2016	9M 2015	Q3 2016	Q3 2015
Enterprise Fixed Line Subscribers	Mn	1.10	1.07	1.10	1.07
Enterprise ADSL Subscribers	000's	187	154	187	154

Underpinned by our strategic fiber rollout, competitive proposition and strong relationships, the Enterprise Solutions business continues to grow. Revenues reached EGP 510 million this quarter, up 11.8% from EGP 456 million during the same period last year.

This was buoyed by a 21% increase in data revenues, reaching EGP 195 million in Q3 2016, and growth in subscriber numbers across both Fixed Line and ADSL.

Domestic Wholesale Business Unit:

DW BU <i>(In EGP Millions)</i>	9M 2016	9M 2015	Change%	Q3 2016	Q3 2015	Change%
Domestic	1,727	1,447	19.4%	572	503	13.7%
International Outgoing	573	592	-3.1%	194	196	-1.1%
Total	2,301	2,038	12.9%	766	699	9.5%

Operational KPI	Unit	9 Month Period		Quarter Comparison	
		9M 2016	9M 2015	Q3 2016	Q3 2015
International Outgoing Minutes	%	-7.9%	-9.1%	-6.3%	-8.5%

The Domestic Wholesale Business Unit experienced an increase in total revenues of 9.5% year-on-year versus Q3 2015 to EGP 766 million.

Growth was driven predominantly by the increasing demand from local licensed MNOs and ISPs for infrastructure services to serve their customers, reflecting the data usage evolution Egypt is currently experiencing.

International Carriers Affairs Business Unit:

ICA BU <i>(In EGP Millions)</i>	9M 2016	9M 2015	Change%	Q3 2016	Q3 2015	Change%
International Settlement	2,075	2,264	-8.4%	687	729	-5.8%
Total	2,075	2,264	-8.4%	687	729	-5.8%

Operational KPI	Unit	9 Month Period		Quarter Comparison	
		9M 2016	9M 2015	Q3 2016	Q3 2015
International Incoming Minutes	%	-16.3%	-14.4%	-13.9%	-15.1%

The International Carriers Affairs Business Unit experienced a 5.8% decline in year-on-year revenues from EGP 729 million in Q3 2015 to EGP 687 million in Q3 2016.

Revenue performance at this business unit continues to be impacted negatively by the ongoing and growing illegal bypass activities and the use of Over-the-Top mobile applications.

International Customers & Networks Business Unit:

IC&N BU <i>(In EGP Millions)</i>	9M 2016	9M 2015	Change%	Q3 2016	Q3 2015	Change%
Revenue	564	451	24.9%	258	147	75.0%

Revenue Breakdown	Unit	9 Month Period		Quarter Comparison	
		9M 2016	9M 2015	Q3 2016	Q3 2015
Cable Projects		47	23	24	23
Ancillary Services (O&M)	Mn	158	127	70	42
Capacity Sales	Mn	252	209	124	48
International Customer Support	Mn	108	92	40	34

The International Customers and Networks Business Unit experienced 75% growth in revenues versus Q3 2015, climbing to EGP 258 million for the quarter. The conclusion of Capacity Sales agreements resulted in a revenues increase of 159.7% to EGP 124 million in the Q3 2016.

Revenues of EGP 70 million from Ancillary Services, up 67.5% year on year, relating to post-delivery services for the SMWE-5 cable system, also contributed to the top line this quarter.

Key Financial Highlights:

Income Statement – Summary:

<i>(In EGP Millions exclude Per share Data)</i>	9M 2016	9M 2015	Change%	Q3 2016	Q3 2015	Change%
Sales Revenue	9,668	8,720	10.9%	3,309	2,933	12.8%
Home Services	3,097	2,619	18.3%	1,088	901	20.7%
Enterprise Solutions	1,632	1,347	21.2%	510	456	11.8%
Domestic Wholesale	2,301	2,038	12.9%	766	699	9.5%
Int'l Carriers Affairs	2,075	2,264	-8.4%	687	729	-5.8%
Int'l Customers & Networks	564	451	24.9%	258	147	75.0%
EBITDA	2,975	2,370	25.5%	921	794	16.0%
EBITDA Margin %	30.8%	27.2%		27.8%	27.1%	
EBIT	3,236	1,621	99.6%	1,021	490	108.5%
EBIT Margin %	33.5%	18.6%		30.9%	16.7%	
NPAT	3,183	2,135	49.1%	868	1,203	-27.8%
NPAT Margin %	32.9%	24.5%		26.2%	41.0%	
EPS	1.86	1.25	49.1%	0.51	0.70	-27.8%

Costs:

Although, te's management continues to maintain a prudent and active approach to cost management, total costs during Q3 2016 were up 5.1%, mainly driven by a 29.7% increase in energy costs due to the government gradually removing subsidies from utility services.

EBITDA:

EBITDA for the third quarter 2016 amounted to EGP 921 million, an increase of 16% year on year, directly attributable to higher revenues in our higher margin retail business. The EBITDA margin for Q3 2016 was 27.8% and stood at 30.8% for the nine-month period, all in line with management expectation.

Adj. EBITDA, after setting aside the effect of irregular stream of revenues, grew by 26% year on year, reflecting a nine-month margin of 31.4% (9M 2015: 28.5%).

EBIT reached EGP 1,021 million for the quarter, an increase of 108.5% year on year, delivering an EBIT margin of 30.9%.

Income from Investments:

Total Income from investments, mainly representing te's stake in Vodafone Egypt (VFE), grew 37.6% year-on-year to EGP 421 million in 3Q 2016, reaching EGP 1,137 million for nine-month period 2016.

During the period under review, VFE generated revenues of EGP 4,344 million, representing an increase of 9.9% on the previous quarter.

As at 30 September 2016, VFE Closing customers stood at 40,164 million, 3.9% over the same period last year.

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

Vodafone Egypt Financial Highlights-

<i>(In EGP Millions)</i>	Second Quarter Ending Sept.			Previous Quarter Comparison		
	Sept. 2016	Sept. 2015	% Change	Q2 16/17	Q1 16/17	% Change
Total Revenue	8,299	7,320	13.4%	4,344	3,955	9.9%
Net Profit	1,703	1,239	37.4%	937	766	22.3%
CAPEX	1,047	1,718	-39.1%	571	476	20.0%

Vodafone Egypt Operational Highlights:-

	Second Quarter Ending Sept.			Previous Quarter Comparison		
	Sept. 2016	Sept. 2015	% Change	Q2 16/17	Q1 16/17	% Change
Closing Customers (000's)	40,164	38,666	3.9%	40,164	39,499	1.7%
Net Adds (000's)	1,212	-1,543	178.5%	665	547	21.6%
Total Voice Minutes (MN)	60,073	52,900	13.6%	30,359	29,714	2.2%

Net Profit:-

Te's Consolidated Net Profit After Tax for Q3 2016 declined 27.8% year on year to EGP 868 million, due to higher costs and income tax base, namely EGP 663 million deferred tax liability reversed in 3Q15 on account of undistributed dividends for associates.

The NPAT for the 9-month 2016 period grew 49.1% over the same period last year, reaching EGP 3,183 billion.

This translates to an EPS of EGP 1.86 for the nine-month period 2016 and a net profit margin of 32.9%.

Balance Sheet – Summary:

<i>(In EGP Millions)</i>	9M 2016	FY 2015	Change%
Current Assets	7,266	9,167	-20.7%
Net Fixed Assets	13,166	11,839	11.2%
Long Term Investments	10,013	10,561	-5.2%
Other Long Terms Assets	7,602	3,011	152.5%
Total Assets	38,047	34,578	10.0%
Current Liabilities (Excl. STD)	4,838	5,207	-7.1%
CPLTD	2,417	62	3769.4%
LTD	328	327	0.2%
Other Non-Current Liabilities	344	7	4774.0%
Total Liabilities	7,927	5,603	41.5%
Total Shareholder Equity	30,120	28,974	4.0%
Total Liabilities & Shareholder Equity	38,047	34,578	10.0%

Cash Flow – Summary:

<i>(In EGP Millions)</i>	9M 2016	9M 2015	Change%
Net Cash Provided By Operating Activities	3,481	929	274.8%
Net Cash Flows from Investing Activities	-5,938	-862	588.7%
Net Cash Flows from Financing Activities	1,016	-414	345.2%
Net Change In Cash and Cash Equivalents during the Period	-1,440	-348	-314.3%
Translation Differences of Foreign entities	7	3	142.2%
Cash & Cash Equivalents at the Beginning of the Period	2,404	2,699	-10.9%
Cash and Cash Equivalents at the End of the Period	970	2,354	-58.8%

Investment in Infrastructure / Capital Expenditure:

Capital expenditure (Capex) for the nine-month 2016 period reached EGP 1,632 million, representing 17% of total revenues excluding the exceptional payment made for the 4G license.

The company will maintain its strategy of investing in high-speed data networks to capture mobile data growth, including the rollout of 4G network.

Net Financial Debt:

Net financial debt reached EGP 1,571 million due to the financial arrangements related to the acquired mobile license, granted spectrum and infrastructure upgrade.

To download a complete copy of te's Q3 2016 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 2016 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 6.3 million subscribers as at 30 September 2016.

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.